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Corporate Information

DIRECTORS

Hung Hak Hip* *(Chairman)*
Liu Chi Keung, Ricky *(Vice-Chairman & CEO)*
Wong Yu Hong, Philip**
Sze Tsai To, Robert**
Cheung Wing Yui, Edward**
Hung Chiu Yee*
Lee Pak Wing*
Han Kin Yee
Chan Sai On, David
Wong Kwok Ying

* *Non-executive director*
** *Independent non-executive director*

SOLICITORS

Woo, Kwan, Lee & Lo
27th Floor
Jardine House
1 Connaught Place
Hong Kong

AUDITORS

Ernst & Young
Certified Public Accountants
15th Floor, Hutchison House
10 Harcourt Road
Hong Kong

PRINCIPAL REGISTRAR AND TRANSFER OFFICE

The Bank of Bermuda Limited
6 Front Street
Hamilton HM 11
Bermuda

HONG KONG BRANCH REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Rooms 1901-5
19/F., Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

PRINCIPAL BANKERS

The Bank of East Asia, Limited
Hang Seng Bank Limited
The Hongkong and Shanghai Banking Corporation Limited
Standard Chartered Bank

REGISTERED OFFICE

Cedar House
41 Cedar Avenue
Hamilton HM 12
Bermuda

COMPANY SECRETARY AND PRINCIPAL PLACE OF BUSINESS

Wong Kwok Ying
Units E & F, 2/F.,
Hop Hing Building
9 Ping Tong Street East
Tong Yan San Tsuen
Yuen Long
New Territories
Hong Kong

Chairman's Statement

The gloomy economy and difficult and challenging business environment in 2001 have not improved in the year 2002. Consumer spending has remained low and the total size of the edible oil market in Hong Kong was affected by these factors.

Operating Results

Earnings before interests, depreciation and amortisation (EBIDTA) for the year ended 31 December 2002 was HK$23 million (before accounting for provision against and write-off of deposits and prepayments, and gain on disposal of a trading right in the Hong Kong Futures Exchange Limited).

Net loss before tax for the year ended 31 December 2002 was HK$63 million, which included net interest expenses of HK$19 million, depreciation of HK$28 million and a provision/write-off of HK$39 million (see below). This compares with a net profit before tax of HK$9 million for the year 2001.

Dividend

No interim dividend was paid (2001: nil) and your directors do not recommend the payment of any final dividend for the year under review (2001: nil).

REVIEW OF OPERATIONS

Edible Oil

Despite the market uncertainties, the Group has maintained its stable share of the Hong Kong market in 2002.

During the year, the Group's premium brand, Lion & Globe, received both the Hong Kong Superbrands Tribute Award and the Reader's Digest 2002 Superbrand Award, while the Group's other popular brand, Camel, also received the Hong Kong Top Ten Brandnames Award.

In China, much effort has been deployed to brand building while focusing our efforts and resources in those regions which present better opportunities. Our Camel brand received the 「中國放心食品信譽品牌」and「廣東省名牌產品」Awards as well as the 「產品質量免檢証書」 from the authorities concerned.

On working capital management, the Group has further reduced its accounts receivable from HK$51 million on 31 December 2001 to HK$31 million on 31 December 2002. At the same time, inventory at the end of 2002 was HK$43 million, as compared to HK$60 million on 31 December 2001. Total wages and salaries in 2002 was about HK$42 million, against HK$47 million in 2001, a reduction of about 11%.

Financial Resources

The Group's relationship banks have reached an agreement with the Group which came into effect in April 2003 to refinance the Group's indebtedness in Hong Kong by providing three and a half year term loans of HK$138 million and HK$42 million fixed revolving loans to replace the Group's existing loans of HK$143 million.

As a result, the Group's liquidity position has improved.

Gearing

As at 31 December 2002, the total interest-bearing bank loans amounted to HK$242 million, a reduction of HK$55 million from 31 December 2001. Accordingly, when compared against that for 31 December 2001, the Group's gearing ratio on 31 December 2002 has improved by 18%.

Provision and Write-off

In our Interim Report for 2002, we have reported on the provision against deposits paid to a PRC company for procurement of raw materials and write-off of the costs associated with the proposed listing of the Group's edible oil business in the PRC on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited of HK$39 million. Since then, the Group has taken necessary actions to recover the money owed from the PRC company concerned, and the matter is currently in the hands of the Group's lawyers.

OUTLOOK

The Hong Kong market is still going through a period of stagnation and increased competition. At the same time, the market in China remains volatile and requires focus both in terms of location and resources. However, your Board looks ahead with prudent optimism.

MANAGEMENT AND STAFF

We thank all members of our management team and staff for their hard work during the year under review.

HUNG HAK HIP
Chairman

28 April 2003

RESULTS

Net loss attributable to shareholders for the year ended 31 December 2002 was HK$75 million, which included the exceptional item relating to the provision against and write-off of deposits and prepayments (see note 7 to the financial statements). This compares with a profit of HK$7 million for 2001. The loss per share for the year was 18.45 HK cents (2001: earnings per share of 1.78 HK cents as restated)

EQUITY

The number of issued shares of HK$0.10 each as at 31 December 2002 was 409,125,738. During the year, 12,717 shares of HK$0.10 each were issued pursuant to the exercise of 12,717 warrants of the Company. As at the year end date, there were outstanding share options granted to certain eligible employees, entitling them to subscribe for an aggregate of 23,492,677 shares of the Company.

LIQUIDITY AND GEARING

As at 31 December 2002, the Group had net current liabilities of HK$99 million (2001: net current asset of HK$1 million). The decrease in net current assets was mainly due to repayment of long term bank loans and provision against and write-off of deposits and prepayments. Subsequent to the balance sheet date, on 24 April 2003, the Group entered into debt refinancing agreements with its principal bankers to refinance its existing bank indebtedness in Hong Kong. The liquidity position of the Group has improved after the debt refinancing. A summary of pro forma adjusted consolidated net assets, based on the audited consolidated net assets of the Group as at 31 December 2002, is presented in note 36 to the financial statements as if the debt refinancing had taken place at that date.

As at 31 December 2002, the Group's gearing ratio (expressed as a percentage of long term bank borrowings over shareholders' funds and long term bank borrowings) was 18% (2001: 22%).

The Group's bank borrowings are denominated in Hong Kong dollars, US dollars and Renminbi. It is the Group's policy to hedge foreign currency liabilities with foreign currency assets.

The net interest expenses for the year was HK$19 million (2001: HK$23 million). Such decrease is mainly attributable to the repayments of bank loans and the decrease in interest rate during the year under review.

REMUNERATION POLICIES

Remuneration packages comprised salaries and bonuses based on individual merits. The total remuneration paid to the employees (including pension costs and the directors' emoluments) of the Group in 2002 was HK$42 million (2001: HK$47 million). As at 31 December 2002, the Group has 379 (2001: 593) employees.

Details of share options granted under the share option scheme of the Company are set out note 28 to the financial statements.

SEGMENTED INFORMATION

The Group continued to concentrate its efforts on its core business - edible oils. In the year under review, the Group's edible oil business in Mainland China continued to account for a substantial portion of the Group's revenue and assets.

Details of the segmented information are set out in note 5 to the financial statements.

CONTINGENT LIABILITIES

Details of the contingent liabilities are set out in note 34 to the financial statements.

PLEDGE OF ASSETS

Details of pledge of assets are set out in note 31 to the financial statements.

Report of the Directors

The directors herein present their report and the audited financial statements of the Company and of the Group for the year ended 31 December 2002.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The subsidiaries of the Group are mainly engaged in the extraction, refining, blending, bottling, packaging and distribution of edible oils and ancillary activities. There were no significant changes in the nature of the Group's principal activities during the year.

RESULTS AND DIVIDENDS

The Group's loss for the year ended 31 December 2002 and the state of affairs of the Group and of the Company at that date are set out in the financial statements on pages 20 to 61.

The directors do not recommend the payment of any dividend for the year.

COMPARATIVE FINANCIAL INFORMATION

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on pages 62 and 63.

FIXED ASSETS

Details of movements in the fixed assets of the Group during the year are set out in note 14 to the financial statements.

SHARE CAPITAL, SHARE OPTIONS AND WARRANTS, AND RESERVES

Details of movements in the Company's share capital, share options and warrants during the year, together with the reasons therefor, are set out in notes 27 and 28 to the financial statements. The movements in the reserves of the Company and the Group during the year are set out in note 29 to the financial statements and in the consolidated statement of changes in equity, respectively.

BORROWINGS

Particulars of the borrowings of the Group at the balance sheet date are set out in notes 22, 23 and 24 to the financial statements.

DIRECTORS

The directors of the Company during the year and up to the date of this report were:

Hung Hak Hip*	*(Chairman)*
Liu Chi Keung, Ricky	*(Vice-Chairman & CEO)*
Wong Yu Hong, Philip**	
Sze Tsai To, Robert**	
Cheung Wing Yui, Edward**	
Hung Chiu Yee*	
Lee Pak Wing*	
Han Kin Yee	
Chan Sai On, David	
Wong Kwok Ying	

* *Non-executive director*

** *Independent non-executive director*

All directors, including the independent non-executive directors, are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provisions of the Company's Bye-laws. At the forthcoming annual general meeting, Messrs. Hung Hak Hip, Sze Tsai To, Robert, Lee Pak Wing and Wong Kwok Ying will retire and, being eligible, will offer themselves for re-election.

DIRECTORS AND SENIOR EXECUTIVES

(a) Non-executive directors

Hung Hak Hip, aged 58, Chairman, is a chartered accountant and worked in the Hong Kong securities industry before joining the Group in 1975. Mr. Hung is the brother of Ms. Hung Chiu Yee, a non-executive director of the Group. As disclosed under "Directors' interests in shares", an associate of Mr. Hung is a discretionary beneficiary of a discretionary trust which beneficially owns shares in the Company.

Dr The Hon Wong Yu Hong, Philip, JD, Ph D, aged 64, appointed a director of the Group in 1989, is a prominent businessman who serves on the board of a number of public organisations, including deputy of the National People's Congress, member of The People's Republic of China (the "PRC") Hong Kong SAR Legislative Council, Vice-chairman of the Chinese General Chamber of Commerce and board member of the Hong Kong Trade Development Council.

DIRECTORS AND SENIOR EXECUTIVES (continued)

(a) Non-executive directors (continued)

Sze Tsai To, Robert, aged 62, appointed a director of the Group on 1 June 2000. Mr. Sze is a fellow of the Institute of Chartered Accountants in England and Wales and the Hong Kong Society of Accountants and was a partner in an international firm of accountants with which he practised for over 20 years. He is a non-executive director of a number of Hong Kong listed companies and is also a member of the Shanghai Committee of the Chinese People's Political Consultative Conference.

Cheung Wing Yui, Edward, aged 53, appointed a director of the Group in 1989, has been a partner of Woo, Kwan, Lee & Lo, solicitors, since 1981. Mr. Cheung is also a qualified solicitor in England and Singapore and a member of the Australian Society of Certified Practising Accountants.

Hung Chiu Yee, aged 62, appointed a director of the Group in 1988, holds a Bachelor of Science degree and was a former senior executive of the Group. She has business interests in cosmetics and trading. Ms. Hung is the sister of Mr. Hung Hak Hip.

Lee Pak Wing, aged 57, holds a Master of Science degree in production technology. He joined the Group in 1979 prior to which he was a systems manager with Tyco Industries Limited. He was formerly the Vice-chairman of the Group.

(b) Executive directors

Liu Chi Keung, Ricky, aged 54, Vice-Chairman & CEO, B. Comm; Master in Finance; Fellow of Chartered Management Institute. He has over 29 years' senior management experience, the last 20 years of which were at the directorate level of international corporates and locally listed companies, carrying significant bottom-line responsibilities covering Greater China and South East Asia. He joined the Group on 8 March 1999 and was appointed to the board as the Executive Vice-Chairman on 23 March 1999.

Han Kin Yee, aged 56, Group Corporate Finance Director, is a chartered accountant with working experience in England, Canada and Hong Kong. Prior to joining the Group in 1992, he was a partner of KPMG and he also held a number of senior positions with corporations in Canada.

