HOP HING HOLDINGS LIMITED

(INCORPORATED IN BERMUDA WITH LIMITED LIABILITY)

Stock Code: 47

Annual Report 2006

Contents

Corporate Information

DIRECTORS

Hung Hak Hip, Peter* *(Chairman)*
Wong Yu Hong, Philip**
Sze Tsai To, Robert**
Cheung Wing Yui, Edward**
Seto Gin Chung, John**
Shek Lai Him, Abraham**
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

WEBSITE

http://www.hophing.com

Chairman's Statement

For the year ended 31 December 2006, the loss attributable to equity holders was HK$6.8 million, an improvement of 30% when compared to the net loss of HK$9.7 million for the year ended 31 December 2005. The loss per share for the year was 1.62 HK cents (2005: loss per share 2.36 HK cents).

The loss for the year was mainly attributable to an additional tax provision of HK$7.5 million made for the Group's royalty income in respect of prior years. The profit before tax for 2006 was HK$3.5 million, representing an improvement of HK$11.4 million or 144% over the loss before tax of HK$7.9 million for last year. In the second half of 2006, the Group recorded a profit before tax of HK$5.4 million (second half of 2005: loss before tax of HK$3.0 million), the first half year period recording a positive profit before tax since 2002. The earnings before interest, tax and depreciation and amortisation ("EBITDA") for the year was HK$35.3 million, an increase of 36% over the EBITDA of HK$26.0 million for the year 2005.

DIVIDEND

No interim dividend was paid (2005: Nil) and the directors do not recommend the payment of any final dividend for the year under review (2005: Nil).

REVIEW OF OPERATION

During the year under review, the edible oil markets remained competitive and challenging, in particular, the abrupt upsurge of edible oil costs towards the end of the year. Despite all these challenges, our Group was able to capture business opportunities improving the performance of this year, including capitalizing the record high market refinery premium and taking advantage of the improving market sentiment and passing out part of the raw material and operational costs to the market. Together with the management's persistence in adopting appropriate strategies and improving operational efficiency and streamlining operational costs in past years, the Group has been able to report an increase in gross profit margin and a profit before tax in 2006, the first time in the last five years.

Following the Group's disposal of certain of its subsidiaries, whose major assets and liabilities were certain properties in Hong Kong and a syndicated bank loan, in April 2005 and the restructuring of bank loans in these two years, the Group's financial health has improved substantially. The bank loans have been reduced from HK$292.2 million at the end of 2004 to HK$148.8 million at the end of 2006. The net interest expense has gone down from HK$14.9 million for 2004 to HK$9.4 million for the year under review. As at 31 December 2006, the Group had a net current asset of HK$89.8 million.

In Hong Kong, strengthening brand loyalty and providing customers with variety of quality products remain the strategies of the Group. During the year, a number of new products, such as Extra Light Olive oil, Sunflower Healthy oil and Olive Sunflower oil, which ride on the healthy trend of the society, were launched. Together with appropriate marketing and pricing strategies being executed, the Group had been able to capture significant market shares in these fast growing market segments. In the year under review, the Hong Kong edible oil operation continued to increase her contribution to the Group's bottomline.

REVIEW OF OPERATION (Continued)

Having gone through a difficult period of corporate restructuring and cost streamlining, the PRC operation is now much more efficient than before. Despite the keen competition and the escalating raw material costs during the year, the Group's PRC retail edible oil segment recorded a significant increase in sales tonnage and gross profit. In addition, the cooperation with fast-growing retailing chains for providing them with exclusive branded products enabled the Group to improve the utilization and operational efficiency of her PRC facilities. In the year under review, the Group's PRC operation reported a positive profit before depreciation of properties, plant and equipment and amortisation of prepaid land lease payments.

Lion & Globe brand, the flagship brand of our Group, has recently been awarded the Trusted Brand 2007 Gold Award by Reader's Digest. This award is the eighth gold award in a row received by the Group from Readers' Digest. In PRC, Administration of Industry and Commerce of Guangzhou Municipality has recently awarded "廣州市著名商標" to our Lion & Globe brand and Camel brand. Apart from receiving awards confirming the quality and market recognition of our products, the Group has also been awarded as a Green Medalist of The One Factory – One Year – One Environmental Project (One-One-One) Programme 2006 by Federation of Hong Kong Industries. As a good corporate citizen, the Group has subscribed to Wage Protection Movement as promulgated by the Government of HKSAR.

Since the Group is now gradually back to health and as part of the Group's corporate restructuring exercise, our directors have decided to act more proactively to diversify the Group's business to other related sectors so as to balance and enhance the overall financial performance of the Group. Our directors have therefore proposed to incorporate a new Cayman Islands company ("Newco") to be the new holding company of the Group so that any new businesses which the Group may acquire in future will be put under Newco, rather than the Company. In doing so, the business risks and associated liabilities of the new businesses can be kept separate from those of the existing business of the Group.

FINANCIAL REVIEW

Equity

The number of issued shares of HK$0.10 each as at 31 December 2006 was 419,438,434 (31 December 2005: 417,090,711). At 1 January 2006, the Company had 82,598,968 warrants carrying rights to subscribe for an aggregate of 82,598,968 new shares of HK$0.10 each in the Company at an initial subscription price of HK$0.25 per share. During the year under review, 302,158 warrants were exercised for 302,158 shares of HK$0.10 each at a price of HK$0.25 per share.

On 4 August 2006, 417,373 share options were granted to Mr. Seto Gin Chung, John, an independent non-executive 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 him to subscribe for 417,373 shares of HK$0.10 each in the Company at a price of HK$0.294 per share upon exercise of his subscription rights in the exercise period from 4 August 2007 to 3 August 2012 (both dates inclusive). During the year under review, 2,045,565 share options were exercised for 2,045,565 shares of HK$0.10 each at a price of HK$0.1834 per share. As at the year end date, there were outstanding share options granted to certain eligible employees and directors entitling them to subscribe for 15,747,218 shares of the Company.

FINANCIAL REVIEW (CONTINUED)

Liquidity and gearing

As at 31 December 2006, the Group's bank borrowing, including bank loans and bills payable, in Hong Kong was HK$40.8 million. The Group's other bank borrowings, including bank loans and bills payable, as at the year end were PRC bank borrowings, including bank loans and bills payable, amounted to HK$129.8 million. Loans of approximately HK$101.0 million were secured by assets of certain PRC subsidiaries of the Group and have no recourse to other members of the Group.

As at the balance sheet date, the Group's total bank loans amounted to HK$148.8 million (31 December 2005: HK$156.5 million), of which HK$50.8 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 31 December 2006 was 36.8% (31 December 2005: 38.4%).

The net interest expenses for the year was HK$9.4 million (2005: HK$10.9 million). Such decrease was mainly attributable to repayments of bank loans and the disposal of certain subsidiaries of the Group which carried certain of the Group's bank loans in Hong Kong in last year.

The Group's funding policy is to finance the business operations with internally generated cash and banking facilities. The Group's bank borrowings, including bank loans and bills payable, 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 are comprised of 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, continuing education allowance and share options to eligible staff of 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 (2005: HK$42 million). As at 31 December 2006, the Group had 449 full time and temporary employees (31 December 2005: 421).

Details of share options granted under the share option schemes of the Company are set out in note 27 to the financial statements.

SEGMENT INFORMATION

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

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

CONTINGENT LIABILITIES

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

PLEDGE OF ASSETS

Details of the pledge of assets are set out in notes 13, 14, 19, 20 and 24 to the financial statements.

OUTLOOK

Providing quality and premium products catering for the needs of the market has always been a long-term strategy of the Group. While the market sentiment in Hong Kong continues to improve and the PRC economy grows persistently, the high raw material costs will be a challenge. With a better financial position and an improved operational efficiency, the management has confidence that our Group is in a much better position to meet with any challenges lying ahead.

CLOSURE OF REGISTER OF MEMBERS

The transfer books and register of members of the Company will be closed from 21 June 2007 to 26 June 2007, both days inclusive, during which period no transfer of shares of the Company will be effected. In order to qualify for attending the AGM, (a) all transfers in relation to shares of the Company 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 20 June 2007 for registration; (b) all transfers in relation to shares of the Company 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 20 June 2007 for registration.

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 under review.

HUNG HAK HIP, PETER
Chairman

19 April 2007

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining a high standard of corporate governance practices and procedures. The Company has adopted its code on corporate governance based on the principles set out in the Code of Corporate Governance Practices (the "CG Code") 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").

None of the directors of the Company is aware of any information that would reasonably indicate that the Company did not meet the applicable code provisions set out in the CG Code for any part of the period from 1 January 2006 to 31 December 2006.

MODEL CODE FOR 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 CG Code. 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 31 December 2006, the Board was comprised of nine directors, including three non-executive directors, being Mr. Hung Hak Hip, Peter (Chairman), Ms. Hung Chiu Yee and Mr. Lee Pak Wing; four independent non-executive directors, being Dr. Wong Yu Hong, Philip, Mr. Sze Tsai To, Robert, Mr. Cheung Wing Yui, Edward and Mr. Seto Gin Chung, John and two executive directors, being Mr. Wong Kwok Ying and Ms. Lam Fung Ming, Tammy. On 1 January 2007, Mr. Shek Lai Him, Abraham was appointed an independent non-executive director of the Company. Biographical details which include relationships among members of the Board are set out under "Directors' and Senior Executives' Biographies" on pages 13 to 15.

