



Healthy  
Every Day...



香港名牌十年成就獎  
 Hong Kong Top Brand Ten Year  
 Achievement Award

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# 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*

## AUDIT COMMITTEE

Sze Tsai To, Robert (*Chairman*)  
Hung Hak Hip, Peter  
Cheung Wing Yui, Edward  
Seto Gin Chung, John

## REMUNERATION COMMITTEE

Hung Hak Hip, Peter (*Chairman*)  
Sze Tsai To, Robert  
Cheung Wing Yui, Edward  
Shek Lai Him, Abraham

## COMPANY SECRETARY

Wong Kwok Ying

## AUDITORS

Ernst & Young  
*Certified Public Accountants*

## SOLICITORS

Slaughter & May  
ONC Lawyers

## COMPLIANCE ADVISER

CIMB-GK Securities (HK) Limited

## PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited  
Bank of China Limited (Guangzhou Nansha Sub-branch)  
DBS Bank (Hong Kong) Limited

## PRINCIPAL REGISTRAR AND TRANSFER OFFICE

Appleby Trust (Cayman) Limited  
Clifton House  
75 Fort Street  
P. O. Box 1350 GT  
Grand Cayman  
KY1-1108  
Cayman Islands

## HONG KONG BRANCH REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited  
17M Floor, Hopewell Centre  
183 Queen's Road East  
Wanchai  
Hong Kong

## REGISTERED OFFICE

Clifton House  
75 Fort Street  
P. O. Box 1350 GT  
Grand Cayman  
KY1-1108  
Cayman Islands

## PRINCIPAL PLACE OF BUSINESS

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>

## STOCK CODE

47

## WARRANT CODE

134

# Chairman's Statement

## REVIEW OF OPERATION AND PROSPECTS

For the year ended 31 December 2009, the profit for the year was HK\$14.5 million, as compared to HK\$15.9 million for the year ended 31 December 2008. The profit attributable to equity holders of the Company was HK\$12.8 million, decreased by HK\$1.9 million from HK\$14.7 million of last year.

Earnings before interest, tax, depreciation and amortization ("EBITDA") for the year under review was HK\$45.8 million, against HK\$53.5 million for the year ended 31 December 2008.

The basic earnings per share for the year was 2.53 HK cents (2008: 3.13 HK cents).

## DIVIDEND

No interim dividend was paid (2008: Nil) and the directors do not recommend the payment of any final dividend for the year under review (2008: Nil).

## REVIEW OF OPERATION

In the year under review, the world economy was still being impacted by the financial tsunami started off in 2008. People were waiting for signs of recovery to build up their confidence on the future before increasing their personal spending. Advertising and promotional activities had to be increased to meet with the keen competition from our competitors and stimulate the spending initiative of consumers. After experiencing a roller-coaster like fluctuation in 2008, the edible oil prices were relatively less volatile in the year under review. Together with the Group's improving operating efficiency, the gross margin of the Group had been increased from 22.2% of last year to 25.8% this year and the Group's inventory holding was reduced by 17% to HK\$131.3 million. The net current asset of the Group was up by 58% to HK\$98.5 million. In addition, the net bank and other borrowings (bank and other loans and bill payable less cash and bank deposits) have been significantly reduced from HK\$137.9 million as at 31 December 2008 to HK\$76.6 million as at the end of the year under review. All these give the management an indication that the Group is now back to its financial health.

Healthy living has been a talk-of-the-town in Hong Kong in recent years. The management believes that this will definitely be the trend in the years to come. To ride on this trend, the Group continues to launch different healthy products to meet with the needs of our customers. In the year under review, the Group's newly introduced Grapeseed Canola oil was well-received by the consumers. Together with other healthy products that the Group launched in the last few years, the Group has been able to establish a healthy image amongst the people in Hong Kong. The Nielsen Edible Oil MarketTrack Supermarket Service data collected by The Nielsen Company (Hong Kong) Limited, one of the most reputable international research companies in Hong Kong, revealed that Lion & Globe Canola oil products continued to rank first in sales value in the Canola oil segment for three consecutive years from October 2006 to September 2009.

During the year, the Group's flagship brand, Lion & Globe, was awarded "2009 Hong Kong Top Brand Ten Year Achievement Award" by the Hong Kong Brand Development Council & Chinese Manufacturers' Association of Hong Kong and "Fondly Recognized Hong Kong Brand 2010" by Zonta Club of the New Territories. Apart from receiving awards recognizing the achievement of our products, the Group's also received recognition for its effort in keeping our environment green, including "Green Medal of the One Factory — One Year — One Environmental Project (One-One-One) Programme 2008/2009" awarded by Federation of Hong Kong Industries and "U Green Awards 2009" from U Magazine.

## Chairman's Statement

### REVIEW OF OPERATION (Continued)

In PRC, the steps taken by the Chinese government to stimulate her domestic consumption had been effective. The Group's PRC edible oil segment recorded an increase in its sales volume. The provision of OEM edible oil services to our customers, which improved the utilization of our production facilities without engaging much of the working capital of our PRC operation, had been increasing. Together with the relatively less volatile edible oil price in the year, our PRC edible oil segment continued to report a positive EBITDA in 2009.