Chan Sai On, David, aged 48, is the Managing Director of the Group's operating subsidiaries in the PRC. He holds a diploma in marketing from the Hong Kong Polytechnic University and has over 20 years' experience in the marketing of consumer products. He joined the Group in 1985 and was appointed a director on 1 January 1997.

DIRECTORS AND SENIOR EXECUTIVES (continued)

(b) Executive directors (continued)

Wong Kwok Ying, aged 43, is the Company Secretary and was appointed a director of the Company on 10 January 2000. Mr. Wong is a certified public accountant in Hong Kong and has over 20 years' experience in finance, accounting and audit. Prior to joining the Group in 1990, he worked with one of the international accounting firms in Hong Kong.

(c) Senior executives

Lam Fung Ming, Tammy, aged 39, is responsible for the manufacturing, quality assurance and product development functions of the Group. She holds a Bachelor of Science degree in Food Science and Technology and a Higher Diploma in Chemical Technology from the Hong Kong Polytechnic University. She also has over 10 years' experience in the oil and food industry. She joined the Group in 1990.

Wan Kam Shing, aged 54, is the General Manager for the Group's sales activities in China South Region. He has managerial experience in cold storage, food service sales and sales of fast moving consumer goods gained in Hong Kong and the PRC. Mr. Wan joined the Group in 1998.

Lian Bai Xiang, aged 54, is the General Manager for the Group's sales activities in China East and China South-West Regions. He obtained a Diploma in Industrial Enterprise Management from the Shanghai University of Textile in 1987. He has held various managerial positions with PRC entities for over 20 years. He is also the general manager of a Sino-foreign equity joint venture of the Group. Mr. Lian joined the Group in 1993.

Wang Yue, David, aged 33, is the Deputy General Manager for the Group's sales activities in China East Region. He holds a bachelor degree in Bio-Chemical Engineering from the South China Technology University. He has about 10 years' managerial experience in the sales and marketing of food products in the PRC. Mr. Wang joined the Group in 2001.

Cheng Yee Wah, Eva, aged 40, is principally responsible for treasury and accounting functions of the Group's operations in the PRC. Ms. Cheng is an associate member of the Hong Kong Society of Accountants and a member of the American Institute of Certified Public Accountants. She has over 13 years' experience in finance and accounting positions in both Hong Kong and the PRC. Ms. Cheng joined the Group in 2000.

DIRECTORS AND SENIOR EXECUTIVES (continued)

(c) Senior executives (continued)

Chan Chi Lik, Tony, aged 37, is the Group's IT manager. He holds a bachelor degree with honors in Information System from the University of Staffordshire in UK. He has over 12 years' experience in information services and the implementation of Enterprise Resources Planning Execution systems. Mr. Chan joined the Group in 2000.

DIRECTORS' INTERESTS IN CONTRACTS

Other than transactions disclosed under the heading "Connected transactions", none of the directors had a significant interest in any material contract to which the Company or any of its subsidiaries was a party during the year.

DIRECTORS' SERVICE CONTRACTS

None of the directors proposed for re-election at the forthcoming annual general meeting was a party to any service contract with the Company which is not determinable by the Company within one year without payment other than statutory compensation.

DIRECTORS' INTERESTS IN SHARES AND WARRANTS

The interests of the directors in the issued shares and warrants of the Company as recorded in the register kept under Section 29 of the Securities (Disclosure of Interests) Ordinance as at 31 December 2002 were as follows:

(a) Ordinary shares of the Company

	Number of shares of HK$0.10 each			
	Personal interests	Family interests	Corporate interests	Other interests
Hung Hak Hip	–	1,396,645	3,601,607	3,227,420*
Liu Chi Keung, Ricky	–	–	–	–
Wong Yu Hong, Philip	–	–	–	–
Sze Tsai To, Robert	–	–	–	–
Cheung Wing Yui, Edward	398,000	–	–	–
Hung Chiu Yee	772,673	–	–	–
Lee Pak Wing	–	–	–	–
Han Kin Yee	–	–	–	–
Chan Sai On, David	–	–	–	–
Wong Kwok Ying	–	–	–	–

* 3,227,420 shares were beneficially owned by a discretionary trust whose discretionary beneficiaries include an associate of Mr. Hung Hak Hip.

Other than nominee shares in certain subsidiaries held by certain directors in trust for the Company or the immediate holding company of those subsidiaries, none of the directors held an equity interest in any of the Company's subsidiaries.

DIRECTORS' INTERESTS IN SHARES AND WARRANTS (continued)

(b) Warrants of the Company

	Number of warrants held			
	Personal interests	Family interests	Corporate interests	Other interests
Hung Hak Hip	–	179,328	720,321	645,483**
Liu Chi Keung, Ricky	–	–	–	–
Wong Yu Hong, Philip	–	–	–	–
Sze Tsai To, Robert	–	–	–	–
Cheung Wing Yui, Edward	79,600	–	–	–
Hung Chiu Yee	154,534	–	–	–
Lee Pak Wing	–	–	–	–
Han Kin Yee	–	–	–	–
Chan Sai On, David	–	–	–	–
Wong Kwok Ying	–	–	–	–

** 645,483 warrants were beneficially owned by a discretionary trust whose discretionary beneficiaries include an associate of Mr. Hung Hak Hip.

SHARE OPTION SCHEME

Due to the adoption of Statement of Standard Accounting Practice No. 34 "Employee benefits" during the year, most of the detailed disclosures relating to the Company's share option scheme are set out in note 28 to the financial statements.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Apart from as disclosed under the headings "Directors' interests in shares and warrants" above and in the share option scheme disclosures in note 28 to the financial statements, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company or their spouses or children under the age of 18 to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS

At 31 December 2002, the interests of those persons (other than the directors) in the share capital of the Company as recorded in the register kept under Section 16 of the Securities (Disclosure of Interests) Ordinance were as follows:

Name of shareholder	Number of shares of HK$0.10 each
Hung's (1985) Limited ("Hung's")	117,136,083
Hop Hing Oil (1985) Limited ("HHO")	155,392,698
GZ Trust Corporation ("GZTC")	272,528,781

The shares disclosed under the name of GZTC include GZTC's deemed interest in the shares held by Hung's and HHO.

CONNECTED TRANSACTIONS

On 14 November 2002, Liveral Company Limited ("Liveral") and Knight Investment Limited ("Knight"), indirect wholly-owned subsidiaries of the Company, entered into five tenancy agreements (the "Tenancy Agreements") as landlords with Hung's Management Services Limited ("HMSL"), Yoshinoya Fast Food (Hong Kong) Limited ("Yoshinoya") and Wasserbel Trading Company Limited ("Wasserbel") (collectively referred herein as the "Lessees") for letting the following premises of the Group to the Lessees:

1. Workshop A, First Floor, Hop Hing Industrial Building, 704 Castle Peak Road, Kowloon;

2. Workshop B, C and D, Upper Ground Floor, Hop Hing Industrial Building, 704 Castle Peak Road, Kowloon;

3. Factory B, Ground Floor, Hop Hing Industrial Building, 704 Castle Peak Road, Kowloon; and

4. Car Parking Space No. 13, Ground Floor, Hop Hing Industrial Building, 704 Castle Peak Road, Kowloon.

The aggregate rent received and receivable under the Tenancy Agreements by the Group are HK$227,410, HK$1,886,400 and HK$1,886,400 for the years ended 2002, 2003 and 2004 respectively, and which do not exceed the yearly threshold under Rule 14.25(1) of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") for the year.

CONNECTED TRANSACTIONS (continued)

The Lessees are controlled by GZ Trust Corporation, a substantial shareholder of the Company, and hence the Lessees are connected persons of the Group under Rule 14.03(2)(a) of the Listing Rules. Moreover, Mr. Hung Hak Hip, a non-executive director of the Company, is a director of HMSL; Ms Hung Chiu Yee, also a non-executive director of the Company, is a director of the Lessees; and Mr. Lee Pak Wing, a non-executive director of the Company, is a director of Wasserbel and Yoshinoya.

The Company has applied to the Stock Exchange for a waiver from strict compliance with the disclosure requirements under Rule 14.25 of the Listing Rules in respect of the connected transactions and a conditional waiver from strict compliance with these disclosure requirements was granted by the Stock Exchange subject to the conditions, which have been fully complied with by the Company for the year.

The independent non-executive directors have reviewed and confirmed that the connected transactions arising from the Tenancy Agreements for the year (i) had been entered into by the Company in the ordinary and usual course of its business; (ii) had been entered into on normal commercial terms and on terms that were fair and reasonable so far as the shareholders of the Company are concerned; and (iii) the value of the annual aggregate rent under the Tenancy Agreements do not exceed the thresholds under Rule 14.25(1) for the year.

The auditors of the Company have reviewed the above connected transactions for the year and confirmed that the transactions (i) were approved by the Board of Directors of the Company; (ii) had been entered into in accordance with the terms of the Tenancy Agreements; and (iii) had not exceeded the thresholds under Rule 14.25(1) of the Listing Rules for the year.

Besides, details of the related party transactions for the year are set out in note 35 to the financial statements. Save as disclosed therein and the connected transactions mentioned above, there were no other transactions which, in the opinion of the directors, constitute connected transactions under the Listing Rules.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2002, the percentage of purchases attributable to the Group's five largest suppliers and the turnover attributable to the Group's five largest customers was less than 30% of the Group's purchases and turnover, respectively.

RETIREMENT SCHEME

The Group operates defined contribution retirement benefits schemes, namely the Mandatory Provident Fund ("MPF") Scheme (the "MPF Scheme") and the scheme registered under the Occupational Retirement Scheme Ordinance which has been exempted under the MPF Schemes Ordinance (the "Exempted Scheme") for those employees who are eligible to participate. Contributions are made based on a percentage of the employees' salaries and are charged to the profit and loss account as they become payable in accordance with the rules of the respective schemes. The assets of the respective schemes are held separately from those of the Group in independently administered funds. In accordance with the MPF Schemes Ordinance, when an employee leaves the Exempted Scheme prior to his/her interest in the employer contributions vesting fully, the ongoing contributions payable by the Group may be reduced by the relevant amount of forfeited contributions. For the MPF Scheme, the employer contributions vest fully with the employees when contributed into the MPF Scheme.

For the year ended 31 December 2002, the total scheme contributions made by the Group amounted to HK$1,185,000 and forfeited contributions applied to reduce employer's contributions were HK$90,000. At 31 December 2002, forfeited contributions totalling HK$78,000 were available to reduce future contributions to the Exempted Scheme.

The employees of the Group's subsidiaries which operates in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute 11% of its payroll costs to the central pension scheme.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws or the laws of Bermuda, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

PURCHASE, SALE OR REDEMPTION OF OWN LISTED SECURITIES

There were no purchases, sales or redemptions by the Company or any of its subsidiaries, of the Company's listed securities during the year.

CODE OF BEST PRACTICE

In the opinion of the directors, the Company has complied with the Code of Best Practice (the "Code") as set out in Appendix 14 of the Listing Rules throughout the year, except that the independent non-executive directors of the Company are not appointed for specific terms as required by paragraph 7 of the Code as they are subject to retirement and re-election in accordance with the provisions of the Bye-laws of the Company.

AUDIT COMMITTEE

The Company has an audit committee which was established in accordance with the requirements of the Code for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The audit committee comprises the three independent non-executive directors of the Company.

POST BALANCE SHEET EVENTS

Details of the significant post balance sheet events of the Group are set out in note 36 to the financial statements.

AUDITORS

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

HUNG HAK HIP
Chairman

28 April 2003

ERNST & YOUNG
安永會計師事務所

To the members
HOP HING HOLDINGS LIMITED
(Incorporated in Bermuda with limited liability)

We have audited the financial statements on pages 20 to 61 which have been prepared in accordance with accounting principles generally accepted in Hong Kong, except as further explained below.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

BASIS OF OPINION

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes an examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's and the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

ACCOUNTING TREATMENT OF TRADEMARKS

Included in the consolidated balance sheet are trademarks of HK$122,235,000 which are stated at cost and are not amortised. In accordance with SSAP 29 "Intangible assets", which became effective in 2001, these trademarks should be amortised over the best estimate of their useful lives. However, as further explained in note 15 ("Trademarks") to the financial statements, in the opinion of the directors, no amortisation is considered necessary for the reasons stated therein. Because we have not been able to quantify the estimated useful lives of the trademarks, we are unable to determine the effect of this departure from SSAP 29 on the Group's net assets as at 31 December 2002 and the loss for the year then ended, including any prior year adjustment that may be required.