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 a written confirmation of independence from each of the independent non-executive directors who consider themselves to be independent.

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 four full board meetings (including those with voting by communication) and four full board circulations. Individual attendance records at full board meetings are set out on page 11 of this report.

Corporate Governance Report

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The CG Code requires 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 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 are appointed for specific terms, subject to retirement and re-election in accordance with the provisions of the bye-laws of the Company.

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. As at 31 December 2006, the Remuneration Committee was comprised of 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, three independent non-executive directors of the Company. On 1 January 2007, Dr. Wong Yu Hong, Philip resigned from the Remuneration Committee and Mr. Shek Lai Him, Abraham, an independent non-executive director of the Company, was appointed a member of the Remuneration Committee. Accordingly, as at the date of this report, the Remuneration Committee was comprised of Mr. Hung Hak Hip, Peter, Mr. Sze Tsai To, Robert, Mr. Cheung Wing Yui, Edward and Mr. Shek Lai Him, Abraham.

The terms of reference of the Remuneration Committee revised to align with the provisions of the CG Code are available to the public on request and are posted on the Company's website.

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 two meetings in 2006. During the meetings, the Remuneration Committee reviewed the remuneration packages of all directors and senior management. Meeting attendance records of the Remuneration Committee are set out on page 11.

Information relating to the remuneration of each director for 2006 is set out in note 8 to the financial statements.

Corporate Governance Report

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 2006, the fees payable to Ernst & Young, the Company's external auditors, for audit services totalled to HK$1,198,000 (2005: HK$1,147,000). Ernst & Young has also provided the Group with non-audit services, including the review of interim financial report, at fees totalled to HK$398,000 (2005: HK$398,000).

AUDIT COMMITTEE

The Company has an Audit Committee with terms of reference revised to align with the provisions of the CG Code 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 are available to the public on request and are posted on the Company's website.

As at 31 December 2006, the Audit Committee was comprised of Mr. Sze Tsai To, Robert (chairman of the Committee) and Mr. Cheung Wing Yui, Edward, both of them are independent non-executive directors, and Mr. Hung Hak Hip, Peter, the non-executive Chairman of the Company. The chairman of the Audit Committee has the required appropriate professional financial qualifications and experience. On 1 January 2007, Mr. Seto Gin Chung, John, an independent non-executive director of the Company, was appointed a member of the Audit Committee. Accordingly, as at the date of this report, the Audit Committee was comprised of Mr. Sze Tsai To, Robert, Mr. Cheung Wing Yui, Edward, Mr. Hung Hak Hip, Peter and Mr. Seto Gin Chung, John.

In 2006, 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 ended 31 December 2005 and the interim financial report for the six months ended 30 June 2006. The Group's annual results for the year ended 31 December 2006 have also been reviewed by the Audit Committee of the Company.

The Audit Committee held two meetings in 2006. Meeting attendance records 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.

FINANCIAL REPORTING (Continued)

As at 31 December 2006, 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 Independent Auditors' Report attached to the Company's 2006 Annual Report.

INTERNAL CONTROL

The Board is responsible for the Group's system of internal control that is designed to facilitate effective and efficient operations and to ensure the quality of internal and external reporting and compliance with applicable laws and regulations. In devising internal controls, the Group has regard to the nature and extent of the risk, the likelihood of it crystallizing, and the cost of controls. A system of internal control is designed to manage, but not eliminate, the risk of failure to achieve business objectives and can only provide reasonable and not absolute, assurance against the risk of material misstatement, fraud or losses.

The Board, with the assistance of its Audit Committee, assesses the effectiveness of internal control of the Group by considering reviews performed by the management, the independent auditors and the internal assessment report outsourced and performed by a firm of qualified accountants. Such reviews during the financial year ended 31 December 2006 did not reveal any significant defects.

The aforesaid is an ongoing process for identifying, evaluating and managing of significant business, financial, compliance and operational risks specific to the Group. Relevant recommendations made by the independent auditors, the Audit Committee and the external accountants who performed the reviews at least annually would be implemented, if appropriate, as soon as possible, by the Group to further enhance its internal control policies, procedures and practices.

COMMUNICATION WITH SHAREHOLDERS

The Board makes its endeavour to maintain an ongoing and transparent communication with all shareholders and, in particular, use general meetings to communicate with shareholders and encourage their participation. The Company also uses various other means of communication with its shareholders, such as publication of annual and interim reports, press announcements, circulars and additional information on the Group's business activities and development on the Company's website: *http://www.hophing.com*. Details of poll vote procedures, which comply with the Listing Rules and the bye-laws of the Company, have been included in the Company's circulars sent to shareholders of the Company and in the proceedings of the Company's general meetings.

DIRECTORS'/COMMITTEE MEMBERS' ATTENDANCE IN 2006

	Meetings attended/Eligible to attend		
Name of director	Full Board	Audit Committee	Remuneration Committee
Non-executive directors			
Hung Hak Hip, Peter (Chairman of the Board and the Remuneration Committee)	3/4	2/2	2/2
Hung Chiu Yee	3/4	N/A	N/A
Lee Pak Wing	3/4	N/A	N/A
Independent non-executive directors			
Wong Yu Hong, Philip *(note 1)*	2/4	N/A	1/2
Sze Tsai To, Robert (Chairman of the Audit Committee)	4/4	2/2	2/2
Cheung Wing Yui, Edward	4/4	2/2	1/2
Seto Gin Chung, John *(note 2)*	3/3	N/A	N/A
Executive directors			
Wong Kwok Ying	4/4	N/A	N/A
Lam Fung Ming, Tammy	3/4	N/A	N/A

Notes:

1. *Wong Yu Hong, Philip resigned from the Audit Committee on 15 March 2006.*

2. *Seto Gin Chung, John was appointed an independent non-executive director of the Company on 25 April 2006.*

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 2006.

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 2006 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 28 to 86.

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 and liabilities of the Group for the last five financial years, as extracted from the audited financial statements is set out on pages 87 and 88. 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, 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 26 and 27 to the financial statements. The movements in the reserves of the Company and of the Group during the year are set out in note 28 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 28(b) to the financial statements.

BORROWINGS

Particulars of the borrowings of the Group at the balance sheet date are set out in notes 23 and 24 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**	
Seto Gin Chung, John**	(appointed on 25 April 2006)
Shek Lai Him, Abraham**	(appointed on 1 January 2007)
Hung Chiu Yee*	
Lee Pak Wing*	
Wong Kwok Ying	
Lam Fung Ming, Tammy	

* *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, Dr. Wong Yu Hong, Philip, Mr. Cheung Wing Yui, Edward, Mr. Shek Lai Him, Abraham and Ms. Hung Chiu Yee retire and, being eligible, offer themselves for re-election.

DIRECTORS' AND SENIOR EXECUTIVES' BIOGRAPHIES

(a) Non-executive directors

Hung Hak Hip, Peter, aged 62, 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", associates of Mr. Hung are discretionary beneficiaries of a discretionary trust which beneficially owns securities in the Company.

Dr The Hon Wong Yu Hong, Philip, *GBS, JD, Ph D*, aged 68, 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 Legislative Council for the Hong Kong Special Administrative Region ("SAR"), Life Honorary Chairman of the Chinese General Chamber of Commerce and board member of the Hong Kong Trade Development Council. Dr. Wong received the Gold Bauhinia Star Award from the Hong Kong SAR Government in 2003. He received the Courvoisier Awards for Business Excellency from the then Chief Justice of Hong Kong, Sir Denys Roberts, in 1986.

DIRECTORS' AND SENIOR EXECUTIVES' BIOGRAPHIES (Continued)

(a) Non-executive directors (Continued)

Sze Tsai To, Robert, aged 66, was 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 57, appointed a director of the Group in 1989, is a consultant of Woo, Kwan, Lee & Lo, solicitors. Mr. Cheung is also a qualified solicitor in England and Singapore and a member of CPA Australia.

Seto Gin Chung, John, aged 58, appointed a director of the Group on 25 April 2006, is a director of Pacific Eagle Asset Management Limited since January 2006. He is an independent non-executive director of China Everbright Limited and Kowloon Development Company Limited. He was the Chief Executive Officer of HSBC Broking Services (Asia) Limited from 1982 to 2001. He was the chairman and a non-executive director of International Financial Network Holdings Limited from 2001 to 2005. He was a non-executive director of Hong Kong Exchanges and Clearing Limited from 2000 to 2003, a council member of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") from 1994 to 2000 and was the first vice chairman of the Stock Exchange from 1997 to 2000. He holds a Master of Business Administration degree from New York University, USA and has over 30 years of experience in the securities and futures industry.

The Hon Shek Lai Him, Abraham, *J.P.*, aged 61, was appointed a director of the Group on 1 January 2007. Mr. Shek graduated from the University of Sydney, Australia with a Bachelor of Arts. Mr. Shek is a member of the Legislative Council for the Hong Kong SAR representing real estate and construction functional constituency since 2000. Currently, Mr. Shek is a member of the Council of The Hong Kong University of Science & Technology and member of the Court of The University of Hong Kong. He is also a member of the Managing Board of Kowloon-Canton Railway Corporation and a director of The Hong Kong Mortgage Corporation Limited. Mr. Shek was appointed as a Justice of the Peace in 1995. Mr. Shek is an independent non-executive director of a number of Hong Kong listed companies.