### FINANCIAL REVIEW

As at 31 December 2009, the Group's Hong Kong bank borrowing was bank loans of HK\$56.4 million. The Group's PRC bank borrowings as at the year end were bank loans and bills payable totalling HK\$134.2 million, of which approximately HK\$90.9 million were borrowed by a PRC subsidiary of the Group and secured by certain property, plant and equipment and prepaid land lease payments of certain PRC subsidiaries of the Group and have no recourse to the Group other than those PRC subsidiaries. As at 31 December 2009, the Group's total bank loans amounting to HK\$154.1 million (31 December 2008: HK\$150.7 million) were either repayable or subject to renewal within one year.

The Group's gearing ratio (expressed as a percentage of interest-bearing bank and other loans over equity attributable to equity holders of the Company) as at 31 December 2009 was 35% (31 December 2008: 36%).

The net interest expense for the year was HK\$9.2 million (2008: HK\$12.6 million). The decrease in net interest expenses was mainly attributable to the decrease in interest rates for the PRC loans.

The Group's funding policy is to finance the business operations with internally generated cash and bank facilities. The Group's bank borrowings are denominated in Hong Kong dollars and Renminbi. The Group continues to adopt the policy of hedging foreign currency liabilities with foreign currency assets.

### REMUNERATION POLICIES AND SHARE OPTION SCHEME

Staff remuneration packages of the staff of the Group are comprised of salary and bonuses and are determined with reference to the market conditions and the performance of the individuals concerned. The Group also provided other staff benefits including medical insurance, continuing education allowances 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\$53 million (2008: HK\$47 million). As at 31 December 2009, the Group had 427 full time and temporary employees (31 December 2008: 428).

With effect from 1 January 2010, the annual remuneration of Mr. Wong Kwok Ying and Ms. Lam Fung Ming, Tammy, the executive directors of the Company, have been increased to HK\$1,704,600 and HK\$1,104,900 respectively, with bonuses which will be payable according to the terms of the relevant bonus entitlement scheme of the Company.

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

### OPERATING SEGMENT INFORMATION

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

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

## CONTINGENT LIABILITIES

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

## PLEDGE OF ASSETS

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

## MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND AFFILIATED COMPANIES

The Group did not make any material acquisition or disposal of subsidiaries or affiliated companies during the year under review.

## OUTLOOK

Although the impact of financial tsunami is getting less, full recovery of the global economy has yet to come. Volatility of our raw material costs and keen competition from competitors in Hong Kong and PRC will continuously be the areas that the management has to monitor. It is believed that the Group's efficient operation and proven strategy of providing customers with products that meet their needs would enable the Group to meet up with any challenges lying ahead.

In addition, the management will further explore opportunities to develop other edible oil related products. The Directors will also act more proactively to try to diversify the Group's business to other related sectors so as to balance and enhance the overall financial performance of the Group to create value for shareholders.

## CLOSURE OF REGISTER OF MEMBERS

The transfer books and register of members of the Company will be closed from 8 June 2010 to 11 June 2010, both days inclusive, during which period no transfer of shares of the Company will be effected. In order to qualify for attending the annual general meeting, all transfers accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, situated at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on 7 June 2010 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.

**HUNG HAK HIP, PETER**

*Chairman*

23 April 2010

# 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 (the “CG Code”) based on the principles set out in the Code of Corporate Governance Practices contained in Appendix 14 of Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited.

As disclosed under the heading of “Internal Control” in this Corporate Governance Report, the Company made an announcement on 16 April 2010 in respect of an inadvertent delay in the disclosure of certain guarantees provided by a non-wholly owned subsidiary of the Company. Save as disclosed above, 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 financial year ended 31 December 2009.

## 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 the CG Code.

Based on specific enquiry of the Company’s directors, the directors confirmed that they have complied with the required standards in the Model Code adopted by the Company throughout the financial year ended 31 December 2009.

## BOARD OF DIRECTORS

As at 31 December 2009, the Board was comprised of ten directors, including three non-executive directors, being Mr. Hung Hak Hip, Peter (Chairman), Ms. Hung Chiu Yee and Mr. Lee Pak Wing; five independent non-executive directors, being Dr. Wong Yu Hong, Philip, *GBS*, Mr. Sze Tsai To, Robert, Mr. Cheung Wing Yui, Edward, Mr. Seto Gin Chung, John and Hon. Shek Lai Him, Abraham, *SBS*, *JP*, and two executive directors, being Mr. Wong Kwok Ying and Ms. Lam Fung Ming, Tammy. Biographical details of these directors which include relationship among themselves are set out under “Directors’ Biographies” on pages 12 to 14 of this Annual Report.

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.

Pursuant to Rule 3.13 of the Listing Rules, the Company has received a written annual confirmation of independence from each of the independent non-executive directors who consider themselves to be independent.

The Board will meet 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 for full board meetings of the Company are set out on page 10 of this Annual 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 strategies 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 2009, 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 amended and restated articles of association of the Company.

