HOP HING HOLDINGS LIMITED

(INCORPORATED IN BERMUDA WITH LIMITED LIABILITY)

Stock Code: 47

Annual Report 2005

香港名牌
HONG KONG
TOP BRAND

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Contents

Corporate Information

DIRECTORS

Hung Hak Hip, Peter* *(Chairman)*
Wong Yu Hong, Philip**
Sze Tsai To, Robert**
Cheung Wing Yui, Edward**
Hung Chiu Yee*
Lee Pak Wing*
Wong Kwok Ying
Lam Fung Ming, Tammy

* *Non-executive directors*
** *Independent non-executive directors*

SOLICITORS

Slaughter & May
47th Floor
Jardine House
1 Connaught Place
Central
Hong Kong

AUDITORS

Ernst & Young
Certified Public Accountants
18th Floor
Two International Finance Centre
8 Finance Street
Central
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
46/F., Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
DBS Bank (Hong Kong) Limited

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

Chairman's Statement

For the year ended 31 December 2005, the loss attributable to equity holders was HK$9.7 million, an improvement of 18.6% when compared to the net loss of HK$12.0 million for the year 2004. The loss before tax has been reduced by HK$2.5 million from HK$10.4 million for 2004 to HK$7.9 million for the year under review.

The loss per share for the year was 2.36 HK cents (2004: loss per share 2.92 HK cents).

DIVIDEND

No interim dividend was paid (2004: Nil) and the directors do not recommend the payment of any final dividend for the year under review (2004: Nil).

REVIEW OF OPERATION

The competition in both the Hong Kong and PRC edible oil markets were keen in 2005. Although the escalating fuel costs added pressure to the operating costs of the Group, the management had been able to capitalize the decreasing trend of the raw material costs in the year under review. The continued effort in improving the Group's operating efficiency and streamlining operating costs has also been materialized. The general and administrative expenses in 2005 have been reduced by 6.6% to HK$37.5 million and the stock level decreased by 12.3% to HK$83.4 million.

In 2005, the Hong Kong economy continued its recovery. The Group's strategy to strengthen its brand loyalty and providing its customers with quality products has been proved to be successful and its significant market share remained stable. To ride on the recent healthy trend in the city, different new products, such as Rice Bran oil, Olive Canola oil and Olive Sunflower oil have been introduced to cater for the customer needs. As a result, this business segment performed satisfactorily in 2005.

In the year under review, the Group continued receiving awards from various associations, including "Hong Kong Top Brand Mark (Top Mark)" for "Lion & Globe" brand and "Camel" brand from The Chinese Manufacturers Association of Hong Kong and "2005 Superbrand Gold Award" for "Lion & Globe" brand from Reader's Digest. In addition, the research we conducted in February 2006 through one of the most reputable international research companies revealed that "Lion & Globe" has achieved the highest Brand Equity Index (a brand performance indicator to reflect consumer preference and brand loyalty) among all the major edible oil brands in Hong Kong. Apart from brand awards, the Group's integrated management system in Hong Kong has received ISO 9001:2000 and ISO 14001:2004 certification.

In April 2005, the Group disposed of certain of its subsidiaries whose major assets and liabilities were certain properties in Hong Kong and a syndicated bank loan. After the disposal, the Group's gearing ratio improved from 71.3% at the end of 2004 to 38.4% at the end of 2005 and net interest expenses for the year decreased by HK$4.0 million, or 26.9%, when compared to last year.

Chairman's Statement

In PRC, the Group continued with its proven strategy to focus on more profitable southern China markets. Although the edible oil market in PRC remained competitive, the management had been able to take advantage on the decreasing raw material costs which, together with the continued effort in streamlining costs, helped maintain the upward trend of the EBITDA of the PRC operation. Depreciation of property, plant and equipment and amortisation of prepaid land lease payments remained to be the main cause for the operating losses of this business segment.

FINANCIAL REVIEW

Equity

The number of issued shares of HK$0.10 each as at 31 December 2005 was 417,090,711 (31 December 2004: 409,252,938). At 1 January 2005, the Company had 81,682,687 units outstanding 2005 warrants carrying rights to subscribe for an aggregate of 81,682,687 new shares of HK$0.10 each in the Company at an initial subscription price of HK$0.27 per share. During the year under review, 3,745,853 units 2005 warrants were exercised for 3,745,853 shares of HK$0.10 each at a price of HK$0.27 per share. The unexercised 77,936,834 units 2005 warrants were cancelled upon their expiration on 30 April 2005.

On 26 May 2005, 2,064,993 share options were granted to a director for a cash consideration of HK$1.00 under the Share Option Scheme adopted by the Company in its special general meeting held on 25 June 2004, entitling her to subscribe for 2,064,993 shares of HK$0.10 each in the Company at a price of HK$0.286 per share upon exercise of her subscription rights in the exercise period from 26 May 2006 to 25 May 2016 (both dates inclusive). As at the year end date, there were outstanding share options granted to certain eligible employees, entitling them to subscribe for 17,375,410 shares of HK$0.10 each of the Company. Details of the share options outstanding are disclosed in note 28 to the financial statements.

On 15 September 2005, 82,599,758 units 2009 warrants were issued to shareholders of the Company whose registered addresses in the registers of members of the Company on 12 September 2005 were in Hong Kong. During the year under review 790 units 2009 warrants were exercised for 790 shares of HK$0.10 each at a price of HK$0.25 per share.

Liquidity and gearing

As at the year end date, the Group's total bank borrowings less pledged cash deposits amounted to HK$159.3 million (31 December 2004: HK$297.8 million), of which HK$152.6 million was either repayable or subject to renewal within one year and the balance was repayable within two to five years. The Group's gearing ratio (expressed as a percentage of total bank loans over shareholders' funds) as at the balance sheet date was 38.4% (31 December 2004: 71.3%). The substantial improvement in the Group's gearing ratio was mainly due to the disposal of certain wholly-owned subsidiaries whose liabilities included a syndicated bank loan.

Net interest expenses for the year was HK$10.9 million (2004: HK$14.9 million). Such decrease was mainly attributable to the repayments of bank loans and the disposal of certain subsidiaries of the Group which carried certain of the Group's bank borrowings in Hong Kong during the year under review.

The Group's funding policy is to finance its business operations with internally generated cash and banking facilities. 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

Staff remuneration packages comprised salary and bonuses and are determined with reference to market conditions and the performance of the individuals concerned. The Group also provides other staff benefits including medical insurance and share options to eligible staff based on their performance and contributions to the Group. The total remuneration paid to the employees (including pension costs and the directors' remuneration) of the Group in the year under review was HK$42 million (2004: HK$44 million). As at 31 December 2005, the Group had 421 full time and temporary employees (31 December 2004: 418).

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

SEGMENT INFORMATION

In the year under review, the Group's edible oil business in Hong Kong continues accounted for a major proportion of the Group's turnover.

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

CONTINGENT LIABILITIES

Details of the contingent liabilities are set out in note 33 to the financial statements.

PLEDGE OF ASSETS

Details of the pledge of assets are set out in notes 13, 15, 20, 21 and 25 to the financial statements.

Chairman's Statement

OUTLOOK

With the improving Hong Kong economy and market sentiment, the Group will continue with its strategy to reinforce the customer loyalty of its brands and expand its product range to cater for the needs of its customers. The Group's edible oil refinery facility in Hong Kong has provided the Group with the edge in capturing opportunities created by Closer Economic Partnership Arrangement ("CEPA").

In 2006, the PRC's quota system on controlling the import of edible oils will be lifted. It is expected that the fierce competition in the PRC edible oil market will persist. The strategy to focus on southern China sales region will be continued.

VOTE OF THANKS

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

HUNG HAK HIP, PETER
Chairman

24 April 2006

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Company has adopted its code on corporate governance (the "Company's Code on CG") based on the principles set out in the Code of CG Practices contained in Appendix 14 of Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company's Code on CG, with the exception of Code Provision C.2 on internal controls which is effective for accounting periods commencing on or after 1 July 2005, has become effective for accounting periods commencing on or after 1 January 2005.

In the opinion of the directors, the Company has complied with the Code on CG Practices and the Company's Code on CG (collectively, the "CG Codes") throughout the year, except for the deviations from Code Provisions which are explained in the following relevant paragraphs.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as its code of conduct of dealings in securities of the Company by the directors. The Model Code also applies to "relevant employees" as defined in code provision A.5.4 of the Code on CG Practices. Based on specific enquiry of the Company's directors, the directors confirmed that they have complied with the required standard set out in the Model Code throughout the accounting period covered by the annual report.

BOARD OF DIRECTORS

As at the date of this report, the Board comprised eight directors, including three non-executive Directors, being Mr. Hung Hak Hip, Peter (Chairman), Ms. Hung Chiu Yee and Mr. Lee Pak Wing; three independent non-executive directors, being Dr. Wong Yu Hong, Philip, Mr. Sze Tsai To, Robert and Mr. Cheung Wing Yui, Edward and two executive directors, being Mr. Wong Kwok Ying and Ms. Lam Fung Ming, Tammy. Biographical details which include relationships among members of the Board are set out under the Directors' and Senior Executives' Biographies on pages 14 to 16.

The Board accepts that it is ultimately accountable and responsible for the performance and affairs of the Company. Although the Board bears overall responsibility for the Company, the management of the Company (including the executive directors) is the custodian and administrator of the day-to-day performance of the Company.

The Company has received an annual confirmation of independence from each of the independent non-executive directors, Dr. Wong Yu Hong, Philip, Mr. Sze Tsai To, Robert and Mr. Cheung Wing Yui, Edward. At the date of this report, they consider themselves to be independent.

Code provision A.4.2 of the Code on CG Practices stipulates that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. Pursuant to the Company Act 1990 of Bermuda for the Company, executive Chairman and Managing Director of the Company are not subject to any requirement to retire by rotation nor will they be counted in the calculation of the number of directors who must retire by rotation. Nevertheless, the Company does not at present have any executive Chairman and Managing Director.

Corporate Governance Report

The Board meets at least four times a year and on other occasions when a Board decision is required on major issues. Directors may participate in meeting via telephone or video-conferencing link. Board consents are given by vote at the Board meetings and supplemented via circulation of written resolutions between Board meetings.

During the year, there were five full board meetings (including those with voting by communication), seven ad hoc meetings and seven full board circulations. Individual attendance records at full board meetings are set out on page 11 of this report.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The CG Codes require that the roles of the Chairman and Chief Executive Officer be separated and not performed by the same individual.

The Chairman's principal responsibility is to ensure effective running of the Board, enabling that the Board as a whole to play a full and constructive part in the development and determination of the Group's strategy and overall commercial objectives. The Chief Executive Officer is responsible for day-to-day management of the Group's business and achieving the strategic and commercial objectives agreed by the Board. In the year under review, the Chairman of the Company was Mr. Hung Hak Hip, Peter. The role of the Chief Executive Officer was shared by Mr. Wong Kwok Ying (Chief Financial Officer) and Ms. Lam Fung Ming, Tammy (Chief Operating Officer).

NON-EXECUTIVE DIRECTORS' TERM OF OFFICE

The non-executive directors of the Company were previously not appointed for specific terms as required by code provision A.4.1 of the Code on CG Practices as they were subject to retirement and re-election in accordance with the provisions of the bye-laws of the Company.

For the purposes of complying with the CG Codes, certain amendments to the bye-laws of the Company were proposed by the Board and approved by shareholders at a special general meeting of the Company held on 20 June 2005 and the non-executive directors of the Company have been appointed for specific terms.

REMUNERATION OF DIRECTORS

The Remuneration Committee was established with a particular responsibility to review the Company's remuneration policy for directors and members of the senior management. The Remuneration Committee currently comprises Mr. Hung Hak Hip, Peter (chairman of the Committee), the non-executive Chairman of the Company, and Dr. Wong Yu Hong, Philip, Mr. Sze Tsai To, Robert and Mr. Cheung Wing Yui, Edward, the three independent non-executive directors.

During the year, the terms of reference of the Remuneration Committee had been revised to align with the provisions of the Code on CG Practices as set out in Appendix 14 of the Listing Rules. The terms of reference of the Remuneration Committee shall be available to the public on request and will be included in the Company's website once it is set up.

