



Hop Hing Holdings Limited

(Incorporated in Bermuda with limited liability)

ANNUAL REPORT 2003








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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*
Chan Sai On, David
Wong Kwok Ying

* *Non-executive directors*

** *Independent non-executive directors*

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

Canon's Court
22 Victoria Street
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

2003 was an exceptional year. During the first 6 months, the economic conditions in Hong Kong had remained difficult, and the war in Iraq and the outbreak of SARS both created further negative impacts on the business environment in which we operate. In the second half of the year, however, the signing of CEPA and the opening up of visitors to Hong Kong by China had, directly and indirectly, helped improve the economy within a relatively short timeframe.

OPERATING RESULTS

Net loss after tax for the year ended 31 December 2003 was HK\$27.7 million. This compares with the net loss after tax of HK\$74.9 million for the year 2002.

Earnings before interest, tax, depreciation and amortisation (EBITDA) for 2003 was HK\$17.0 million, compared with a negative EBITDA of HK\$15.9 million in 2002.

Loss per share in 2003 was 6.76 cents whereas loss per share in 2002 was 18.3 cents.

DIVIDEND

No interim dividend was paid (2002: nil) and your directors do not recommend the payment of any final dividend for the year under review (2002: nil).

BUSINESS REVIEW

Review of Operations

In line with the changes in the economy during the period under review, business turnover for the second half of the year showed an increase of some 53% when compared to that of the first 6 months. The Group's efforts in streamlining costs in previous years has begun to be reflected in the accounts this year, although its impact was to an extent diluted by the rapid rise in raw material oil costs.

In Hong Kong, our market share has improved over 2002. The Company received the 2003/04 Caring Company Award and our premium brand, the Lion & Globe, received the Hong Kong Superbrands Tribute Award and the Honorary Award amongst the Hong Kong Top Ten Brandnames Awards. In respect of the latter, Lion & Globe is believed to be the first and so far the only edible oil product to have received such Honorary Award.

In China, the Group's strategy to concentrate only in the more profitable sales regions has begun to produce positive results, and the China operations has delivered a positive EBITDA from the second half of the year.

On working capital management, the Group has continued to improve the quality of accounts receivable by re-focusing of sales efforts, and the accounts receivable in 2003 was HK\$24 million, as compared to HK\$31 million of 2002 and HK\$51 million of 2001.



Chairman's Statement

Provision and Write-off

In 2002, the Group made a provision of HK\$39 million which was mainly against deposits paid to a PRC company for procurement of raw materials. The Group has since taken actions to seek recovery of such and, in this regard, the matter is now in the hands of our lawyers.

FINANCIAL REVIEW

Equity

The number of issued shares of HK\$0.10 each as at 31 December 2003 was 409,152,938 (31 December 2002: 409,125,738). During the year under review, the share capital of the Company was increased by 27,200 shares resulting from the exercise of 27,200 warrants of the Company. As at 31 December 2003, there were 81,782,687 warrants carrying rights to subscribe an aggregate of 81,782,687 new shares of HK\$0.10 each in the Company at any time up to 30 April 2005 at an initial subscription price of HK\$0.27 per share.

As at the year end date, there were outstanding share options granted to certain eligible employees entitling them to subscribe for 23,492,677 shares of the Company. Details of the share options outstanding are disclosed in note 26 to the financial statements.

Liquidity and gearing

On 24 April 2003, the Group completed refinancing of its bank loans which resulted in a net current asset of HK\$41 million as at 31 December 2003 (net current liabilities as at 31 December 2002: HK\$99 million).

As at the balance sheet date, the Group's total bank borrowings less pledged cash deposits amounted to HK\$303 million (31 December 2002: HK\$295 million). Of the total bank borrowings, HK\$53 million was repayable within one year and the balance was repayable within two to five years. The Group's gearing ratio (expressed as a percentage of long term bank borrowings over shareholders' funds and long term bank borrowings) as at 31 December 2003 was 38% (31 December 2002: 18%). The increase in gearing ratio was mainly due to additional bank borrowings and reclassification of bank loans from current liabilities to long term liabilities as a result of the debt refinancing.

The net interest expenses for the year was HK\$16.0 million (2002: HK\$18.6 million). Such decrease is mainly attributable to the repayments of bank loans and the decrease in interest rates during the year under review.

The Group's bank borrowings are denominated in Hong Kong dollars and Renminbi. The Group continues to adopt the policy of hedging foreign currency liabilities with foreign currency assets.

Remuneration policies and share option scheme

Remuneration packages comprised salary and bonuses based on individual merits. The total remuneration paid to the employees (including pension costs and the directors' remuneration) of the Group in the year under review was HK\$38 million (2002: HK\$42 million). As at 31 December 2003, the Group had 222 (31 December 2002: 379) employees.

Details of share options granted under the Share Option Scheme of the Company are set out in note 26 to the financial statements.

Segment information

In the period under review, the Group's edible oil business in Mainland China continued to account for a major proportion of the Group's turnover.

Details of the segment information are set out in note 4 to the financial statements.

Contingent liabilities

Details of the contingent liabilities are set out in note 31 to the financial statements.

Pledge of assets

Details of the pledge of assets are set out in note 28 to the financial statements.

OUTLOOK

As the economy continues to improve, your Board expects market situation to do likewise and have taken steps to position ourselves in this regard.

In addition, the Group has engaged a professional firm as our advisor to assist in a review of the overall strategic future of our business. Such review may or may not result in a restructuring of our businesses.

VOTE OF THANKS

We would like to thank all of our customers, suppliers, business associates and bankers for the continued support during 2003. We would also like to thank all members of our management team and staff for their hard work during the year.

HUNG HAK HIP

Chairman

27 April 2004



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 2003.

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 2003 and the state of affairs of the Group and of the Company at that date are set out in the financial statements on pages 18 to 59.

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 60 and 61.

FIXED ASSETS

Details of movements in the fixed assets of the Group during the year are set out in note 12 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 25 and 26 to the financial statements. The movements in the reserves of the Company and the Group during the year are set out in note 27 to the financial statements and in the consolidated statement of changes in equity, respectively. Details of the distributable reserves of the Company are set out in note 27 to the financial statements.

BORROWINGS

Particulars of the borrowings of the Group at the balance sheet date are set out in notes 20, 21 and 22 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*

Chan Sai On, David

Wong Kwok Ying

Han Kin Yee

(resigned on 1 July 2003)

* *Non-executive directors*

** *Independent non-executive directors*

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. Wong Yu Hong, Philip, Cheung Wing Yui, Edward and Hung Chiu Yee will retire and, being eligible, will offer themselves for re-election.

DIRECTORS AND SENIOR EXECUTIVES

(a) Non-executive directors

Hung Hak Hip, aged 59, 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' and chief executive's interests and short positions in shares and underlying 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 65, 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.

Sze Tsai To, Robert, aged 63, 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.



Report of the Directors

DIRECTORS AND SENIOR EXECUTIVES (continued)

(a) Non-executive directors (continued)

Cheung Wing Yui, Edward, aged 54, 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 63, 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 58, 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 55, Vice Chairman & CEO, B. Comm; Master in Finance; Fellow of Chartered Management Institute. He has over 30 years' senior management experience, the last 21 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.