Except for any adjustments that might have been found necessary had the trademarks been amortised, in our opinion the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2002 and of the loss and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants

Hong Kong
28 April 2003

Consolidated Profit and Loss Account

year ended 31 December 2002

	Notes	**2002 HK$'000**	2001 HK$'000 (Restated)
TURNOVER	6	**568,814**	598,041
Direct cost of stocks sold and services provided		**(423,302)**	(421,574)
Other production and service costs (including depreciation of HK$28,409,000 (2001: HK$29,068,000))		**(50,821)**	(50,519)
Selling and distribution costs		**(44,135)**	(40,014)
General and administrative expenses		**(58,058)**	(60,606)
Provision against and write-off of deposits and prepayments	7	**(39,272)**	–
Other revenue and gains		**832**	624
PROFIT/(LOSS) FROM OPERATING ACTIVITIES	7	**(45,942)**	25,952
Finance costs, net	9	**(18,612)**	(23,028)
Share of profit of a jointly-controlled entity		**1,634**	5,836
PROFIT/(LOSS) BEFORE TAX		**(62,920)**	8,760
Tax	10	**(12,661)**	(1,577)
PROFIT/(LOSS) AFTER TAX		**(75,581)**	7,183
Minority interests		**108**	102
NET PROFIT/(LOSS) ATTRIBUTABLE TO SHAREHOLDERS	11	**(75,473)**	7,285
EARNINGS/(LOSS) PER SHARE (HK cents)	13		
Basic		**(18.45)**	1.78
Diluted		**N/A**	N/A

Consolidated Balance Sheet

31 December 2002

	Notes	**2002** HK$'000	2001 HK$'000 (Restated)
NON-CURRENT ASSETS			
Fixed assets	14	**520,997**	554,195
Trademarks	15	**122,235**	121,971
Interests in associates	17	**(1,425)**	(1,425)
Interest in a jointly-controlled entity	18	**53,261**	57,919
		695,068	732,660
CURRENT ASSETS			
Stocks	19	**42,568**	59,655
Accounts receivable	20	**30,841**	51,016
Tax recoverable		**–**	309
Sundry receivables, deposits and prepayments		**37,712**	66,637
Pledged cash deposits	21	**11,545**	7,437
Cash and bank balances		**56,110**	88,692
		178,776	273,746
CURRENT LIABILITIES			
Interest-bearing bank loans	22	**138,802**	140,335
Other loans	23	**5,177**	5,177
Bills payable	24	**65,249**	71,246
Accounts payable	25	**18,673**	23,453
Other payables and accrued charges		**37,871**	32,937
Tax payable		**12,090**	–
		277,862	273,148
NET CURRENT ASSETS/(LIABILITIES)		**(99,086)**	598
TOTAL ASSETS LESS CURRENT LIABILITIES		**595,982**	733,258
NON-CURRENT LIABILITIES			
Interest-bearing bank loans	22	**102,958**	156,508
Deferred tax	26	**8,903**	9,600
		111,861	166,108
MINORITY INTERESTS		**5,135**	5,243
		478,986	561,907

Consolidated Balance Sheet

31 December 2002

	Notes	2002 HK$'000	2001 HK$'000 (Restated)
CAPITAL AND RESERVES			
Issued capital	27	**40,913**	40,911
Reserves	29(a)	**438,073**	520,996
		478,986	561,907

Hung Hak Hip
Chairman

Liu Chi Keung, Ricky
Vice-Chairman & CEO

Consolidated Statement of Changes in Equity

year ended 31 December 2002

			Reserves						
	Notes	Issued capital HK$'000	Share premium HK$'000	Investment property revaluation reserve HK$'000	Other properties revaluation reserve HK$'000	Capital and other reserves HK$'000	Retained profits/ (Accumulated loss) HK$'000	Sub-total HK$'000	Total HK$'000
Balance at 1 January 2001:									
As previously stated		40,911	374,364	9,919	56,265	58,117	18,595	517,260	558,171
Prior year adjustment:									
SSAP 34									
"Employee benefits"	12	–	–	–	–	–	(1,791)	(1,791)	(1,791)
As restated		40,911	374,364	9,919	56,265	58,117	16,804	515,469	556,380
Deficit on revaluation		–	–	(2,400)	–	–	–	(2,400)	(2,400)
Release on liquidation of a subsidiary		–	–	–	–	642	–	642	642
Net profit attributable to shareholders (as restated)		–	–	–	–	–	7,285	7,285	7,285
Balance at 31 December 2001		40,911	374,364	7,519	56,265	58,759	24,089	520,996	561,907
Balance at 1 January 2002:									
As previously stated		40,911	374,364	7,519	56,265	58,759	25,936	522,843	563,754
Prior year adjustment:									
SSAP 34									
"Employee benefits"	12	–	–	–	–	–	(1,847)	(1,847)	(1,847)
As restated		40,911	374,364	7,519	56,265	58,759	24,089	520,996	561,907
Issue of shares		2	1	–	–	–	–	1	3
Deficit on revaluation	14	–	–	(7,200)	–	–	–	(7,200)	(7,200)
Bonus warrants issue expenses		–	(251)	–	–	–	–	(251)	(251)
Net loss attributable to shareholders		–	–	–	–	–	(75,473)	(75,473)	(75,473)
Balance at 31 December 2002		**40,913**	**374,114**	**319**	**56,265**	**58,759**	**(51,384)**	**438,073**	**478,986**
Retained in/(accumulated by):									
Company and subsidiaries		40,913	374,114	319	56,265	58,759	(86,647)	402,810	443,723
Associates		–	–	–	–	–	24,646	24,646	24,646
A jointly-controlled entity		–	–	–	–	–	10,617	10,617	10,617
31 December 2002		**40,913**	**374,114**	**319**	**56,265**	**58,759**	**(51,384)**	**438,073**	**478,986**
Company and subsidiaries		40,911	374,364	7,519	56,265	58,759	(15,832)	481,075	521,986
Associates		–	–	–	–	–	24,646	24,646	24,646
A jointly-controlled entity		–	–	–	–	–	15,275	15,275	15,275
31 December 2001		40,911	374,364	7,519	56,265	58,759	24,089	520,996	561,907

Consolidated Cash Flow Statement

year ended 31 December 2002

	Notes	**2002** **HK$'000**	2001 HK$'000 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax		**(62,920)**	8,760
Adjustments for:			
Share of profit of a jointly-controlled entity		**(1,634)**	(5,836)
Interest income	9	**(774)**	(2,809)
Interest paid	9	**19,386**	25,837
Depreciation	14	**28,409**	29,068
Loss on disposal of fixed assets	7	**514**	985
Gain on liquidation of a subsidiary	30	**–**	(51)
Write-back of accounts payable provision		**–**	(10,206)
Realised gains on investments in listed securities		**–**	(624)
Provision against and write-off of deposits and prepayments		**39,272**	–
Gain on disposal of a trading right in the Hong Kong Futures Exchange Limited		**(832)**	–
Operating profit before working capital changes		**21,421**	45,124
Decrease in stocks		**17,087**	19,610
Decrease in accounts receivable		**16,918**	75,576
Increase in sundry receivables, deposits and prepayments		**(7,663)**	(19,200)
Decrease in bills payable		**(5,997)**	(29,960)
Decrease in accounts payable		**(4,780)**	(22,589)
Increase/(decrease) in other payables and accrued charges		**6,339**	(19,723)
Cash generated from operations		**43,325**	48,838
Interest received		**774**	2,809
Tax paid		**(667)**	(1,866)
Net cash inflow from operating activities		**43,432**	49,781

Consolidated Cash Flow Statement

year ended 31 December 2002

	Notes	2002 HK$'000	2001 HK$'000 (Restated)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of fixed assets		**(4,910)**	(2,780)
Proceeds from disposal of fixed assets		**1,985**	352
Acquisition of trademarks		**(264)**	(469)
Dividend received from a jointly-controlled entity		**6,000**	–
Proceeds from disposal of investments in securities		**–**	25,568
Net cash inflow from investing activities		**2,811**	22,671
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid	9	**(19,386)**	(25,837)
New bank and other loans		**–**	2,246
Repayment of bank and other loans		**(55,083)**	(78,519)
Increase in pledged cash deposits		**(4,108)**	(1,635)
Issue of share capital		**3**	–
Expenses for issue of bonus warrants		**(251)**	–
Net cash outflow from financing activities		**(78,825)**	(103,745)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(32,582)**	(31,293)
Cash and cash equivalents at 1 January		**88,692**	119,985
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		**56,110**	88,692
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		**56,110**	88,692

Balance Sheet

31 December 2002

	Notes	2002 HK$'000	2001 HK$'000
NON-CURRENT ASSETS			
Interests in subsidiaries	16	**479,238**	518,187
CURRENT ASSETS			
Sundry receivables and prepayments		**73**	73
Cash and bank balances		**119**	256
		192	329
CURRENT LIABILITIES			
Other payables and accrued charges		**817**	684
NET CURRENT LIABILITIES		**(625)**	(355)
		478,613	517,832
CAPITAL AND RESERVES			
Issued capital	27	**40,913**	40,911
Reserves	29	**437,700**	476,921
		478,613	517,832

Hung Hak Hip
Chairman

Liu Chi Keung, Ricky
Vice-Chairman & CEO

1. CORPORATE INFORMATION

The principal activity of the Company is investment holding. The subsidiaries of the Group are primarily engaged in the extraction, refining, blending, bottling, packaging and distribution of edible oils and ancillary activities.

2. BASIS OF PRESENTATION

As at the balance sheet date, the net current liabilities of the Group amounted to HK$99,086,000. An arrangement for a refinancing of the Group's bank indebtedness in Hong Kong (the "Debt Refinancing") was finalised after the year end as further explained in note 36 to the financial statements. In the opinion of the directors, as a result of the Debt Refinancing, the Group will have sufficient working capital to finance its operations.

On the basis of the above, the directors consider that it is appropriate to prepare the financial statements on a going concern basis and the bank loans have been classified on the consolidated balance sheet in accordance with their repayment schedules before the Debt Refinancing.

3. IMPACT OF NEW AND REVISED HONG KONG STATEMENTS OF STANDARD ACCOUNTING PRACTICE ("SSAPs")

The following new and revised SSAPs issued by the Hong Kong Society of Accountants are effective for the first time in the preparation of the current year's financial statements.

- SSAP 1 (Revised): "Presentation of financial statements"
- SSAP 11 (Revised): "Foreign currency translation"
- SSAP 15 (Revised): "Cash flow statements"
- SSAP 34: "Employee benefits"

These SSAPs prescribe new accounting measurement and disclosure practices. The major effects on the Group's accounting policies and on the amounts disclosed in these financial statements of adopting these SSAPs are summarised as follows:

SSAP 1 prescribes the basis for the presentation of financial statements and sets out guidelines for their structure and minimum requirements for the content thereof. The principal impact of the revision to this SSAP is that a consolidated statement of changes in equity is now presented in the financial statements in place of the consolidated statement of recognised gains and losses that was previously required and in place of the Group's reserves note.

3. IMPACT OF NEW AND REVISED HONG KONG STATEMENTS OF STANDARD ACCOUNTING PRACTICE ("SSAPs") (continued)

SSAP 11 prescribes the basis for the translation of foreign currency transactions in the financial statements. The principal impact of the revision of this SSAP on the consolidated financial statements is that the profit and loss accounts of overseas subsidiaries are now translated to Hong Kong dollars at the weighted average exchange rates for the year, whereas previously they were translated at the exchange rates at the balance sheet date. The adoption of the revised SSAP 11 has had no material effect on the financial statements. Further details of this change are included in the accounting policy for "Foreign currencies" in note 4 to the financial statements.