The directors' fees are subject to shareholders' approval at general meetings. Other emoluments are determined by the Remuneration Committee with reference to directors' duties, responsibilities and performance and the results of the Group.

The Remuneration Committee held one meeting in 2005. During the meeting, the Remuneration Committee reviewed the fees payable to the non-executive directors for the 2005 financial year. Meeting attendance record of the Remuneration Committee is set out on page 11.

Information relating to the remuneration of each director for 2005 is set out in note 8 to the financial statements.

NOMINATION OF DIRECTORS

Currently, the Company does not have a Nomination Committee and it is the Board's responsibility to identify individuals suitably qualified for becoming board members when necessary. The Board will give due consideration to the suitability of a candidate for directorship after taking into account his experience, qualification and other relevant factors. All candidates must also meet the standards as set forth in Rules 3.08 and 3.09 of the Listing Rules. A candidate who is to be appointed as an independent non-executive director should also meet the independence criteria set out in Rule 3.13 of the Listing Rules.

AUDITORS' REMUNERATION

During 2005, the fees payable to Ernst & Young, the Company's external auditors, for audit services totalled to HK$1,128,000 (2004: HK$988,000). Ernst & Young has also provided the Group with non-audit services, including review of interim financial report, at fees totalled to HK$398,000 (2004: HK$336,000).

AUDIT COMMITTEE

The Company has an Audit Committee with terms of reference revised to align with the provisions of the Code on CG Practices as set out in Appendix 14 of the Listing Rules for the purpose of reviewing and providing supervision over the Group's financial reporting process and internal controls. The terms of reference of the Audit Committee shall be available to the public on request and will be included in the Company's website once it is set up.

As at 31 December 2005, the Audit Committee comprised Mr. Sze Tsai To, Robert (chairman of the Committee), Dr. Wong Yu Hong, Philip and Mr. Cheung Wing Yui, Edward, the three independent non-executive directors, and the chairman of the Audit Committee has the required appropriate professional financial qualifications and experience. On 15 March 2006, Dr. Wong Yu Hong, Philip resigned from the Audit Committee and Mr. Hung Hak Hip, Peter, the non-executive Chairman of the Company, was appointed a member of the Audit Committee. Accordingly, as at the date of this report, the Audit Committee comprised Mr. Sze Tsai To, Robert, Mr. Cheung Wing Yui, Edward and Mr. Hung Hak Hip, Peter.

Corporate Governance Report

In 2005, the Audit Committee reviewed with the management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters, including the review of audited accounts for the year 2004 and the interim financial report for the six months ended 30 June 2005. The Group's annual results for the year ended 31 December 2005 have also been reviewed by the Audit Committee of the Company.

The Audit Committee held two meetings in 2005. Meetings attendance record of the Audit Committee are set out on page 11.

FINANCIAL REPORTING

The directors acknowledge their responsibility to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group.

As at 31 December 2005, the directors are not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Company's ability to continue as a going concern. Accordingly, the directors have prepared the financial statements of the Company on a going concern basis.

The responsibilities of the external auditors with respect to financial reporting are set out in the Report of the Auditors attached to the Company's 2005 Annual Report.

INTERNAL CONTROLS

The Board has the overall responsibilities of maintaining a sound and effective internal control system for the Group. The Group's system of internal control includes a defined management structure with limits of authority. The system is designed to help the Group achieve business objectives, safeguard assets against unauthorised use, ensure the maintenance of proper accounting records for the provision of reliable financial information, and ensure compliance with relevant legislation and regulations. The system is designed to manage risks of failure in operational systems and foster achievement of corporate objectives.

DIRECTORS'/COMMITTEE MEMBERS' ATTENDANCE

	Meetings Attended/Eligible to attend		
Name of Director	**Full Board**	**Audit Committee**	**Remuneration Committee**
Non-executive Directors			
Mr. Hung Hak Hip, Peter *(note 1)* *(Chairman of the Board and the Remuneration Committee)*	5/5	N/A	1/1
Ms. Hung Chiu Yee *(note 2)*	3/5	1/1	N/A
Mr. Lee Pak Wing *(note 2)*	2/5	0/1	N/A
Independent Non-executive Directors			
Dr. Wong Yu Hong, Philip *(note 3)*	2/5	2/2	0/1
Mr. Sze Tsai To, Robert *(Chairman of the Audit Committee)*	4/5	2/2	1/1
Mr. Cheung Wing Yui, Edward	4/5	2/2	1/1
Executive Directors			
Mr. Wong Kwok Ying	5/5	N/A	N/A
Ms. Lam Fung Ming, Tammy	4/5	N/A	N/A
Mr. Chan Sai On, David *(note 4)*	0/2	N/A	N/A

Notes:

1. Mr. Hung Hak Hip, Peter was appointed a member of the Audit Committee on 15 March 2006.
2. Ms. Hung Chiu Yee and Mr. Lee Pak Wing resigned from the Audit Committee on 17 June 2005.
3. Dr. Wong Yu Hong, Philip resigned from the Audit Committee on 15 March 2006.
4. Mr. Chan Sai On, David resigned from the Board on 20 May 2005.

Corporate Governance Report

ANNUAL GENERAL MEETING

The forthcoming annual general meeting ("AGM") will be held on Tuesday, 13 June 2006 and the Notice of AGM will be published and despatched in the manner as required by the Listing Rules in due course.

CLOSURE OF REGISTERS OF MEMBERS

The transfer books and register of members of the Company will be closed from 8 June 2006 to 13 June 2006, both days inclusive, during which period no transfer of Shares will be effected. In order to qualify for attending the AGM, (a) all transfers in relation to Shares held by the Members whose names are recorded in the register of members of the Company in Hong Kong, accompanied by the relevant share certificates, must be lodged with the Company's Registrars in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4 : 00 p.m. on 7 June 2006 for registration; (b) all transfers in relation to Shares held by the Members whose names are recorded in the register of members of the Company in Bermuda, accompanied by the relevant share certificates, must be lodged with HSBC Institutional Trust Services (Asia) Limited, at 39th Floor, Dorset House, Taikoo Place, 979 King's Road, Hong Kong not later than 4:00 p.m. on 7 June 2006 for registration.

Report of the Directors

The directors present their report and the audited financial statements of the Company and of the Group for the year ended 31 December 2005.

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 2005 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 27 to 84.

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

SUMMARY 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 restated/reclassified as appropriate, is set out on pages 85 and 86. This summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 13 to the financial statements.

SHARE CAPITAL, SHARE OPTIONS AND WARRANTS, AND RESERVES

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

Details of the distributable reserves of the Company are set out in note 29(b) to the financial statements.

BORROWINGS

Particulars of the borrowings of the Group at the balance sheet date are set out in notes 24 and 25 to the financial statements.

Report of the Directors

DIRECTORS

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

Hung Hak Hip, Peter* *(Chairman)*
Wong Yu Hong, Philip**
Sze Tsai To, Robert**
Cheung Wing Yui, Edward**
Hung Chiu Yee*
Lee Pak Wing*
Wong Kwok Ying
Lam Fung Ming, Tammy
Chan Sai On, David (resigned on 20 May 2005)

* *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, Mr. Hung Hak Hip, Peter, Mr. Lee Pak Wing and Mr. Wong Kwok Ying will retire and, being eligible, will offer themselves for re-election.

DIRECTORS' AND SENIOR EXECUTIVES' BIOGRAPHIES

(a) Non-executive directors

Hung Hak Hip, Peter, aged 61, 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 67, 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, Treasurer of the Chinese General Chamber of Commerce and board member of the Hong Kong Trade Development Council.

DIRECTORS' AND SENIOR EXECUTIVES' BIOGRAPHIES (Continued)

(a) Non-executive directors (Continued)

Sze Tsai To, Robert, aged 65, 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 Institute of Certified Public Accountants and was a partner in an international firm of accountants with which he practised for over 20 years. He is a non-executive director of a number of Hong Kong listed companies and is also a member of the Shanghai Committee of the Chinese People's Political Consultative Conference.

Cheung Wing Yui, Edward, aged 56, 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 65, 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, Peter.

Lee Pak Wing, aged 60, 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

Wong Kwok Ying, aged 46, is the Chief Financial Officer and Company Secretary of the Group and was appointed a director of the Company on 10 January 2000. Mr. Wong is a certified public accountant (practising) 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.

Lam Fung Ming, Tammy, aged 42, is the Chief Operating Officer of the Group and is responsible 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 has over 15 years' experience in the oil and food industry. She joined the Group in 1990 and was appointed a director on 1 November 2004.

DIRECTORS' AND SENIOR EXECUTIVES' BIOGRAPHIES (Continued)

(c) Senior executives

Lian Bai Xiang, aged 57, is the General Manager for the Group's PRC operations. 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.

Wan Kam Shing, aged 57, is the General Manager for the Group's sales activities in the southern China region. He has managerial experience in cold storage, food service sales and sales of fast moving consumer goods gained in Hong Kong and Mainland China. Mr. Wan joined the Group in 1997.

Tai Bik Yin, aged 44, is the company secretarial and human resources manager of the Group. She is an associate of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators in UK. She holds a bachelor of law degree from Peking University and a master of law degree in Chinese and Comparative Law from the City University of Hong Kong. Ms. Tai joined the Group in 2005.

Chan Chi Lik, Tony, aged 40, 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 degree of Chinese Law (LLB) from Tsinghua University in Beijing. He has over 15 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 and Continuing 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.

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

At 31 December 2005, the interests of the directors and chief executive in the share capital and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company 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 the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

Interests in ordinary shares of the Company

	Number of shares held, capacity and nature of interest					
Name of director	**Directly beneficially owned**	**Through spouse or minor children**	**Through controlled corporation**	**Beneficiary of a trust**	**Total**	**Percentage of the Company's issued share capital**
Hung Hak Hip, Peter	–	–	3,601,607	3,227,420*	6,829,027	1.6
Wong Yu Hong, Philip	2,045,565	–	–	–	2,045,565	0.5
Sze Tsai To, Robert	–	–	–	–	–	–
Cheung Wing Yui, Edward	2,443,565	–	–	–	2,443,565	0.6
Hung Chiu Yee	772,673	–	–	–	772,673	0.2
Lee Pak Wing	–	–	–	–	–	–
Wong Kwok Ying	–	–	–	–	–	–
Lam Fung Ming, Tammy	–	–	–	–	–	–

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

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

Interests in warrants of the Company

	Number of warrants held, capacity and nature of interest			
Name of director	Directly beneficially owned	Through spouse or minor children	Through controlled corporation	Beneficiary of a trust
Hung Hak Hip, Peter	–	–	720,321	645,483**
Wong Yu Hong, Philip	–	–	–	–
Sze Tsai To, Robert	–	–	–	–
Cheung Wing Yui, Edward	79,600	–	–	–
Hung Chiu Yee	154,534	–	–	–
Lee Pak Wing	–	–	–	–
Wong Kwok Ying	–	–	–	–
Lam Fung Ming, Tammy	–	–	–	–

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

Details of the interests of the directors in the share options of the Company are separately disclosed in note 28 to the financial statements.

Save as disclosed above, as at 31 December 2005, none of the directors had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTION SCHEME

Details of the Company's share option scheme are disclosed in note 28 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 28 to the financial statements, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company or their 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 2005, the interests of those persons (other than the directors) 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	28.1%
Hop Hing Oil (1985) Limited ("HHO")	(ii)	155,392,698	37.2%
GZ Trust Corporation ("GZTC")	(iii)	272,528,781	65.3%
Hung Cheung Pui	(iv)	272,528,781	65.3%

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 the 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 sheld**
Hung's	(i)	23,427,216
HHO	(ii)	31,078,539
GZTC	(iii)	54,505,755
Hung Cheung Pui	(iv)	54,505,755

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

Interests in warrants of the Company (Continued)

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 the 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, as at 31 December 2005, 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 AND CONTINUING CONNECTED TRANSACTIONS

Wytak Limited ("Wytak"), a former indirect wholly-owned subsidiary of the Company, as the landlord, let certain premises of the Group, under eight tenancy agreements dated 12 August 2004 (the "Old Tenancy Agreements") to Hung's Management Services Limited ("HMSL"), Yoshinoya Fast Food (Hong Kong) Limited ("Yoshinoya") and HFG Procurement Limited (formerly known as Food Procurement Limited) ("HFG") (collectively referred to herein as the "Old Lessees").