Chan Sai On, David, aged 49, 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.

Wong Kwok Ying, aged 44, 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 40, is the Chief Operating Officer for the Group's sales activities, manufacturing, quality assurance and product development. 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 55, 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.

DIRECTORS AND SENIOR EXECUTIVES (continued)

(c) Senior executives (continued)

Lian Bai Xiang, aged 55, is the General Manager for the Group's sales activities in China East Region. 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 34, 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 over 10 years' managerial experience in the sales and marketing of food products in the PRC. Mr. Wang joined the Group in 2001.

Tang Wing Yin, Wilson, aged 38, is principally responsible for treasury and accounting functions of the Group's operations in the PRC. Mr. Tang is an associate member of the Hong Kong Society of Accountants. He has over 13 years' experience in finance and accounting functions in both Hong Kong and the PRC. Mr. Tang joined the Group in 2003.

Chan Chi Lik, Tony, aged 38, is the Group's IT manager. He holds a bachelor degree with honors in Information System from the University of Staffordshire in UK, and a post-graduate diploma of Chinese Law from Tsinghua University in Beijing. He has over 13 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, either directly or indirectly, in any contract of significance to the business of the Group 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.

Report of the Directors

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 31 December 2003, the interests of the directors and chief executive in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("SFO") were as follows:

Interests in ordinary shares of the Company

Name of director	Number of shares held, capacity and nature of interest				Total	Percentage of the Company's issued share capital
	Directly beneficially owned	Through spouse or minor children	Through controlled corporation	Beneficiary of a trust		
Hung Hak Hip	–	1,396,645	3,601,607	3,227,420*	8,225,672	2.0
Liu Chi Keung, Ricky	–	–	–	–	–	–
Wong Yu Hong, Philip	–	–	–	–	–	–
Sze Tsai To, Robert	–	–	–	–	–	–
Cheung Wing Yui, Edward	398,000	–	–	–	398,000	0.1
Hung Chiu Yee	772,673	–	–	–	772,673	0.2
Lee Pak Wing	–	–	–	–	–	–
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.

Interests in warrants of the Company

Name of director	Number of warrants held, capacity and nature of interest			
	Directly beneficially owned	Through spouse or minor children	Through controlled corporation	Beneficiary of a trust
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	–	–	–	–
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.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES (continued)

The interests of the directors in the share options of the Company are separately disclosed in note 26 to the financial statements.

Save as disclosed above, none of the directors and chief executive had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Part XV of the SFO or pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

SHARE OPTION SCHEME

Details of the Company's share option scheme are disclosed in note 26 to the financial statements.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from as disclosed under the headings "Directors' and chief executive's interests and short positions in shares and underlying shares" above and in the share option scheme disclosures in note 26 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 respective spouse or minor children to acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSON'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 31 December 2003, the interests of those persons (other than the directors and chief executive) holding 5% or more of the issued share capital, in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

Interests in ordinary shares of the Company

Name of holder	Notes	Number of ordinary shares held	Percentage of the Company's issued share capital
Hung's (1985) Limited ("Hung's")	(i)	117,136,083	28.6%
Hop Hing Oil (1985) Limited ("HHO")	(ii)	155,392,698	38.0%
GZ Trust Corporation ("GZTC")	(iii)	272,528,781	66.6%
Hung Cheung Pui	(iv)	272,528,781	66.6%



Report of the Directors

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSON'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES (continued)

Notes:

- (i) Hung's is the registered holder of the shares disclosed above.
- (ii) HHO is the registered holder of the shares disclosed above.
- (iii) GZTC is the registered holder of majority units of certain unit trusts, of which Hung's and HHO are trustees. The shares disclosed above represent GZTC's deemed interest in the shares held by Hung's and HHO.
- (iv) Mr. Hung Cheung Pui is the founder of two discretionary trusts, of which GZTC is the trustee. The shares disclosed above represent Mr. Hung Cheung Pui's deemed interest in the disclosed interest of GZTC mentioned above.

Interests in warrants of the Company

Name of holder	Notes	Number of warrants held
Hung's	(i)	23,427,216
HHO	(ii)	31,078,539
GZTC	(iii)	54,505,755
Hung Cheung Pui	(iv)	54,505,755

Notes:

- (i) Hung's is the registered holder of the warrants disclosed above.
- (ii) HHO is the registered holder of the warrants disclosed above.
- (iii) GZTC is the registered holder of majority units of certain unit trusts, of which Hung's and HHO are trustees. The warrants disclosed above represent GZTC's deemed interest in the warrants held by Hung's and HHO.
- (iv) Mr. Hung Cheung Pui is the founder of two discretionary trusts, of which GZTC is the trustee. The warrants disclosed above represent Mr. Hung Cheung Pui's deemed interest in the disclosed interest of GZTC mentioned above.

Save as disclosed above, no person, other than the directors of the Company, whose interests are set out in the section "Directors' and chief executive's interests and short positions in shares and underlying shares" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

CONNECTED TRANSACTIONS

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 certain properties of the Group to the Lessees.

During the year, the above premises were sold to Wytak Limited (“Wytak”), an indirect wholly-owned subsidiary of the Company, with all the terms and conditions of the Tenancy Agreements remain unchanged. Accordingly, Wytak became the successor-in-title and the new landlord of the premises and succeeded all rights, obligations, interests and entitlements under the Tenancy Agreements.

The aggregate rent received under the Tenancy Agreements by the Group for the year amounted to HK\$1,886,400 and does not exceed the threshold under Rule 14.25(1) of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) applicable in the year.

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

Further details of the connected transactions were set out in the Company’s announcement dated 14 November 2002.

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 applicable in the year 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 certain 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 in 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 aggregate rent under the Tenancy Agreements does not exceed the thresholds under Rule 14.25(1) of the Listing Rules applicable in the year.

The auditors of the Company have reviewed the above connected transactions in 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 applicable in the year.

Besides, details of the related party transactions in the year are set out in note 32 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.



Report of the Directors

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for 38% of the total sales for the year with sales to the largest customer included therein amounted to 30%. The percentage of purchases attributable to the Group's five largest suppliers was less than 30% of the Group's purchases for the year.

To the best knowledge of the Directors, neither the Directors, their associates, nor any shareholders who own more than 5% of the Company's issued share capital, had any beneficial interest in the Group's five largest customers during the year.

RETIREMENT BENEFITS SCHEMES

The Group operates defined contribution retirement benefits schemes, namely the Mandatory Provident Fund 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.

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.

For the year ended 31 December 2003, the total scheme contributions made by the Group amounted to HK\$1,141,000 and forfeited contributions applied to reduce employer's contributions were HK\$82,000. No forfeited contributions were available to reduce future contributions to the Exempted Scheme as at 31 December 2003.

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 and two non-executive directors of the Company.