SSAP 15 prescribes the revised format for the cash flow statement. The principal impact of the revision of this SSAP is that the consolidated cash flow statement now presents cash flows under three headings, cash flows from operating, investing and financing activities, rather than the five headings previously required. In addition, cash flows from overseas subsidiaries arising during the year are now translated to Hong Kong dollars at the exchange rates at the dates of the transactions, or at an approximation thereto, whereas previously they were translated at the exchange rates at the balance sheet date, and the definition of cash equivalents for the purpose of the cash flow statement has been revised. Further details of these changes that have resulted from them are included in the accounting policy for "Cash and cash equivalents" and "Foreign currencies" in note 4 to the financial statements.

SSAP 34 prescribes the recognition and measurement criteria to apply to employee benefits, together with the required disclosures in respect thereof. The adoption of this SSAP has resulted in the recognition of an accrual for paid holiday carried forward by the Group's employees as at the balance sheet date. The recognition of this accrual has resulted in a prior year adjustment, further details of which are included under the heading "Employee benefits" in note 4 and in note 12 to the financial statements. In addition, disclosures are now required in respect of the Company's share option scheme, as detailed in note 28 to the financial statements. These share option scheme disclosures are similar to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") disclosures previously included in the Report of the Directors, which are now required to be included in the notes to the financial statements as a consequence of the SSAP.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

These consolidated financial statements have been prepared in accordance with Hong Kong Statements of Standard Accounting Practice, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for the periodic remeasurement of an investment property, as further explained below.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2002. The results of subsidiaries acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal, respectively. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Minority interests represent the interests of outside shareholders in the results and net assets of the Company's subsidiaries.

Subsidiaries

A subsidiary is a company whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's profit and loss account to the extent of dividends received and receivable. The Company's interests in subsidiaries are stated in the Company's balance sheet at cost less any impairment losses. Details of the principal subsidiaries are set out in note 16 to the financial statements.

Associates

An associate is a company, not being a subsidiary or a joint venture, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Details of the principal associates are set out in note 17 to the financial statements.

The Group's share of the post-acquisition results of associates is included in the consolidated profit and loss account. The Group's interests in the associates are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting less any provisions for impairment losses.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Jointly-controlled entity

Jointly-controlled entity is a joint venture company which is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly-controlled entity.

The Group's share of the post-acquisition results of the jointly-controlled entity is calculated based on the audited results after making appropriate adjustments to conform to the Group's accounting policies and is included in the consolidated profit and loss account. The Group's interest in a jointly-controlled entity is stated in the consolidated balance sheet at the Group's share of net assets of the joint venture company less any impairment loss.

Unrealised gains arising from transactions with a jointly-controlled entity are eliminated to the extent of the Group's interest in the enterprise. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Goodwill on consolidation

Goodwill arising on the acquisition of subsidiaries represents the excess of purchase consideration paid for the subsidiaries over the Group's share of the fair value of the identifiable assets and liabilities as at the date of acquisition.

Goodwill arising on acquisition is recognised in the consolidated balance sheet as an asset and amortised on the straight-line basis over its estimated useful life.

SSAP 30 "Business combinations" was adopted as at 1 January 2001. Prior to that date, goodwill arising on acquisitions was eliminated against consolidated reserves in the year of acquisition. On the adoption of SSAP 30, the Group applied the transitional provision of SSAP 30 that permitted such goodwill to remain eliminated against consolidated reserves. Goodwill on acquisitions subsequent to 1 January 2001 is treated according to the SSAP 30 goodwill accounting policy above.

Upon disposal of such subsidiaries, the gain or loss on disposal is calculated by reference to the net assets at the date of disposal, including the attributable amount of goodwill, which remains unamortised, and any relevant reserves, as appropriate.

The carrying amount of goodwill, including goodwill remaining eliminated against consolidated reserves, is reviewed annually and written down for impairment when it is considered necessary.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of assets

An assessment is made at each balance sheet date of whether there is any indication of impairment of any asset, or whether there is any indication that an impairment loss previously recognised for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's value in use or its net selling price.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however not to an amount higher than the carrying amount that would have been determined (net of depreciation), had no impairment loss been recognised, for the asset in prior years. A reversal of an impairment loss is credited to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for the revalued asset.

Fixed assets and depreciation

Fixed assets, other than an investment property, are stated at cost or valuation less accumulated depreciation and any impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use including borrowing costs. In situations where it can be clearly demonstrated that the expenditure incurred after an asset has been put into operation, has resulted in an increase in the future economic benefits expected to be obtained from the use of the asset, the expenditure is capitalised as an additional cost of the asset.

Depreciation is calculated on the straight-line basis to write off the cost or valuation of each asset over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold land	Over the remaining terms of the leases
Buildings	2% to 2.5% or over the terms of the leases if shorter
Barges, vehicles, leasehold improvements, machinery and equipment	5% to 20%

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fixed assets and depreciation (continued)

The transitional provisions set out in paragraph 80 of SSAP 17 "Property, plant and equipment" have been adopted for fixed assets stated at valuation. As a result, those assets stated at revalued amounts based on revaluations which were reflected in the financial statements for the year ended 31 December 1993 have not been revalued by class at the balance sheet date.

The gain or loss on disposal or retirement of a fixed asset recognised in the profit and loss account is the difference between the sales proceeds and the carrying amount of the relevant asset. On disposal or retirement, the attributable revaluation surplus not previously dealt with in retained profits is transferred directly to retained profits.

Investment property

Investment property is an interest in land and buildings which are intended to be held on a long term basis for their investment potential. Such property is stated at its open market value on the basis of annual professional valuation and is not depreciated except where the unexpired term of the lease is 20 years or less, in which case the then carrying amount is amortised on the straight-line basis over the remaining lease term. Changes in the value of the investment property are dealt with as movements in the investment property revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on a portfolio basis, the excess of the deficit is charged to the profit and loss account. Any subsequent revaluation surplus is credited to the profit and loss account to the extent of the deficit previously charged.

Upon the disposal of an investment property, the relevant portion of the investment property revaluation reserve realised in respect of previous valuations is released to the profit and loss account.

Trademarks

Trademarks are stated at cost less impairment losses and are not amortised.

Stocks

Stocks are stated at the lower of cost, on the weighted average method, and net realisable value. Cost comprises direct materials and the related purchase costs. In the case of finished goods and work in progress, cost also includes direct labour and an appropriate proportion of manufacturing overheads. Net realisable value is based on estimated selling prices less all costs to be incurred to completion and on disposal.

Deferred tax

Provision is made for deferred tax, using the liability method, on all significant timing differences to the extent it is probable that the liability will crystallise in the foreseeable future. A deferred tax asset is not recognised until its realisation is assured beyond reasonable doubt.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

Foreign currency transactions are recorded at the applicable exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the applicable exchange rates ruling at that date. Exchange differences are dealt with in the profit and loss account.

On consolidation, the financial statements of overseas subsidiaries are translated into Hong Kong dollars using the net investment method. The profit and loss accounts of overseas subsidiaries are translated into Hong Kong dollars at the weighted average exchange rates for the year, and their balance sheets are translated into Hong Kong dollars at the exchange rates ruling at the balance sheet date. The resulting translation differences are included in the exchange fluctuation reserve.

For the purpose of the consolidated cash flow statement, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

Prior to the adoption of the revised SSAPs 11 and 15 during the year, as explained in note 3 to the financial statements, the profit and loss accounts of overseas subsidiaries and the cash flows of overseas subsidiaries were translated to Hong Kong dollars at the exchange rates ruling at the balance sheet date. The adoption of the revised SSAP 11 has had no material effect on the financial statements. The adoption of the revised SSAP 15 has had no material effect on the amounts of the previously reported cash flows of the prior year.

Recognition of revenue

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(i) income from the sale of goods, on delivery of the goods to the customers;

(ii) revenue from management, marketing, bottling, packaging and testing services, in the period in which the services are rendered;

(iii) rental income, on the straight-line basis over the lease terms;

(iv) royalties, in the period in which the related products are sold; and

(v) interest income, in proportion to time taking into account the principal outstanding and the effective interest rate applicable.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits

Paid leave carried forward

The Group provides paid annual leave to its employees under their employment contracts on a calendar year basis. Under certain circumstances, such leave which remains untaken as at the balance sheet date is permitted to be carried forward and utilised by the respective employees in the following year. An accrual is made at the balance sheet date for the expected future cost of such paid leave earned during the year by the employees and carried forward.

Prior to the adoption of SSAP 34 during the year, as explained in note 3 to the financial statements, the Group did not accrue for paid annual leave carried forward at the balance sheet date. This change in accounting policy has resulted in a prior year adjustment due to the initial recognition of the accrual, further details of which are included in note 12 to the financial statements.

Employment Ordinance long service payments

Certain of the Group's employees have completed the required number of years of service to the Group in order to be eligible for long service payments under the Hong Kong Employment Ordinance in the event of the termination of their employment. The Group is liable to make such payments in the event that such a termination of employment meets the circumstances specified in the Employment Ordinance.

A contingent liability is disclosed in respect of possible future long service payments to employees, as a number of current employees have achieved the required number of years of service to the Group, to the balance sheet date, in order to be eligible for long service payments under the Employment Ordinance if their employment is terminated in the circumstances specified. A provision has not been recognised in respect of such future payments, as it is not considered probable that the situation will result in a material future outflow of resources from the Group.

Retirement benefits

The Group operates defined contribution retirement benefits schemes, namely the Mandatory Provident Fund ("MPF") Scheme (the "MPF Scheme") and the scheme registered under the Occupational Retirement Scheme Ordinance which has been exempted under the MPF Schemes Ordinance (the "Exempted Scheme") for those employees who are eligible to participate. Contributions are made based on a percentage of the employees' salaries and are charged to the profit and loss account as they become payable in accordance with the rules of the respective schemes. The assets of the respective schemes are held separately from those of the Group in independently administered funds. In accordance with the MPF Schemes Ordinance, when an employee leaves the Exempted Scheme prior to his/her interest in the employer contributions vesting fully, the ongoing contributions payable by the Group may be reduced by the relevant amount of forfeited contributions. For the MPF Scheme, the employer contributions vest fully with the employees when contributed into the MPF Scheme.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits (continued)

Retirement benefits (continued)

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute 11% of its payroll costs to the central pension scheme. The contributions are charged to the profit and loss account as they become payable in accordance with the rules of the central pension scheme.

Share option scheme

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The financial impact of share options granted under the share option scheme is not recorded in the Company's or the Group's balance sheet until such time as the options are exercised, and no charge is recorded in the profit and loss account or balance sheet for their cost. Upon the exercise of share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which are cancelled prior to their exercise date, or which lapse, are deleted from the register of outstanding options.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the balance sheet date of the future expenditures expected to be required to settle the obligation.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets and rentals receivable under the operating leases are credited to the profit and loss account on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases are charged to the profit and loss account on the straight-line basis over the lease terms.

Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party, or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

5. SEGMENT INFORMATION

The Group's primary segment is the edible oils and food related business segment. Since this is the only business segment of the Group, no further analysis thereof is presented.

Segment information is presented below in respect of the Group's geographical segment, which is regarded as the secondary segment. In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

	Mainland China		**Hong Kong**		**Consolidated**	
	2002	2001	**2002**	2001	**2002**	2001
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Revenue from external customers	**438,195**	462,112	**130,619**	135,929	**568,814**	598,041
Segment assets	**444,519**	539,820	**377,489**	409,783	**822,008**	949,603
Unallocated assets					**53,261**	58,228
					875,269	1,007,831
Capital expenditure incurred during the year	**1,772**	2,358	**3,138**	422	**4,910**	2,780

6. TURNOVER

Turnover represents the aggregate of the net invoiced value of goods sold, services rendered, rental and laboratory and testing fees income, but excludes intra-group transactions.