The aggregate rent received under the Old Tenancy Agreements by the Group for the period from 1 January 2005 to 28 April 2005, the date on which the Old Tenancy Agreements were terminated, amounted to approximately HK$828,000 and did not exceed the threshold under Rule 14A.34 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

On 29 April 2005, Hop Hing Oil Factory Limited ("HHOF"), an indirect wholly-owned subsidiary of the Company, entered into a sale and purchase agreement (the "Share Purchase Agreement") with Merry Capital Investments Limited ("Merry Capital"), a connected person of the Company under the Listing Rules by virtue of her being an associate of a substantial shareholder of the Company. Pursuant to the Share Purchase Agreement, Merry Capital acquired and HHOF disposed of 12 ordinary shares of HK$1.00 each in the issued share capital of Express Associates Limited ("EAL"), a former wholly-owned subsidiary of HHOF, and all shareholders' loans owed by EAL to HHOF and outstanding at completion of the Share Purchase Agreement for an aggregate consideration of HK$5.8 million.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS (Continued)

On 29 April 2005 and following the completion of the Share Purchase Agreement, HHOF entered into a tenancy agreement (the "New Tenancy Agreement") with Wytak, a wholly-owned subsidiary of EAL, for renting certain premises from Wytak.

The aggregate rent paid under the New Tenancy Agreement by the Group in the period from 29 April 2005 to 31 December 2005 was approximately HK$2,244,000 which did not exceed the annual threshold under Rule 14A.34 of the Listing Rules.

On 5 August 2005, Panyu Hop Hing Oils & Fats Co. Ltd. ("Panyu Hop Hing"), an indirectly wholly-owned subsidiary of the Company, entered into a Sales Agreement (the "Sales Agreement") with Shenzhen You Rong Retail Co. Ltd. ("Shenzhen You Rong") for the sale of various edible oil products manufactured by the Group to Shenzhen You Rong.

The aggregate sales by Panyu Hop Hing to Shenzhen You Rong under the Sales Agreement in the year ended 31 December 2005 was approximately HK$1,971,000.

The Old Lessees, Merry Capital, Wytak (after the completion of the Share Purchase Agreement on 29 April 2005) and Shenzhen You Rong are connected persons of the Group under the Listing Rules by virtue of them being associates of a substantial shareholder of the Company. In addition, Mr. Hung Hak Hip, Peter, a non-executive director of the Company, is a director of HMSL and Shenzhen You Rong. Ms. Hung Chiu Yee, a non-executive director of the Company, is a director of HMSL and Mr. Lee Pak Wing, a non-executive director of the Company, is a director of Yoshinoya and HFG.

Further details of the connected transactions and continuing connected transactions were set out in the Company's announcements dated 18 August 2004, 29 April 2005 and 5 August 2005.

In respect of the Old Tenancy Agreements, the New Tenancy Agreement and the Sales Agreement which constitute continuing connected transactions, the Company has fully complied with the reporting requirements under Rule 14A.45 of the Listing Rules and annual review requirements under Rules 14A.37 and 14A.38 of the Listing Rules. Independent shareholders' approval of these transactions is not required as the threshold stipulated under Rule 14A.34 of the Listing Rules will not be exceeded at any relevant time.

The independent non-executive directors have reviewed and confirmed that the continuing connected transactions arising from the Old Tenancy Agreements, the New Tenancy Agreement and the Sales Agreement during the year had been entered into (i) in the ordinary and usual course of business of the Company; (ii) on normal commercial terms; and (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS (Continued)

The auditors of the Company have reviewed the continuing connected transactions arising from the Old Tenancy Agreements, the New Tenancy Agreement and the Sales Agreement and confirmed that the transactions (i) had received the approval of the Board of Directors of the Company; (ii) had been entered into in accordance with the Old Tenancy Agreements, the New Tenancy Agreement and the Sales Agreement governing the transactions; and (iii) had not exceeded the annual cap disclosed in the announcements of the Company dated 18 August 2004, 29 April 2005 and 5 August 2005.

Save for the connected transactions and continuing connected transactions disclosed above, there were no other transactions which, in the opinion of the directors, constitute connected transactions under the Listing Rules.

DISCLOSURES PURSUANT TO RULES 13.22 OF THE LISTING RULES

Advances and Guarantees to an Affiliated Company

As at 31 December 2005, the following advances were made to and guarantees were given for banking facilities granted to Evergreen Oils & Fats Limited ("Evergreen"), an affiliated company of the Company:

Affiliated company	Percentage of equity held by the Group	Balance of advances	Guarantees given	Extent of guaranteed facilities utilised	Aggregate of advances and guarantees given
		HK$'000	HK$'000	HK$'000	HK$'000
Evergreen Oils & Fats Limited	50%	11,384	77,000	25,338	88,384

Evergreen is a jointly-controlled entity whose interests are held as to 50% by Lawshun Holdings Limited, a wholly-owned subsidiary of the Company, and 50% by an independent third party. The advances are trade receivables arising from the ordinary course of business of the Group and are unsecured, interest-free and repayable on demand.

The relevant percentage ratio of the above advances to and guarantees given for the banking facilities granted to Evergreen in aggregate exceeded 8% under Rule 13.16 of the Listing Rules.

DISCLOSURES PURSUANT TO RULES 13.22 OF THE LISTING RULES (Continued)

Advances and Guarantees to an Affiliated Company (Continued)

Pursuant to the continuing disclosure requirements under Rule 13.22 of the Listing Rules, the balance sheet of Evergreen and the Group's attributable interests in Evergreen as at 31 December 2005 are presented below:

Balance Sheet of Evergreen Oils & Fats Limited(*)

	31 December 2005 HK$'000
Non-current assets	18,788
Current assets	220,982
Current liabilities	(121,992)
Net current assets	98,990
Total assets less current liabilities	117,778
Non-current liabilities	(1,400)
Net assets	116,378
Issued share capital	100,000
Reserves	16,378
Capital and reserves	116,378
Attributable interests of the Group's share of net assets	58,189

* *Due to consolidation eliminations, certain figures cannot be matched with those disclosed in other notes to financial statements.*

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for 32.4% of the total sales for the year with sales to the largest customer included therein amounted to 10.7%. The percentage of purchases attributable to the Group's five largest suppliers accounted for 36.4% of the total purchases for the year with purchases from the largest supplier included therein amounted to 10.9%.

MAJOR CUSTOMERS AND SUPPLIERS (Continued)

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 and five largest suppliers 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 income statement 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.

For the year ended 31 December 2005, the total scheme contributions made by the Group amounted to approximately HK$1,687,000 and forfeited contributions applied to reduce employer's contributions were approximately HK$256,000. As at 31 December 2005, the amount of forfeited contributions available to reduce future contributions to the Exempted Scheme amounted to approximately HK$48,000.

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.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

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, PETER
Chairman

24 April 2006

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 27 to 84 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

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 Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public 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.

OPINION

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 2005 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
24 April 2006

Consolidated Income Statement

Year ended 31 December 2005

	Notes	2005 HK$'000	2004 HK$'000 (Restated)
TURNOVER	5	**677,425**	699,674
Direct cost of stocks sold and services provided		**(503,258)**	(528,985)
Other production and service costs (including depreciation and amortisation of HK$22,952,000 (2004: HK$26,169,000))		**(63,081)**	(57,839)
Selling and distribution costs		**(70,535)**	(68,066)
General and administrative expenses		**(37,549)**	(40,218)
PROFIT FROM OPERATING ACTIVITIES	6	**3,002**	4,566
Finance costs, net	7	**(10,910)**	(14,921)
LOSS BEFORE TAX		**(7,908)**	(10,355)
Tax	10	**(2,077)**	(1,405)
LOSS FOR THE YEAR		**(9,985)**	(11,760)
ATTRIBUTABLE TO:			
Equity holders of the Company	11	**(9,730)**	(11,952)
Minority interests		**(255)**	192
		(9,985)	(11,760)
LOSS PER SHARE (HK cents)	12		
Basic		**(2.36)**	(2.92)
Diluted		**N/A**	N/A

Consolidated Balance Sheet

31 December 2005

	Notes	2005 HK$'000	2004 HK$'000 (Restated)
ASSETS			
Non-current assets			
Property, plant and equipment	13	**290,575**	376,175
Investment property	14	**–**	58,400
Prepaid land lease payments	15	**15,802**	16,029
Trademarks	16	**122,944**	122,659
Interests in associates	18	**(1,425)**	(1,425)
Deferred tax assets	26	**6,271**	10,763
Total non-current assets		**434,167**	582,601
Current assets			
Stocks	20	**83,415**	95,148
Accounts receivable	21	**81,226**	71,552
Prepayments, deposits and other receivables		**36,411**	37,135
Pledged cash deposits	22	**1,226**	5,944
Cash and cash equivalents		**24,552**	36,287
Total current assets		**226,830**	246,066
Total assets		**660,997**	828,667

Consolidated Balance Sheet

31 December 2005

	Notes	2005 HK$'000	2004 HK$'000 (Restated)
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Issued share capital	27	**41,709**	40,925
Reserves	29(a)	**365,808**	368,660
		407,517	409,585
Minority interests		**11,693**	11,948
Total equity		**419,210**	421,533
Non-current liabilities			
Interest-bearing bank loans	25	**8,000**	222,958
Deferred tax liabilities	26	**4,983**	10,075
Total non-current liabilities		**12,983**	233,033
Current liabilities			
Accounts payable	23	**40,020**	47,378
Bills payable	24	**4,099**	11,463
Other payables and accrued charges		**35,032**	43,342
Interest-bearing bank loans	25	**148,463**	69,279
Tax payable		**1,190**	2,639
Total current liabilities		**228,804**	174,101
Total liabilities		**241,787**	407,134
Total equity and liabilities		**660,997**	828,667

HUNG HAK HIP, PETER
CHAIRMAN

WONG KWOK YING
EXECUTIVE DIRECTOR AND CHIEF FINANCIAL OFFICER

Consolidated Statement of Changes in Equity

Year ended 31 December 2005

	Attributable to equity holders of the Company										
	Issued share capital	Share premium account	Share option reserve	Exchange fluctuation reserve	Investment property revaluation reserve	Other properties revaluation reserve	Capital and other reserves	Accumulated losses	Sub-total	Minority interests	Total equity
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2004	40,915	374,062	–	–	319	16,892	58,759	(69,437)	421,510	11,756	433,266
Issue of shares *(note 27)*	10	17	–	–	–	–	–	–	27	–	27
Loss for the year	–	–	–	–	–	–	–	(11,952)	(11,952)	192	(11,760)
At 31 December 2004	40,925	374,079	–	–	319	16,892	58,759	(81,389)	409,585	11,948	421,533
At 1 January 2005											
As previously reversed	40,925	374,079	–	–	319	16,892	58,759	(81,389)	409,585	11,948	421,533
Opening adjustment	–	–	–	–	(319)	–	–	319	–	–	–
As restated	40,925	374,079	–	–	–	16,892	58,759	(81,070)	409,585	11,948	421,533
Deferred tax reversed upon disposal (note 26)	–	–	–	–	–	3,019	–	–	3,019	–	3,019
Transfer upon disposal	–	–	–	–	–	(17,252)	–	17,252	–	–	–
Exchange realignment	–	–	–	2,842	–	–	–	–	2,842	–	2,842
Loss for the year	–	–	–	–	–	–	–	(9,730)	(9,730)	(255)	(9,985)
Total income and expenses for the year	–	–	–	2,842	–	(14,233)	–	7,522	(3,869)	(255)	(4,124)
Issue of shares *(note 27)*	784	1,035	–	–	–	–	–	–	1,819	–	1,819
Share issue expenses *(note 27)*	–	(240)	–	–	–	–	–	–	(240)	–	(240)
Equity-settled share option expenses *(note 28)*	–	–	222	–	–	–	–	–	222	–	222
At 31 December 2005	41,709	374,874	222	2,842	–	2,659	58,759	(73,548)	407,517	11,693	419,210