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

27 April 2004



Report of the Auditors

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 18 to 59 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 financial statements and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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\$122,477,000 which are stated at cost and are not amortised. In accordance with SSAP 29 "Intangible assets", these trademarks should be amortised over the best estimate of their useful lives. However, as further explained in note 13 ("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 2003 and the loss for the year then ended, including any prior year adjustment that may be required.

Report of the Auditors

Except for any adjustment 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 2003 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
27 April 2004

Consolidated Profit and Loss Account Year ended 31 December 2003

	Notes	2003 HK\$'000	2002 HK\$'000 (Restated)
TURNOVER	5	427,389	568,814
Direct cost of stocks sold and services provided		(330,583)	(423,302)
Other production and service costs (including depreciation of HK\$25,464,000 (2002: HK\$28,409,000))		(45,645)	(50,821)
Selling and distribution costs		(18,525)	(44,135)
General and administrative expenses		(43,315)	(58,058)
Provision against and write-off of deposits and prepayments	6	–	(39,272)
Other revenue and gains		–	832
PROFIT/(LOSS) FROM OPERATING ACTIVITIES	6	(10,679)	(45,942)
Finance costs, net	8	(15,989)	(18,612)
Share of profit of a jointly-controlled entity		2,236	1,634
PROFIT/(LOSS) BEFORE TAX		(24,432)	(62,920)
Tax	9	(1,800)	(12,071)
PROFIT/(LOSS) BEFORE MINORITY INTERESTS		(26,232)	(74,991)
Minority interests		(1,444)	108
NET PROFIT/(LOSS) ATTRIBUTABLE TO SHAREHOLDERS	10	(27,676)	(74,883)
LOSS PER SHARE (HK cents)	11		
Basic		(6.76)	(18.30)
Diluted		N/A	N/A

Consolidated Balance Sheet 31 December 2003

	Notes	2003 HK\$'000	2002 HK\$'000 (Restated)
NON-CURRENT ASSETS			
Fixed assets	12	464,509	520,997
Trademarks	13	122,477	122,235
Interests in associates	15	(1,425)	(1,425)
Interest in a jointly-controlled entity	16	55,090	53,261
Deferred tax assets	24	10,763	9,840
		651,414	704,908
CURRENT ASSETS			
Stocks	17	43,596	42,568
Accounts receivable	18	24,314	30,841
Sundry receivables, deposits and prepayments		63,387	37,712
Pledged cash deposits	19	6,149	11,545
Cash and bank balances		47,984	56,110
		185,430	178,776
CURRENT LIABILITIES			
Interest-bearing bank loans	20	41,060	138,802
Other loans	21	5,177	5,177
Bills payable	22	12,149	65,249
Accounts payable	23	28,071	18,673
Other payables and accrued charges		52,897	37,871
Tax payable		4,944	12,090
		144,298	277,862
NET CURRENT ASSETS/(LIABILITIES)		41,132	(99,086)
TOTAL ASSETS LESS CURRENT LIABILITIES		692,546	605,822
NON-CURRENT LIABILITIES			
Interest-bearing bank loans	20	255,958	102,958
Deferred tax liabilities	24	8,499	18,122
		264,457	121,080
MINORITY INTERESTS		6,579	5,135
		421,510	479,607

Consolidated Balance Sheet 31 December 2003

	Notes	2003 HK\$'000	2002 HK\$'000 (Restated)
<hr/>			
CAPITAL AND RESERVES			
Issued capital	25	40,915	40,913
Reserves	27(a)	380,595	438,694
<hr/>			
		421,510	479,607
<hr/>			

Hung Hak Hip
Chairman

Liu Chi Keung, Ricky
Vice Chairman & CEO

Consolidated Statement of Changes in Equity Year ended 31 December 2003

	Notes	Reserves					Retained profits/ (Accumulated losses)	Sub-total	Total
		Issued share capital	Share premium account	Investment property revaluation reserve	Other properties revaluation reserve	Capital and other reserves			
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Balance at 1 January 2002:									
As previously stated		40,911	374,364	7,519	56,265	58,759	24,089	520,996	561,907
Prior year adjustment:									
SSAP 12 "Income taxes"	24	-	-	-	(9,002)	-	9,033	31	31
As restated		40,911	374,364	7,519	47,263	58,759	33,122	521,027	561,938
Issue of shares		2	1	-	-	-	-	1	3
Deficit on revaluation and loss not recognised in the profit and loss account		-	-	(7,200)	-	-	-	(7,200)	(7,200)
Bonus warrants issue expenses		-	(251)	-	-	-	-	(251)	(251)
Net loss attributable to shareholders (as restated)		-	-	-	-	-	(74,883)	(74,883)	(74,883)
Balance at 31 December 2002		40,913	374,114	319	47,263	58,759	(41,761)	438,694	479,607
Balance at 1 January 2003:									
As previously stated		40,913	374,114	319	56,265	58,759	(51,384)	438,073	478,986
Prior year adjustment:									
SSAP 12 "Income taxes"	24	-	-	-	(9,002)	-	9,623	621	621
As restated		40,913	374,114	319	47,263	58,759	(41,761)	438,694	479,607
Impairment loss	12	-	-	-	(35,791)	-	-	(35,791)	(35,791)
Deferred tax liabilities released for impairment losses	24	-	-	-	6,263	-	-	6,263	6,263
Deferred tax charge due to changes in tax rate	24	-	-	-	(843)	-	-	(843)	(843)
Net gains and losses not recognised in the profit and loss account		-	-	-	(30,371)	-	-	(30,371)	(30,371)
Bonus warrants issue expenses		-	(57)	-	-	-	-	(57)	(57)
Issue of shares		2	5	-	-	-	-	5	7
Net loss attributable to shareholders		-	-	-	-	-	(27,676)	(27,676)	(27,676)
Balance at 31 December 2003		40,915	374,062	319	16,892	58,759	(69,437)	380,595	421,510
Retained in/(accumulated by):									
Company and subsidiaries		40,915	374,062	319	16,892	58,759	(106,529)	343,503	384,418
Associates		-	-	-	-	-	24,646	24,646	24,646
A jointly-controlled entity		-	-	-	-	-	12,446	12,446	12,446
31 December 2003		40,915	374,062	319	16,892	58,759	(69,437)	380,595	421,510
Company and subsidiaries (as restated)		40,913	374,114	319	47,263	58,759	(77,024)	403,431	444,344
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	47,263	58,759	(41,761)	438,694	479,607

Consolidated Cash Flow Statement Year ended 31 December 2003

	Notes	2003 HK\$'000	2002 HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax		(24,432)	(62,920)
Adjustments for:			
Share of profit of a jointly-controlled entity		(2,236)	(1,634)
Interest income	8	(354)	(774)
Interest expenses	8	16,343	19,386
Depreciation	6	25,464	28,409
Loss/(gain) on disposal of fixed assets	6	(614)	514
Provision against and write-off of deposits and prepayments	6	–	39,272
Gain on disposal of a trading right	6	–	(832)
Operating profit before working capital changes		14,171	21,421
Decrease/(increase) in stocks		(1,028)	17,087
Decrease in accounts receivable		6,527	16,918
Increase in sundry receivables, deposits and prepayments		(25,675)	(7,663)
Decrease in bills payable		(15,252)	(5,997)
Increase/(decrease) in accounts payable		9,398	(4,780)
Increase in other payables and accrued charges		15,026	6,339
Cash generated from operations		3,167	43,325
Interest received		354	774
Tax paid		(13,665)	(667)
Net cash inflow/(outflow) from operating activities		(10,144)	43,432
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of fixed assets		(4,834)	(4,910)
Proceeds from disposal of fixed assets		681	1,985
Increase in trademarks		(242)	(264)
Dividend received from a jointly-controlled entity		–	6,000
Net cash inflow/(outflow) from investing activities		(4,395)	2,811