	2002	2001
	HK$'000	HK$'000
Sales of goods and services	**552,265**	579,512
Rental and other income	**16,549**	18,529
	568,814	598,041

7. PROFIT/(LOSS) FROM OPERATING ACTIVITIES

The Group's profit/(loss) from operating activities is arrived at after crediting:

	Notes	2002 HK$'000	2001 HK$'000
Rental income:			
Investment property		**6,891**	8,120
Leasehold land and buildings		**4,728**	4,353
		11,619	12,473
Less: Outgoings		**(2,576)**	(2,600)
Net rental income		**9,043**	9,873
Royalties		**22,496**	23,190
Realised gains on investments in listed securities classified as other revenue and gains		**–**	624
Gain on disposal of a trading right in the Hong Kong Futures Exchange Limited classified as other revenue and gains		**832**	–
Gain on liquidation of a subsidiary	30	**–**	51

and after charging:

	Notes	2002 HK$'000	2001 HK$'000
Cost of stocks sold (including write-back of accounts payable provision of Nil (2001: HK$10,260,000))		**420,726**	418,974
Staff costs (including directors' emoluments in note 8):			
Wages and salaries		**40,893**	45,726
Pension scheme contributions		**1,185**	1,297
Less: Unvested contributions forfeited (note i)		**(90)**	(263)
		1,095	1,034
		41,988	46,760
Provision against and write-off of deposits and prepayments (note ii)		**39,272**	–
Depreciation	14	**28,409**	29,068
Minimum lease payments under operating leases in respect of land and buildings		**1,024**	2,946
Loss on disposal of fixed assets		**514**	985
Auditors' remuneration		**888**	800

7. PROFIT/(LOSS) FROM OPERATING ACTIVITIES (continued)

Notes:

i As at 31 December 2002, the amount of forfeited contributions available to the Group to reduce its future contributions to the Exempted Scheme as defined in note 4 to these financial statements amounted to HK$78,000 (2001: HK$95,000).

ii. The Group has commenced cooperation with a company established in Guangzhou, the PRC (the "PRC Company") in relation to the Group's edible oil business in the PRC (the "PRC Businesses") since 1999. A wholly owned subsidiary of the Company in the PRC has since been having a trading relationship with the PRC Company. In May 2000, the Group entered into a cooperative agreement with the PRC Company.

The Group receives information that the PRC Company is involved in certain enquiries currently being conducted by certain authorities in the PRC and is concerned as to the possible impacts to the Group, if the results of such enquiries adversely affect the PRC Company. In respect of the amounts due from the PRC Company (the "Amounts"), including trading deposits and prepayments, and in preparation for enforcement of payment thereof, the Group has obtained legal opinion which indicates that the Group has valid grounds to claim and recover the Amounts in full. However, actual recovery of the Amounts still depends on the financial conditions of the PRC Company and hence remains uncertain. It is therefore appropriate to make provisions for the recoverability of the Amounts. In this connection, costs associated with the proposed listing of the PRC Businesses on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited are also written off.

8. DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS

(a) Directors' emoluments

Directors' emoluments disclosed pursuant to the Listing Rules and section 161 of the Companies Ordinance are as follows:

	Group	
	2002	2001
	HK$'000	HK$'000
Directors' fees:		
Non-executive directors	**560**	560
Salaries and allowances*	**8,687**	8,549
Discretionary/performance related bonuses	**191**	300
Retirement fund contributions	**337**	334
	9,775	9,743

* Including fees paid to a management company in which a director is indirectly interested.

8. DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS (continued)

(a) Directors' emoluments (continued)

The directors' emoluments are analysed as follows:

	Group	
	2002	2001
Band	**Number of directors**	Number of directors
Nil to HK$1,000,000	**6**	6
HK$1,000,001 to HK$1,500,000	**2**	2
HK$1,500,001 to HK$2,000,000	**–**	1
HK$2,000,001 to HK$2,500,000	**1**	–
HK$4,000,001 to HK$4,500,000	**1**	1

As at the balance sheet date, certain directors held share options of the Company, which were granted in 2000, the details of which are set out in note 28 to the financial statements. No value in respect of the share options granted in prior years had been charged to the profit and loss account or included in the disclosure of directors' emoluments.

(b) Senior executives' emoluments

The five highest paid individuals' (including four directors for both years whose emoluments have been included in "Directors' emoluments" above) aggregate emoluments are as follows:

	Group	
	2002	2001
	HK$'000	HK$'000
Salaries and allowances	**8,992**	8,843
Discretionary/performance related bonuses	**191**	350
Retirement fund contributions	**404**	401
	9,587	9,594

8. DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS (continued)

(b) Senior executives' emoluments (continued)

The above emoluments are analysed as follows:

	Group	
	2002	2001
Band	**Number of individuals**	Number of individuals
Nil to HK$1,000,000	**1**	1
HK$1,000,001 to HK$1,500,000	**2**	2
HK$1,500,001 to HK$2,000,000	**–**	1
HK$2,000,001 to HK$2,500,000	**1**	–
HK$4,000,001 to HK$4,500,000	**1**	1

9. FINANCE COSTS, NET

	Group	
	2002	2001
	HK$'000	HK$'000
Interest on bank borrowings	**19,248**	25,676
Interest on other loans wholly repayable within five years	**138**	161
Total finance costs	**19,386**	25,837
Less: Interest income	**(774)**	(2,809)
	18,612	23,028

10. TAX

Hong Kong profits tax has been provided at the rate of 16% (2001: 16%) on the estimated assessable profits arising in Hong Kong during the year. Overseas taxes have been provided for at the applicable tax rates, if required.

	Group	
	2002	2001
	HK$'000	HK$'000
Tax in the profit and loss account represents:		
Provision for profits tax (note)	**13,066**	1,080
Deferred tax – note 26	**(697)**	(254)
	12,369	826
Share of tax charges of a jointly-controlled entity – Hong Kong	**292**	751
	12,661	1,577

Note: During the year, the Group received notices of assessment from the Inland Revenue Department in Hong Kong in respect of the Group's assessable profits arising from royalty income, which is under appeal. In the opinion of the directors, adequate tax provision has been made as at the balance sheet date.

11. NET PROFIT/(LOSS) ATTRIBUTABLE TO SHAREHOLDERS

The net loss attributable to shareholders for the year ended 31 December 2002 dealt with in the financial statements of the Company was HK$38,971,000 (2001: net profit of HK$50,000).

12. PRIOR YEAR ADJUSTMENT

In the current year, the Company adopted SSAP 34 "Employee benefits" as explained in note 3 to the financial statements. This change in accounting policy has been made retrospectively and accordingly, the comparative balances for the year ended 31 December 2001, including earnings per share and retained profits brought forward as at 1 January 2001 have been restated. The effect of this change in respect of the year ended 31 December 2001 is an increase in general and administrative expenses and a decrease in net profit attributable to shareholders of HK$56,000 for the year ended 31 December 2001, which is the net movement in accrued employees' compensated leave during that year. The retained profits brought forward as at 1 January 2001 and 2002 have been reduced by HK$1,791,000 and HK$1,847,000, respectively, which are the amounts of adjustments in respect of the Group's required accrual for employees' compensated leave as at those dates.

13. EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

Basic earnings/(loss) per share is calculated based on the net loss attributable to shareholders of HK$75,473,000 (2001: net profit of HK$7,285,000 (as restated)); and weighted average of 409,119,516 shares (2001: 409,113,021 shares) in issue during the year.

(b) Diluted earnings/(loss) per share

Diluted earnings/(loss) per share for both years have not been presented as the share options and warrants outstanding during the years had an anti-dilutive effect on the basic earnings/(loss) per share for these years.

14. FIXED ASSETS

Group

	Investment property HK$'000	**Leasehold land and buildings** HK$'000	**Barges, vehicles, leasehold improvements, machinery and equipment** HK$'000	**Total** HK$'000
Cost/valuation:				
At 1 January 2002	65,600	326,262	326,435	718,297
Additions	–	21	4,889	4,910
Disposals	–	(1,838)	(3,764)	(5,602)
Deficit on revaluation	(7,200)	–	–	(7,200)
At 31 December 2002	**58,400**	**324,445**	**327,560**	**710,405**
Accumulated depreciation:				
At 1 January 2002	–	34,473	129,629	164,102
Provided during the year	–	7,026	21,383	28,409
Disposals	–	(279)	(2,824)	(3,103)
At 31 December 2002	**–**	**41,220**	**148,188**	**189,408**
Net book value:				
At 31 December 2002	**58,400**	**283,225**	**179,372**	**520,997**
At 31 December 2001	65,600	291,789	196,806	554,195

14. FIXED ASSETS (continued)

The investment property, which is situated at Lot. 2024 in D.D. 121, Tong Yan San Tsuen, Yuen Long, New Territories, Hong Kong, is stated on the basis of a professional valuation performed by DTZ Debenham Tie Leung Limited, Chartered Surveyors, using an open market, existing use basis at 31 December 2002. The investment property is currently used for industrial purposes.

The revaluations of certain leasehold land and buildings situated in Hong Kong in 1993 were performed by Chesterton Petty Limited, Chartered Surveyors, on an open market, existing use basis at 31 December 1993.

The leasehold land and buildings included above are held on the following lease terms:

	Hong Kong, professional valuation at 31 December 1993 less accumulated depreciation	**Hong Kong, at cost less accumulated depreciation**	**Elsewhere, at cost less accumulated depreciation**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000
Long term	1,149	–	5,001	6,150
Medium term	66,373	55,227	155,475	277,075
	67,522	55,227	160,476	283,225

Had the Group's land and buildings been carried at cost less accumulated depreciation, they would have been included in the financial statements at approximately HK$239,404,000 (2001: HK$244,374,000).

15. TRADEMARKS

In accordance with the requirements of SSAP 29 "Intangible assets", the cost of the Group's trademarks should be amortised over the best estimate of their useful lives. SSAP 29 also states that there is a rebuttable presumption that the useful life of an intangible asset will not exceed twenty years from the date when the asset is available for use. In the opinion of the directors, to follow the requirements of SSAP 29 would give a misleading view of the results of the Group and its earnings/(loss) per share for the following reasons:

(i) The trademarks, which were acquired by the Group in 1988, have been in use for a very long time, some of them since the 1930s, and will continue to be used for the long term. The valuation of the Group's trademarks performed by Sallmanns (Far East) Limited, an independent professional appraiser, has confirmed that the market value of the trademarks exceeded the carrying value as at 31 December 2002; and

(ii) The Group has incurred and intends to continue to incur significant advertising and promotion expenses, which are charged to the profit and loss account when incurred, to maintain and increase the market value of its trademarks and brands.

As a result, the Group has decided not to follow the requirements of SSAP 29 and to continue to adopt the accounting policy that trademarks are stated at cost and provision is made for any impairment in value. The Group intends to confirm the value of its trademarks by independent professional valuations periodically.

16. INTERESTS IN SUBSIDIARIES

	Company	
	2002	2001
	HK$'000	HK$'000
Unlisted shares, at cost	**260,476**	260,476
Amounts due from subsidiaries	**257,762**	257,711
	518,238	518,187
Provision for impairment	**(39,000)**	–
	479,238	518,187

The amounts due from the subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

16. INTERESTS IN SUBSIDIARIES (continued)

Details of the principal subsidiaries of the Company at the balance sheet date were as follows:

Name of company	Place of incorporation/ registration and operations	Issued/ registered and fully paid share capital	Percentage of equity interest attributable to the Company	Principal activities
Hop Hing Industrial Building Limited	Hong Kong	HK$12	100%	Property holding
Hop Hing International Limited	British Virgin Islands	US$1,000	100%	Investment holding
Hop Hing Management (China) Limited	Hong Kong	HK$2	100%	Distribution of edible oils
Hop Hing Oil Factory Limited	Hong Kong	HK$24,000,010	100%	Distribution of edible oils
Hop Hing Oil (Holdings) Limited	Hong Kong	HK$88,241,505	100%	Investment holding
Hop Hing Oil Trading (2000) Limited	Hong Kong	HK$2	100%	Distribution of edible oils
Hung's Sino Holdings Limited	Hong Kong	HK$100,010	100%	Property holding
Knight Investment Limited	Hong Kong	HK$4	100%	Property holding
Lapidus (1985) Limited	Hong Kong	HK$12	100%	Barge ownership
Liveral Company Limited	Hong Kong	HK$10,000	100%	Property holding
Monitor Ltd.	British Virgin Islands	US$1	100%	Trademark holding
Panyu Hop Hing Oils & Fats Co. Ltd.	People's Republic of China/ Mainland China	HK$75,000,000	100%	Edible oil production

16. INTERESTS IN SUBSIDIARIES (continued)

Name of company	Place of incorporation/ registration and operations	Issued/ registered and fully paid share capital	Percentage of equity interest attributable to the Company	Principal activities
Panyu Kwong Hing Packaging Company, Limited	People's Republic of China/ Mainland China	HK$50,000,000	100%	Blending and distribution of edible oils
Pinghu Hop Hing Vegetable Oils Company, Limited*	People's Republic of China/ Mainland China	US$1,400,000	51%	Edible oil refinery
Sino Food Products Company (Holdings) Limited	Hong Kong	HK$10	100%	Distribution of edible oils
Top Charter Holdings Limited	British Virgin Islands	US$1	100%	Bottling and packaging of edible oils
Zhejiang Hop Hing Oils & Fats Company, Limited*	People's Republic of China/ Mainland China	US$1,400,000	61%	Edible oil refinery

* Registered as an equity joint venture under PRC law.