## REMUNERATION OF DIRECTORS

The remuneration committee of the Company 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 2009, the remuneration committee was comprised of Mr. Hung Hak Hip, Peter (chairman of the committee), the non-executive Chairman of the Company, Mr. Sze Tsai To, Robert, Mr. Cheung Wing Yui, Edward and Hon. Shek Lai Him, Abraham, *SBS, JP*, all of them are independent non-executive directors of the Company.

The terms of reference of the remuneration committee align with the provisions of the CG Code and are available to the public on request and have also been 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.

In 2009, there were one remuneration committee meeting and two remuneration committee circulations. During the remuneration committee meeting, the remuneration packages of all directors were reviewed. Individual attendance records for the remuneration committee meeting are set out on page 10 of this Annual Report.

Information relating to the remuneration of each director for 2009 is set out in note 8 to the financial statements.

## NOMINATION OF DIRECTORS

Currently, the Company does not have a nomination committee and it is the Board's responsibility to identify individuals suitably qualified for becoming board members when necessary. The Board will give due consideration to the suitability of a candidate for directorship after taking into account the candidate's experience and 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 2009, the fees payable to Ernst & Young, the Company's external auditors, for the Group's audit services totalled to HK\$1,223,000 (2008: HK\$1,393,000). Ernst & Young also provided the Group with non-audit services, including the review of interim financial report at a fee of HK\$470,000 (2008: review of interim financial report and services in relation to the redomicile proposal at fees totalled to HK\$630,000).

## AUDIT COMMITTEE

The Company established an audit committee with terms of reference aligned 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 have also been posted on the Company's website.

As at 31 December 2009, the audit committee was comprised of Mr. Sze Tsai To, Robert (chairman of the committee), Mr. Cheung Wing Yui, Edward and Mr. Seto Gin Chung, John, all 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.

In 2009, 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 of the Group, including the review of the Group's audited accounts for the year ended 31 December 2008 and the interim financial report for the six months ended 30 June 2009. The Group's results for the year ended 31 December 2009 have also been reviewed by the audit committee of the Company.

In 2009, there were two audit committee meetings and two audit committee circulations. Individual attendance records for the audit committee meeting are set out on page 10 of this Annual Report.

## 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. The financial statements of the Company for the year ended 31 December 2009 were prepared on a going concern basis.

The responsibilities of the external auditors with respect to financial reporting are set out in the Independent Auditors' Report included in this 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 2009 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 audit committee, the independent auditors and the external accountants who perform 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.

The Board has put and continued to place considerable emphasis on enhancing the Group's system of internal control. The Chairman and the Chief Financial Officer have implemented steps to enhance the internal control system by issuing a policy that, inter alia, all guarantees should be approved by the Board, following the making of an announcement by the Company on 16 April 2010 in respect of an inadvertent delay in the disclosure of certain guarantees provided by a non-wholly owned subsidiary of the Company to a bank in support of the provision of banking facilities by the bank to an independent third party, who provided guarantees, on a reciprocal basis, to certain entities in support of the provision of banking facilities by the entities to the non-wholly owned subsidiary of the Company.

## COMMUNICATION WITH SHAREHOLDERS

The Board makes its endeavour to maintain an ongoing and transparent communication with all shareholders and, in particular, will communicate with shareholders in general meetings and encourage their participation. The Company will also communicate with its shareholders by various other means, such as publication of annual and interim reports, announcements, circulars and additional information on the Group's business activities and development on the Company's website: <http://www.hopping.com>.

**DIRECTORS'/COMMITTEE MEMBERS' ATTENDANCE IN 2009**

Name of Director	Meetings attended/eligible to attend		
	Full Board	Audit Committee	Remuneration Committee
<i>Non-executive Directors</i>			
Hung Hak Hip, Peter (Chairman of the Board and the remuneration committee)	4/4	2/2	1/1
Hung Chiu Yee	4/4	N/A	N/A
Lee Pak Wing	4/4	N/A	N/A
<i>Independent Non-executive Directors</i>			
Wong Yu Hong, Philip	2/4	N/A	N/A
Sze Tsai To, Robert (Chairman of the audit committee)	4/4	2/2	1/1
Cheung Wing Yui, Edward	3/4	2/2	1/1
Seto Gin Chung, John	4/4	2/2	N/A
Shek Lai Him, Abraham	3/4	N/A	1/1
<i>Executive Directors</i>			
Wong Kwok Ying	4/4	N/A	N/A
Lam Fung Ming, Tammy	4/4	N/A	N/A

# Report of the Directors

The directors present their report and the audited financial statements of the Company and the Group for the year ended 31 December 2009.

## 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 profits for the year ended 31 December 2009 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 23 to 83.

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 page 84. 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 the 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 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 31 December 2009 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\*\*

Shek Lai Him, Abraham\*\*

Hung Chiu Yee\*

Lee Pak Wing\*

Wong Kwok Ying

Lam Fung Ming, Tammy

\* *Non-executive directors*

\*\* *Independent non-executive directors*

All 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 amended and restated articles of association. At the forthcoming annual general meeting, Mr. Hung Hak Hip, Peter, Mr. Seto Gin Chung, John and Mr. Wong Kwok Ying will retire and, being eligible, offer themselves for re-election.