Hung Chiu Yee, aged 66, 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 61, 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.

DIRECTORS' AND SENIOR EXECUTIVES' BIOGRAPHIES (Continued)

(b) Executive directors

Wong Kwok Ying, aged 47, 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 25 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 43, is the Chief Operating Officer of the Group and 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.

(c) Senior executives

Lian Bai Xiang, aged 58, 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 58, 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 in Hong Kong and Mainland China. Mr. Wan joined the Group in 1997.

Tai Bik Yin, aged 45, 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.

DIRECTORS' INTERESTS IN CONTRACTS

Other than the 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

As at 31 December 2006, the interests of the directors and chief executive in the shares 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, 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	—	1,396,645	3,601,607	3,227,420*	8,225,672	2.0
Wong Yu Hong, Philip	2,045,565	—	—	—	2,045,565	0.5
Sze Tsai To, Robert	2,045,565	—	—	—	2,045,565	0.5
Cheung Wing Yui, Edward	2,443,565	—	—	—	2,443,565	0.6
Seto Gin Chung, John	—	—	—	—	—	—
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 associates of 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	Total
Hung Hak Hip, Peter	—	279,329	720,321	645,483**	1,645,133
Wong Yu Hong, Philip	—	—	—	—	—
Sze Tsai To, Robert	—	—	—	—	—
Cheung Wing Yui, Edward	79,600	—	—	—	79,600
Seto Gin Chung, John	—	—	—	—	—
Hung Chiu Yee	154,534	—	—	—	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 associates of Hung Hak Hip, Peter.*

Details of the interests of the directors in the share options of the Company are separately disclosed in note 27 to the financial statements.

Save as disclosed above, as at 31 December 2006, 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.

SHARE OPTION SCHEME

Details of the Company's share option scheme are disclosed in note 27 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 27 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

As at 31 December 2006, the interests of those persons (other than the directors and chief executive) holding 5% or more in the shares and underlying shares of the issued share capital of the Company, as notified to the Company and 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	27.9%
Hop Hing Oil (1985) Limited ("HHO")	*(ii)*	155,392,698	37.1%
GZ Trust Corporation ("GZTC")	*(iii)*	272,528,781	65.0%
Hung Cheung Pui	*(iv)*	272,528,781	65.0%
Hap Seng Consolidated Berhad ("HSCB")		21,335,277	5.1%
Gek Poh (Holdings) Sdn. Bhd ("GPHSB")	*(v)*	21,335,277	5.1%
Datuk Seri Panglima Lau Cho Kun ("DSPL")	*(vi)*	21,335,277	5.1%

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. By virtue of the SFO, GZTC is deemed to be interested in the shares held by Hung's and HHO.*

(iv) *Hung Cheung Pui is the founder of two discretionary trusts, of which GZTC is the trustee. By virtue of the SFO, Hung Cheung Pui is deemed to be interested in the disclosed interest of GZTC mentioned in note (iii).*

(v) *HSCB is held as to 52.9% by GPHSB. By virtue of the SFO, GPHSB is deemed to be interested in the disclosed interest of HSCB mentioned above.*

(vi) *DSPL holds 56% interest in GPHSB. By virtue of the SFO, DSPL is deemed to be interested in the disclosed interest of GPHSB mentioned in note (v).*

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

Interests in warrants of the Company

Name of holder	*Notes*	Number of warrants held
Hung's	*(i)*	23,427,216
HHO	*(ii)*	31,078,539
GZTC	*(iii)*	54,505,755
Hung Cheung Pui	*(iv)*	54,505,755
HSCB		4,267,055
GPHSB	*(v)*	4,267,055
DSPL	*(vi)*	4,267,055

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. By virtue of the SFO, GZTC is deemed to be interested in the warrants held by Hung's and HHO.

(iv) Hung Cheung Pui is the founder of two discretionary trusts, of which GZTC is the trustee. By virtue of the SFO, Hung Cheung Pui is deemed to be interested in the disclosed interest of GZTC mentioned in note (iii).

(v) HSCB is held as to 52.9% by GPHSB. By virtue of the SFO, GPHSB is deemed to be interested in the disclosed interest of HSCB mentioned above.

(vi) DSPL holds 56% interest in GPHSB. By virtue of the SFO, DSPL is deemed to be interested in the disclosed interest of GPHSB mentioned in note (v).

Save as disclosed above, as at 31 December 2006, the Company had not been notified of any persons, 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, who had interests or short positions in the shares or underlying shares of the Company, which are required to be recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

Report of the Directors

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

Connected Transactions

On 30 August 2006, Hop Hing Oil (Holdings) Limited ("HHOH"), an indirect wholly-owned subsidiary of the Company, entered into a sale and purchase agreement (the "Share Purchase Agreement") with Hung's Investments Limited ("HIL"). Pursuant to the Share Purchase Agreement, HIL acquired and HHOH disposed of 12,896 ordinary shares of HK$1.00 each in the issued share capital of Able Mark (HK) Limited ("AMHK"), a former indirect wholly-owned subsidiary of HHOH, and all shareholders' loans owed by AMHK to HHOH and outstanding at the completion of the Share Purchase Agreement for an aggregate consideration of approximately HK$2.6 million.

HIL is a connected person of the Group under the Listing Rules in that the entire issued share capital of HIL is held by a trustee of a discretionary trust whose discretionary beneficiaries include associates of Mr. Hung Hak Hip, Peter, the non-executive Chairman of the Company.

Details of the connected transactions were set out in the Company's announcement dated 30 August 2006.

Continuing Connected Transactions

Wytak Limited ("Wytak"), let certain premises under a tenancy agreement dated 29 April 2005 (the "Old Tenancy Agreement") to Hop Hing Oil Factory Limited, an indirect wholly-owned subsidiary of the Company.

The aggregate rent paid under the Old Tenancy Agreement by the Group in the period from 1 January 2006 to 28 April 2006, the date on which the Old Tenancy Agreement was terminated, amounted to approximately HK$1.1 million which did not exceed the annual threshold under Rule 14A.34 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

On 8 May 2006, Hop Hing Oil Investment Limited, an indirect wholly-owned subsidiary of the Company, entered into two tenancy agreements (the "New Tenancy Agreements") with Wytak, for renting certain premises from Wytak in the period from 29 April 2006 to 28 April 2009.

The aggregate rent paid under the New Tenancy Agreements by the Group in the period from 29 April 2006 to 31 December 2006 was approximately HK$2.3 million which did not exceed the annual threshold under Rule 14A.34 of the Listing Rules.

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

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS (Continued)

Continuing Connected Transactions (Continued)

The aggregate sales by Panyu Hop Hing to Shenzhen You Rong under the Sales Agreement in the year ended 31 December 2006 was approximately HK$3.4 million.

Wytak 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 is a director of Shenzhen You Rong.

Details of the continuing connected transactions were set out in the Company's announcements dated 29 April 2005, 5 August 2005 and 8 May 2006.

In respect of the Old Tenancy Agreement, the New Tenancy Agreements 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 has not been exceeded at any relevant time.

The independent non-executive directors have reviewed and confirmed that the continuing connected transactions arising from the Old Tenancy Agreement, the New Tenancy Agreements 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.

The auditors of the Company have reviewed the continuing connected transactions arising from the Old Tenancy Agreement, the New Tenancy Agreements 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 Agreement, the New Tenancy Agreements and the Sales Agreement governing the transactions; and (iii) had not exceeded the annual cap disclosed in the announcements of the Company dated 29 April 2005, 5 August 2005 and 8 May 2006.

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 that are subject to the reporting requirement under the Listing Rules.

DISCLOSURES PURSUANT TO RULE 13.22 OF THE LISTING RULES

Advances and Guarantees to an Affiliated Company

As at 31 December 2006, 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	50%	13,607	54,500	32,849	68,107

Evergreen is a jointly-controlled entity whose interests are held as to 50% by Lawshun Holdings Limited, an indirect 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 RULE 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 interest in Evergreen as at 31 December 2006 are presented below:

	HK$'000
Non-current assets	18,058
Current assets	239,159
Current liabilities	(139,708)
Net current assets	99,451
Total assets less current liabilities	117,509
Non-current liabilities	(1,288)
Net assets	116,221
Issued capital	100,000
Reserves	16,221
Capital and reserves	116,221
Attributable interests of the Group's share of net assets	58,111

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for less than 30% of the total sales for the year. The percentage of purchases attributable to the Group's five largest suppliers accounted for 42.2% of the total purchases for the year with purchases from the largest supplier included therein amounted to 19%.

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.

Report of the Directors

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 2006, the total scheme contributions made by the Group amounted to approximately HK$1,230,000 and forfeited contributions applied to reduce employer's contributions were approximately HK$67,000. As at 31 December 2006, there was no forfeited contribution available to reduce future contributions to the Exempted Scheme.

PRE-EMPTIVE RIGHTS

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

PURCHASE, SALE OR REDEMPTION OF OWN LISTED SECURITIES

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

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.