Consolidated Cash Flow Statement Year ended 31 December 2003

	Notes	2003 HK\$'000	2002 HK\$'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid	8	(16,343)	(19,386)
New bank loans		180,000	–
Repayment of bank loans and bills payable		(162,590)	(55,083)
Decrease/(increase) in pledged cash deposits		5,396	(4,108)
Issue of share capital, including share premium	25	7	3
Expenses for issue of bonus warrants		(57)	(251)
Net cash inflow/(outflow) from financing activities		6,413	(78,825)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(8,126)	(32,582)
Cash and cash equivalents at 1 January		56,110	88,692
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		47,984	56,110
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		47,984	56,110

Balance Sheet 31 December 2003

	Notes	2003 HK\$'000	2002 HK\$'000
NON-CURRENT ASSETS			
Interests in subsidiaries	14	421,203	479,238
CURRENT ASSETS			
Sundry receivables and prepayments		278	73
Cash and bank balances		148	119
		426	192
CURRENT LIABILITIES			
Other payables and accrued charges		1,014	817
NET CURRENT LIABILITIES			
		(588)	(625)
		420,615	478,613
CAPITAL AND RESERVES			
Issued capital	25	40,915	40,913
Reserves	27(b)	379,700	437,700
		420,615	478,613

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. IMPACT OF A REVISED HONG KONG STATEMENT OF STANDARD ACCOUNTING PRACTICE ("SSAP")

The revised SSAP 12 "Income taxes" is effective for the first time for the current year's financial statements and have had a significant impact thereon.

SSAP 12 prescribes the basis of accounting for income taxes payable or recoverable, arising from the taxable profit or loss for the current period (current tax); and income taxes payable or recoverable in future periods, principally arising from taxable and deductible temporary differences and the carryforward of unused tax losses (deferred tax).

The principal impact of the revision of this SSAP on these financial statements is described below:

Measurement and recognition:

- deferred tax assets and liabilities relating to the differences between capital allowances for tax purposes and depreciation for financial reporting purposes and other taxable and deductible temporary differences are generally fully provided for, whereas previously the deferred tax was recognised for timing differences only to the extent that it was probable that the deferred tax asset or liability would crystallise in the foreseeable future;
- a deferred tax liability has been recognised on the revaluation of the Group's land and buildings; and
- a deferred tax asset has been recognised for tax losses arising in the current/prior periods to the extent that it is probable that there will be sufficient future taxable profits against which such losses can be utilised.

Disclosures:

- deferred tax assets and liabilities are presented separately on the balance sheet, whereas previously they were presented on a net basis; and
- the related note disclosures are now more extensive than previously required. These disclosures are presented in notes 9 and 24 to the financial statements and include a reconciliation between the accounting loss and the tax expense for the year.

Further details of these changes and the prior year adjustments arising from them are included in the accounting policy for deferred tax in note 3 and in note 24 to the financial statements.

3. 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 certain land and buildings and 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 2003. 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 14 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 15 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 impairment losses.

3. 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 losses.

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

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 values 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.

Prior to the adoption of SSAP 30 "Business combinations" in 2001, 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 the SSAP that permitted such goodwill to remain eliminated against consolidated reserves. Goodwill on acquisitions subsequent to the adoption of the SSAP 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. Any attributable goodwill previously eliminated against consolidated reserves at the time of acquisition is written back and included in the calculation of the gain or loss on disposal.

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.

3. 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/amortisation), 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 investment property, is 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. Expenditure incurred after fixed assets have been put into operation such as repairs and maintenance, is normally charged to profit and loss account in the period in which it is occurred. In situations where it can be clearly demonstrated that the expenditure 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%

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fixed assets and depreciation (continued)

The gain or loss on disposal or retirement of a fixed asset recognised in the profit and loss account is the difference between the net 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 depreciated 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.

On 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 disposal.

Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the profit and loss account or in equity if it relates to items that are recognised in the same or a different period, directly in equity.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

Deferred tax liabilities are recognised for all taxable temporary differences:

- except where the deferred tax liability arises from the initial recognition of an asset or liability and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with interests in subsidiaries, associates and a jointly-controlled entity, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax assets and unused tax losses can be utilised:

- except where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with interests in subsidiaries, associates and a jointly-controlled entity, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

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.

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) 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, on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits (continued)

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 schemes

The Group operates defined contribution retirement benefits schemes, namely the Mandatory Provident Fund 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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits (continued)

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.

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.

Notes to Financial Statements 31 December 2003

4. 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, revenue 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	
	2003	2002	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from external customers	271,252	438,195	156,137	130,619	427,389	568,814
Segment assets	405,373	444,519	367,043	377,489	772,416	822,008
Unallocated assets					65,853	63,101
					838,269	885,109
Capital expenditure incurred during the year	645	1,772	4,189	3,138	4,834	4,910

5. TURNOVER

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

	2003	2002
	HK\$'000	HK\$'000
Sales of goods and services	413,249	552,265
Rental and other income	14,140	16,549
	427,389	568,814

6. PROFIT/(LOSS) FROM OPERATING ACTIVITIES

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

	2003 HK\$'000	2002 HK\$'000
Rental income	11,129	11,619
Less: Outgoings	(2,848)	(2,576)
Net rental income	8,281	9,043
Royalties	15,629	22,496
Gain on disposal of a trading right in the Hong Kong Futures Exchange Limited classified as other revenue and gains	–	832
Gain on disposal of fixed assets	614	–
and after charging:		
Cost of stocks sold	327,735	420,726
Staff costs (including directors' emoluments in <i>note 7</i>): Wages and salaries	37,404	40,893
Pension scheme contributions	1,141	1,185
Less: Unvested contributions forfeited (<i>note i</i>)	(82)	(90)
	1,059	1,095
	38,463	41,988
Provision against and write-off of deposits and prepayments (<i>note ii</i>)	–	39,272
Depreciation	25,464	28,409
Minimum lease payments under operating leases in respect of land and buildings	853	1,024
Loss on disposal of fixed assets	–	514
Auditors' remuneration	838	888

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

Notes:

- i. At 31 December 2003, the amount of forfeited contributions available to the Group to reduce its future contributions to the Exempted Scheme as defined in note 3 to these financial statements amounted to nil (2002: HK\$78,000).
- ii. The Group has commenced cooperation with a company established in Guangzhou, the People's Republic of China (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.