Pursuant to Rule 3.13 of Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company has received a written annual confirmation of independence from each of the independent non-executive directors who consider themselves to be independent.

### DIRECTORS' BIOGRAPHIES

#### (a) Non-executive directors

**Mr. Hung Hak Hip, Peter**, aged 65, 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 Company. Certain associates of Mr. Hung are discretionary beneficiaries of a discretionary trust which beneficially own securities in the Company. As at the date of this report, Mr. Hung was the sole director and beneficial owner of the trustee of two family discretionary trusts which beneficially owned securities in the Company. The trustee is deemed to be a substantial shareholder of the Company by virtue of the Securities and Futures Ordinance. Mr. Hung was a non-executive director of Qin Jia Yuan Media Services Company Limited, a company listed in Hong Kong, up to 3 December 2009.

**Dr. The Hon Wong Yu Hong, Philip**, *GBS, JD, PhD*, aged 71, appointed a director of the Group in 1989, is a prominent businessman who serves on the board of a number of public organizations, including member of the Legislative Council for the Hong Kong Special Administrative Region ("HKSAR"), 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 HKSAR Government in 2003 and the Courvoisier Awards for Business Excellency from the then Chief Justice of Hong Kong, Sir Denys Roberts, in 1986. He is a non-executive director of certain listed companies in Hong Kong and Singapore.

## DIRECTORS' BIOGRAPHIES (Continued)

### (a) Non-executive directors (continued)

**Mr. Sze Tsai To, Robert**, aged 69, 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 also a non-executive director of a number of Hong Kong listed companies.

**Mr. Cheung Wing Yui, Edward**, aged 60, 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.

**Mr. Seto Gin Chung, John**, aged 61, 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 a non-executive director of Hong Kong Exchanges and Clearing Limited from 2000 to 2003, a council member of 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, SBS, J.P.**, aged 64, 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. He is a member of the Legislative Council for the HKSAR 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 director of The Hong Kong Mortgage Corporation Limited and the vice chairman of Independent Police Complaints Council. Mr. Shek was appointed as a Justice of the Peace in 1995 and was awarded the Silver Bauhinia Star in 2007. He is an independent non-executive director of a number of Hong Kong listed companies.

**Ms. Hung Chiu Yee**, aged 69, 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.

**Mr. Lee Pak Wing**, aged 64, holds a Master of Science degree in production technology. He joined the Group in 1979 prior to which he was a systems manager with Tyco Industries Limited. He was formerly the Vice-chairman of the Group.

### (b) Executive directors

**Mr. Wong Kwok Ying**, aged 50, is the Chief Financial Officer and Company Secretary of the Group and was appointed a director of the Group on 10 January 2000. Mr. Wong is a certified public accountant (practising) in Hong Kong and a fellow member of the Hong Kong Institute of Certified Public Accountants. He has over 25 years' finance, accounting and audit experience. Prior to joining the Group in 1990, he worked with one of the international accounting firms in Hong Kong.

## DIRECTORS' BIOGRAPHIES (Continued)

### (b) Executive directors (continued)

**Ms. Lam Fung Ming, Tammy**, aged 46, 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 20 years' experience in the oil and food industry. Ms. Lam joined the Group in 1990 and was appointed a director of the Group on 1 November 2004.

## DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Other than the transactions disclosed under the heading "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 2009, 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

Name of director	Number of shares held, capacity and nature of interest					Total	Percentage of the Company's issued share capital
	Directly and beneficially owned	Through spouse or minor children	Through controlled corporation	Beneficiary of a trust			
Hung Hak Hip, Peter	—	1,675,974	4,990,883	2,808,903*	9,475,760	1.9%	
Wong Yu Hong, Philip	2,045,565	—	—	—	2,045,565	0.4%	
Sze Tsai To, Robert	2,045,565	—	—	—	2,045,565	0.4%	
Cheung Wing Yui, Edward	2,523,165	—	—	—	2,523,165	0.5%	
Seto Gin Chung, John	417,373	—	—	—	417,373	0.1%	
Shek Lai Him, Abraham	—	—	—	—	—	—	
Hung Chiu Yee	2,614,772	—	—	—	2,614,772	0.5%	
Lee Pak Wing	2,376,052	—	—	—	2,376,052	0.5%	
Wong Kwok Ying	—	—	—	—	—	—	
Lam Fung Ming, Tammy	—	—	—	—	—	—	

\* 2,808,903 ordinary shares were beneficially owned by a discretionary trust whose discretionary beneficiaries include certain associates of Mr. Hung Hak Hip, Peter.