Except for Hop Hing International Limited, all subsidiaries are indirectly held by the Company.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would result in particulars of excessive length.

17. INTERESTS IN ASSOCIATES

	Group 2002 HK$'000	Group 2001 HK$'000
Share of net assets, other than goodwill	**24,645**	24,645
Due to associates	**(26,070)**	(26,070)
	(1,425)	(1,425)

The amounts due to the associates are unsecured, interest-free and have no fixed terms of repayment.

Details of the associates of the Group at the balance sheet date were as follows:

Name of company	Business structure	Place of incorporation/ registration and operations	Percentage of ownership interest attributable to the Group	Principal activities
Omeron Profits Limited	Corporate	British Virgin Islands	50%	Dormant
Tepac Profits Limited	Corporate	British Virgin Islands	50%	Dormant

18. INTEREST IN A JOINTLY-CONTROLLED ENTITY

	Group 2002 HK$'000	Group 2001 HK$'000
Share of net assets	**53,261**	57,919

Details of the jointly-controlled entity at the balance sheet date were as follows:

Name of company	Business structure	Place of incorporation/ principal operations	Percentage of equity interest attributable to the Group	Principal activities
Evergreen Oils & Fats Limited ("Evergreen")	Corporate	Cayman Islands/ Hong Kong	50%	Blending and distribution of edible oils, fats and shortenings

18. INTEREST IN A JOINTLY-CONTROLLED ENTITY (continued)

The state of affairs and income and profit of Evergreen are summarised as follows:

	2002 HK$'000	2001 HK$'000
State of affairs		
Current assets	**214,941**	203,884
Non-current assets	**26,354**	31,330
Current liabilities	**(132,627)**	(116,321)
Long term liabilities	**(1,486)**	(1,857)
Net assets attributable to venturers	**107,182**	117,036
Income and profit		
Turnover	**605,596**	627,542
Net profit for the year	**2,146**	9,172

19. STOCKS

	Group	
	2002 HK$'000	2001 HK$'000
Finished goods	**13,880**	9,625
Work in progress	**1,874**	1,000
Raw materials	**26,814**	49,030
	42,568	59,655

The amount of stocks that are carried at net realisable value is HK$49,000 (2001: HK$13,862,000).

20. ACCOUNTS RECEIVABLE

The aged analysis of accounts receivable as at the balance sheet date is as follows:

	Group	
	2002	2001
	HK$'000	HK$'000
Current	**23,333**	35,792
Less than 60 days	**2,639**	5,192
Over 60 days	**4,869**	10,032
	30,841	51,016

The Group's products are sold either on a cash on delivery basis, or on an open account basis ranging from 30 to 50 days of credit. Each customer has a maximum credit limit and overdue balances are regularly reviewed by senior management.

Accounts receivable of the Group include a trading balance due from a jointly-controlled entity of HK$10,397,000 (2001: HK$6,845,000), which is unsecured and interest-free.

21. PLEDGED CASH DEPOSITS

The pledged cash deposits were pledged to banks as securities for certain bills payable.

22. INTEREST-BEARING BANK LOANS

	Group	
	2002	2001
	HK$'000	HK$'000
Secured	**236,191**	291,227
Unsecured	**5,569**	5,616
	241,760	296,843
Portion due within one year included under current liabilities	**(138,802)**	(140,335)
Long term portion	**102,958**	156,508
The bank loans are repayable in various instalments within a period of:		
Less than one year or on demand	**138,802**	140,335
More than one year but less than two years	**–**	156,508
More than two years but not exceeding five years	**102,958**	–
	241,760	296,843

The secured bank loans were secured by legal charges over certain stocks, accounts receivable, properties and plant and machinery of the Group.

23. OTHER LOANS

	Group	
	2002	2001
	HK$'000	HK$'000
Due to minority shareholders of subsidiaries:		
Secured	**2,293**	2,293
Unsecured	**2,884**	2,884
	5,177	5,177

The amounts due to the minority shareholders bear interest at 6% to 7% per annum. During the year, certain minority shareholders waived interest totalling HK$144,000 (2001: HK$173,000) on the loans due to them by the Group.

The secured other loans were secured by floating charges over certain stocks of the Group.

24. BILLS PAYABLE

Bills payable are secured by certain cash deposits, investment property and certain leasehold land and buildings of the Group.

25. ACCOUNTS PAYABLE

The aged analysis of accounts payable as at the balance sheet date is as follows:

	Group	
	2002	2001
	HK$'000	HK$'000
Current and less than 60 days	**10,216**	15,588
Over 60 days	**8,457**	7,865
	18,673	23,453

26. DEFERRED TAX

	Group	
	2002	2001
	HK$'000	HK$'000
Balance at beginning of year	**9,600**	9,854
Reversal for the year – note 10	**(697)**	(254)
Balance at end of year	**8,903**	9,600

The provision for deferred tax as shown in the balance sheet relates to timing differences arising from accelerated capital allowances. There were no other material timing differences at the balance sheet date.

No provision for deferred tax has been made for the revaluation surpluses of the investment property and other properties as they do not constitute timing differences.

27. SHARE CAPITAL

Shares

	Company	
	2002	2001
	HK$'000	HK$'000
Authorised:		
800,000,000 (2001: 800,000,000) ordinary shares of HK$0.10 each (2001: HK$0.10 each)	**80,000**	80,000
120,000 (2001: 120,000) ordinary shares of US$0.10 each (2001: US$0.10 each)	**93**	93
	80,093	80,093
Issued and fully paid:		
409,125,738 (2001: 409,113,021) ordinary shares of HK$0.10 each (2001: HK$0.10 each)	**40,913**	40,911

During the year, 12,717 shares of HK$0.10 each were issued for cash at a subscription price of HK$0.27 per share pursuant to the exercise of 12,717 warrants of the Company for a total cash consideration, before expenses, of HK$3,434.

There was no change in the issued capital during the year ended 31 December 2001.

Share options

Details of the Company's share option scheme and the share options issued under the scheme are included in note 28 to the financial statements.

27. SHARE CAPITAL (continued)

Warrants

During the year, a bonus issue of warrants was made in the proportion of one warrant for every five shares held by members on the register of members on 22 May 2002, resulting in 81,822,604 warrants being issued. Each warrant entitles the holder thereof to subscribe for one ordinary share of HK$0.10 at a subscription price of HK$0.27 per share, payable in cash and subject to adjustment, from the date of issue to 30 April 2005.

During the year, 12,717 warrants were exercised for 12,717 shares of HK$0.10 each at HK$0.27 per share. At the balance sheet date, the Company had 81,809,887 warrants outstanding. The exercise in full of such warrants would, under the present capital structure of the Company, result in the issue of 81,809,887 additional shares of HK$0.10 each and cash proceeds, before the related issue expenses, of approximately HK$22,089,000.

28. SHARE OPTIONS

SSAP 34 was adopted during the year, as explained in note 3 and under the heading “Employee benefits” in note 4 to the financial statements. As a result, detailed disclosures relating to the Company’s share option scheme are now included in the notes to the financial statements. In the prior year, these disclosures were included in the Report of the Directors, as their disclosure is also a requirement of the Listing Rules.

The Company operates a share option scheme (the “Scheme”) for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group’s operations. Eligible participants of the Scheme include any full-time employee in the service of the Company or its subsidiaries. The Scheme became effective on 30 June 2000 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of shares of HK$0.10 each in the Company in respect of which share options may be granted will not exceed 10% of the issued shares of the Company (excluding any shares issued upon the exercise of options granted pursuant to the Scheme) from time to time. At 31 December 2002, the number of shares issuable under share options granted under the Scheme was 23,492,677, which represented approximately 5.7% of the Company’s shares in issue as at that date. The maximum entitlement of each participant under the Scheme is limited to 25% of the shares issued and issuable under the Scheme from time to time.

The offer of a grant of share options may be accepted within 21 days from the date of the offer. The exercise period of the share options granted is determinable by the directors and shall in any event not less than three years or more than ten years from the date on which it commences.

The exercise price of the share options is determinable by the directors, but may not be less than the higher of (a) 80% of the average Stock Exchange closing price of the Company’s shares for the five business days immediately preceding the date of grant of the options and (b) the nominal value of the shares.

28. SHARE OPTIONS (continued)

Share options do not confer rights on the holders to dividends or to vote at shareholder meetings.

At the balance sheet date, certain directors held share options granted to them under the Scheme entitling them to subscribe for shares of HK$0.10 each in the Company upon the exercise of their subscription rights as follows:

	Number of shares constituting the share options	Exercise period of share options	Exercise price of share options * HK$	Price of Company's shares ** at grant date of options HK$
Hung Hak Hip	4,752,105	17 November 2000 to 16 November 2010	0.1834	0.227
Liu Chi Keung, Ricky	4,091,130	17 November 2000 to 16 November 2010	0.1834	0.227
Wong Yu Hong, Philip	2,045,565	30 November 2000 to 29 November 2005	0.2112	0.280
Sze Tsai To, Robert	2,045,565	22 November 2001 to 21 November 2006	0.1834	0.230
Cheung Wing Yui, Edward	2,045,565	17 November 2000 to 16 November 2005	0.1834	0.227
Hung Chiu Yee	2,045,565	17 November 2000 to 16 November 2010	0.1834	0.227
Lee Pak Wing	2,376,052	17 November 2000 to 16 November 2010	0.1834	0.227
Wong Kwok Ying	4,091,130	17 November 2000 to 16 November 2010	0.1834	0.227

All the above share options were granted pursuant to a board resolution on 17 November 2000.

No share options were granted or exercised during the year.

* The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

** The price of the Company's shares disclosed as at the date of the grant of the share options is the Stock Exchange closing price on the trading day immediately prior to the date of the grant of the options.

28. SHARE OPTIONS (continued)

At the balance sheet date, the Company had 23,492,677 share options outstanding under the Scheme. The exercise in full of the remaining share options would, under the present capital structure of the Company, result in the issue of 23,492,677 additional ordinary shares of the Company and additional share capital of HK$2,349,268 and share premium of approximately HK$2,016,000 (before issue expenses).

29. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity of the financial statements.

(b) Company

	Share premium	**Contributed surplus**	**Retained profits/ (Accumulated loss)**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000
Balance at 1 January 2001	231,754	231,383	13,734	476,871
Net profit attributable to shareholders	–	–	50	50
Balance at 31 December 2001 and 1 January 2002	231,754	231,383	13,784	476,921
Issue of share capital	1	–	–	1
Bonus warrants issue expenses	(251)	–	–	(251)
Net loss attributable to shareholders	–	–	(38,971)	(38,971)
Balance at 31 December 2002	231,504	231,383	(25,187)	437,700

The Company's contributed surplus arose in 1990 as a result of the Group reorganisation and represented the difference between the nominal value of the Company's shares allotted under the reorganisation scheme and the then consolidated net asset value of the acquired subsidiaries, net of the subsequent distribution therefrom.

Under the Companies Act 1981 of Bermuda, the contributed surplus is distributable to shareholders in certain circumstances. As at 31 December 2002, the total amount of reserves distributable to shareholders, including the Company's accumulated loss, amounted to HK$206,196,000 (2001: HK$245,167,000).