In the prior year, the Group received information that the PRC Company was involved in certain enquiries being conducted by certain authorities in the PRC and was 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, the actual recovery of the Amounts still depends on the financial conditions of the PRC Company and hence remains uncertain. Provisions for the recoverability of the Amounts were therefore made in the prior year. 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 (the "Stock Exchange") were also written off in the prior year.

7. DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS

(a) Directors' emoluments

Directors' emoluments for the year disclosed pursuant to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and Section 161 of the Companies Ordinance are as follows:

	Group	
	2003 HK\$'000	2002 HK\$'000
Directors' fees:		
Non-executive directors	60	60
Independent non-executive directors	500	500
Salaries and allowances*	7,777	8,687
Discretionary/performance related bonuses	–	191
Retirement fund contributions	331	337
	8,668	9,775

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

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

(a) Directors' emoluments (continued)

The directors' emoluments are analysed as follows:

Band	Group	
	2003 Number of directors	2002 Number of directors
Nil to HK\$1,000,000	6	6
HK\$1,000,001 to HK\$1,500,000	3	2
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 26 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 for the year are as follows:

	Group	
	2003 HK\$'000	2002 HK\$'000
Salaries and allowances	8,082	8,992
Discretionary/performance related bonuses	–	191
Retirement fund contributions	398	404
	8,480	9,587

The above emoluments are analysed as follows:

Band	Group	
	2003 Number of individuals	2002 Number of individuals
Nil to HK\$1,000,000	1	1
HK\$1,000,001 to HK\$1,500,000	3	2
HK\$2,000,001 to HK\$2,500,000	–	1
HK\$4,000,001 to HK\$4,500,000	1	1

Notes to Financial Statements 31 December 2003

8. FINANCE COSTS, NET

	Group	
	2003 HK\$'000	2002 HK\$'000
Interest on bank borrowings	16,232	19,248
Interest on other loans wholly repayable within five years	111	138
Total finance costs	16,343	19,386
Less: Interest income	(354)	(774)
	15,989	18,612

9. TAX

Hong Kong profits tax has been provided at the rate of 17.5% (2002: 16%) on the estimated assessable profits arising in Hong Kong during the year. The increased Hong Kong profits tax rate became effective from the year of assessment 2003/2004, and so is applicable to the assessable profits arising in Hong Kong for the whole of the year ended 31 December 2003. Overseas taxes have been provided for at the applicable tax rates, if required.

	Group	
	2003 HK\$'000	2002 HK\$'000 (Restated)
Group		
Current – Hong Kong (<i>note</i>)	6,386	12,978
Current – Elsewhere	133	88
Deferred – <i>note 24</i>	(5,126)	(1,287)
	1,393	11,779
Share of tax attributable to a jointly-controlled entity – Hong Kong	407	292
Total tax charge for the year	1,800	12,071

Note: In the prior 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.

9. TAX (continued)

A reconciliation of the tax expense applicable to profit/(loss) before tax using the statutory rate for the country where the principal place of business of the Group is to the tax expense at the effective tax rates is as follows:

	Group			
	2003		2002	
	HK\$'000	%	HK\$'000	%
Profit/(loss) before tax	(24,432)		(62,920)	
Tax at the statutory tax rate	(4,276)	17.5	(10,067)	16.0
Effect of different tax rates in other jurisdictions	670		1,985	
Effect of increase in rates on opening deferred tax	(68)		–	
Income not subject to tax	(218)		(191)	
Expenses not deductible for tax	235		5,273	
Tax losses not recognised	5,871		15,435	
Utilisation of tax losses brought forward from previous periods	(414)		(364)	
Tax charge at the Group's effective rate	1,800	(7.4)	12,071	(19.2)

For certain of subsidiaries incorporated in the British Virgin Islands income tax has been provided at nil tax rate (2002: nil) on the estimated profits arising in the British Virgin Islands for the year ended 31 December 2003.

Under PRC income tax law, enterprises are subject to corporate income tax ("CIT") at a rate of 33%. However, certain of the Group's PRC subsidiaries are operating in the coastal open economic zones of the PRC and the relevant tax authorities have granted the enterprises a preferential tax rate of 27%. CIT is payable based on the taxable income as reported in the statutory accounts which are prepared in accordance with PRC accounting regulations.

10. NET PROFIT/(LOSS) ATTRIBUTABLE TO SHAREHOLDERS

The net loss attributable to shareholders for the year ended 31 December 2003 dealt with in the financial statements of the Company was HK\$57,948,000 (2002: HK\$38,971,000).

Notes to Financial Statements 31 December 2003

11. LOSS PER SHARE

(a) Basic loss per share

Basic loss per share is calculated based on the net loss attributable to shareholders of HK\$27,676,000 (2002: HK\$74,883,000 (as restated)), and the weighted average of 409,139,450 (2002: 409,119,516) shares in issue during the year.

(b) Diluted loss per share

Diluted 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 loss per share for these years.

12. 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 or valuation:				
At 1 January 2003	58,400	324,445	327,560	710,405
Additions	–	197	4,637	4,834
Disposals	–	–	(4,828)	(4,828)
At 31 December 2003	58,400	324,642	327,369	710,411
Accumulated depreciation and impairment:				
At 1 January 2003	–	41,220	148,188	189,408
Provided during the year	–	7,107	18,357	25,464
Impairment recognised directly in equity during the year	–	35,791	–	35,791
Disposals	–	–	(4,761)	(4,761)
At 31 December 2003	–	84,118	161,784	245,902
Net book value:				
At 31 December 2003	58,400	240,524	165,585	464,509
At 31 December 2002	58,400	283,225	179,372	520,997

12. FIXED ASSETS (continued)

The impairment losses in respect of leasehold land and buildings represented the write down of certain of these assets to their recoverable amounts which are determined by reference to a valuation carried out on an open market, existing use basis.

The Group's 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 2003. 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 and impairment losses HK\$'000	Hong Kong, at cost less accumulated depreciation HK\$'000	Elsewhere, at cost less accumulated depreciation HK\$'000	Total HK\$'000
Long term leases	1,136	–	4,812	5,948
Medium term leases	28,983	53,810	151,783	234,576
	<u>30,119</u>	<u>53,810</u>	<u>156,595</u>	<u>240,524</u>

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\$233,152,000 (2002: HK\$239,404,000).

Certain of the Group's land and buildings with an aggregate net book value of HK\$33,780,000 as at 31 December 2003 are let out under operating leases, details of which are included in note 29(a) to the financial statements.

13. 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 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 2003; 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.

14. INTERESTS IN SUBSIDIARIES

	Company	
	2003 HK\$'000	2002 HK\$'000
Unlisted shares, at cost	260,476	260,476
Amounts due from subsidiaries	257,727	257,762
Provision for impairment	518,203 (97,000)	518,238 (39,000)
	421,203	479,238

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

14. 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 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%	Bottling, packaging and 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
Hop Hing Oil Refinery Limited	Hong Kong	HK\$10,000,000	100%	Edible oils refinery
Lapidus (1985) Limited	Hong Kong	HK\$12	100%	Barge ownership
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 oils production
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 oils refinery

Notes to Financial Statements 31 December 2003

14. 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
Sino Food Products Company (Holdings) Limited	Hong Kong	HK\$10	100%	Distribution of edible oils
Wytak Limited	Hong Kong	HK\$10,900,000	100%	Distribution of edible oils and property holding
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.