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

### Interests in warrants of the Company

Name of director	Number of warrants held, capacity and nature of interest				Total
	Directly and beneficially owned	Through spouse or minor children	Through controlled corporation	Beneficiary of a trust	
Hung Hak Hip, Peter	—	335,194	998,176	561,780**	1,895,150
Wong Yu Hong, Philip	409,113	—	—	—	409,113
Sze Tsai To, Robert	409,113	—	—	—	409,113
Cheung Wing Yui, Edward	504,663	—	—	—	504,663
Seto Gin Chung, John	83,474	—	—	—	83,474
Shek Lai Him, Abraham	—	—	—	—	—
Hung Chiu Yee	522,954	—	—	—	522,954
Lee Pak Wing	475,210	—	—	—	475,210
Wong Kwok Ying	—	—	—	—	—
Lam Fung Ming, Tammy	—	—	—	—	—

\*\* 561,780 warrants were beneficially owned by a discretionary trust whose discretionary beneficiaries include certain associates of Mr. Hung Hak Hip, Peter.

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

Save as disclosed above, as at 31 December 2009, 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 "Share Options" 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 PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2009, the interests of substantial shareholders/other persons (other than the directors and chief executive) in the shares and underlying shares 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)	140,563,299	27.5%
Hop Hing Oil (1985) Limited ("HHO")	(ii)	186,471,237	36.5%
GZ Trust Corporation ("GZTC")	(iii)	327,034,536	64.0%
Hung Cheung Pui	(iv)	327,034,536	64.0%

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 was the registered holder of units of certain unit trusts, of which Hung's and HHO are trustees. By virtue of the SFO, GZTC was deemed to be interested in the shares held by Hung's and HHO mentioned in notes (i) and (ii) respectively.
- (iv) Mr. Hung Cheung Pui is the founder of two discretionary trusts, of which GZTC was the trustee. By virtue of the SFO, Mr. Hung Cheung Pui was deemed to be interested in the disclosed interest of GZTC mentioned in note (iii).

### Interests in warrants of the Company

Name of holder	Notes	Number of warrants held
Hung's	(i)	28,112,659
HHO	(ii)	37,294,247
GZTC	(iii)	65,406,906
Hung Cheung Pui	(iv)	65,406,906

- (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 was the registered holder of units of certain unit trusts, of which Hung's and HHO are trustees. By virtue of the SFO, GZTC was deemed to be interested in the warrants held by Hung's and HHO mentioned in notes (i) and (ii) respectively.
- (iv) Mr. Hung Cheung Pui is the founder of two discretionary trusts, of which GZTC was the trustee. By virtue of the SFO, Mr. Hung Cheung Pui was deemed to be interested in the disclosed interest of GZTC mentioned in note (iii).

## **SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES (Continued)**

### **Interests in warrants of the Company (Continued)**

Save as disclosed above, as at 31 December 2009, the Company had not been notified of any persons other than the directors of the Company whose interests are set out in the sections "Directors' and Chief Executive's Interests and Short Positions in Shares and Underlying Shares" above and "Share Options" in note 27 to the financial statements, 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.

## **CONTINUING CONNECTED TRANSACTIONS**

### **Tenancy Agreements**

On 8 May 2006, Hop Hing Oil Investment Limited ("HHOI"), an indirect wholly-owned subsidiary of the Company, entered into two tenancy agreements (the "Old Tenancy Agreements"), as the tenant, with Wytak Limited ("Wytak"), as the landlord, for renting certain premises (the "Premises") from Wytak in the period from 29 April 2006 to 28 April 2009. On 22 October 2008, Wytak and HHOI signed a confirmation for each of the Old Tenancy Agreements to increase the monthly rental in accordance with the terms of the Old Tenancy Agreements. The aggregate rent paid under the Old Tenancy Agreements by the Group in the period from 1 January 2009 to 28 April 2009 was approximately HK\$1.3 million which did not exceed the annual threshold under Rule 14A.34 of the Listing Rules.

After the Old Tenancy Agreements expired on 28 April 2009, the Group continued renting the Premises on a monthly basis in the period from 29 April 2009 to 31 July 2009 (the "Monthly Tenancies") on the same terms of the Old Tenancy Agreements. The total consideration of the Monthly Tenancies was less than HK\$1 million, which fell within de minimis transactions under Rule 14A.33(3) of the Listing Rules.

On 21 September 2009, Hop Hing Oil Factory Limited, an indirect wholly-owned subsidiary of the Company, entered into two tenancy agreements (the "New Tenancy Agreements"), as the tenant, with Wytak, as the landlord, for renting the Premises from Wytak in the period from 1 August 2009 to 31 July 2012. The aggregate rent paid under the New Tenancy Agreements by the Group in the period from 1 August 2009 to 31 December 2009 was approximately HK\$1 million which did not exceed the annual threshold under Rule 14A.34 of the Listing Rules.

Wytak is a connected person of the Group. As at 31 December 2009, the voting power at general meetings of Wytak was indirectly controlled by:

- (1) the trustee of a discretionary trust whose discretionary beneficiaries included associates of Mr. Hung Hak Hip, Peter, a non-executive director of the Company; and
- (2) Mr. Hung Cheung Pui who is the founder of two discretionary trusts, of which GZTC was the trustee. GZTC was a substantial shareholder of the Company (the "Substantial Shareholder") and therefore Wytak was an associate of the Substantial Shareholder.