POST BALANCE SHEET EVENTS

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

AUDITORS

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

ON BEHALF OF THE BOARD

HUNG HAK HIP, PETER
Chairman

19 April 2007

Independent Auditors' Report

ERNST & YOUNG
安永會計師事務所

To the shareholders of Hop Hing Holdings Limited
(Incorporated in Bermuda with limited liability)

We have audited the financial statements of Hop Hing Holdings Limited set out on pages 28 to 86, which comprise the consolidated and company balance sheets as at 31 December 2006, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. Our report is made 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.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditors' Report

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 2006 and of Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants
18th Floor, Two International Finance Centre
8 Finance Street, Central
Hong Kong

19 April 2007

Consolidated Income Statement

Year ended 31 December 2006

	Notes	2006 HK$'000	2005 HK$'000
TURNOVER	5	**672,792**	677,425
Direct cost of stocks sold and services provided		**(490,148)**	(503,258)
Other production and service costs (including depreciation and amortisation of HK$22,381,000 (2005: HK$22,952,000))		**(62,226)**	(63,081)
Selling and distribution costs		**(71,094)**	(70,535)
General and administrative expenses		**(36,445)**	(37,549)
PROFIT FROM OPERATING ACTIVITIES	6	**12,879**	3,002
Finance costs, net	7	**(9,407)**	(10,910)
PROFIT/(LOSS) BEFORE TAX		**3,472**	(7,908)
Tax	10	**(9,895)**	(2,077)
LOSS FOR THE YEAR		**(6,423)**	(9,985)
ATTRIBUTABLE TO:			
Equity holders of the Company	11	**(6,764)**	(9,730)
Minority interests		**341**	(255)
		(6,423)	(9,985)
LOSS PER SHARE *(HK cents)*	12		
Basic		**(1.62)**	(2.36)
Diluted		**N/A**	N/A

Consolidated Balance Sheet

31 December 2006

	Notes	2006 HK$'000	2005 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	*13*	**275,124**	290,575
Prepaid land lease payments	*14*	**26,302**	15,802
Trademarks	*15*	**123,423**	122,944
Interests in associates	*17*	**(1,425)**	(1,425)
Deferred tax assets	*25*	**5,047**	6,271
Total non-current assets		**428,471**	434,167
Current assets			
Stock	*19*	**101,856**	83,415
Accounts receivable	*20*	**83,196**	81,226
Prepayments, deposits and other receivables		**37,050**	36,411
Pledged bank deposits	*21*	**6,529**	1,226
Cash and cash equivalents		**20,250**	24,552
Total current assets		**248,881**	226,830
Total assets		**677,352**	660,997

Consolidated Balance Sheet

31 December 2006

	Notes	2006 HK$'000	2005 HK$'000
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Issued share capital	*26*	**41,943**	41,709
Reserves	*28(a)*	**362,267**	365,808
		404,210	407,517
Minority interests		**12,388**	11,693
Total equity		**416,598**	419,210
Non-current liabilities			
Interest-bearing bank loans	*24*	**98,000**	8,000
Deferred tax liabilities	*25*	**3,702**	4,983
Total non-current liabilities		**101,702**	12,983
Current liabilities			
Accounts payable	*22*	**34,431**	40,020
Bills payable	*23*	**21,765**	4,099
Other payables and accrued charges		**42,098**	35,032
Interest-bearing bank loans	*24*	**50,849**	148,463
Tax payable		**9,909**	1,190
Total current liabilities		**159,052**	228,804
Total liabilities		**260,754**	241,787
Total equity and liabilities		**677,352**	660,997

HUNG HAK HIP, PETER
CHAIRMAN

WONG KWOK YING
EXECUTIVE DIRECTOR AND CHIEF FINANCIAL OFFICER

Consolidated Statement of Changes in Equity

Year ended 31 December 2006

	Attributable to equity holders of the Company									
	Issued share capital	Share premium account	Share option reserve	Exchange fluctuation reserve	Other properties revaluation reserve	Capital and other reserves	Accumulated losses	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
At 1 January 2005	40,925	374,079	—	—	16,892	58,759	(81,070)	409,585	11,948	421,533
Deferred tax reversed upon disposal *(note 25)*	—	—	—	—	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 26)*	784	1,035	—	—	—	—	—	1,819	—	1,819
Share issue expenses *(note 26)*	—	(240)	—	—	—	—	—	(240)	—	(240)
Equity-settled share option expenses *(note 27)*	—	—	222	—	—	—	—	222	—	222
At 31 December 2005 and 1 January 2006	41,709	374,874	222	2,842	2,659	58,759	(73,548)	407,517	11,693	419,210
Exchange realignment	—	—	—	2,863	—	—	—	2,863	354	3,217
Profit/(loss) for the year	—	—	—	—	—	—	(6,764)	(6,764)	341	(6,423)
Total income and expenses for the year	—	—	—	2,863	—	—	(6,764)	(3,901)	695	(3,206)
Issue of shares *(note 26)*	234	216	—	—	—	—	—	450	—	450
Equity-settled share option expenses *(note 27)*	—	—	144	—	—	—	—	144	—	144
At 31 December 2006	41,943	375,090	366	5,705	2,659	58,759	(80,312)	404,210	12,388	416,598

Consolidated Cash Flow Statement

Year ended 31 December 2006

	Notes	2006 HK$'000	2005 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax		**3,472**	(7,908)
Adjustments for:			
Interest income	*7*	**(335)**	(233)
Interest expenses	*7*	**9,742**	11,143
Depreciation	*6*	**21,882**	22,548
Amortisation of prepaid land lease payments	*6*	**499**	404
Loss on disposal of items of property, plant and equipment, net	*6*	**906**	110
Gain on disposal of subsidiaries	*6*	**(2,520)**	(452)
Equity-settled share option expenses	*6, 27*	**144**	222
Operating profit before working capital changes		**33,790**	25,834
Decrease/(increase) in stock		**(18,441)**	11,733
Increase in accounts receivable		**(1,970)**	(9,674)
Decrease/(increase) in prepayments, deposits and other receivables	*30*	**(8,389)**	23
Decrease in accounts payable		**(5,589)**	(7,358)
Increase/(decrease) in bills payable		**17,666**	(7,364)
Increase/(decrease) in other payables and accrued charges		**7,066**	(4,427)
Cash generated from operations		**24,133**	8,767
Interest received		**335**	233
Hong Kong profits tax paid		**(1,081)**	(3,312)
Overseas tax paid		**(152)**	(189)
Net cash inflow from operating activities		**23,235**	5,499
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(1,586)**	(2,399)
Increase in prepaid land lease payments		**(1,331)**	—
Proceeds from disposal of items of property, plant and equipment		**2,469**	1,370
Disposal of subsidiaries	*29*	**3,015**	4,700
Increase in trademarks		**(479)**	(285)
Net cash inflow from investing activities		**2,088**	3,386

Consolidated Cash Flow Statement

Year ended 31 December 2006

	Notes	2006 HK$'000	2005 HK$'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid	7	**(9,742)**	(11,143)
New bank loans		**—**	32,203
Net repayment of bank loans		**(15,030)**	(47,977)
Decrease/(increase) in pledged bank deposits		**(5,303)**	4,718
Issue of shares, including share premium		**450**	1,819
Share issue expenses		**—**	(240)
Net cash outflow from financing activities		**(29,625)**	(20,620)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(4,302)**	(11,735)
Cash and cash equivalents at 1 January		**24,552**	36,287
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		**20,250**	24,552
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		**20,250**	24,552

Balance Sheet

31 December 2006

	Notes	2006 HK$'000	2005 HK$'000
ASSETS			
Non-current assets			
Interests in subsidiaries	*16*	**406,608**	406,661
Current assets			
Prepayments, deposits and other receivables		**288**	78
Cash and cash equivalents		**128**	155
Total current assets		**416**	233
Total assets		**407,024**	406,894
EQUITY AND LIABILITIES			
Equity			
Issued share capital	*26*	**41,943**	41,709
Reserves	*28(b)*	**363,966**	363,770
		405,909	405,479
Current liabilities			
Other payables and accrued charges		**1,115**	1,415
Total equity and liabilities		**407,024**	406,894

HUNG HAK HIP, PETER
CHAIRMAN

WONG KWOK YING
EXECUTIVE DIRECTOR AND
CHIEF FINANCIAL OFFICER

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 which were carried at 1993 valuation. 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 2006. 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 HKICPA has issued a number of new and revised HKFRSs that are effective for accounting periods commencing on or after 1 January 2006. The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements:

HKAS 21 Amendment	Net Investment in a Foreign Operation
HKAS 39 Amendment	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 Amendment	The Fair Value Option
HKAS 39 and HKFRS 4 Amendments	Financial Guarantee Contracts
HK(IFRIC)-Int 4	Determining whether an Arrangement contains a Lease

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

The principal changes in accounting policies are as follows:

(a) HKAS 21 — *The Effects of Changes in Foreign Exchange Rates*

Upon the adoption of HKAS 21 Amendment regarding a net investment in a foreign operation, all exchange differences arising from a monetary item that forms part of the Group's net investment in a foreign operation are recognised in the exchange fluctuation reserve in the consolidated financial statements irrespective of the currency in which the monetary item is denominated. This change has had no material impact on these financial statements as at 31 December 2006 or 31 December 2005.