** Registered as a wholly foreign owned enterprise 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.

15. INTERESTS IN ASSOCIATES

	Group	
	2003 HK\$'000	2002 HK\$'000
Share of net assets	24,646	24,646
Due to associates	(26,071)	(26,071)
	(1,425)	(1,425)

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

15. INTERESTS IN ASSOCIATES (continued)

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

16. INTEREST IN A JOINTLY-CONTROLLED ENTITY

	Group 2003 HK\$'000	2002 HK\$'000
Share of net assets	55,090	53,261

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

Name of company	Business structure	Place of incorporation and operations	Percentage of ownership 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

Notes to Financial Statements 31 December 2003

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

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

	2003	2002
	HK\$'000	HK\$'000
<i>State of affairs</i>		
Current assets	247,965	214,941
Non-current assets	20,845	26,354
Current liabilities	(157,141)	(132,627)
Long term liabilities	(1,343)	(1,486)
Net assets attributable to venturers	110,326	107,182
<i>Income and profit</i>		
Turnover	587,278	605,596
Net profit for the year	3,218	2,146

17. STOCKS

	Group	
	2003	2002
	HK\$'000	HK\$'000
Finished goods	13,282	13,880
Work in progress	400	1,874
Raw materials	29,914	26,814
	43,596	42,568

The amount of stocks that are carried at net realisable value is nil (2002: HK\$49,000).

18. ACCOUNTS RECEIVABLE

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

	Group	
	2003	2002
	HK\$'000	HK\$'000
Current and less than 60 days	23,148	25,972
Over 60 days	1,166	4,869
	24,314	30,841

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\$10,830,000 (2002: HK\$10,397,000), which is unsecured and interest-free.

19. PLEDGED CASH DEPOSITS

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

20. INTEREST-BEARING BANK LOANS

	Group	
	2003	2002
	HK\$'000	HK\$'000
Secured	291,730	236,191
Unsecured	5,288	5,569
	297,018	241,760
Portion due within one year included under current liabilities	(41,060)	(138,802)
Long term portion	255,958	102,958
The bank loans are repayable in various instalments within a period of:		
Less than one year or on demand	41,060	138,802
More than one year but less than two years	33,000	–
More than two years but not exceeding five years	222,958	102,958
	297,018	241,760

The secured bank loans were secured by certain of cash deposits and legal charges over certain properties and plant and machinery of the Group.

Notes to Financial Statements 31 December 2003

21. OTHER LOANS

	Group	
	2003	2002
	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 5% to 6% per annum. During the year, certain minority shareholders waived interest totalling HK\$160,000 (2002: HK\$144,000) on the loans due to them by the Group.

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

22. BILLS PAYABLE

Bills payable are secured by cash deposits of HK\$3,649,000 (2002: HK\$11,545,000) of the Group.

23. ACCOUNTS PAYABLE

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

	Group	
	2003	2002
	HK\$'000	HK\$'000
Current and less than 60 days	20,595	10,216
Over 60 days	7,476	8,457
	28,071	18,673

24. DEFERRED TAX

The movement in deferred tax liabilities and assets during the year is as follows:

Deferred tax liabilities

Group

	Accelerated tax depreciation HK\$'000	2003 Revaluation of properties HK\$'000	Total HK\$'000
At 1 January 2003:			
As previously reported	8,903	–	8,903
Prior year adjustment:			
SSAP 12 – restatement of deferred tax	217	9,002	9,219
As restated	9,120	9,002	18,122
Deferred tax credited to equity during the year, including a charge of HK\$843,000 due to the effect of change in tax rates	–	(5,420)	(5,420)
Deferred tax credited to the profit and loss account during the year, including a charge of HK\$855,000 due to the effect of change in tax rates (<i>note 9</i>)	(4,203)	–	(4,203)
Deferred tax liabilities at 31 December 2003	4,917	3,582	8,499

Notes to Financial Statements 31 December 2003

24. DEFERRED TAX (continued)

Deferred tax assets

Group

	2003 Losses available for offsetting against future taxable profits HK\$'000
At 1 January 2003:	
As previously reported	–
Prior year adjustment:	
SSAP 12 – restatement of deferred tax	9,840
As restated	9,840
Deferred tax credited to the profit and loss account during the year due to the effect of change in tax rates (note 9)	923
Deferred tax assets at 31 December 2003	10,763

Deferred tax liabilities

Group

	Accelerated tax depreciation HK\$'000	2002 Revaluation of properties HK\$'000	Total HK\$'000
At 1 January 2002:			
As previously reported	9,600	–	9,600
Prior year adjustment:			
SSAP 12 – restatement of deferred tax	807	9,002	9,809
As restated	10,407	9,002	19,409
Deferred tax credited to the profit and loss account during the year (note 9)	(1,287)	–	(1,287)
Deferred tax liabilities at 31 December 2002	9,120	9,002	18,122

24. DEFERRED TAX (continued)

Deferred tax assets

Group

	2002 Losses available for offsetting against future taxable profits HK\$'000
At 1 January 2002:	
As previously reported	–
Prior year adjustment:	
SSAP 12 – restatement of deferred tax	9,840
	<hr/>
As restated and deferred tax assets at 31 December 2002	9,840

Deferred tax assets has been recognised in respect of HK\$61,500,000 (2002: HK\$61,500,000) of such losses based on the expected future profit streams.

The Group has tax losses of HK\$141,443,000 (2002: HK\$131,151,000) arising in Hong Kong that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time.

At 31 December 2003, there is no significant unrecognised deferred tax liability (2002: Nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries as the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not be reversed in the foreseeable future.

At 31 December 2003, there is no significant unrecognised deferred tax liability (2002: Nil) for taxes that would be payable on the unremitted earnings of the Group's associates or a jointly-controlled entity.

SSAP 12 (revised) was adopted during the year, as further explained in note 2 to the financial statements. This change in accounting policy has been applied retrospectively and has resulted in an increase in the Group's deferred tax asset and deferred tax liabilities as at 31 December 2002 by HK\$9,840,000 and HK\$9,219,000, respectively. As a consequence, the Group's net loss attributable to shareholders for the year ended 31 December 2002 has been decreased by HK\$590,000, the consolidated retained profits and other properties revaluation reserve as at 1 January 2002 have been increased by HK\$9,033,000 and reduced by HK\$9,002,000, respectively, and the consolidated accumulated losses and other properties revaluation reserve as at 1 January 2003 have been reduced by HK\$9,623,000 and HK\$9,002,000, respectively, as detailed in the consolidated statement of changes in equity.