Consolidated Cash Flow Statement

Year ended 31 December 2005

	Notes	2005 HK$'000	2004 HK$'000 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(7,908)**	(10,355)
Adjustments for:			
Interest income	7	**(233)**	(272)
Interest expenses	7	**11,143**	15,193
Depreciation	6	**22,548**	25,765
Amortisation of prepaid land lease payments	6	**404**	404
Loss/(gain) on disposal of items of property, plant and equipment, net	6	**110**	(113)
Gain on disposal of subsidiaries	6	**(452)**	–
Equity-settled share option expenses	6	**222**	–
Operating profit before working capital changes		**25,834**	30,622
Decrease in stocks		**11,733**	11,576
Decrease/(increase) in accounts receivable		**(9,674)**	4,119
Decrease in prepayments, deposits and other receivables		**23**	28,521
Increase/(decrease) in accounts payable		**(7,358)**	7,367
Decrease in bills payable		**(7,364)**	(686)
Decrease in other payables and accrued charges		**(4,427)**	(25,425)
Cash generated from operations		**8,767**	56,094
Interest received		**233**	272
Tax paid		**(3,501)**	(2,975)
Net cash inflow from operating activities		**5,499**	53,391
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(2,399)**	(2,697)
Proceeds from disposal of items of property, plant and equipment		**1,370**	453
Disposal of subsidiaries	30	**4,700**	–
Increase in trademarks		**(285)**	(182)
Net cash inflow/(outflow) from investing activities		**3,386**	(2,426)

Consolidated Cash Flow Statement

Year ended 31 December 2005

	Notes	2005 HK$'000	2004 HK$'000 (Restated)
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid	7	**(11,143)**	(15,193)
New bank loans		**32,203**	11,000
Repayment of bank loans		**(47,977)**	(61,325)
Decrease in pledged cash deposits		**4,718**	205
Issue of shares, including share premium		**1,819**	27
Share issue expenses		**(240)**	–
Net cash outflow from financing activities		**(20,620)**	(65,286)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(11,735)**	(14,321)
Cash and cash equivalents at 1 January		**36,287**	50,608
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		**24,552**	36,287
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		**24,552**	36,287

Balance Sheet

31 December 2005

	Notes	2005 HK$'000	2004 HK$'000
ASSETS			
Non-current assets			
Interests in subsidiaries	17	**406,661**	409,793
Current assets			
Prepayments, deposits and other receivables		**78**	–
Cash and cash equivalents		**155**	156
Total current assets		**233**	156
Total assets		**406,894**	409,949
EQUITY AND LIABILITIES			
Equity			
Issued share capital	27	**41,709**	40,925
Reserves	29(b)	**363,770**	367,923
		405,479	408,848
Current liabilities			
Other payables and accrued charges		**1,415**	1,101
Total equity and liabilities		**406,894**	409,949

HUNG HAK HIP, PETER
CHAIRMAN

WONG KWOK YING
EXECUTIVE DIRECTOR AND CHIEF FINANCIAL OFFICER

Notes to Financial Statements

31 December 2005

1. CORPORATE INFORMATION

Hop Hing Holdings Limited is a limited liability company incorporated in Bermuda. 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.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which also include Hong Kong Accounting Standards ("HKASs") and Interpretations), issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), 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 an investment property, which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries and the Group's share of the financial statements of the Group's jointly-controlled entities for the year ended 31 December 2005. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. 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.

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The following new and revised HKFRSs affect the Group and are adopted for the first time for the current year's financial statements:

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 12	Income Taxes
HKAS 14	Segment Reporting
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employee Benefits
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 28	Investments in Associates
HKAS 31	Interests in Joint Ventures
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 33	Earnings per Share
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 39 Amendment	Transition and Initial Recognition of Financial Assets and Financial Liabilities
HKAS 40	Investment Property
HKFRS 2	Share-based Payment
HK(SIC)-Int 21	Income Taxes – Recovery of Revalued Non-depreciable Assets
HK-Int 4	Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases

The adoption of HKASs 2, 7, 8, 10, 12, 14, 16, 18, 19, 21, 23, 24, 27, 28, 32, 33, 37, 39, 39 Amendment, HK(SIC)-Int 21 and HK-Int 4 has had no material impact on the accounting policies of the Group and the methods of computation in the Group's and the Company's financial statements. The impact of adopting the other HKFRSs is summarised as follows:

(a) HKAS 1 – Presentation of Financial Statements

HKAS 1 has affected the presentation of minority interests on the face of the consolidated balance sheet, consolidated income statement, consolidated statement of changes in equity and other disclosures.

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

(b) HKAS 17 – Leases

In prior years, leasehold land and buildings held for own use were stated at cost or valuation less accumulated depreciation and any impairment losses.

Upon the adoption of HKAS 17, the Group's leasehold interest in land and buildings is separated into leasehold land and buildings. The Group's leasehold land is classified as an operating lease, because the title of the land is not expected to be passed to the Group by the end of the lease term, and is classified as prepaid land lease payments, while buildings are classified as part of property, plant and equipment. Prepaid land lease payments are initially stated at cost and subsequently amortised on the straight-line basis over the lease term. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

This change in accounting policy has had no effect on the consolidated income statement and accumulated losses. The comparative amounts in the consolidated balance sheet for the year ended 31 December 2004 have been restated to reflect the reclassification of prepaid land lease payments.

(c) HKAS 31 – Interests in Joint Ventures

In prior years, the Group's interest in its jointly-controlled entity was accounted for using the equity method. Upon the adoption of HKAS 31, which allows the use of proportionate consolidation for investments in jointly-controlled entities, the Group changes the accounting policy for its investment in the jointly-controlled entity from equity method to proportionate consolidation. Such change in accounting policy is accounted for retrospectively and involves recognising a proportionate share of the jointly-controlled entity's assets, liabilities, income and expenses into similar items in the consolidated financial statements on a line-by-line basis.

This change in accounting policy has had no effect on the net assets and loss for the current year and prior year of the Group.

(d) HKAS 40 – Investment Property

In prior years, changes in the fair values of investment properties were dealt with as movements in the investment property revaluation reserve. If the total of this reserve was insufficient to cover a deficit, on a portfolio basis, the excess of the deficit was charged to the income statement. Any subsequent revaluation surplus was credited to the income statement to the extent of the deficit previously charged.

Upon the adoption of HKAS 40, gains or losses arising from changes in the fair values of investment properties are included in the income statement in the year in which they arise. Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the year of retirement or disposal.

The Group has taken advantage of the transitional provisions of HKAS 40 to adjust the effect of adopting the standard to the opening balance of accumulated losses rather than restating the comparative amounts to reflect the changes retrospectively for the earliest year presented in the consolidated financial statements.

This change in accounting policy has had no effect on the consolidated income statement and the net assets of the Group.

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

(e) HKFRS 2 – Share-based Payment

In prior years, no recognition and measurement of share-based payment transactions in which employees (including directors) were granted share options over shares in the Company were required until such options were exercised by employees, at which time the share capital and share premium account were credited with the proceeds received.

Upon the adoption of HKFRS 2, when employees (including directors) render services as consideration for equity instruments ("equity-settled transactions"), the cost of the equity-settled transactions with employees is measured by reference to the fair value at the date at which the instruments are granted.

The main impact of HKFRS 2 on the Group is the recognition of the cost of these transactions and a corresponding entry to equity for employee share options. The revised accounting policy for share-based payment transactions is described in more detail in note 2.5 "Summary of significant accounting policies" below.

The Group has adopted the transitional provisions of HKFRS 2 under which the new measurement policies have not been applied to options granted to employees on or before 7 November 2002.

As the Group did not have any employee share options which were granted during the period from 7 November 2002 to 31 December 2004, the adoption of HKFRS 2 has had no impact on the accumulated losses as at 31 December 2003 and at 31 December 2004. The Group has recognised the cost of options which were granted during the year in the current year's income statement in accordance with the revised accounting policy.

The effects of adopting HKFRS 2 are summarised in note 2.4 to the financial statements.

Last year, the Group early adopted HKFRS 3, HKAS 36 and HKAS 38 and the effect of which had been disclosed in the financial statements for the year ended 31 December 2004.

2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The HKICPA has issued a number of new and revised HKFRSs that are not mandatory for these financial statements. The Group has not early applied these HKFRSs in these financial statements. The following new and revised HKFRSs, although not early adopted by the Group, are expected to have an impact on the Group's financial statements in the period of initial application. Unless otherwise stated, these HKFRSs are effective for periods beginning on or after 1 January 2006:

HKAS 1 Amendment	Capital Disclosures
HKAS 39 & HKFRS 4 Amendments	Financial Guarantee Contracts
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC)-Int 4	Determining whether an Arrangement contains a Lease

HKAS 1 Amendment shall be applied for annual periods beginning on or after 1 January 2007. The revised standard will affect the disclosures about qualitative information about the Group's objective, policies and processes for managing capital; quantitative data about what the Company regards as capital; and compliance with any capital requirements and the consequences of any non-compliance.

2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

In accordance with the amendments to HKAS 39 regarding financial guarantee contracts, financial guarantee contracts are initially recognised at fair value and are subsequently measured at the higher of (i) the amount determined in accordance with HKAS 37 and (ii) the amount initially recognised, less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18.

HKFRS 7 incorporates the disclosure requirements of HKAS 32 relating to financial instruments. This HKFRS shall be applied for annual periods beginning on or after 1 January 2007.

Except as stated above, the Group expects that the adoption of the pronouncements listed above will not have any significant impact on the Group's financial statements in the period of initial application.

2.4 SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICIES

(a) Effect on the consolidated income statement

	Decrease/(increase) in loss for the year ended 31 December			
	2005		2004	
	HKFRS 2	**HKAS 31**	HKFRS 2	HKAS 31
	HK$'000	**HK$'000**	HK$'000	HK$'000
Turnover	**–**	**236,815**	–	261,348
Direct cost of stocks sold and services provided	**–**	**(149,639)**	–	(182,291)
Other production and service costs (including depreciation of HK$947,000 (2004: HK$997,000))	**–**	**(16,242)**	–	(13,995)
Selling and distribution costs	**–**	**(58,548)**	–	(53,974)
General and administrative expenses	**(222)**	**(8,126)**	–	(8,154)
Finance costs, net	**–**	**(750)**	–	(339)
Share of profits of a jointly-controlled entity	**–**	**(3,510)**	–	(2,595)
Loss before tax	**(222)**	**–**	–	–

2.4 SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICIES (Continued)

(b) Effect on the consolidated balance sheet

	Increase/(decrease)					
	As at 31 December 2005			As at 31 December 2004		
	HKAS 1	**HKAS 17**	**HKAS 31**	HKAS 1	HKAS 17	HKAS31
	HK$'000	**HK$'000**	**HK$'000**	HK$'000	HK$'000	HK$'000
Property, plant and equipment	**–**	**(16,029)**	**9,394**	(58,400)	(16,433)	9,619
Investment property	**–**	**–**	**–**	58,400	–	–
Prepaid land lease payments	**–**	**15,625**	**–**	–	16,029	–
Interest in a jointly-controlled entity	**–**	**–**	**(58,189)**	–	–	(57,220)
Stocks	**–**	**–**	**42,912**	–	–	51,657
Accounts receivable	**–**	**–**	**57,030**	–	–	51,384
Prepayments, deposits and other receivables	**–**	**404**	**2,824**	–	404	3,026
Cash and cash equivalents	**–**	**–**	**1,980**	–	–	4,297
Total assets	**–**	**–**	**55,951**	–	–	62,763
Accounts payable	**–**	**–**	**14,388**	–	–	24,513
Other payables and accrued charges	**–**	**–**	**15,282**	–	–	15,651
Interest-bearing bank loans	**–**	**–**	**25,338**	–	–	21,697
Tax payable	**–**	**–**	**243**	–	–	214
Deferred tax liabilities	**–**	**–**	**700**	–	–	688
Total liabilities	**–**	**–**	**55,951**	–	–	62,763
Net assets	**–**	**–**	**–**	–	–	–

(c) Effect on the balance of equity at 1 January 2005

	Effect of adopting HKAS 40
	HK$'000
1 January 2005	
Decrease in investment property revaluation reserve	(319)
Increase in accumulated losses	319
Total equity	–

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity 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 income statement 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 17 to the financial statements.