(b) HKAS 39 — *Financial Instruments: Recognition and Measurement*

(i) Amendment for cash flow hedge accounting of forecast intragroup transactions

This amendment has revised HKAS 39 to permit the foreign currency risk of a highly probable intragroup forecast transaction to qualify as a hedged item in a cash flow hedge, provided that the transaction is denominated in a currency other than the functional currency of the entity entering into that transaction and that the foreign currency risk will affect the consolidated income statement. As the Group currently has no such transactions, the amendment has had no effect on these financial statements.

(ii) Amendment for the fair value option

This amendment has changed the definition of a financial instrument classified as fair value through profit or loss and has restricted the use of the option to designate any financial asset or any financial liability to be measured at fair value through the income statement. The Group had not previously used this option, and hence the amendment has had no effect on the financial statements.

(iii) Amendment for financial guarantee contracts

In prior years, financial guarantees provided by the Company to various banks in connection with the bank loans and other banking facilities granted to a subsidiary and a jointly-controlled entity were disclosed as contingent liabilities. Upon the adoption of this amendment, the scope of HKAS 39 has been revised to require financial guarantee contracts issued that are not considered insurance contracts, to be recognised initially at fair value and to be remeasured at the higher of the amount determined in accordance with HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* and the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 *Revenue*. The adoption of this amendment has had no material impact on these financial statements.

(c) HK(IFRIC)-Int 4 — *Determining whether an Arrangement contains a Lease*

The Group has adopted this interpretation as of 1 January 2006, which provides guidance in determining whether arrangements contain a lease to which lease accounting must be applied. The Group had reassessed all the relevant arrangements and concluded that this interpretation has had no material impact on these financial statements.

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

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements:

HKAS 1 Amendment	Capital Disclosures[1]
HKFRS 7	Financial Instruments: Disclosures[1]
HKFRS 8	Operating Segments[2]
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies[3]
HK(IFRIC)-Int 8	Scope of HKFRS 2[4]
HK(IFRIC)-Int 9	Reassessment of Embedded Derivates[5]
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment[6]
HK(IFRIC)-Int 11	HKFRS 2 – Group and Treasury Share Transactions[7]
HK(IFRIC)-Int 12	Service Concession Arrangements[8]

1 Effective for annual periods beginning on or after 1 January 2007

2 Effective for annual periods beginning on or after 1 January 2009

3 Effective for annual periods beginning on or after 1 March 2006

4 Effective for annual periods beginning on or after 1 May 2006

5 Effective for annual periods beginning on or after 1 June 2006

6 Effective for annual periods beginning on or after 1 November 2006

7 Effective for annual periods beginning on or after 1 March 2007

8 Effective for annual periods beginning on or after 1 January 2008

HKAS 1 Amendment 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.

HKFRS 7 requires disclosures that enable users of the financial statements to evaluate the significance of the Group's financial instruments and the nature and extent of risk arising from those financial instruments and also incorporates many of the disclosure requirements of HKAS 32.

HKFRS 8 shall be applied for annual periods beginning on or after 1 January 2009. The standard requires the disclosure of information about the operating segments of the Group, the products and services provided by the segments, the geographical areas in which the Group operates, and revenues from the Group's major customers. This standard will supersede HKAS 14 *Segment Reporting*.

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

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, it has concluded that while the adoption of HKAS 1 Amendment, HKFRS 7 and HKFRS 8 may result in new or amended disclosures, these new and revised HKFRSs should not have any significant impact on the Group's results of operations and financial position.

2.4 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 16 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 entity 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Jointly-controlled entities

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.

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 the associates are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting less any impairment losses.

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 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 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Goodwill (Continued)

Where goodwill forms part of a cash-generating unit and part of the operation within that unit are 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 requires 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.

Impairment of non-financial assets other than goodwill

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than stock, deferred tax assets, financial assets 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, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 is comprised of 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 has 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.

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 other properties revaluation reserve realised in respect of previous valuations is transferred to accumulated losses as a movement in reserves.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Stock

Stock is stated at the lower of cost, on the weighted average method, and net realisable value. Cost is comprised of 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

When financial assets are recognised initially, they are measured at fair value plus 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, that is, the date that the Group commits to purchase or sell 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 subsequently carried at amortised cost using the effective interest method. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. 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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets (Continued)

Assets carried at amortised cost (Continued)

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or 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.

In relation to accounts receivable, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Group will not be able to collect all of the amounts due under the original terms of an invoice. The carrying amount of the receivables is reduced through the use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

Derecognition of financial assets

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial liabilities at amortised cost (including interest-bearing bank loans and borrowings)

Financial liabilities including accounts and other payables, and interest-bearing bank loans and borrowings are initially stated at fair value less directly attributable transaction costs and are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

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

Derecognition of financial liabilities

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.

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 goodwill or 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income tax (Continued)

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
- 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies (Continued)

The functional currencies of certain subsidiaries outside Hong Kong are currencies other than 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.

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) from provision of management, marketing, bottling and packaging 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 and 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").

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Employee benefits (Continued)

Share-based payment transactions (Continued)

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 Black-Scholes option pricing model (the "Black-Scholes Model"), further details of which are given in note 27 to the financial statements. 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.

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 equity-settled awards granted after 7 November 2002 that had not vested by 1 January 2005 and to those granted on or after 1 January 2005.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Employee benefits (Continued)

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 payment 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.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Related parties (Continued)

(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 are comprised of 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 are comprised of 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. 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. 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 areas, 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	
	2006	2005	**2006**	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment Revenue:						
Revenue from external customers	**393,738**	404,771	**279,054**	272,654	**672,792**	677,425
Other segment information:						
Segment assets	**339,223**	327,570	**334,507**	328,581	**673,730**	656,151
Unallocated assets					**5,047**	6,271
					678,777	662,422
Capital expenditure incurred during the year	**1,976**	1,894	**8,685**	790	**10,661**	2,684

5. TURNOVER

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

	2006	2005
	HK$'000	HK$'000
Sale of goods and services	**667,045**	669,218
Royalties	**5,086**	5,305
Rental and other income	**661**	2,902
	672,792	677,425

6. PROFIT FROM OPERATING ACTIVITIES

	Notes	2006 HK$'000	2005 HK$'000
The Group's profit from operating activities is arrived at after crediting:			
Rental income		**597**	2,395
Less: Outgoings		**—**	(671)
Net rental income		**597**	1,724
Foreign exchange gains, net		**690**	1,168
Gain on disposal of subsidiaries*	*29*	**2,520**	452
and after charging:			
Cost of stock sold		**490,148**	502,587
Loss on disposal of items of property, plant and equipment, net		**906**	110
Employee benefits expenses (including directors' emoluments in note 8):			
Wages and salaries		**41,018**	40,159
Equity-settled share option expenses	*27*	**144**	222
Pension scheme contributions		**1,230**	1,687
Less: Unvested contributions forfeited **		**(67)**	(256)
		1,163	1,431
		42,325	41,812
Depreciation ***	*13*	**21,882**	22,548
Amortisation of prepaid land lease payments ***	*14*	**499**	404
Minimum lease payments under operating leases in respect of land and buildings		**6,937**	4,394
Auditors' remuneration		**1,198**	1,147

Notes:

* *Gain on disposal of subsidiaries is included in "General and administrative expenses" on the face of the consolidated income statement.*

** *At 31 December 2006, the Group had no forfeited contributions available to reduce its future contributions to the Exempted Scheme (2005: HK$48,000).*

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

7. FINANCE COSTS, NET

	Group	
	2006	2005
	HK$'000	HK$'000
Interest on bank borrowings wholly repayable within five years	**9,742**	11,143
Less: Bank interest income	**(335)**	(233)
	9,407	10,910

8. DIRECTORS' EMOLUMENTS

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

(a) Independent non-executive directors

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

	2006	2005
	HK$'000	HK$'000
Sze Tsai To, Robert	**250**	250
Wong Yu Hong, Philip	**200**	200
Cheung Wing Yui, Edward	**200**	200
Seto Gin Chung, John	**138**	—
	788	650

On 4 August 2006, 417,373 share options were granted to Seto Gin Chung, John, 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 him to subscribe for 417,373 shares of HK$0.10 each in the Company at a price of HK$0.294 per share upon exercise of his subscription rights in the exercise period from 4 August 2007 to 3 August 2012 (both dates inclusive), further details of which are set out in note 27 to the financial statements. The fair value of these options, which has been recognised to the income statement over the vesting period, was determined as at the date of grant and the amount of HK$24,000 included in the financial statements for the current year has not been included in the above directors' remuneration disclosures. Save for the above, there were no other emoluments payable to the independent non-executive directors during the year (2005: Nil).