Notes to Financial Statements 31 December 2003

25. SHARE CAPITAL

Shares

	Group and Company	
	2003	2002
	HK\$'000	HK\$'000
<i>Authorised:</i>		
800,000,000 (2002: 800,000,000) ordinary shares of HK\$0.10 each (2002: HK\$0.10 each)	80,000	80,000
120,000 (2002: 120,000) ordinary shares of US\$0.10 each (2002: US\$0.10 each)	93	93
	80,093	80,093
<i>Issued and fully paid:</i>		
409,152,938 (2002: 409,125,738) ordinary shares of HK\$0.10 each (2002: HK\$0.10 each)	40,915	40,913

During the year, 27,200 (2002: 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 the Company's warrants for a total cash consideration, before expenses, of approximately HK\$7,000 (2002: HK\$3,000).

Share options

Details of the Company's share option scheme and the share options issued under the scheme are included in note 26 to the financial statements.

Warrants

During the year, 27,200 warrants were exercised for 27,200 shares of HK\$0.10 each at a price of HK\$0.27 per share. At the balance sheet date, the Company had 81,782,687 warrants outstanding. The exercise in full of such warrants would, under the present capital structure of the Company, result in the issue of 81,782,687 additional shares of HK\$0.10 each and cash proceeds, before the related issue expenses, of approximately HK\$22,081,000.

26. SHARE OPTIONS

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. 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 The Stock Exchange of Hong Kong Limited (the "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.

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

At the balance sheet date, certain directors held share options granted to them under the Scheme of the Company 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 the 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

Notes to Financial Statements 31 December 2003

26. SHARE OPTIONS (continued)

	Number of shares constituting the share options	Exercise period of share options	Exercise price of share options *	Price of the Company's shares at grant date of options **
			HK\$	HK\$
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.*

At the balance sheet date, the Company had 23,492,677 share options outstanding under the Scheme, which represented approximately 5.7% of the Company's shares in issue as at that date. 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 HK\$2,016,000 (before issue expenses).

27. 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 on page 21 of the financial statements.

(b) Company

	Share premium account HK\$'000	Contributed surplus HK\$'000	Retained profits/ (Accumulated losses) HK\$'000	Total HK\$'000
Balance at 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 for the year	–	–	(38,971)	(38,971)
Balance at 31 December 2002 and 1 January 2003	231,504	231,383	(25,187)	437,700
Issue of share capital	5	–	–	5
Bonus warrants issue expenses	(57)	–	–	(57)
Net loss for the year	–	–	(57,948)	(57,948)
Balance at 31 December 2003	231,452	231,383	(83,135)	379,700

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 2003, the total amount of reserves distributable to shareholders, including the Company's accumulated losses, amounted to HK\$148,248,000 (2002: HK\$206,196,000).

28. 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\$309,409,000 (2002: HK\$362,784,000), certain accounts receivable and stocks of the Group of nil (2002: HK\$2,230,000), and cash deposits of the Group of approximately HK\$6,149,000 (2002: HK\$11,545,000) 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 (2002: HK\$2,293,000) were pledged to secure certain other loans.

29. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases certain of its properties 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 2003, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	2003 HK\$'000	2002 HK\$'000
Within one year	8,064	10,433
In the second to fifth years, inclusive	21,808	23,192
After five years	2,822	8,467
	32,694	42,092

(b) As lessee

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

At 31 December 2003, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2003 HK\$'000	2002 HK\$'000
Within one year	529	745
In the second to fifth years, inclusive	619	910
After five years	3,243	3,382
	4,391	5,037

30. COMMITMENTS

In addition to the operating lease commitments detailed in note 29(b) above, the Group had the following commitments at the balance sheet date:

	Group	
	2003 HK\$'000	2002 HK\$'000
Capital commitments for the acquisition of property, plant and equipment:		
Contracted for	1,902	2,210
Authorised, but not contracted for	2,878	2,898

The Company had no significant commitments at the balance sheet date (2002: Nil).

31. CONTINGENT LIABILITIES

Group

- (a) At the balance sheet date, 35 (2002: 28) 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\$444,000 (2002: HK\$750,000). No provision has been made for this amount in the financial statements as it is not considered probable that there will be an outflow of resources in respect thereof.
- (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\$45,544,000 (2002: HK\$38,623,000).

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\$218,544,000 (2002: HK\$89,032,000).

32. 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	2003 HK\$'000	2002 HK\$'000
Transactions with the jointly-controlled entity:			
Sale of goods	a	55,884	33,678
Purchases of goods/services	b	924	2,283
Oil refinement income	c	1,832	10,510
Production income	d	39,243	22,255
Royalty income	e	15,629	22,496
Property rental and tank farm income	f	10,228	11,679
Other property related income	g	2,939	4,231
Management and marketing fee income	h	2,000	6,000
Transactions with companies in which a director of the Company has an indirect interest:			
Management fee	i	540	540
Rental income	j	1,886	1,128

Notes:

- a. The sale 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 an arm's length negotiation and were at rates comparable to those offered to other unrelated customers of the Group.
- 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 are 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 properties 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.

32. RELATED PARTY TRANSACTIONS (continued)

- 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.

33. COMPARATIVE AMOUNTS

As further explained in note 2 to the financial statements, due to the adoption of the revised SSAP 12 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, prior year adjustments have been made and certain comparative amounts have been restated to conform with the current year's presentation.

34. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 27 April 2004.

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 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 deferred tax assets and deferred tax liabilities, as detailed in note 2 to the financial statements.

	Year ended 31 December				
	2003 HK\$'000	2002 HK\$'000 (Restated)	2001 HK\$'000 (Restated)	2000 HK\$'000 (Restated)	1999 HK\$'000 (Restated)
RESULTS					
Turnover	427,389	568,814	598,041	847,166	1,102,429
Operating profit/(loss)	(26,668)	(64,554)	2,924	18,459	(25,137)
Share of profits less losses of associates and a jointly-controlled entity	2,236	1,634	5,836	3,242	4,519
Profit/(loss) before tax	(24,432)	(62,920)	8,760	21,701	(20,618)
Tax	(1,800)	(12,071)	8,263	(1,329)	(3,338)
Profit/(loss) after tax	(26,232)	(74,991)	17,023	20,372	(23,956)
Minority interests	(1,444)	108	102	279	(251)
Net profit/(loss) attributable to shareholders	(27,676)	(74,883)	17,125	20,651	(24,207)

Comparative Financial Information

	2003 HK\$'000	31 December			
		2002 HK\$'000 (Restated)	2001 HK\$'000 (Restated)	2000 HK\$'000 (Restated)	1999 HK\$'000 (Restated)
ASSETS					
Fixed assets	464,509	520,997	554,195	585,500	613,428
Trademarks	122,477	122,235	121,971	121,502	126,298
Interests in associates and a jointly-controlled entity	53,665	51,836	56,494	51,409	54,201
Deferred tax assets	10,763	9,840	9,840	–	–
Current assets	185,430	178,776	273,746	404,025	435,020
TOTAL ASSETS	836,844	883,684	1,016,246	1,162,436	1,228,947
LIABILITIES					
Current liabilities	144,298	277,862	273,148	380,880	563,836
Long term portion of bank and other loans	255,958	102,958	156,508	208,004	111,316
Deferred tax liabilities	8,499	18,122	19,409	19,663	20,278
TOTAL LIABILITIES	408,755	398,942	449,065	608,547	695,430
MINORITY INTERESTS	6,579	5,135	5,243	7,318	7,597
	415,334	404,077	454,308	615,865	703,027
NET ASSETS	421,510	479,607	561,938	546,571	525,920



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 25 June 2004 at 11:00 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 2003;
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 of 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

Notice of Annual General Meeting

- (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, 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



Notice of Annual General Meeting

(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** amendments shall be made to the Bye-Laws of the Company in order to reflect the amended provisions of Appendix 3 to The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The details of the amendments are as follows:

(A) The following new definitions shall be inserted amongst those set out in Bye-Law 1 such that all definitions therein are arranged in alphabetical order:

“associates” shall have the meaning ascribed to it under The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited from time to time in force;

“Exchange Listing Rules” shall have the meaning ascribed to it under The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited from time to time in force;

(B) A new Bye-Law 58A as follows shall be inserted immediately after Bye-Law 58:

“58A. Where any Member is, under the Exchange Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such Member in contravention of such requirement or restriction shall not be counted.”