Details of the transactions contemplated by the Old Tenancy Agreements and the New Tenancy Agreements were set out in the announcement dated 8 May 2006 of Hop Hing Holdings Limited ("HHHL") and the announcement dated 21 September 2009 of the Company respectively.

## CONTINUING CONNECTED TRANSACTIONS (Continued)

### Sales Agreement

Panyu Hop Hing Oils & Fats Co. Ltd. ("Panyu Hop Hing"), 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 6 February 2008 for sale of various edible oil products manufactured by the Group to Shenzhen You Rong in the three financial years ending 31 December 2010.

On 10 November 2009, Panyu Hop Hing and Shenzhen You Rong entered into a supplemental sales agreement (the "Supplemental Sales Agreement") to revise, among other things, the maximum aggregate annual target sales value under the Sales Agreement for each of the two years ending 31 December 2009 and 2010 from RMB9,000,000 to RMB7,200,000 (equivalent to approximately HK\$8,200,000).

The aggregate sales value by Panyu Hop Hing to Shenzhen You Rong under the Sales Agreement in the year ended 31 December 2009 was approximately HK\$5.5 million.

Shenzhen You Rong is a connected person of the Group. As at 31 December 2009, the voting power at general meetings of Shenzhen You Rong was indirectly controlled by the trustee of a discretionary trust whose discretionary beneficiaries included associates of Mr. Hung Hak Hip, Peter.

Details of the Sales Agreement and the Supplemental Sales Agreement were set out in the announcement dated 18 February 2008 of HHHL and the announcement dated 10 November 2009 of the Company respectively.

### Listing Rules Implications

In respect of the Old Tenancy Agreements, the New Tenancy Agreements, the Sales Agreement and the Supplemental 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 Agreements, the New Tenancy Agreements, the Sales Agreement and the Supplemental Sales Agreement during the year ended 31 December 2009 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 Agreements, the New Tenancy Agreements, the Sales Agreement and the Supplemental Sales Agreement and confirmed that the transactions (i) had received the approval of the Board of HHHL and the Company; (ii) had been entered into in accordance with the Old Tenancy Agreements, the New Tenancy Agreements, the Sales Agreement and the Supplemental Sales Agreement governing the transactions; and (iii) had not exceeded the annual cap disclosed in the announcements dated 8 May 2006 and 18 February 2008 of HHHL, and the announcements dated 21 September 2009 and 10 November 2009 of the Company respectively.

Save for the continuing connected transactions disclosed above, there were no other transactions which, in the opinion of the directors, constitute connected transactions or continuing connected transactions that are subject to the reporting requirement under the Listing Rules.

## 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 32.1% of the total purchases for the year with purchases from the largest supplier included therein amounted to 7.9%.

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

## RETIREMENT BENEFITS SCHEMES

The Group operates defined contribution retirement benefits schemes, namely the Mandatory Provident Fund Scheme (the "MPF Scheme") and a scheme registered under the Occupational Retirement Schemes 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 2009, the total scheme contributions made by the Group amounted to approximately HK\$1,705,000 and no forfeited contributions were applied to reduce employer's contributions. As at 31 December 2009, 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 amended and restated articles of association or the laws of the Cayman Islands, 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 listed securities of the Company 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.

## Report of the Directors

### 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*

23 April 2010

# Independent Auditors' Report



## **To the shareholders of Hop Hing Group Holdings Limited**

*(Incorporated in the Cayman Islands with limited liability)*

We have audited the financial statements of Hop Hing Group Holdings Limited set out on pages 23 to 83, which comprise the consolidated and company statements of financial position as at 31 December 2009, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows 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, 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 (Continued)

### 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 2009 and of the Group's profit 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

23 April 2010



# Consolidated Income Statement

Year ended 31 December 2009

	Notes	2009 HK\$'000	2008 HK\$'000
<b>TURNOVER</b>	5	<b>861,057</b>	1,013,020
Direct cost of stocks sold and services provided		<b>(639,298)</b>	(788,215)
Other income and gains, net	5	<b>6,280</b>	11,081
Other production and service costs (including depreciation and amortisation of HK\$18,137,000 (2008: HK\$20,271,000))		<b>(54,038)</b>	(58,751)
Selling and distribution costs		<b>(102,447)</b>	(97,308)
General and administrative expenses		<b>(43,862)</b>	(46,384)
<b>PROFIT FROM OPERATING ACTIVITIES</b>	6	<b>27,692</b>	33,443
Finance costs	7	<b>(9,718)</b>	(13,111)
Share of losses of associates		<b>(23)</b>	(182)
<b>PROFIT BEFORE TAX</b>		<b>17,951</b>	20,150
Income tax expense	10	<b>(3,435)</b>	(4,275)
<b>PROFIT FOR THE YEAR</b>		<b>14,516</b>	15,875
<b>ATTRIBUTABLE TO:</b>			
Equity holders of the Company	11	<b>12,784</b>	14,698
Minority interests		<b>1,732</b>	1,177
		<b>14,516</b>	15,875
<b>EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY</b>	12		
Basic		<b>HK2.53 cents</b>	HK3.13 cents
Diluted		<b>HK2.40 cents</b>	HK2.97 cents