8. DIRECTORS' EMOLUMENTS (Continued)

(b) Executive directors and non-executive directors

For the year ended 31 December 2006

	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
Executive directors:						
Wong Kwok Ying	—	1,410	155	—	113	1,678
Lam Fung Ming, Tammy	—	938	87	120	75	1,220
	—	2,348	242	120	188	2,898
Non-executive directors:						
Hung Hak Hip, Peter	300	560*	—	—	—	860
Hung Chiu Yee	30	—	—	—	—	30
Lee Pak Wing	30	—	—	—	—	30
	360	560	—	—	—	920

8. DIRECTORS' EMOLUMENTS (Continued)

(b) Executive directors and non-executive directors (Continued)

For the year ended 31 December 2005

	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
Executive directors:						
Wong Kwok Ying	—	1,210	55	—	97	1,362
Lam Fung Ming, Tammy	—	872	38	222	69	1,201
Chan Sai On, David	—	500	—	—	26	526
	—	2,582	93	222	192	3,089
Non-executive directors:						
Hung Hak Hip, Peter	—	660*	—	—	—	660
Hung Chiu Yee	30	—	—	—	—	30
Lee Pak Wing	30	—	—	—	—	30
	60	660	—	—	—	720

* *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 27 to the financial statements. The fair value of the share options, which have been recognised to the income statements over the respective vesting periods, were determined as at the dates of grant, and the amounts included in the financial statements are 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 aggregate emoluments of the five highest paid employees including three (2005: three) directors, whose emoluments are set out in note 8 above for the year are as follows:

	Group	
	2006	2005
	HK$'000	HK$'000
Salaries, allowances and other emoluments	**4,493**	3,781
Discretionary/performance related bonuses	**421**	152
Employee share option benefits	**120**	222
Pension scheme contributions	**214**	226
	5,248	4,381

The above emoluments are analysed as follows:

	Number of employees	
	2006	2005
Nil to HK$1,000,000	**3**	3
HK$1,000,001 to HK$1,500,000	**1**	2
HK$1,500,001 to HK$2,000,000	**1**	—
	5	5

10. TAX

Hong Kong profits tax has been provided at the rate of 17.5% (2005: 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.

	2006 HK$'000	2005 HK$'000
Group:		
Current – Hong Kong		
Charge for the year	2,069	1,927
Under/(over) provision in prior years *(note)*	7,719	(8)
	9,788	1,919
Current – elsewhere		
Charge for the year	164	158
Overprovision in prior years	—	(25)
	164	133
Deferred tax charge/(credit) *(note 25)*	(57)	25
Total tax charge for the year	9,895	2,077

Note: An additional tax provision of HK$7,536,000 was made in respect of the Group's royalty income for the years of assessment from 1994/95 to 2005/06.

10. TAX (Continued)

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

	Group	
	2006	2005
	HK$'000	HK$'000
Profit/(loss) before tax	**3,472**	(7,908)
Tax at the applicable tax rate	**608**	(1,384)
Effect of different tax rates in other jurisdictions	**(68)**	(218)
Income not subject to tax	**(8)**	(15)
Expenses not deductible for tax	**348**	2
Tax losses not recognised	**2,258**	4,447
Under/(over) provision in respect of prior years, net	**7,719**	(33)
Tax losses from previous periods utilised	**(1,307)**	(1,216)
Others	**345**	494
Tax charge at the Group's effective rate	**9,895**	2,077

11. LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The consolidated loss attributable to the equity holders of the Company for the year ended 31 December 2006 included a loss of HK$164,000 (2005: HK$5,170,000) which has been dealt with in the financial statements of the Company *(note 28(b))*.

12. LOSS PER SHARE

(a) **Basic loss per share**

Basic loss per share is calculated based on the consolidated loss attributable to equity holders of the Company of HK$6,764,000 (2005: HK$9,730,000), and the weighted average of 417,583,316 (2005: 412,881,844) 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
31 December 2006			
Cost or valuation:			
At 1 January 2006	239,041	347,685	586,726
Additions	—	1,586	1,586
Disposals	(1,830)	(7,902)	(9,732)
Reclassified to prepaid land lease payments *(note 14)*	—	(1,228)	(1,228)
Exchange realignment	6,707	8,777	15,484
At 31 December 2006	243,918	348,918	592,836
Accumulated depreciation:			
At 1 January 2006	88,329	207,822	296,151
Provided during the year	5,025	16,857	21,882
Disposals	(41)	(6,316)	(6,357)
Exchange realignment	1,518	4,518	6,036
At 31 December 2006	94,831	222,881	317,712
Net book value:			
At 31 December 2006	149,087	126,037	275,124

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
31 December 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 *(note 29)*	(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 *(note 29)*	(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

13. PROPERTY, PLANT AND EQUIPMENT (Continued)

Group (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 HK$'000	Hong Kong, at cost less accumulated depreciation HK$'000	Elsewhere, at cost less accumulated depreciation HK$'000	Total HK$'000
Long-term leases	—	—	4,320	4,320
Medium-term leases	11,972	3,546	129,249	144,767
	11,972	3,546	133,569	149,087

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$146,368,000 (2005: HK$147,864,000).

At 31 December 2006, certain leasehold land and buildings and certain plant and machinery of the Group with an aggregate carrying value of approximately HK$137,255,000 (2005: HK$176,960,000) were pledged to secure general banking facilities granted to the Group *(note 24(a))*.

14. PREPAID LAND LEASE PAYMENTS

	Group 2006 HK$'000	2005 HK$'000
Carrying amount at 1 January	**16,206**	16,433
Additions	**8,596**	—
Reclassified from property, plant and equipment *(note 13)*	**1,228**	—
Amortised during the year	**(499)**	(404)
Exchange realignment	**1,185**	177
Carrying amount at 31 December	**26,716**	16,206
Current portion included in prepayments, deposits and other receivables	**(414)**	(404)
Non-current portion	**26,302**	15,802

Prepaid land lease payments represent payments for land use rights held under medium-term leases in Mainland China. At 31 December 2006, these land use rights were pledged to secure general banking facilities granted to the Group *(note 24(a))*.

15. TRADEMARKS

	Group	
	2006	2005
	HK$'000	HK$'000
Cost:		
At 1 January	**122,944**	122,659
Additions	**479**	285
At 31 December	**123,423**	122,944

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, as at 31 December 2006, the market value of the trademarks exceeded the carrying value. Based on that, the directors considered that no impairment provision is necessary.

16. INTERESTS IN SUBSIDIARIES

	Company	
	2006	2005
	HK$'000	HK$'000
Unlisted shares, at cost	**260,476**	260,476
Amounts due from subsidiaries	**255,132**	255,185
	515,608	515,661
Provision for impairment	**(109,000)**	(109,000)
	406,608	406,661

16. INTERESTS IN SUBSIDIARIES (Continued)

The amounts due from subsidiaries are unsecured, interest-free and are not expected to be repaid in the next 12 months. The carrying amounts of the amounts due from subsidiaries approximate to their fair values.

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

Name	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 Oil Factory Limited	Hong Kong	HK$24,000,010	100	Bottling, packaging and distribution of edible oils
Hop Hing Oil (Holdings) Limited	Hong Kong	HK$88,241,505	100	Investment holding
Hop Hing Oil Investment Limited (formerly known as Shine Action Company Limited)	Hong Kong	HK$1,000,010	100	Bottling, packaging and distribution of edible oils
Hop Hing Oil Procurement Limited	Hong Kong	HK$2	100	Procurement of edible oils
Hop Hing Oil Refinery Limited	Hong Kong	HK$10,000,000	100	Edible oils refinery
Hop Hing Oil Trading (2000) Limited	Hong Kong	HK$2	100	Distribution of edible oils
Hop Hing Oil Terminals (Guangzhou) Limited	British Virgin Islands	US$1,385,941	100	Investment holding
Hop Hing Oil Terminals (Pan Yu) Limited	British Virgin Islands	US$4,034,699	100	Investment holding
Knight Investment Limited	Hong Kong	HK$22	100	Property holding

16. INTERESTS IN SUBSIDIARIES (Continued)

Name	Place of incorporation/ registration and operations	Issued/registered and fully paid share capital	Percentage of equity interest attributable to the Company	Principal activities
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
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 oils refinery

* *Registered as equity joint ventures under PRC law.*

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

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

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

17. INTERESTS IN ASSOCIATES

	Group 2006 HK$'000	Group 2005 HK$'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 to their fair values.

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

Name	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:

	2006 HK$'000	2005 HK$'000
Assets	**49,301**	49,301
Liabilities	**(9)**	(9)
Revenues	**—**	—
Loss	**—**	—

18. 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 shortening
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 shortening
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 shortening
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 shortening

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

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

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

	2006 HK$'000	2005 HK$'000
Current assets	**119,580**	110,491
Non-current assets	**9,029**	9,394
Current liabilities	**(69,854)**	(60,996)
Non-current liabilities	**(644)**	(700)
Net assets	**58,111**	58,189

18. INTERESTS IN JOINTLY-CONTROLLED ENTITIES (Continued)

Share of the jointly-controlled entities' results:

	2006 HK$'000	2005 HK$'000
Turnover	**293,086**	305,315
Costs and expenses	**(289,619)**	(301,805)
Profit before tax	**3,467**	3,510
Tax	**(546)**	(541)
Profit after tax	**2,921**	2,969

19. STOCK

	Group	
	2006 HK$'000	2005 HK$'000
Finished goods	**17,051**	16,658
Work in progress	**436**	302
Raw materials	**84,369**	66,455
	101,856	83,415

At the balance sheet date, certain stock with aggregate carrying value of approximately HK$13,670,000 (2005: HK$6,870,000) was pledged to secure certain bank loans *(note 24(a))*.

20. 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	
	2006 HK$'000	2005 HK$'000
Current and less than 60 days	**80,864**	79,202
Over 60 days	**2,332**	2,024
	83,196	81,226

20. ACCOUNTS RECEIVABLE (Continued)

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 totalling HK$6,804,000 (2005: HK$5,692,000) which are repayable on credit terms comparable to those offered to other unrelated customers of the Group.