Joint ventures

A joint venture is an entity set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture operates as a separate entity in which the Group and the other parties have an interest.

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture entity and the basis on which the assets are to be realised upon its dissolution. The profits and losses from the joint venture's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

A joint venture is treated as:

(a) a subsidiary, if the Group has unilateral control, directly or indirectly, over the joint venture;

(b) a jointly-controlled entity, if the Group does not have unilateral control, but has joint control, directly or indirectly, over the joint venture;

(c) an associate, if the Group does not have unilateral or joint control, but holds, directly or indirectly, generally not less than 20% of the joint venture's registered capital and is in a position to exercise significant influence over the joint venture; or

(d) an equity investment accounted for in accordance with HKAS 39, if the Group holds, directly or indirectly, less than 20% of the joint venture's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture.

Jointly-controlled entity

A jointly-controlled entity is a joint venture that 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 interests in its jointly-controlled entities are accounted for by proportionate consolidation, which involves recognising its share of the jointly-controlled entities' assets, liabilities, income and expenses with similar items in the consolidated financial statements on a line-by-line basis.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Associates

An associate is an entity, not being a subsidiary or a jointly-controlled entity, 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.

The Group's share of the post-acquisition results of associates is included in the consolidated income statement. The Group's interests in 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.

Goodwill

Goodwill arising on acquisition of subsidiaries, associates and jointly-controlled entities is initially measured at cost, being the excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities assumed as at the date of acquisition. Goodwill arising on the acquisition of subsidiaries is recognised in the consolidated balance sheet as an asset. In the case of associates, goodwill is included in the carrying amount thereof, rather than as a separately identified asset on the consolidated balance sheet.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill on acquisitions after 1 January 2005 is not amortised and goodwill already carried in the consolidated balance sheet before 1 January 2005 is not amortised after 1 January 2005. Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

As at the acquisition date, any goodwill acquired is allocated to each of the cash-generating units; or groups of cash-generating units, expected to benefit from the synergy of the combination. Impairment is determined by assessing the recoverable amount of the cash-generating unit, to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised. Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Goodwill previously eliminated against the consolidated reserves

Goodwill arising on acquisitions before 1 January 2001 was eliminated against the consolidated capital reserve in the year of acquisition. The Group applied the transitional provision of HKFRS 3 that permitted such goodwill to remain eliminated against the consolidated capital reserve and required such goodwill not to be recognised in the consolidated income statement when the Group disposes of all or part of the business to which that goodwill relates or when a cash-generating unit to which the goodwill relates become impaired.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets, an investment property and goodwill), the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation), had no impairment loss been recognised for the asset in prior years. A reversal of such impairment loss is credited to the income statement in the period in which it arises.

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost or valuation less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. 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 an item of property, plant and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

The transitional provision set out in paragraph 80A of HKAS 16 "Property, plant and equipment" issued by HKICPA have been adopted for certain properties which are 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.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment and depreciation (Continued)

Depreciation is calculated on the straight-line basis to write off the cost or valuation of each item of property, plant and equipment to its residual value 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%

Where parts of an item of property, plant and equipment have different useful lives, the cost or valuation of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and depreciation method are reviewed, and adjusted if appropriate, at each balance sheet date.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the year the asset is derecognised is the difference between the net sale proceeds and the carrying amount of the relevant asset. On disposal of a revalued asset, the relevant portion of the asset revaluation reserve realised in respect of previous valuations is transferred to retained profits as a movement in reserves.

Investment property

Investment property is an interest in land and buildings held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such property is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is stated at fair value, which reflects market conditions at the balance sheet date.

Gains or losses arising from changes in the fair values of an investment property is included in the income statement in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the year of the retirement or disposal.

Trademarks

Trademarks with indefinite useful lives are stated at cost and are tested for impairment annually either individually or at the cash-generating unit level and are not amortised. The useful life of a trademark with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Financial assets (applicable to the year ended 31 December 2005)

Financial assets in the scope of HKAS 39 are classified as either financial assets at fair value through profit or loss and loans and receivables, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at the balance sheet date.

All regular way purchases and sales of financial assets are recognised on the trade date, i.e., the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Impairment of financial assets (applicable to the year ended 31 December 2005)

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through the use of an allowance account. The amount of the impairment loss is recognised in the income statement.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets (applicable to the year ended 31 December 2005) (Continued)

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

Derecognition of financial assets (applicable to the year ended 31 December 2005)

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the Group retains the rights to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Derecognition of financial liabilities (applicable to the year ended 31 December 2005)

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the income statement.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the amortisation process.

Income tax

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

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

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.

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 in a transaction that is not a business combination 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 joint ventures, 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 credits 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 credits 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 in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income tax (Continued)

- in respect of deductible temporary differences associated with interests in subsidiaries, associates and joint ventures, 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 reassessed at each balance sheet date and 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.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions are recorded using the functional currency rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currencies of certain subsidiaries outside Hong Kong are currencies other than the Hong Kong dollars. As at the balance sheet date, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the balance sheet date and, their income statements are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are included in the exchange fluctuation reserve. On disposal of an entity outside Hong Kong, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition

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 the provision of 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 an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

Employee benefits

Share-based payment transactions

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. Employees (including directors) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined using a Black–Scholes option pricing model (the "Black-Scholes Model"), further details of which are given in note 28. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the Company ("market conditions"), if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the "vesting date"). The cumulative expense recognised for equity-settled transactions at each balance sheet date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the income statement for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Employee benefits (Continued)

Share-based payment transactions (Continued)

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification, which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

The Group has adopted the transitional provisions of HKFRS 2 in respect of equity-settled awards and has applied HKFRS 2 only to those granted on or after 1 January 2005.

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.

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 (the "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.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Employee benefits (Continued)

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 income statement 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 a certain percentage of its payroll costs to the central pension scheme. The contributions are charged to the income statement as they become payable in accordance with the rules of the central pension scheme.

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. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the income statement.

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 income statement 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 income statement on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Related parties

A party is considered to be related to the Group if:

(a) the party, directly or indirectly through one or more intermediaries:

  (i) controls, is controlled by, or is under common control with, the Group;

  (ii) has an interest in the Group that gives it significant influence over the Group; or

  (iii) has joint control over the Group;

(b) the party is an associate;

(c) the party is a jointly-controlled entity;

(d) the party is a member of the key management personnel of the Group;

(e) the party is a close member of the family of any individual referred to in (a) or (d);

(f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or

(g) the party is a post-employment benefit plan for the benefit of the employees of the Group, or of any entity that is a related party of the Group.

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.

For the purpose of the balance sheet, cash and bank balances comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Income tax

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.

Deferred tax assets are recognised for unused tax losses carried forward to the extent that it is probable (that is, more likely than not) that future taxable profits will be available against which the unused tax losses can be utilised, based on all available evidence. Recognition primarily involves judgement regarding the future performance of the particular legal entity or tax group in which the deferred tax asset has been recognised. A variety of other factors are also evaluated in considering whether there is convincing evidence that it is probable that some portion or all of the deferred tax assets will ultimately be realised, such as the existence of taxable temporary differences, tax planning strategies and the periods in which estimated tax losses can be utilised. The carrying amount of deferred tax assets and related financial models and budgets are reviewed at each balance sheet date and to the extent that there is insufficient convincing evidence that sufficient taxable profits will be available within the utilisation periods to allow utilisation of the carryforward tax losses, the asset balance will be reduced and charged to the income statement.

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.

	Hong Kong		**Mainland China**		**Consolidated**	
	2005	2004	**2005**	2004	**2005**	2004
	HK$'000	HK$'000 (Restated)	**HK$'000**	HK$'000 (Restated)	**HK$'000**	HK$'000 (Restated)
Revenue from external customers	**404,771**	389,887	**272,654**	309,787	**677,425**	699,674
Segment assets	**327,570**	469,284	**328,581**	350,045	**656,151**	819,329
Unallocated assets					**6,271**	10,763
					662,422	830,092
Capital expenditure incurred during the year	**1,894**	2,331	**790**	548	**2,684**	2,879

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.

	2005 HK$'000	2004 HK$'000 (Restated)
Sale of goods and services	**669,218**	686,464
Royalties	**5,305**	5,391
Rental and other income	**2,902**	7,819
	677,425	699,674

6. PROFIT FROM OPERATING ACTIVITIES

	2005 HK$'000	2004 HK$'000 (Restated)
The Group's profit from operating activities is arrived at after crediting:		
Rental income	**2,395**	6,309
Less: Outgoings	**(671)**	(2,355)
Net rental income	**1,724**	3,954
Foreign exchange gains/(losses), net	**1,168**	(17)
Gain on disposal of subsidiaries *(note 30)*	**452**	–
and after charging:		
Cost of stocks sold	**502,587**	526,630
Loss/(gain) on disposal of items of property, plant and equipment, net	**110**	(113)
Employee benefits expenses (including directors' emoluments in note 8):		
Wages and salaries	**40,159**	42,789
Equity-settled share option expenses	**222**	–
Pension scheme contributions	**1,687**	1,803
Less: Unvested contributions forfeited *	**(256)**	(178)
	1,431	1,625
	41,812	44,414
Depreciation **	**22,548**	25,765
Amortisation of prepaid land lease payments **	**404**	404
Minimum lease payments under operating leases in respect of leasehold land and buildings	**4,394**	1,047
Auditors' remuneration	**1,147**	1,148

Note:

* At 31 December 2005, the Group had forfeited contributions available to reduce its future contributions to the Exempted Scheme amounted to HK$48,000 (2004: HK$276,000).

** Depreciation and amortisation of prepaid land lease payments are included in the item of "Other production and services costs" on the face of the consolidated income statement.

7. FINANCE COSTS, NET

	Group	
	2005	2004
	HK$'000	HK$'000
		(Restated)
Interest on bank borrowings wholly repayable within five years	**11,143**	15,193
Less: Bank interest income	**(233)**	(272)
	10,910	14,921

8. 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 Hong Kong Companies Ordinance, were as follows:

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2005	2004
	HK$'000	HK$'000
Mr. Sze Tsai To, Robert	**250**	200
Dr. Wong Yu Hong, Philip	**200**	150
Mr. Cheung Wing Yui, Edward	**200**	150
	650	500

There were no other emoluments payable to the independent non-executive directors during the year (2004: Nil).

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8. DIRECTORS' EMOLUMENTS (Continued)

(b) Executive directors and non-executive directors

	2005						2004
	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary/ performance related bonuses HK$'000	Employee share option benefits HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000	Total remuneration HK$'000
Executive directors:							
Mr. Wong Kwok Ying	–	1,210	55	–	97	1,362	1,183
Ms. Lam Fung Ming, Tammy	–	872	38	222	69	1,201	152
Mr. Chan Sai On, David	–	500	–	–	26	526	1,037
Mr. Liu Chi Keung	–	–	–	–	–	–	2,715
	–	2,582	93	222	192	3,089	5,087
Non-executive directors:							
Mr. Hung Hak Hip, Peter	–	660*	–	–	–	660	540*
Ms. Hung Chiu Yee	30	–	–	–	–	30	30
Mr. Lee Pak Wing	30	–	–	–	–	30	30
	60	660	–	–	–	720	600

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

At the balance sheet date, certain directors held share options of the Company, the details of which are set out in note 28 to the financial statements. The fair value of the share options granted during the current year, which has been charged to the income statement, was determined as at the date of the grant and was included in the above disclosure of directors' emoluments.