Notice of Annual General Meeting

- (C) Bye-Law 79 shall be deleted in its entirety and replaced by the following:

"79. No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected shall have been lodged at the Head Office or at the Registration Office. The period for lodgment of the above notices to the Company will commence no earlier than the day after the despatch of the notice of the meeting appointed for such election and end no later than 7 days prior to the date of such meeting, provided that the minimum length of period during which such notices may be given, will be at least 7 days."

- (D) Bye-Law 91(C) shall be amended by inserting the word "not" immediately after the word "shall" in the twelfth line of Bye-Law 91(C).

- (E) The following shall be added to the end of the last sentence of Bye-Law 91(D) immediately before ".":

"and except (in the case of an office or place of profit with any such other company as aforesaid) where the other company is a company in which the Director together with any of his associates in aggregate own 5 per cent or more of the issued shares of any class of the equity share capital of such company or of the voting rights attached to any class of shares of such company."

- (F) The following words shall be deleted from the third and fourth lines of Bye-Law 91(F):

", if his interest in such contract or arrangement or proposed contract or arrangement is material."

- (G) Bye-Law 91(G) shall be deleted in its entirety and replaced by the following:

"(G) A Director shall not vote on any board resolution approving any contract or arrangement or any other proposal in which he or any of his associates has a material interest nor shall he be counted in the quorum present at the same board meeting, but this prohibition shall not apply and a director may vote (and be counted in the quorum) in respect of any resolution concerning any one or more of the following matters:

- (a) the giving to him or any of his associates of any guarantee, indemnity or security in respect of money lent or obligations undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;



Notice of Annual General Meeting

- (b) the giving to a third party of any guarantee, indemnity or security in respect of a debt or obligation of the Company or any of its subsidiaries for which he himself or any of his associates has assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (c) where the Company or any of its subsidiaries is offering securities and the Director or any of his associates is or may be entitled to participate in the underwriting or sub-underwriting of such offer;
- (d) any contract in which he or any of his associates is interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his or their interest in shares or debentures or other securities of the Company;
- (e) any contract concerning any other company (not being a company in which the Director and any of his associates in aggregate own 5 per cent. or more) in which he or any of his associates is interested directly or indirectly as an officer or shareholder.

A company shall be deemed to be one in which a Director and any of his associates in aggregate own 5 per cent. or more if and so long as (but only if and so long as) they are (either directly or indirectly) the holder of or beneficially interested in 5 per cent. or more of any class of the equity share capital of that company (or of any third company through which the interest of the Director or that of his associates is derived) or of the voting rights available to members of that company. For the purpose of this paragraph there shall be disregarded any shares held by the Director or any of his associates as bare or custodian trustee and in which he and his associates have no beneficial interest, any shares comprised in a trust in which the interest of him and his associates is in reversion or remainder if and so long as some other person is entitled to receive the income of the trust and any shares comprised in an authorized unit trust scheme in which he or any of his associates is interested only as a unit holder.

Where a company in which a Director and any of his associates in aggregate own 5 per cent. or more is materially interested in a contract, he shall also be deemed to be materially interested in that contract;

- (f) any contract concerning the adoption, modification or operation of a pension fund or retirement, death or disability benefits scheme which relates both to Directors, their associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director or any of his associates as such any privilege or advantage not accorded to the employees to which the fund or scheme relates;

Notice of Annual General Meeting

- (g) any contract for the benefit of employees of the Company or of any of its subsidiaries under which the Director or any of his associates benefits in a similar manner to the employees and which does not accord to any Director or any of his associates as such any privilege or advantage not accorded to the employees to whom the contract relates; and
 - (h) any contract for the purchase or maintenance for any Director or Directors of insurance against any liability.”
- (H) Bye-Law 91(H) shall be deleted in its entirety and replaced by the following:

“(H) If any question shall arise at any meeting of the Board as to the materiality of an interest of a Director (other than the chairman of the meeting) and any of his associates or as to the entitlement of any Director (other than the chairman of the meeting) to vote or be counted in the quorum and the question is not resolved by his voluntarily agreeing to abstain from voting or not to be counted in the quorum, the question shall be referred to the chairman of the meeting and his ruling in relation to the Director concerned shall be final and conclusive except in a case where the nature or extent of the interest of the Director or any of his associates concerned, so far as known to him, has not been fairly disclosed to the Board. If any question as aforesaid shall arise in respect of the chairman of the meeting or any of his associates and is not resolved by his voluntarily agreeing to abstain from voting or not to be counted in the quorum, the question shall be decided by a resolution of the Directors (for which purpose the chairman of the meeting shall not be counted in the quorum and shall not vote on the matter) and the resolution shall be final and conclusive except in a case where the nature or extent of the interest of the chairman of the meeting or any of his associates, so far as known to him, has not been fairly disclosed to the Board.””

By Order of the Board

Wong Kwok Ying
Company Secretary

Hong Kong, 29 April 2004

*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:
Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda



Notice of Annual General Meeting

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 notorially 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 relation to item 2 set out in this Notice regarding re-election of directors, Mr. Wong Yu Hong, Philp, Mr. Cheung Wing Yui, Edward and Ms. Hung Chiu Yee will retire at the meeting by rotation. They are eligible for re-election. The biographical details of the retiring directors are provided in the "Directors and Senior Executives" section in the 2003 Annual Report of the Company. Except as disclosed in the "Directors' and Chief Executive's Interests and Short Positions in Shares and Underlying Shares" section of the Report of the Directors in the 2003 Annual Report, none of the retiring directors has any interest in shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong). None of the retiring directors have signed any service contract with the Company and their emoluments will be reviewed annually taking into consideration prevailing market practice. Save as disclosed above, none of the retiring directors is related to any directors, senior management or substantial or controlling shareholders of the Company.
4. 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.
5. 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.
6. 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 (the "Listing Rules"), a letter setting out the terms and conditions upon which such power will be exercised accompanies this notice.
7. Concerning item 6 above, approval is being sought from Members for amendment of the Bye-laws of the Company to reflect the amended provisions of Appendix 3 to the Listing Rules which came into effect on 31 March 2004.