# Consolidated Statement of Comprehensive Income

Year ended 31 December 2009

	2009 HK\$'000	2008 HK\$'000
<b>PROFIT FOR THE YEAR</b>	<b>14,516</b>	15,875
<b>OTHER COMPREHENSIVE INCOME</b>		
Exchange differences on translation of foreign operations	4	6,630
Deferred tax reversed upon disposal	—	127
Deferred tax credit resulting from a change in tax rate	—	24
<b>OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX</b>	<b>4</b>	6,781
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>14,520</b>	22,656
<b>ATTRIBUTABLE TO:</b>		
Equity holders of the Company	<b>12,788</b>	21,101
Minority interests	<b>1,732</b>	1,555
	<b>14,520</b>	22,656

# Consolidated Statement of Financial Position

31 December 2009

	Notes	2009 HK\$'000	2008 HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	13	232,706	248,700
Prepaid land lease payments	14	26,784	27,462
Trademarks	15	124,162	123,968
Interests in associates	17	(1,381)	(1,607)
Deferred tax assets	25	2,033	3,016
<b>Total non-current assets</b>		<b>384,304</b>	401,539
<b>CURRENT ASSETS</b>			
Stocks	19	131,296	158,386
Accounts receivable	20	106,332	120,289
Prepayments, deposits and other receivables		19,255	19,139
Tax recoverable		326	1,816
Pledged bank deposits	21	10,961	10,466
Cash and cash equivalents		114,364	42,337
<b>Total current assets</b>		<b>382,534</b>	352,433
<b>CURRENT LIABILITIES</b>			
Accounts payable	22	39,317	54,954
Bills payable	23	36,538	28,636
Other payables and accrued charges		42,508	43,561
Interest-bearing bank and other loans	24	165,419	162,083
Tax payable		286	880
<b>Total current liabilities</b>		<b>284,068</b>	290,114
<b>NET CURRENT ASSETS</b>		<b>98,466</b>	62,319
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>482,770</b>	463,858
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liabilities	25	2,269	2,651
<b>NET ASSETS</b>		<b>480,501</b>	461,207

**Consolidated** Statement of Financial Position (Continued)

31 December 2009

	Notes	2009 HK\$'000	2008 HK\$'000
<b>EQUITY</b>			
<b>Equity attributable to equity holders of the Company</b>			
Issued share capital	26	51,095	49,331
Reserves	28(a)	419,958	400,659
		471,053	449,990
<b>Minority interests</b>		9,448	11,217
<b>Total equity</b>		480,501	461,207

**HUNG HAK HIP, PETER**

*CHAIRMAN*

**WONG KWOK YING**

*EXECUTIVE DIRECTOR AND  
CHIEF FINANCIAL OFFICER*

# Consolidated Statement of Changes in Equity

Year ended 31 December 2009

	Attributable to equity holders of the Company							Total HK\$'000	Minority interests HK\$'000	Total equity HK\$'000
	Issued share capital HK\$'000	Share premium account* HK\$'000	Share option reserve* HK\$'000	Exchange fluctuation reserve* HK\$'000	Properties revaluation reserve* HK\$'000	Capital and other reserves* HK\$'000	Accumulated losses* HK\$'000			
At 1 January 2008	43,586	377,129	—	12,529	2,659	58,759	(80,135)	414,527	9,662	424,189
Total comprehensive income for the year	—	—	—	6,252	151	—	14,698	21,101	1,555	22,656
Transfer upon disposal	—	—	—	—	(730)	(1,867)	2,597	—	—	—
Shares issued by Hop Hing Holdings Limited ("HHHL") upon exercise of HHHL's warrants (note 26)	3	4	—	—	—	—	—	7	—	7
Cancellation of HHHL's shares upon group reorganisation	(43,589)	—	—	—	—	—	—	(43,589)	—	(43,589)
Transfer of share premium to capital reserve upon group reorganisation	—	(377,133)	—	—	—	377,133	—	—	—	—
Issue of shares (note 26)	43,589	—	—	—	—	—	—	43,589	—	43,589
Issue of shares upon exercise of warrants (note 26)	5,742	8,613	—	—	—	—	—	14,355	—	14,355
At 31 December 2008 and 1 January 2009	49,331	8,613	—	18,781	2,080	434,025	(62,840)	449,990	11,217	461,207
Total comprehensive income for the year	—	—	—	4	—	—	12,784	12,788	1,732	14,520
Issue of shares upon exercise of warrants (note 26)	1,764	2,644	—	—	—	—	—	4,408	—	4,408
Share issue expenses (note 26)	—	(173)	—	—	—	—	—	(173)	—	(173)
Equity-settled share option arrangements (note 27)	—	—	4,040	—	—	—	—	4,040	—	4,040
Repayment of loans due to minority interests	—	—	—	—	—	—	—	—	(2,958)	(2,958)
Write-off of loans due to minority interests	—	—	—	—	—	—	—	—	(543)	(543)
At 31 December 2009	51,095	11,084	4,040	18,785	2,080	434,025	(50,056)	471,053	9,448	480,501

\* These reserve accounts comprise the consolidated reserves of HK\$419,958,000 (2008: HK\$400,659,000) in the consolidated statement of financial position.