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

9. SENIOR EXECUTIVES' EMOLUMENTS

The five highest paid employees (including three directors (2004: three), whose emoluments are set out in note 8 above) aggregate emoluments for the year were as follows:

	Group	
	2005	2004
	HK$'000	HK$'000
Salaries and allowances	**3,781**	5,973
Discretionary/performance related bonuses	**152**	–
Employee share option benefits	**222**	–
Pension scheme contributions	**226**	288
	4,381	6,261

The above emoluments are analysed as follows:

	Number of employees	
	2005	2004
Nil to HK$1,000,000	**3**	2
HK$1,000,001 to HK$1,500,000	**2**	2
HK$2,500,001 to HK$3,000,000	**–**	1
	5	5

10. TAX

Hong Kong profits tax has been provided at the rate of 17.5% (2004: 17.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	2005	2004
	HK$'000	HK$'000
		(Restated)
Group:		
Current – Hong Kong		
Charge for the year	**1,927**	2,059
Overprovision in prior years	**(8)**	(1,655)
	1,919	404
Current – elsewhere		
Charge for the year	**158**	90
Underprovision/(overprovision) in prior years	**(25)**	6
	133	96
Deferred tax charge – note 26	**25**	905
Total tax charge for the year	**2,077**	1,405

10. TAX (Continued)

A reconciliation of the tax expense applicable to loss before tax using the statutory rate for the jurisdiction in which the Company and the majority of its subsidiaries and jointly-controlled entities are domiciled to the tax expense at the effective tax rate is as follows:

	Group	
	2005	2004
	HK$'000	HK$'000
		(Restated)
Loss before tax	**(7,908)**	(10,355)
Tax at the applicable tax rate	**(1,384)**	(1,812)
Effect of different tax rates in other jurisdictions	**(218)**	754
Income not subject to tax	**(15)**	(9)
Expenses not deductible for tax	**2**	467
Tax losses not recognised	**4,447**	4,858
Overprovision in respect of prior years, net	**(33)**	(1,649)
Tax losses utilised from previous periods	**(1,216)**	(1,335)
Others	**494**	131
Tax charge at the Group's effective rate	**2,077**	1,405

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 objection.

11. NET LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The net loss attributable to the equity holders of the Company for the year ended 31 December 2005 dealt with in the financial statements of the Company, was HK$5,170,000 (2004: HK$11,794,000) (note 29(b)).

12. LOSS PER SHARE

(a) Basic loss per share

Basic loss per share is calculated based on the net loss attributable to equity holders of the Company of HK$9,730,000 (2004: HK$11,952,000), and the weighted average of 412,881,844 (2004: 409,199,822) 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 anti-dilutive effects on the basic loss per share for these years.

13. PROPERTY, PLANT AND EQUIPMENT

Group

	Leasehold land and buildings HK$'000	**Barges, vehicles, leasehold improvements, machinery and equipment** HK$'000	**Total** HK$'000
2005			
Cost or valuation:			
At 1 January 2005	311,656	345,552	657,208
Additions	–	2,399	2,399
Disposals	(1,004)	(2,543)	(3,547)
Disposal of subsidiaries	(73,329)	(45)	(73,374)
Exchange realignment	1,718	2,322	4,040
At 31 December 2005	239,041	347,685	586,726
Accumulated depreciation:			
At 1 January 2005	89,381	191,652	281,033
Provided during the year	5,458	17,090	22,548
Disposals	(58)	(2,009)	(2,067)
Disposal of subsidiaries	(6,727)	(11)	(6,738)
Exchange realignment	275	1,100	1,375
At 31 December 2005	88,329	207,822	296,151
Net book value:			
At 31 December 2005	150,712	139,863	290,575

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31 December 2005

13. PROPERTY, PLANT AND EQUIPMENT (Continued)

Group (Continued)

	Leasehold land and buildings HK$'000	Barges, vehicles, leasehold improvements, machinery and equipment HK$'000	Total HK$'000
2004			
Cost or valuation:			
At 1 January 2004	311,410	345,549	656,959
Additions	246	2,451	2,697
Disposals	–	(2,448)	(2,448)
At 31 December 2004`	311,656	345,552	657,208
Accumulated depreciation:			
At 1 January 2004	82,895	174,481	257,376
Provided during the year	6,486	19,279	25,765
Disposals	–	(2,108)	(2,108)
At 31 December 2004	89,381	191,652	281,033
Net book value:			
At 31 December 2004	222,275	153,900	376,175

Due to the adoption of HKAS 31, the jointly-controlled entities of the Group are now proportionately consolidated into the financial statements of the Group. As a result, the balances for the year ended 31 December 2004 have been restated.

13. PROPERTY, PLANT AND EQUIPMENT (Continued)

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	Hong Kong, at cost less accumulated depreciation	Elsewhere, at cost less accumulated depreciation	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Long term leases	–	–	4,622	4,622
Medium term leases	12,277	5,487	128,326	146,090
	12,277	5,487	132,948	150,712

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$147,864,000 (2004: HK$215,064,000).

At 31 December 2005, certain leasehold land and buildings and certain plant and machinery of the Group with an aggregate carrying value of approximately HK$176,960,000 (2004: HK$235,647,000) were pledged to secure general banking facilities granted to the Group (note 25(a)).

14. INVESTMENT PROPERTY

Group

	2005	2004
	HK$'000	HK$'000
Carrying amount at 1 January	**58,400**	58,400
Disposal of subsidiaries – note 30	**(58,400)**	–
Carrying amount at 31 December	**–**	58,400

At 31 December 2004, the Group's investment property with the carrying value of HK$58,400,000 was pledged to banks to secure banking facilities granted to the Group (note 25(a)).

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15. PREPAID LAND LEASE PAYMENTS

	Group	
	2005	2004
	HK$'000	HK$'000
Carrying amount at 1 January		
As previously reported	**–**	–
Reclassification upon adoption of HKAS 17	**16,433**	16,837
As restated	**16,433**	16,837
Amortised during the year	**(404)**	(404)
Exchange realignment	**177**	–
Carrying amount at 31 December	**16,206**	16,433
Current portion included in prepayments, deposits and other receivables	**(404)**	(404)
Non-current portion	**15,802**	16,029

Prepaid land lease payments represent payments for land use rights held under medium term leases in Mainland China. At 31 December 2005, these land use rights were pledged to secure general banking facilities granted to the Group (note 25(a)).

16. TRADEMARKS

Group

	2005	2004
	HK$'000	HK$'000
Cost:		
At 1 January	**122,659**	122,477
Additions	**285**	182
At 31 December	**122,944**	122,659

The directors are in the opinion that the Group's trademarks have indefinite useful life due to the following reasons:

(i) The trademarks, which were acquired by the Group in 1988, have been in use for a very long period of time, some of them since the 1930s, and will continue to be used for the long term; and

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

Sallmanns (Far East) Limited, a firm of independent professionally qualified valuers, has confirmed, in their valuation of the Group's trademarks, that the market value of the trademarks exceeded the carrying value at 31 December 2005. Based on that, the directors considered that no impairment provision is necessary.

17. INTERESTS IN SUBSIDIARIES

	Company	
	2005	2004
	HK$'000	HK$'000
Unlisted shares, at cost	**260,476**	260,476
Amounts due from subsidiaries	**255,185**	258,317
	515,661	518,793
Provision for impairment	**(109,000)**	(109,000)
	406,661	409,793

The amounts due from subsidiaries are unsecured, interest-free, have no fixed repayment terms and are not expected to be repaid in the next twelve months.

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

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17. 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
Hop Hing Oil Procurement Limited (formerly known as Hop Hing General Foods Limited)	Hong Kong	HK$2	100	Procurement of edible oils
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 oil refinery
Knight Investment Limited	Hong Kong	HK$22	100	Property holding
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	Bottling, packaging and distribution of edible oils
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
Shine Action Company Limited	Hong Kong	HK$1,000,010	100	Bottling, packaging and distribution of edible oils
Sino Food Products Company (Holdings) Limited	Hong Kong	HK$10	100	Distribution of edible oils
Zhejiang Hop Hing Oils & Fats Company, Limited*	People's Republic of China/ Mainland China	US$1,400,000	61	Edible oil refinery

* *Registered as equity joint ventures under PRC law*

** *Registered as wholly foreign-owned enterprises under PRC law*

17. INTERESTS IN SUBSIDIARIES (Continued)

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, in the opinion of the directors, result in particulars of excessive length.

18. INTERESTS IN ASSOCIATES

	Group	
	2005	2004
	HK$'000	HK$'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. The carrying amounts of the amounts due to associates approximate their fair values.

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

Name of company	Particulars of issued shares held	Place of incorporation and operations	Percentage of ownership interest attributable to the Group	Principal activities
Omeron Profits Limited	Ordinary shares of US$1 each	British Virgin Islands	50	Dormant
Tepac Profits Limited	Ordinary shares of US$1 each	British Virgin Islands	50	Dormant

The following table illustrates the summarised financial information of the Group's associates extracted from their management accounts:

	2005	2004
	HK$'000	HK$'000
Assets	**49,301**	49,301
Liabilities	**(9)**	(9)
Revenues	**–**	–
Net loss	**–**	–

19. INTERESTS IN JOINTLY-CONTROLLED ENTITIES

Particulars of the jointly-controlled entities are as follows:

Name	Particulars of issued shares held	Place of incorporation/ operations	Percentage of Ownership interest	Percentage of Voting power	Percentage of Profit sharing	Principal activities
Evergreen Oils & Fats Limited	Ordinary shares of HK$1 each	Cayman Islands/ Hong Kong	50	50	50	Trading and distribution of edible oils, fats and shortenings
Hop Hing Oils and Fats Limited	Ordinary shares of HK$1 each	Hong Kong	50	50	50	Trading and distribution of edible oils, fats and shortenings
Lam Soon Oils and Fats Limited	Ordinary shares of HK$1 each	Hong Kong	50	50	50	Trading and distribution of edible oils, fats and shortenings
Landex Investments Limited	Ordinary shares of HK$1 each	Hong Kong	50	50	50	Property holding
Evergreen Oils & Fats (Macau) Limited	Ordinary shares of MOP1 each	Macau	50	50	50	Trading and distribution of edible oils, fats and shortenings

These investments in jointly-controlled entities are indirectly held by the Group.

19. INTERESTS IN JOINTLY-CONTROLLED ENTITIES (Continued)

The following table illustrates the summarised financial information of the Group's jointly-controlled entities:

Share of the jointly-controlled entities' assets and liabilities:

	2005 HK$'000	2004 HK$'000
Current assets	**104,746**	110,364
Non-current assets	**9,394**	9,619
Current liabilities	**(55,251)**	(62,075)
Non-current liabilities	**(700)**	(688)
Net assets	**58,189**	57,220

Share of the jointly-controlled entities' results:

	2005 HK$'000	2004 HK$'000
Turnover	**236,815**	261,348
Costs and expenses	**(233,305)**	(258,753)
Profit before tax	**3,510**	2,595
Tax	**(541)**	(465)
Profit after tax	**2,969**	2,130

20. STOCKS

	Group	
	2005 HK$'000	2004 HK$'000 (Restated)
Finished goods	**16,658**	18,515
Work in progress	**302**	652
Raw materials	**66,455**	75,981
	83,415	95,148

At the balance sheet date, certain stocks with carrying values of approximately HK$6,870,000 (2004: Nil) was pledged to secure certain bank loans (note 25(a)).

21. ACCOUNTS RECEIVABLE

An aged analysis of the accounts receivable as at the balance sheet date, based on payment due date and net of provisions, is as follows:

	Group	
	2005	2004
	HK$'000	HK$'000
		(Restated)
Current and less than 60 days	**79,202**	69,764
Over 60 days	**2,024**	1,788
	81,226	71,552

The Group's products are sold either on a cash on delivery basis, or on an open account basis ranging from 7 to 70 days of credit. Each customer has a maximum credit limit and overdue balances are regularly reviewed by senior management. In view of the aforementioned and the fact that the Group's accounts receivable relate to a large number of diversified customers, the concentration of credit risk is not considered significant. Accounts receivable are non-interest-bearing.

Included in the Group's accounts receivable are amounts due from the Group's jointly-controlled entities of HK$5,692,000 (2004: HK$5,251,000) which are repayable on credit terms comparable to those offered to other unrelated customers of the Group.