30. NOTE TO THE CONSOLIDATED CASH FLOW STATEMENT

Liquidation of a subsidiary:

	2002 **HK$'000**	2001 HK$'000
Net liabilities disposed of:		
Fixed assets, net	**–**	1,280
Minority interests	**–**	(1,973)
	–	(693)
Release of reserve	**–**	642
Gain on liquidation of a subsidiary	**–**	51
	–	–

The subsidiary liquidated in the prior year had no significant impact on the Group's cash flows. The results of the subsidiary liquidated in the prior year had no significant impact on the consolidated turnover and the consolidated profit after tax for the prior year.

31. PLEDGE OF ASSETS

At the balance sheet date, investment property, certain leasehold land and buildings and certain plant and machinery of the Group with an aggregate carrying value of approximately HK$362,784,000 (2001: HK$344,970,000), certain accounts receivable and stocks of the Group of approximately HK$2,230,000 (2001: 27,145,000), and a cash deposit of the Group of approximately HK$11,545,000 (2001: HK$7,437,000) were pledged to banks to secure banking facilities granted to the Group. In addition, certain stocks with carrying value of approximately HK$2,293,000 (2001: HK$2,293,000) were pledged to secure certain other loans.

32. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases certain of its leasehold land and building and investment property under operating lease arrangements, with leases negotiated for terms ranging from two to eight years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At 31 December 2002, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	2002	2001
	HK$'000	HK$'000
Within one year	**10,433**	9,623
In the second to fifth years, inclusive	**23,192**	23,587
After five years	**8,467**	13,940
	42,092	47,150

(b) As lessee

The Group leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging between one to twenty-five years.

At 31 December 2002, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2002	2001
	HK$'000	HK$'000
Within one year	**745**	837
In the second to fifth years, inclusive	**910**	497
After five years	**3,382**	3,520
	5,037	4,854

33. COMMITMENTS

In addition to the operating lease commitments details in note 32(b) above, the Group had the following commitments at the balance sheet date:

	Group	
	2002	2001
	HK$'000	HK$'000
Capital commitments for the acquisition of property, plant and equipment:		
Contracted for	**2,210**	4,931
Authorised, but not contracted for	**2,898**	2,069

The Company had no significant commitments at the balance sheet date (2001: Nil).

34. CONTINGENT LIABILITIES

Group

(a) At the balance sheet date, 28 (2001: 37) employees had completed the required number of years of service under the Employment Ordinance to be eligible for long service payments on termination of their employment. The Group is only liable to make such payments where the termination meets the required circumstances specified in the Employment Ordinance. If the termination of all these employees met the circumstances required by the Employment Ordinance, the Group's liability at the balance sheet date would be approximately HK$750,000 (2001: HK$964,000). No provision has been made for this amount in the financial statements as the probability of an outflow of resources thereof is considered remote.

(b) At the balance sheet date, the contingent liabilities in respect of guarantees given to banks to secure banking facilities utilised by the jointly-controlled entity of the Group amounted to HK$38,623,000 (2001: HK$15,333,000).

Company

At the balance sheet date, the contingent liabilities of the Company in respect of guarantees given to banks to secure banking facilities utilised by a subsidiary and the jointly-controlled entity amounted to HK$89,032,000 (2001: HK$109,671,000).

35. RELATED PARTY TRANSACTIONS

In addition to those transactions and balances disclosed elsewhere in the financial statements, the Group had the following material transactions with related parties during the year:

	Notes	**2002 HK$'000**	2001 HK$'000
Transactions with the jointly-controlled entity:			
Sales of goods	a	**33,678**	52,746
Purchases of goods/services	b	**2,283**	2,290
Oil refinement income	c	**10,510**	14,597
Production income	d	**22,255**	–
Royalty income	e	**22,496**	23,190
Property rental and tank farm income	f	**11,679**	12,552
Other property related income	g	**4,231**	4,174
Management and marketing fee income	h	**6,000**	7,000
Transactions with the controlling shareholders of the Company:			
Sales of goods	a	**–**	569
Transactions with companies in which a director of the Company has an indirect interest:			
Management fee	i	**540**	540
Rental income	j	**1,128**	864

Notes:

a. The sales of goods were at prices comparable to those offered to other unrelated customers of the Group.

b. The purchases of goods/services were at prices comparable to those offered by other unrelated suppliers/providers.

c. The oil refinement income was charged at rates comparable to those offered to other unrelated customers of the Group.

d. The production income was charged basing on agreements entered into with the jointly-controlled entity after arm's length negotiation and were at rates comparable to those offered to other unrelated customers of the Group.

35. RELATED PARTY TRANSACTIONS (continued)

Notes:

e. Pursuant to a trademark licence agreement entered into between the Group and the jointly-controlled entity, the royalties received for the use of the trademarks is calculated based on a percentage as agreed between the parties from time to time, of the gross sales value of licensed products sold by the jointly-controlled entity within Hong Kong and Macau.

f. The property rental income related to the investment property and barges included in fixed assets. The property rental income and tank farm income were charged by reference to the relevant industry practice and was subject to review on a regular basis.

g. The other property related income included air-conditioning charges and property management fee and were charged based on the cost incurred in managing the properties and providing air-conditioning service.

h. The management and marketing fee income were charged based on the cost incurred for providing such services.

i. The management fee expenses represented the payment of remuneration to a director of the Company through a company in which he has an indirect interest therein.

j. The property rental income was charged by reference to the relevant industry practice and was subject to review on a regular basis.

36. POST BALANCE SHEET EVENTS

Subsequent to the balance sheet date, on 24 April 2003, the Group entered into debt refinancing agreements (the "Refinancing Agreements") with its principal bankers (the "Banks") to refinance its existing bank indebtedness in Hong Kong.

As at 31 December 2002, the total outstanding balance due to the Banks was HK$142.9 million (including HK$105.1 million of bank loans and HK$37.8 million of bills payable). This indebtedness was repayable within twelve months and is classified as current liabilities on the Group's consolidated balance sheet. In accordance with the Refinancing Agreements, the facilities were increased by HK$37.1 million to HK$180 million. Of the total bank loans, HK$7 million representing semi-annual installments due within 2003 should be classified as current liabilities. The remaining balances are either semi-annual installments of long term loans which are not due within the next twelve months or three and a half years fixed term revolving loans and have been classified as non-current liabilities.

The liquidity position of the Group has improved after the Debt Refinancing. A summary of the pro forma adjusted consolidated net assets, based on the audited consolidated net assets of the Group as at 31 December 2002, is presented below as if the Debt Refinancing had taken place at that date.

36. POST BALANCE SHEET EVENTS (continued)

	31 December 2002			
	Audited consolidated net assets HK$million	**Increment of bank loans** HK$million	**Reclassification of bank loans** HK$million	**Pro forma adjusted consolidated net assets** HK$million
Non-current assets	695	–	–	695
Current assets	179	37	–	216
Current liabilities	(278)	(37)	173	(142)
Net current assets/(liabilities)	(99)			74
Long term portion of bank and other loans	(103)	–	(173)	(276)
Deferred tax	(9)	–	–	(9)
Minority interests	(5)	–	–	(5)
Net asset value	479			479

37. COMPARATIVE AMOUNTS

As explained in note 3 to the financial statements, due to the adoption of certain new and revised SSAPs during the current year, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain prior year adjustments have been made and certain comparative amounts have been restated to conform with the current year's presentation.

38. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 28 April 2003.

Comparative Financial Information

A summary of the published results and of the assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the audited financial statements and reclassified and restated as appropriate, is set out below. The amounts for each year in the five year summary have been adjusted for the effects of the retrospective changes in accounting policy affecting the accrual of unused holiday leave for employee, as detailed in note 3 to the financial statements.

	Year ended 31 December				
	2002	2001	2000	1999	1998
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
RESULTS					
Turnover	**568,814**	598,041	847,166	1,102,429	1,794,035
Operating profit/(loss)	**(64,554)**	2,924	18,459	(25,137)	(114,861)
Share of profits less losses of associates and a jointly-controlled entity	**1,634**	5,836	3,242	4,519	(5,761)
Profit/(loss) before tax	**(62,920)**	8,760	21,701	(20,618)	(120,622)
Tax	**(12,661)**	(1,577)	(1,389)	(3,408)	(1,780)
Profit/(loss) after tax	**(75,581)**	7,183	20,312	(24,026)	(122,402)
Minority interests	**108**	102	279	(251)	(22)
Net profit/(loss) attributable to shareholders	**(75,473)**	7,285	20,591	(24,277)	(122,424)

Comparative Financial Information

	31 December				
	2002	2001	2000	1999	1998
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
ASSETS					
Fixed assets	**520,997**	554,195	585,500	613,428	635,949
Trademarks	**122,235**	121,971	121,502	126,298	126,035
Interests in associates and a jointly-controlled entity	**51,836**	56,494	51,409	54,201	87,205
Current assets	**178,776**	273,746	404,025	435,020	531,098
TOTAL ASSETS	**873,844**	1,006,406	1,162,436	1,228,947	1,380,287
LIABILITIES					
Current liabilities	**277,862**	273,148	380,880	563,836	647,816
Long term portion of bank and other loans	**102,958**	156,508	208,004	111,316	143,705
Deferred tax	**8,903**	9,600	9,854	10,409	9,614
TOTAL LIABILITIES	**389,723**	439,256	598,738	685,561	801,135
Minority interests	**5,135**	5,243	7,318	7,597	7,346
	394,858	444,499	606,056	693,158	808,481
NET ASSETS	**478,986**	561,907	556,380	535,789	571,806

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that an annual general meeting of Hop Hing Holdings Limited (the "Company") will be held at Units E & F, 2/F., Hop Hing Building, 9 Ping Tong Street East, Tong Yan San Tsuen, Yuen Long, New Territories on 29 May 2003 at 11:30 a.m. (or any adjournment thereof) for the following purposes:

1. to receive and consider the audited financial statements of the Company and the reports of the Directors and the Auditors thereon for the year ended 31 December 2002;

2. to re-elect retiring Directors;

3. to fix the remuneration for Directors;

4. to re-appoint Auditors and to authorise the Directors to fix their remuneration; and

5. as special business, to consider and, if thought fit, pass with or without amendments, the following resolutions as Ordinary Resolutions:

   A. "**THAT** :

      (i) subject to paragraph (iii) below, a general unconditional mandate be and is hereby approved and granted to the Directors of the Company to be exercised during the Relevant Period (as hereinafter defined) to allot, issue and deal with additional securities of the Company (the "Securities") and to make or grant offers, agreements and options (including bonds, warrants and debentures convertible into shares (the "Shares")) which would or might require the exercise of such power;

      (ii) the approval in paragraph (i) above shall authorise the Directors during the Relevant Period (as hereinafter defined) to make or grant offers, agreements and options (including bonds, warrants and debentures convertible into Shares) which would or might require the exercise of such power after the end of the Relevant Period;

      (iii) the aggregate nominal value of the Securities allotted, issued and dealt with or agreed conditionally or unconditionally to be allotted, issued and dealt with (whether pursuant to an option or otherwise) by the Directors pursuant to the approval in paragraph (i) above other than to (a) a Rights Issue (as hereinafter defined); (b) the exercise of any rights of subscription or conversion under any existing warrants, bonds and debentures and any securities of the Company which carry rights to subscribe for or are convertible into Shares; (c) an issue of Shares under any share option scheme or similar arrangement for the time being adopted for the Company and/or any of its subsidiaries and/or associated companies of shares or rights to acquire Shares of the Company; or (d) an issue of Shares as scrip dividends or similar arrangement providing for the allotment of Shares in lieu of the whole or part of dividends or similar arrangement providing for the allotment of Shares in accordance with the bye-laws of the Company from time to time, shall not exceed 20 per cent. of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing this Resolution, and the said approval shall be limited accordingly; and

(iv) for the purpose of this Resolution :

"Relevant Period" means the period from the passing of this Resolution until whichever is the earliest of:

(a) the conclusion of the next annual general meeting of the Company;

(b) the date by which the next annual general meeting of the Company is required by the Bye-laws of the Company or any applicable law to be held; and

(c) the date on which the authority set out in this Resolution is revoked or varied by an ordinary resolution of the shareholders of the Company in general meeting.