At 31 December 2006, accounts receivable of approximately HK$18,163,000 (2005: HK$16,454,000) were pledged to secure certain bank loans granted to the Group *(note 24(a))*.

21. PLEDGED BANK DEPOSITS

The deposits were pledged to certain banks to secure certain bills payable.

22. ACCOUNTS PAYABLE

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

	Group	
	2006	2005
	HK$'000	HK$'000
Current and less than 60 days	**33,644**	37,376
Over 60 days	**787**	2,644
	34,431	40,020

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

Included in the Group's accounts payable are amounts of HK$5,805,000 (2005: HK$7,612,000) due to certain companies associated with another venturer of the Group's jointly-controlled entities which are payable on credit terms comparable to those offered by other unrelated suppliers of the Group.

23. BILLS PAYABLE

Certain bills payable are secured by bank deposits of HK$6,529,000 (2005: HK$1,226,000) of the Group *(note 21)*.

24. INTEREST-BEARING BANK LOANS

	Average interest rate per annum %	Maturity	Group 2006 HK$'000	Group 2005 HK$'000
Current				
Bank loans — unsecured	5.1%	2007	**36,349**	27,771
Bank loans — secured	6.7%	2007	**14,500**	120,692
			50,849	148,463
Non-current				
Bank loans — secured	6.7%	2008–2009	**98,000**	8,000
			148,849	156,463

	Group 2006 HK$'000	Group 2005 HK$'000
Repayable:		
Within one year or on demand	**50,849**	148,463
In the second year	**3,000**	5,000
In the third to fifth years, inclusive	**95,000**	3,000
	148,849	156,463

24. 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$26,716,000 (2005: HK$16,206,000) and HK$137,255,000 (2005: HK$176,960,000), respectively.*

(ii) *floating charges over certain of the Group's stock of HK$13,670,000 (2005: HK$6,870,000);*

(iii) *floating charges over certain of the Group's accounts receivable of HK$18,163,000 (2005: HK$16,454,000);*

(iv) *corporate guarantees given to banks by the Company of HK$40,849,000 (2005: HK$41,338,000);*

(v) *a personal guarantee given to a bank by a senior executive of the Group of HK$7,000,000 (2005: HK$5,616,000); and*

(vi) *a corporate guarantee given to a bank by an independent third party of HK$5,000,000 (2005: Nil).*

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

(c) *Secured interest-bearing bank loans included certain of the Group's bank loans of approximately HK$101,000,000 (2005: HK$111,000,000) in Mainland China which were borrowed by a PRC subsidiary of the Group and secured on certain property, plant and equipment and prepaid land lease payments of certain PRC subsidiaries and have no recourse to other members of the Group.*

Other interest rate information:

	Group			
	2006		2005	
	Fixed rate HK$'000	**Floating rate HK$'000**	Fixed rate HK$'000	Floating rate HK$'000
Bank loans — unsecured	**3,500**	**32,849**	2,433	25,338
Bank loans — secured	**104,500**	**8,000**	112,692	16,000

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

25. DEFERRED TAX

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

Deferred tax liabilities

Group

	2006		
	Accelerated tax depreciation HK$'000	Revaluation of properties HK$'000	Total HK$'000
At 1 January 2006	4,420	563	4,983
Deferred tax credited to the income statement during the year *(note 10)*	(1,281)	—	(1,281)
Gross deferred tax liabilities at 31 December 2006	3,139	563	3,702

Deferred tax assets

Group

	2006
	Losses available for offsetting against future taxable profit HK$'000
At 1 January 2006	6,271
Deferred tax charged to the income statement during the year *(note 10)*	(1,224)
Gross deferred tax assets at 31 December 2006	5,047
Net deferred tax assets at 31 December 2006	**1,345**

25. DEFERRED TAX (Continued)

Deferred tax liabilities

Group

	Accelerated tax depreciation HK$'000	2005 Revaluation of properties HK$'000	Total HK$'000
At 1 January 2005	6,493	3,582	10,075
Deferred tax charged to the income statement during the year *(note 10)*	682	—	682
Reversed upon disposal	—	(3,019)	(3,019)
Disposal of subsidiaries *(note 29)*	(2,755)	—	(2,755)
Gross deferred tax liabilities 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
Deferred tax credited to the income statement during the year *(note 10)*	657
Disposal of subsidiaries *(note 29)*	(5,149)
Gross deferred tax assets at 31 December 2005	6,271
Net deferred tax assets at 31 December 2005	**1,288**

Deferred tax assets have been recognised in respect of tax losses of HK$28,840,000 (2005: HK$35,834,000) on the expected future profit streams.

25. DEFERRED TAX (Continued)

The Group has tax losses of HK$55,912,000 (2005: HK$48,476,000) 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$65,231,000 (2005: HK$65,107,000) 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 and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

At 31 December 2006, there is no significant unrecognised deferred tax liability (2005: Nil) for taxes that would be payable on the unremitted earnings of the Group's subsidiaries, associates or jointly-controlled entities.

26. SHARE CAPITAL

Shares

	2006	2005
	HK$'000	HK$'000
Authorised:		
800,000,000 (2005: 800,000,000) ordinary shares of HK$0.10 each (2005: HK$0.10 each)	**80,000**	80,000
120,000 (2005: 120,000) ordinary shares of US$0.10 each (2005: US$0.10 each)	**93**	93
	80,093	80,093
Issued and fully paid:		
419,438,434 (2005: 417,090,711) ordinary shares of HK$0.10 each (2005: HK$0.10 each)	**41,943**	41,709

26. SHARE CAPITAL (Continued)

Shares (Continued)

A summary of the movements in the Company's issued ordinary share capital during the year is as follows:

	Number of shares in issue	Issued share capital HK$'000	Share premium account HK$'000	Total HK$'000
At 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
Share issue expenses	—	—	(240)	(240)
At 31 December 2005 and 1 January 2006	417,090,711	41,709	232,264	273,973
Share options exercised *(note a)*	2,045,565	204	171	375
Warrants exercised *(note b)*	302,158	30	45	75
At 31 December 2006	419,438,434	41,943	232,480	274,423

Notes:

(a) During the year ended 31 December 2006, the subscription rights attaching to 2,045,565 share options were exercised at the subscription price of HK$0.1834 per share resulting in the issue of 2,045,565 shares of HK$0.10 each for a total cash consideration, before expenses, of approximately HK$375,000. During the year ended 31 December 2005, 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 approximately HK$807,000.

(b) During the year ended 31 December 2006, 302,158 shares of HK$0.10 each were issued for cash at subscription prices of HK$0.25 per share, pursuant to the exercise of the Company's warrants for a total cash consideration, before expenses, of approximately HK$75,000. During the year ended 31 December 2005, 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 approximately HK$1,012,000.

Share options

Details of the Company's share option schemes and the share options issued under the schemes are included in note 27 to the financial statements.

Warrants

At the balance sheet date, the Company had 82,296,810 warrants outstanding. The exercise in full of such warrants would, under the present capital structure of the Company, result in the issue of 82,296,810 additional shares of HK$0.10 each.

27. 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.

The exercise price of the share options is determinable by the directors, but may not be less than the higher of (a) 80% of the average Stock Exchange closing price of the Company's shares for the 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.

27. SHARE OPTIONS (Continued)

(b) 2004 Share Option Scheme (Continued)

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.

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

27. SHARE OPTIONS (Continued)

(b) 2004 Share Option Scheme (Continued)

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

	Number of share options							Price of Company's shares***		
Name or category of participant	At 1 January 2006	Granted during the year	Exercised during the year	At 31 December 2006	Date of grant	Exercise period	Exercise price** HK$ per share	At date of grant HK$ per share	Immediately before the exercise date HK$ per share	At date of exercise HK$ per share
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	0.335	0.360
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	—	—
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	—	—
Seto Gin Chung, John	—	417,373	—	417,373	4 August 2006*	4 August 2007 to 3 August 2012	0.2940	0.290	—	—
	17,375,410	417,373	(2,045,565)	15,747,218						

* 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 closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the day specified.

27. SHARE OPTIONS (Continued)

(b) 2004 Share Option Scheme (Continued)

The fair value of the share options granted for Lam Fung Ming, Tammy last year was HK$342,000, of which the Group recognised a share option expense of HK$120,000 during the year ended 31 December 2006 (2005: HK$222,000). The fair value of the share options granted for Seto Gin Chung, John during the year was HK$60,000, of which the Group recognised a share option expense of HK$24,000 during the year ended 31 December 2006.

The fair value of equity-settled share options granted during the year was estimated, using 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 2006:

Expected volatility (%)	55.3
Historical volatility (%)	55.3
Risk-free interest rate (%)	3.0
Expected life of option (year)	5
Weighted average share price (HK$)	0.29

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 13,264,852 and 2,482,366 share options outstanding under the 2000 Share Option Scheme and the 2004 Share Option Scheme, respectively, which in aggregate represented approximately 3.8% 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 15,747,218 additional ordinary shares of the Company and additional share capital of approximately HK$1,575,000 and share premium of approximately HK$1,571,000 (before issue expenses).