At 31 December 2005, accounts receivable of approximately HK$16,454,000 (2004: Nil) were pledged to secure certain bank loans (note 25(a)).

22. PLEDGED CASH DEPOSITS

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

23. ACCOUNTS PAYABLE

An aged analysis of accounts payable as at the balance sheet date, based on the payment due date, is as follows:

	Group	
	2005	2004
	HK$'000	HK$'000
		(Restated)
Current and less than 60 days	**37,376**	43,304
Over 60 days	**2,644**	4,074
	40,020	47,378

23. ACCOUNTS PAYABLE (Continued)

The accounts payable are non-interest-bearing and are normally settled within credit terms of 7-day to 60-day.

Included in the Group's accounts payable are amounts due to certain companies associated with another venturer of the Group's jointly-controlled entities of HK$7,612,000 (2004: HK$8,618,000) which are payable in credit terms comparable to those offered by other unrelated suppliers of the Group.

24. BILLS PAYABLE

Certain bills payable are secured by cash deposits of HK$1,226,000 (2004: HK$3,444,000) of the Group (note 22).

25. INTEREST-BEARING BANK LOANS

	Average rate of interest per annum %	Maturity	Group 2005 HK$'000	Group 2004 HK$'000 (Restated)
Current				
Bank loans – unsecured	4.2%	2006	**27,771**	24,505
Bank loans – secured	6.1%	2006	**120,692**	44,774
			148,463	69,279
Non-current				
Bank loans – secured	5.2%	2007-2008	**8,000**	222,958
			156,463	292,237

	Group 2005 HK$'000	Group 2004 HK$'000 (Restated)
The bank loans are repayable:		
Within one year or on demand	**148,463**	69,279
In the second year	**5,000**	222,958
In the third to fifth years, inclusive	**3,000**	–
	156,463	292,237

25. INTEREST-BEARING BANK LOANS (Continued)

Notes:

(a) Certain of the Group's bank loans are secured by:

(i) legal charges over the Group's land use rights, classified as prepaid land lease payments, and certain leasehold land and buildings and plant and machinery, which had an aggregate carrying value at the balance sheet date of approximately HK$16,206,000 and HK$176,960,000, respectively, (2004: investment property, certain leasehold land and buildings and certain plant and machinery of approximately HK$294,047,000);

(ii) floating charges over certain of the Group's stocks of HK$6,870,000 (2004: Nil);

(iii) floating charges over certain of the Group's accounts receivable of HK$16,454,000 (2004: Nil);

(iv) corporate guarantees of HK$41,338,000 given to banks by the Company (2004: HK$174,697,000);

(v) personal guarantee of HK$5,616,000 given to a bank by the Group's senior executive (2004: Nil); and

(vi) as at 31 December 2004, certain of the Group's cash deposits of approximately HK$2,500,000 were pledged to banks to secure certain of the Group's bank loans.

(b) Fixed interest rate bank loans are denominated in Renminbi. All other bank loans are denominated in Hong Kong dollars.

(c) Certain of the Group's bank loans in Mainland China (the "PRC Bank Loans") of approximately HK$103 million, which were classified as long term liabilities as at 31 December 2004, were due for renewal within one year from the current year end and classified as current liabilities as at 31 December 2005. The PRC Bank Loans were borrowed by a PRC subsidiary and secured on certain property, plant and equipment and land use rights of certain PRC subsidiaries and have no recourse to other members of the Group.

Analysis by interest rates

	Group			
	2005		2004	
	Fixed rate HK$'000	**Floating rate HK$'000**	Fixed rate HK$'000	Floating rate HK$'000
Bank loans-unsecured	**2,433**	**25,338**	2,808	21,697
Bank loans-secured	**112,692**	**16,000**	114,732	153,000

The carrying amounts of the Group's interest-bearing bank loans approximate their fair values.

26. DEFERRED TAX

The movements in deferred tax liabilities and assets during the year are as follows:

Deferred tax liabilities

Group

	2005 Accelerated tax depreciation HK$'000	Revaluation of properties HK$'000	Total HK$'000
At 1 January 2005 (as restated)	6,493	3,582	10,075
Charged to the income statement during the year *(note 10)*	682	–	682
Reversed upon disposal	–	(3,019)	(3,019)
Disposal of subsidiaries *(note 30)*	(2,755)	–	(2,755)
As at 31 December 2005	4,420	563	4,983

Deferred tax assets

Group

	2005 Losses available for offsetting against future taxable profit HK$'000
At 1 January 2005	10,763
Credited to the income statement during the year *(note 10)*	657
Disposal of subsidiaries *(note 30)*	(5,149)
At 31 December 2005	6,271

26. DEFERRED TAX (Continued)

Deferred tax liabilities

Group

	2004		
	Accelerated tax depreciation HK$'000	Revaluation of properties HK$'000	Total HK$'000
At 1 January 2004 (restated)	5,588	3,582	9,170
Charged to the income statement during the year *(note 10)*	905	–	905
At 31 December 2004 (restated)	6,493	3,582	10,075

Deferred tax assets

Group

	2004 Losses available for offsetting against future taxable profit HK$'000
At 1 January 2004 and 31 December 2004	10,763

Deferred tax assets have been recognised in respect of tax losses HK$35,834,000 (2004: HK$61,500,000) on the expected future profit streams.

The Group has tax losses of HK$48,476,000 (2004: HK$119,873,000) arising in Hong Kong that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. The Group also has tax losses arising in Mainland China of HK$65,107,000 (2004: HK$57,269,000) that are available for offsetting against future taxable profits of the companies in which the losses arose for a maximum of five years. 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 2005, there was no significant unrecognised deferred tax liability (2004: Nil) for taxes that would be payable on the unremitted earnings of the Group's subsidiaries, associates or jointly-controlled entities.

27. SHARE CAPITAL

Shares

	2005 **HK$'000**	2004 HK$'000
Authorised:		
800,000,000 (2004: 800,000,000) ordinary shares of HK$0.10 each (2004: HK$0.10 each)	**80,000**	80,000
120,000 (2004: 120,000) ordinary shares of US$0.10 each (2004: US$0.10 each)	**93**	93
	80,093	80,093
Issued and fully paid:		
417,090,711 (2004: 409,252,938) ordinary shares of HK$0.10 each (2004: HK$0.10 each)	**41,709**	40,925

The movements in the Company's issued ordinary share capital during the year are as follows:

	Number of shares in issue	**Issued share capital** HK$'000	**Share premium account** HK$'000	**Total** HK$'000
At 1 January 2004	409,152,938	40,915	231,452	272,367
Warrants exercised	100,000	10	17	27
At 31 December 2004 and 1 January 2005	409,252,938	40,925	231,469	272,394
Share options exercised *(note a)*	4,091,130	409	398	807
Warrants exercised *(note b)*	3,746,643	375	637	1,012
	7,837,773	784	1,035	1,819
Share issue expenses	–	–	(240)	(240)
At 31 December 2005	417,090,711	41,709	232,264	273,973

27. SHARE CAPITAL (Continued)

Notes:

(a) The subscription rights attaching to 2,045,565 and 2,045,565 share options were exercised at the subscription prices of HK$0.1834 and HK$0.2112 per share, respectively, resulting in the issue of 4,091,130 shares of HK$0.10 each for a total cash consideration, before expenses, of HK$807,000.

(b) 3,745,853 and 790 shares of HK$0.10 each were issued for cash at subscription prices of HK$0.27 and HK$0.25 per share, respectively, pursuant to the exercise of the Company's warrants for a total cash consideration, before expenses, of HK$1,012,000.

Share options

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

Warrants

At the balance sheet date, the Company had 82,598,968 warrants outstanding. The exercise in full of such warrants would, under the present capital structure of the Company, result in the issue of 82,598,968 additional shares of HK$0.10 each.

28. SHARE OPTIONS

On 25 June 2004, the shareholders of the Company approved the termination of the share option scheme adopted by the Company on 30 June 2000 (the "2000 Share Option Scheme") and the adoption of a new share option scheme (the "2004 Share Option Scheme") with rules complying with the new requirements of Chapter 17 of the Listing Rules. Upon termination of the 2000 Share Option Scheme, no further share options can be granted thereunder but in all other respects the provisions of the 2000 Share Option Scheme shall remain in force and all share options granted prior to such termination shall continue to be valid and exercisable in accordance therewith.

(a) 2000 Share Option Scheme

The purpose of this scheme is to provide incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of this scheme include any full-time employee in the service of the Company or its subsidiaries. This 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 this scheme) from time to time. The maximum entitlement of each participant under this scheme is limited to 25% of the shares issued and issuable under this 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 3 years or more than 10 years from the date on which it commences.

28. SHARE OPTIONS (Continued)

(a) 2000 Share Option Scheme (Continued)

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 closing price of the Company's shares for the 5 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 shareholders' meetings.

(b) 2004 Share Option Scheme

The purpose of this scheme is to provide incentives and rewards to the participants and to enhance their contribution to the success of the Group's operations. The participants of this scheme include any full-time employee and any director of the Company and its subsidiaries, and any person approved by the shareholders of the Company. This scheme became effective on 25 June 2004 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum aggregate number of shares of HK$0.10 each in the Company which may be issued upon exercise of all outstanding options granted and yet to be exercised under this scheme and any other schemes of the Company must not exceed in aggregate 10% of the shares in issue from time to time (the "Overall Scheme Limit"). No options may be granted under any scheme of the Company if such grant will result in the Overall Scheme Limit being exceeded.

The total number of shares which may be issued upon exercise of all options to be granted under this scheme and any other scheme must not in aggregate exceed 10% of the shares in issue as at the date of approval of this scheme (the "Scheme Mandate Limit"). Options lapsed in accordance with the terms of this scheme shall not be counted for the purpose of calculating the Scheme Mandate Limit.

Subject to the Overall Scheme Limit, the Company may seek approval from its shareholders in a general meeting for refreshing the Scheme Mandate Limit. However, the total number of shares which may be issued upon exercise of all options to be granted under the refreshed limit must not exceed 10% of the shares in issue as at the date of approval of the shareholders of the Company of the refreshing of the Scheme Mandate Limit.

The total number of shares issued and to be issued upon exercise of the options granted to each participant (including exercised, cancelled and outstanding options) in any 12-month period must not exceed 1% of the shares of the Company in issue.

The period within which the options may be exercised in accordance with the terms of this scheme, shall: (i) be determined by the directors; (ii) commence on the expiration of 12 months (or such shorter period as may be determined by the directors) from the date of offer of options; and (iii) in any event not less than 3 years or more than 10 years from the date on which it commences.

The offer of a grant of options must be accepted within 21 days from the date of the offer. The exercise price of an option to subscribe for shares granted pursuant to this scheme shall not be less than whichever is the highest of: (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date on which an offer is made to a participant, which must be a business day; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the date on which an offer is made; and (iii) the nominal value of the shares of the Company.

Notes to Financial Statements

31 December 2005

28. SHARE OPTIONS (Continued)

(b) 2004 Share Option Scheme (Continued)

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

The following share options were outstanding under the schemes during the year:

Name or category of participant	Number of share options: At 1 January 2005	Granted during the year	Exercised during the year	At 31 December 2005	Date of grant	Exercise period	Exercise price** HK$	Price of Company's shares ***: At date of grant HK$	Immediately before the exercise date HK$	At date of exercise HK$
Directors										
2000 Share Option Scheme										
Hung Hak Hip, Peter	4,752,105	–	–	4,752,105	17 November 2000	17 November 2000 to 16 November 2010	0.1834	0.227	–	–
Sze Tsai To, Robert	2,045,565	–	–	2,045,565	22 November 2000	22 November 2001 to 21 November 2006	0.1834	0.230	–	–
Hung Chiu Yee	2,045,565	–	–	2,045,565	17 November 2000	17 November 2000 to 16 November 2010	0.1834	0.227	–	–
Lee Pak Wing	2,376,052	–	–	2,376,052	17 November 2000	17 November 2000 to 16 November 2010	0.1834	0.227	–	–
Wong Kwok Ying	4,091,130	–	–	4,091,130	17 November 2000	17 November 2000 to 16 November 2010	0.1834	0.227	–	–
Wong Yu Hong, Philip	2,045,565	–	(2,045,565)	–	30 November 2000	30 November 2000 to 29 November 2010	0.2112	0.280	0.235	0.230
Cheung Wing Yui, Edward	2,045,565	–	(2,045,565)	–	17 November 2000	17 November 2000 to 16 November 2010	0.1834	0.227	0.300	0.300
	19,401,547	–	(4,091,130)	15,310,417						
2004 Share Option Scheme										
Lam Fung Ming, Tammy	–	2,064,993	–	2,064,993	26 May 2005 *	26 May 2006 to 25 May 2016	0.2860	0.280	–	–

* *The vesting period of the share option is from the date of grant until the commencement of the exercise period.*

** *The exercise price of the share options is subject to adjustments.*

*** *The price of the Company's shares disclosed is the Stock Exchange closing price on the day specified.*

28. SHARE OPTIONS (Continued)

The fair value of the share options granted during the year was HK$222,000.