"Rights Issue" means an offer of shares, or offer or issue of warrants, options or other securities giving rights to subscribe for Shares open for a period fixed by the Directors to holders of Shares on the register on a fixed record date in proportion to their shareholding (subject to such exclusion or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements, or having regard to any restrictions or obligations under the laws of, or the requirements of, or the expense or delay which may be involved in determining the existence or extent of any restrictions or obligations under the laws of, or the requirements of, any jurisdiction applicable to the Company, or any recognised regulatory body or any stock exchange applicable to the Company)."

B. "**THAT** :

(i) subject to paragraph (ii) below, a general unconditional mandate be and is hereby approved and granted to the Directors to be exercised during the Relevant Period (as hereinafter defined) to repurchase Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), or any other stock exchange on which the Securities may be listed and recognised by the Securities and Futures Commission of Hong Kong and the Stock Exchange for this purpose, subject to and in accordance with all applicable laws and the Listing Rules of the Stock Exchange or any other stock exchange as amended from time to time;

(ii) the aggregate nominal value of the Securities to be repurchased by the Company pursuant to the approval in paragraph (i) above during the Relevant Period shall not exceed (a) 10 per cent. of the aggregate nominal amount of the issued share capital of the Company as at the date of this Resolution; and (b) 10 per cent. of the warrants issued by the Company (the "Warrants") to subscribe for Shares as at the date of this Resolution, and the said approval shall be limited accordingly; and

(iii) for the purpose of this Resolution :

"Relevant Period" means the period from the passing of this Resolution until whichever is the earliest of:

(a) the conclusion of the next annual general meeting of the Company;

(b) the date by which the next annual general meeting of the Company is required by the Bye-laws of the Company or any applicable law to be held; and

(c) the date on which the authority set out in this Resolution is revoked or varied by an ordinary resolution of the shareholders of the Company in general meeting."

C. "**THAT** conditional upon the passing of Resolutions No. 5A and 5B, the general unconditional mandate in Resolution No. 5A be and is hereby extended by the addition thereto of an amount representing the aggregate nominal amount of securities repurchased by the Company under the authority granted pursuant to Resolution No. 5B set out in this notice, provided that such amount of securities so repurchased shall not exceed (i) 10 per cent. of the aggregate nominal amount of the issued share capital of the Company as at the date of passing this Resolution; and (ii) 10 per cent. of the Warrants issued by the Company to subscribe for Shares as at the date of passing this Resolution."

6. as special business, to consider and, if thought fit, pass with or without amendments, the following resolution as a special resolution:

"**THAT** the provisions of the Bye-Laws of the Company be amended as follows:

(i) by inserting the following definitions amongst those set out in Bye-Law 1 such that all the definitions therein are arranged in alphabetical order :

"address" shall have the ordinary meaning given by it and shall include any facsimile number, electronic mail address or website used for the purposes of communication pursuant to these Bye-laws;

"Companies Ordinance" means Companies Ordinance (Cap. 32 of the Laws of Hong Kong);

"communication" means any communication comprising texts, sounds or images or any combination of any of the above including but not limited to any communication through which payment(s) is/are effected;

"Consenting Member" means any Member who has given the Company written confirmation that any notice or document to be served on him for the purpose of or pursuant to these Bye-Laws should be sent by means of electronic communication;

"electronic" means relating to technology having electrical, digital, magnetic, wireless, optical, electromagnetic or similar capabilities and such other meanings as given to it in the Electronic Transactions Act 1999 of Bermuda as may be amended from time to time;

"electronic communication" means any communication transmitted (whether from one person to another, from one device to another or from a person to a device or vice versa) by means of a telecommunications system (as defined in the Telecommunications Ordinance (Chapter 106 of the Laws of Hong Kong)) including publication of communication or information on a website in whatever format for viewing or downloading or by other electronic means;

"Statutes" means the Companies Act and any other legislations (as amended from time to time) for the time being in force of the Legislature of Bermuda applying to or affecting the Company, the Memorandum of Association and/or these presents and include the Electronic Transactions Act 1999 of Bermuda as may be amended from time to time;

(ii) By replacing the definition of "Clearing House" as set out in Bye-Law 1 with the following :

"Clearing House" means a recognized clearing house within the meaning of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) or a clearing house or authorized share depository recognised by the laws of the jurisdiction in which the shares of the Company are listed or quoted on a stock exchange in such jurisdiction;

(iii) By replacing Bye-Law 33 with the following :

"The instrument of transfer of any share shall be signed by or on behalf of the transferor and the transferee or, if the transferor or the transferee is a Clearing House (or its nominee), where appropriate, executed by machine imprinted signature or by such other manner of execution as the Board may approve from time to time provided that the Board may dispense with the execution of the instrument of transfer by the transferee in any case in which it thinks fit. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the Register in respect thereof. All instruments of transfer, when registered, may be retained by the Company. Nothing in these Bye-Laws shall preclude the Board from recognising a renunciation of the allotment or provisional allotment of any share by the allottee or provisional allottee in favour of some other person."

(iv) By replacing Bye-Law 49 with the following :

"49. An annual general meeting or a special general meeting called for the passing of a special resolution shall be called by not less than twenty-one days' notice in writing (to the extent permitted by legislation and any rules prescribed by the stock exchange in any Relevant Territory from time to time, in relation to the Consenting Members, such notice may be given through electronic communication) and any other special general meeting shall be called by not less than fourteen days' notice in writing (to the extent permitted by legislation and any rules prescribed by the stock exchange in any Relevant Territory from time to time, in relation to the Consenting Members, such notice may be given through electronic communication). The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and shall specify the place, day and time of meeting, and, in the case of special business, the general nature of that business. The notice convening an annual general meeting shall specify the meeting as such, and the notice convening a meeting to pass a special resolution shall specify the intention to propose the resolution as a special resolution. Notice of every general meeting shall be given in manner hereinafter mentioned to all Members other than such as, under the provisions of these Bye-Laws or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to the Auditors for the time being of the Company.

Subject to the provisions of the Companies Act, notwithstanding that a meeting of the Company is called by shorter notice than that specified in this Bye-Law, it shall be deemed to have been duly called if it is so agreed :

(a) in the case of a meeting called as an annual general meeting, by all the Members entitled to attend and vote thereat; and

(b) in the case of any other meeting, by a majority in number of the Members having a right to attend and vote at the meeting, being a majority together holding not less than 95 per cent. in nominal value of the shares giving that right."

(v) By replacing Bye-Law 136 with the following Bye-Laws:

"136(A). A printed copy of every Directors' report accompanied by the balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company in general meeting, together with a copy of the Auditors' report, shall at least twenty-one days before the date of such general meeting be delivered or sent by post to the registered address of each Member who is not a Consenting Member or by electronic transmission to each Consenting Member or, if the Member so chooses and the law permits, by fascimile transmission to the fascimile number of the relevant Member in the records of the Company; copies shall also be sent in appropriate numbers to the stock exchange in any Relevant Territory on which any shares are for the time being listed in accordance with the terms of any listing agreement for the time being binding on the Company or with the continuing obligations binding on the Company by virtue of any listing."

"136(B). To the extent permitted by and subject to due compliance with all applicable Statutes, rules and regulations, including but not limited to the rules of the stock exchange in the Relevant Territory, the requirements of Bye-Law 136(A) are deemed to be satisfied by the Company in relation to the relevant Member who has given the relevant confirmation by sending to each of those Members in any manner not prohibited by the Statutes, rules and regulations not less than twenty-one days before the date of the general meeting, a summary financial report derived from the Company's annual financial statements, the auditor's report, the Directors' report and a notice informing the Member the way to notify the Company that he/she elects to receive the annual financial statements, provided that the Member who is otherwise entitled to the annual financial report of the Company and the Directors' report thereon may, if he/she so requires, by notice in writing served on the Company, demand that the Company send to him/her within seven days of receipt of notice of his/her election to receive the annual financial report, in addition to a summary financial report, a complete printed copy of the Company's annual financial report and the Directors' report thereon.

For the purposes of Bye-Law 136(B), "summary financial report" shall meet the requirements for "summary financial report" under the Companies Ordinance and the requirements for "summarized financial statements" under section 87A(3) of the Companies Act."

(vi) By renumbering Bye-Law 138 as 138(A) and replacing it with the following Bye-Law:

"138(A). Any notice or other document (including a share certificate) may be served on any Member by the Company by delivering it to the Member personally or by sending it through the post in a prepaid letter addressed to such Member at his registered address as appearing in the Register; or if the law permits by sending it through fascimile transmission; or by delivering it to or leaving it at such registered address addressed as aforesaid; or (in the case of notice) by advertisement in an official publication or newspaper circulating in Bermuda and in one or more newspapers circulating in the Relevant Territory or, in the case of Consenting Members, by communicating it through electronic communication in such manner or to such address as may be authorised by the Consenting Members concerned from time to time. In the case of joint holders of any shares, service or delivery of any notice or other document on or to any one of the joint holders shall for all purposes be deemed sufficient service on or delivery to all the joint holders of such shares."

(vii) By inserting the following new Bye-Law 138(B) immediately after Bye-Law 138(A):

"138(B). Any notice or document referred to in Bye-law 138(A) may be served or delivered by the Company by reference to the Register of Members as it stands at any time not more than fifteen days before the date of service or delivery of such notice or document. Any changes to the Register of Members which take place after a notice or document is duly served or delivered in accordance with these Bye-Laws shall not invalidate any such service or delivery of such notice or document. Where any notice or document is served on or delivered to any person as a Member in accordance with these Bye-Laws, any other person who has any title or interest derived from the shareholding of that Member shall not be entitled to be served or delivered that notice or document."

(viii) By replacing Bye-Law 139 with the following Bye-Law:

"139. Any such notice or document, if sent by post (including airmail), shall be deemed to have been served or delivered 48 hours after the time when the envelope containing the notice or document is put in the post; and in proving such service or delivery it shall be sufficient to prove that the notice or document is properly addressed, stamped and put in the post. Any notice or document delivered to or left at a registered address otherwise than by mail shall be deemed to have been served or delivered on the day it is so delivered or left. Any notice or document sent by fascimile transmission to a registered fascimile number in the records of the Company shall be deemed to have been served, if the law permits, upon transmission if the relevant fascimile machine generates a transmission report indicating that the transmission of the notice or document is successful. Any notice or document, if sent by means of electronic communication, shall be deemed to have been given on the day on which the electronic communication is made by or on behalf of the Company. Any notice served by advertisement shall be deemed to have been served on the day of issue of the official publication and/or newspaper(s) in which the advertisement is published (or on the last day of issue if the publication and/or newspaper(s) are published on different dates). Any notice or other document served or delivered by the Company by any other means as authorised in writing by the Member concerned shall be deemed to have been served when the Company has carried out the action it has been authorised to take for that purpose."

By Order of the Board

Wong Kwok Ying
Company Secretary

Hong Kong, 28 April 2003

Notice of Annual General Meeting

Head Office and Principal Place of Business:
Units E & F, 2nd Floor
Hop Hing Building
9 Ping Tong Street East
Tong Yan San Tsuen
Yuen Long, New Territories

Registered Office:
Cedar House
41 Cedar Avenue
Hamilton HM 12
Bermuda

Notes:

1. A Member entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy to attend and in the event of a poll, vote on his behalf. A proxy need not be a Member of the Company.

2. To be valid, a form of proxy and the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power of attorney or authority must be deposited at the Company's Registrars in Hong Kong, Computershare Hong Kong Investor Services Limited, Rooms 1901-5, 19th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time fixed for the holding of the meeting.

3. In the case of joint holders, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the vote(s) of the other joint holder(s), and for this purpose seniority will be determined by the order in which the names stand in the Register of Members of the Company in respect of the joint holding.

4. Concerning item 5A above, the Directors wish to state that approval is being sought from Members for a general mandate to be given to the Directors to allot additional securities of the Company in order to ensure flexibility and discretion to the Directors in the event that it becomes desirable to issue any securities of the Company up to 20 per cent of the existing issued share capital.

5. Concerning items 5B and 5C above, approval is being sought from Members for a general mandate to be given to the Directors to repurchase securities and to reissue securities as a result of such repurchase. In accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, a letter setting out the terms and conditions upon which such power will be exercised accompanies this notice.