28. 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 31 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 2005	231,469	231,383	—	(94,929)	367,923
Issue of shares *(note 26)*	795	—	—	—	795
Equity-settled share option expense	—	—	222	—	222
Loss for the year	—	—	—	(5,170)	(5,170)
Balance at 31 December 2005 and 1 January 2006	232,264	231,383	222	(100,099)	363,770
Issue of shares *(note 26)*	216	—	—	—	216
Equity-settled share option expenses	—	—	144	—	144
Loss for the year	—	—	—	(164)	(164)
Balance at 31 December 2006	232,480	231,383	366	(100,263)	363,966

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 2006, the total amount of reserves distributable to shareholders, including the Company's accumulated losses, amounted to HK$131,120,000 (2005: HK$131,284,000).

The share option reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payment transactions in note 2.4 to the financial statements. The amount will either be transferred to the share premium account when the related options are exercised, or be transferred to accumulated losses should the related options expire or be forfeited.

29. DISPOSAL OF SUBSIDIARIES

	Group 2006 HK$'000	Group 2005 HK$'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	**495**	701
Cash and bank balances	—	1,103
Other payables and accrued charges	—	(3,883)
Interest-bearing bank borrowings, secured	—	(120,000)
	495	5,351
Gain on disposal of subsidiaries	**2,520**	452
	3,015	5,803
Satisfied by:		
Cash	**3,015**	5,803

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

	2006	2005
Cash consideration	**3,015**	5,803
Cash and bank balances disposed of	—	(1,103)
	3,015	4,700

(a) On 25 January 2006, the Group disposed of a subsidiary to a company associated with a non-executive director of the Company. The major asset of the subsidiary was a piece of land in Hong Kong. The consideration of HK$430,000 was arrived at by reference to the net book value of the subsidiary at the date of disposal (the "Disposal Date"), adjusted by the market value of that piece of land as at the Disposal Date in accordance with the valuation performed by an independent valuer.

29. DISPOSAL OF SUBSIDIARIES (Continued)

(b) On 30 August 2006, Hop Hing Oil (Holdings) Limited ("HHOH"), an indirect wholly-owned subsidiary of the Company, entered into an agreement with Hung's Investments Limited ("Hung's"), an associate of a non-executive director of the Company, to transfer the entire issued ordinary share capital of Able Mark (HK) Limited ("AMHK"), a then indirect wholly-owned subsidiary of the Company, and assign the shareholder's loan in the sum of HK$495,000 due to HHOH by AMHK to Hung's for a total consideration of HK$2,585,000 and made a gain of approximately HK$2,090,000. Details of the transaction were summarised in a press announcement dated 30 August 2006.

(c) On 29 April 2005, Hop Hing Oil Factory Limited, an indirect 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 ended 31 December 2005.

30. NOTE TO THE CONSOLIDATED CASH FLOW STATEMENT

Major non-cash transaction

During the year, deposit of HK$7,265,000 was transferred to prepaid land lease payments.

31. OPERATING LEASE ARRANGEMENTS

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

At 31 December 2006, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2006	2005
	HK$'000	HK$'000
Within one year	**6,794**	3,944
In the second to fifth years, inclusive	**9,052**	6,995
	15,846	10,939

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	
	2006	2005
	HK$'000	HK$'000
Capital commitments for the acquisition of property, plant and equipment:		
Contracted for	**9**	1,438
Authorised, but not contracted for	**1,076**	1,399

The Company had no significant commitments at the balance sheet date (2005: Nil).

33. CONTINGENT LIABILITIES

Group

(a) At the balance sheet date, 32 (2005: 35) 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$383,000 (2005: HK$439,000). 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$32,849,000 (2005: HK$25,338,000).

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 certain subsidiaries and a jointly-controlled entity amounted to HK$41,190,000 (2005: HK$41,338,000).

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	2006 HK$'000	2005 HK$'000
Transactions with jointly-controlled entities*:			
Sale of goods	*(i)*	**60,935**	63,771
Purchases of goods/services	*(ii)*	**82**	680
Production and oil refinement income	*(iii)*	**40,785**	45,750
Royalty income	*(iv)*	**10,173**	10,610
Property rental income	*(v)*	**2,983**	4,694
Other property related income	*(vi)*	**—**	790
Management fee income	*(vii)*	**2,000**	2,000
Transactions with companies associated with the controlling shareholder of the Company:			
Sale of goods	*(i)*	**3,376**	1,971
Rental income	*(viii)*	**—**	828
Rental expenses	*(ix)*	**3,449**	2,244
Consideration received for disposal of subsidiaries	*(x)*	**3,015**	5,803
Transactions with a company in which a director of the Company has an indirect interest:			
Management fee expense	*(xi)*	**560**	660

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

Notes:

(i) The sale of goods were on normal commercial terms in the ordinary and usual course of business of the Company.

(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.

34. RELATED PARTY TRANSACTIONS (Continued)

Notes (Continued):

(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.

(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) For the year ended 31 December 2005, 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) For the year ended 31 December 2005, 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) (a) On 25 January 2006, the Group disposed of a subsidiary to a company associated with a non-executive director of the Company. The major asset of the subsidiary was a piece of land in Hong Kong. The consideration of disposal was arrived at by reference to the net book value of the subsidiary at the date of disposal (the "Disposal Date"), adjusted by the market value of that piece of land as at the Disposal Date in accordance with the valuation performed by DTZ Debenham Tie Leung, an independent valuer.

(b) On 30 August 2006, the Group disposed of another subsidiary to a company associated with a non-executive director of the Company. Details of the transaction were summarised in a press announcement dated 30 August 2006.

(c) The transaction in 2005 was approved by the directors at a meeting held on 29 April 2005, and 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.

Save for item (x)(a), the transactions with companies associated with the controlling shareholders of the Company as set out above also constitute connected transactions or continuing connected transactions that are subject to the reporting requirement under the Listing Rules. Further details are disclosed in the Report of the Directors under the heading "Connected transactions and continuing connected transactions".

34. RELATED PARTY TRANSACTIONS (Continued)

(b) Outstanding balances with related parties:

(i) Details of the Group's trade balances with jointly-controlled entities as at the balance sheet date are disclosed in note 20 to the financial statements.

(ii) The Group's jointly-controlled entities had outstanding balances payable to certain companies associated with its another venturer. Further details are disclosed in note 22 to the financial statements.

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

	2006 HK$'000	2005 HK$'000
Short-term employee benefits	2,590	2,675
Post-employment benefits	188	192
Share-based payment	120	222
Total compensation paid to key management personnel	2,898	3,089

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, short-term deposits and cash. The Group has various other financial assets and liabilities such as accounts receivable and accounts payable, 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 the need arise.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

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 PRC government, 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. POST BALANCE SHEET EVENTS

(a) On 31 January 2007, the Company announced a redomicile proposal, pursuant to which the structure of the Group will be reorganised such that Hop Hing Group Limited, a company proposed to be incorporated in the Cayman Islands with limited liability, will become the new holding company of the Group.

(b) During the 5th Session of the 10th National People's Congress, which was concluded on 16 March 2007, the PRC Corporate Income Tax Law (the "New Corporate Income Tax Law") was approved and will become effective on 1 January 2008. The New Corporate Income Tax Law introduces a wide range of changes which include, but are not limited to, the unification of the income tax rate for domestic-invested and foreign-invested enterprises at 25%. Since the detailed implementation and administrative rules and regulations have not yet been announced, the financial impact of the New Corporate Income Tax Law to the Group cannot be reasonably estimated at this stage.

37. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 19 April 2007.

Five Year Financial Summary

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

	Year ended 31 December				
	2006	2005	2004	2003	2002
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
RESULTS					
Turnover	**672,792**	677,425	699,674	654,438	849,921
Profit/(loss) from operating activities	**12,879**	3,002	4,566	(7,587)	(43,670)
Finance costs, net	**(9,407)**	(10,910)	(14,921)	(16,845)	(19,250)
Profit/(loss) before tax	**3,472**	(7,908)	(10,355)	(24,432)	(62,920)
Tax	**(9,895)**	(2,077)	(1,405)	(1,800)	(12,071)
Loss for the year	**(6,423)**	(9,985)	(11,760)	(26,232)	(74,991)
Attributable to equity holders of the Company	**(6,764)**	(9,730)	(11,952)	(27,676)	(74,883)
Minority interests	**341**	(255)	192	1,444	(108)
	(6,423)	(9,985)	(11,760)	(26,232)	(74,991)

Five Year Financial Summary

	Year ended 31 December				
	2006	2005	2004	2003	2002
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
ASSETS					
Property, plant and equipment	**275,124**	290,575	376,175	399,583	458,203
Investment property	**—**	—	58,400	58,400	58,400
Prepaid land lease payments	**26,302**	15,802	16,029	16,433	16,837
Trademarks	**123,423**	122,944	122,659	122,477	122,235
Interests in associates	**(1,425)**	(1,425)	(1,425)	(1,425)	(1,425)
Deferred tax assets	**5,047**	6,271	10,763	10,763	9,840
Current assets	**248,881**	226,830	246,066	304,808	282,824
TOTAL ASSETS	**677,352**	660,997	828,667	911,039	946,914
LIABILITIES					
Current liabilities	**159,052**	228,804	174,101	212,645	335,172
Long-term portion of bank loans	**98,000**	8,000	222,958	255,958	102,958
Deferred tax liabilities	**3,702**	4,983	10,075	9,170	18,865
TOTAL LIABILITIES	**260,754**	241,787	407,134	477,773	456,995
NET ASSETS	**416,598**	419,210	421,533	433,266	489,919