The fair value of equity-settled share options granted during the year was estimated as at the date of grant, using the Black-Scholes Model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used for the year ended 31 December 2005:

Expected volatility (%)	55.3
Historical volatility (%)	55.3
Risk-free interest rate (%)	2.0
Expected life of option (year)	10
Weighted average share price (HK$)	0.2624

The expected life of the options is based on the historical data over the past three years and is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other feature of the options granted was incorporated into the measurement of fair value.

At the balance sheet date, the Company had 15,310,417 and 2,064,993 share options outstanding under the 2000 Share Option Scheme and the 2004 Share Option Scheme, respectively, which represented approximately 4.2% 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 17,375,410 additional ordinary shares of the Company and additional share capital of approximately HK$1,737,000 and share premium account of approximately HK$1,661,000 (before issue expenses).

Notes to Financial Statements

31 December 2005

29. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 30 of the financial statements.

(b) Company

	Share premium account HK$'000	Contributed surplus HK$'000	Share option reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
Balance at 1 January 2004	231,452	231,383	–	(83,135)	379,700
Issue of shares *(note 27)*	17	–	–	–	17
Net loss for the year	–	–	–	(11,794)	(11,794)
Balance at 31 December 2004 and 1 January 2005	231,469	231,383	–	(94,929)	367,923
Issue of shares *(note 27)*	795	–	–	–	795
Equity-settled share option expense	–	–	222	–	222
Net loss for the year	–	–	–	(5,170)	(5,170)
Balance at 31 December 2005	232,264	231,383	222	(100,099)	363,770

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 2005, the total amount of reserves distributable to shareholders, including the Company's accumulated losses, amounted to HK$131,284,000 (2004: HK$136,454,000).

30. DISPOSAL OF SUBSIDIARIES

	Group 2005 HK$'000	2004 HK$'000
Net assets disposed of:		
Property, plant and equipment	**66,636**	–
Investment property	**58,400**	–
Deferred tax assets, net	**2,394**	–
Prepayments, deposits and other receivables	**701**	–
Cash and cash equivalents	**1,103**	–
Other payables and accrued charges	**(3,883)**	–
Interest-bearing bank loans, secured	**(120,000)**	–
	5,351	–
Gain on disposal of subsidiaries	**452**	–
	5,803	–
Satisfied by:		
Cash	**5,803**	–

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

Cash consideration	**5,803**	–
Cash and bank balances disposed of	**(1,103)**	–
	4,700	–

On 29 April 2005, Hop Hing Oil Factory Limited, a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with Merry Capital Investments Limited ("Merry Capital"), a company associated with a substantial shareholder of the Company, for the disposal (the "Disposal") of 12 shares (the "Sale Shares") of Express Associates Limited ("EAL"), a then wholly-owned subsidiary of the Group, and its wholly-owned subsidiary, Wytak Limited ("Wytak"), for a cash consideration of HK$5.8 million.

EAL ceased to be accounted for as a subsidiary of the Company upon the completion of the Disposal on 29 April 2005. EAL and Wytak contributed turnover of HK$5,595,000 and profit after tax of HK$273,000 to the Group during the year.

31. OPERATING LEASE ARRANGEMENTS

The Group leases certain properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to eight years.

At 31 December 2005, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2005	2004
	HK$'000	HK$'000
		(Restated)
Within one year	**3,944**	3,209
In the second to fifth years, inclusive	**6,995**	10,219
After five years	**–**	3,105
	10,939	16,533

32. COMMITMENTS

In addition to the operating lease commitments detailed in note 31 above, the Group had the following commitments at the balance sheet date:

	Group	
	2005	2004
	HK$'000	HK$'000
Capital commitments for the acquisition of property, plant and equipment:		
Contracted for	**1,438**	1,434
Authorised, but not contracted for	**1,399**	1,097

The Company had no significant commitments at the balance sheet date (2004: Nil).

33. CONTINGENT LIABILITIES

Group

(a) At the balance sheet date, 35 (2004: 33) 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$439,000 (2004: HK$396,000). No provision has been made for this amount in the financial statements as it is not considered probable that there will be a significant 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 a jointly-controlled entity of the Group amounted to HK$25,338,000 (2004: HK$21,697,000).

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 a jointly-controlled entity amounted to HK$41,338,000 (2004: HK$174,697,000).

34. RELATED PARTY TRANSACTIONS

(a) 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	**2005 HK$'000**	2004 HK$'000
Transactions with jointly-controlled entities*:			
Sales of goods	(i)	**63,771**	35,853
Purchases of goods/services	(ii)	**680**	52
Production and oil refinement income	(iii)	**45,750**	32,753
Royalty income	(iv)	**10,610**	10,783
Property rental and tank farm income	(v)	**4,694**	8,288
Other property related income	(vi)	**790**	2,393
Management and marketing fee income	(vii)	**2,000**	2,000
Transactions with companies associated with the controlling shareholders of the Company:			
Sales of goods	(i)	**1,971**	997
Rental income	(viii)	**828**	2,076
Rental expenses	(ix)	**2,244**	–
Consideration received for disposal of subsidiaries	(x)	**5,803**	–
Transactions with a company in which a director of the Company has an indirect interest:			
Management fee expense	(xi)	**660**	540

* The Group has proportionate consolidated 50% of the transactions with its jointly-controlled entities in its consolidated income statement.

Notes:

(i) The sale of goods were at prices comparable to those offered to other unrelated customers of the Group.

(ii) The purchases of goods/services were at prices comparable to those offered by other unrelated suppliers/providers of the Group.

(iii) The production and oil refinement income was based on agreements entered into with the jointly-controlled entities after an arm's length negotiation and was at rates comparable to those offered to other unrelated customers of the Group.

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

34. RELATED PARTY TRANSACTIONS (Continued)

(a) Notes: (Continued)

(v) The property rental income related to the properties and barges included in property, plant and equipment. The property rental income was charged by reference to the relevant industry practice and open market rental and was subject to review on a regular basis.

(vi) 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 services.

(vii) The management fee income was charged based on the cost incurred for providing such services.

(viii) The rental income was charged by reference to open market rental and was subject to review according to the terms of the relevant tenancy agreements.

(ix) The rental expenses were paid by reference to open market rental and was subject to the terms of the relevant tenancy agreements.

(x) Consideration for the disposal was based on negotiations between the Group and Merry Capital. Details of the transaction were summarised in a circular to the shareholders dated 23 May 2005.

(xi) The management fee expenses represented the payment for services rendered by a director of the Company and his staff through a company in which the director has an indirect interest therein.

The transactions with companies associated with the controlling shareholders of the Company also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules. Further details are disclosed in the report of directors under the heading "Connected Transactions and Continuing Connected Transactions".

(b) Outstanding balances with related parties:

(i) Details of the Group's trade balances with its jointly-controlled entities as at the balance sheet date are disclosed in note 21 to the financial statements.

(ii) The Group's jointly-controlled entities had outstanding balances payable to certain companies associated with its another venturer and such information is disclosed in note 23 to the financial statements.

(c) Compensation of key management personnel of the Group:

	2005	2004
	HK$'000	HK$'000
Short term employee benefits	**2,675**	4,864
Post-employment benefits	**192**	223
Share-based payment	**222**	–
Total compensation paid to key management personnel	**3,089**	5,087

Further details of directors' emoluments are included in note 8 to the financial statements.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments comprise bank loans and overdrafts, short term deposits and cash. The Group has various other financial assets and liabilities, such as trade receivables and trade payables, which arise directly from its operations.

The risks associated with the Group's financial instruments are mainly interest rate risk, foreign currency risk and credit risk. Details of such risks are summarised below.

Interest rate risk

The Group's current banking facilities maintained with commercial banks are mainly at fixed rates. Hence, the Group currently does not have an interest rate hedging policy. However, the management monitors the Group's interest exposure and will consider hedging significant interest rate exposure should needs arise.

Foreign currency risk

The Group's monetary assets, liabilities and transactions are principally denominated in Hong Kong dollars, Renminbi or US dollars. Given that Hong Kong dollars are pegged to US dollars and fluctuations between Renminbi and US dollars are under the control of the government of the PRC, the Group does not have a foreign currency hedging policy. However, the management monitors the Group's foreign exchange exposure and will consider hedging significant foreign currency exposure when needs arise.

Credit risk

It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis. With such policies in place, the Group has been able to maintain its bad debts at a reasonable level.

36. COMPARATIVE AMOUNTS

As further explained in notes 2.2 and 2.4 to the financial statements, due to the adoption of new HKFRSs 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, an opening balance adjustment has been made and certain comparative amounts have been reclassified and restated to conform with the current year's presentation and accounting treatment.

37. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 24 April 2006.

Five Year Financial Summary

31 December 2005

A summary of the published results and of the assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the audited financial statements and reclassified and restated as appropriate, is set out below.

	Year ended 31 December				
	2005	2004	2003	2002	2001
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
		(Restated)	(Restated)	(Restated)	(Restated)
RESULTS					
Turnover	**677,425**	699,674	654,438	849,921	887,348
Profit/(loss) from operating activities	**3,002**	4,566	(7,587)	(43,670)	32,118
Finance costs (net)	**(10,910)**	(14,921)	(16,845)	(19,250)	(23,358)
Profit/(loss) before tax	**(7,908)**	(10,355)	(24,432)	(62,920)	8,760
Tax	**(2,077)**	(1,405)	(1,800)	(12,071)	8,263
Profit/(loss) for the year	**(9,985)**	(11,760)	(26,232)	(74,991)	17,023
Attributable to equity holders of the Company	**(9,730)**	(11,952)	(27,676)	(74,883)	17,125
Minority interests	**(255)**	192	1,444	(108)	(102)
	(9,985)	(11,760)	(26,232)	(74,991)	17,023

Five Year Financial Summary

31 December 2005

	Year ended 31 December				
	2005	2004	2003	2002	2001
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
		(Restated)	(Restated)	(Restated)	(Restated)
ASSETS					
Property, plant and equipment	**290,575**	376,175	399,583	458,203	486,065
Investment property	**–**	58,400	58,400	58,400	65,600
Prepaid land lease payments	**15,802**	16,029	16,433	16,837	17,241
Trademarks	**122,944**	122,659	122,477	122,235	121,971
Interests in associates	**(1,425)**	(1,425)	(1,425)	(1,425)	(1,425)
Deferred tax assets	**6,271**	10,763	10,763	9,840	9,840
Current assets	**226,830**	246,066	304,808	282,824	373,043
TOTAL ASSETS	**660,997**	828,667	911,039	946,914	1,072,335
LIABILITIES					
Current liabilities	**228,804**	174,101	212,645	335,172	323,132
Long term portion of bank loans	**8,000**	222,958	255,958	102,958	156,508
Deferred tax liabilities	**4,983**	10,075	9,170	18,865	20,337
TOTAL LIABILITIES	**241,787**	407,134	477,773	456,995	499,977
TOTAL ASSETS LESS TOTAL LIABILITIES	**419,210**	421,533	433,266	489,919	572,358