# Consolidated Statement of Cash Flows

Year ended 31 December 2009

	Notes	2009 HK\$'000	2008 HK\$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		17,951	20,150
Adjustments for:			
Interest income	5	(475)	(533)
Interest expenses	7	9,718	13,111
Depreciation	6	17,455	19,598
Amortisation of prepaid land lease payments	6	682	673
Impairment of accounts receivable	6	296	916
Reversal of impairment of accounts receivable	6	(439)	—
Gain on disposal of items of property, plant and equipment, net	5	(3)	(8,255)
Write-off of loans due to minority interests		(543)	—
Share of losses of associates		23	182
Equity-settled share option expense	27	4,040	—
		48,705	45,842
Decrease/(increase) in stocks		27,090	(19,035)
Decrease/(increase) in accounts receivable		14,100	(12,123)
Decrease/(increase) in prepayments, deposits and other receivables		(116)	4,300
Decrease in amounts due to associates		(249)	—
Decrease in accounts payable		(15,637)	(9,387)
Increase/(decrease) in bills payable		7,902	(1,902)
Decrease in other payables and accrued charges		(1,053)	(9,533)
		80,742	(1,838)
Cash generated from/(used in) operations		80,742	(1,838)
Interest received		475	533
Hong Kong profits tax paid		(3,240)	(2,481)
Overseas tax refunded/(paid)		1,302	(1,928)
		79,279	(5,714)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchases of items of property, plant and equipment		(1,471)	(4,201)
Proceeds from disposal of items of property, plant and equipment		13	10,792
Increase in trademarks		(194)	(250)
Increase in time deposits with original maturity of more than three months when acquired		(43,000)	—
		(44,652)	6,341
Net cash flows from/(used in) investing activities		(44,652)	6,341

## Consolidated Statement of Cash Flows (Continued)

Year ended 31 December 2009

Notes	2009 HK\$'000	2008 HK\$'000
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Interest paid	(9,718)	(13,111)
Net drawing of bank and other loans	3,336	8,191
Increase in pledged bank deposits	(495)	(1,305)
Issue of shares, including share premium, net	4,235	14,362
Repayment of loans due to minority interests	(2,958)	—
Net cash flows from/(used in) financing activities	(5,600)	8,137
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		
Cash and cash equivalents at 1 January	42,337	33,573
<b>CASH AND CASH EQUIVALENTS AT 31 DECEMBER</b>		
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>		
Cash and cash equivalents as stated in the consolidated statement of financial position	114,364	42,337
Less: Time deposits with original maturity of more than three months when acquired	(43,000)	—
Cash and cash equivalents as stated in the consolidated statement of cash flows	71,364	42,337

# Statement of Financial Position

31 December 2009

	Notes	2009 HK\$'000	2008 HK\$'000
<b>NON-CURRENT ASSETS</b>			
Interests in subsidiaries	16	448,447	445,607
Deferred tax assets	25	5	3
<b>Total non-current assets</b>		<b>448,452</b>	445,610
<b>CURRENT ASSETS</b>			
Prepayments		298	208
Cash and cash equivalents		99	113
<b>Total current assets</b>		<b>397</b>	321
<b>CURRENT LIABILITIES</b>			
Other payables and accrued charges		166	139
<b>Total current liabilities</b>		<b>166</b>	139
<b>NET CURRENT ASSETS</b>		<b>231</b>	182
<b>NET ASSETS</b>		<b>448,683</b>	445,792
<b>EQUITY</b>			
Issued share capital	26	51,095	49,331
Reserves	28(b)	397,588	396,461
<b>Total equity</b>		<b>448,683</b>	445,792

**HUNG HAK HIP, PETER**  
CHAIRMAN

**WONG KWOK YING**  
EXECUTIVE DIRECTOR AND  
CHIEF FINANCIAL OFFICER



# Notes to Financial Statements

31 December 2009

## 1. CORPORATE INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands on 1 August 2007. The registered office of the Company is situated at Clifton House, 75 Fort Street, P.O. Box 1350 GT, Grand Cayman, KY1-1108, Cayman Islands. The principal place of business of the Company is located at Units E & F, 2/F., Hop Hing Building, 9 Ping Tong Street East, Tong Yan San Tsuen, Yuen Long, New Territories, Hong Kong.

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

## 2.1 BASIS OF PRESENTATION AND PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the “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 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 (collectively referred to as the “Group”) and the Group’s share of the financial statements of the Group’s jointly-controlled entities for the year ended 31 December 2009. 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. Income, expenses and unrealised gains and losses resulting from intercompany transactions and intercompany balances within the Group are eliminated on consolidation in full.

Minority interests represent the interests of outside shareholders not held by the Group in the results and net assets of the relevant subsidiaries of the Company.

## 2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

HKFRS 1 and HKAS 27 Amendments	Amendments to HKFRS 1 <i>First-time Adoption of HKFRSs</i> and HKAS 27 <i>Consolidated and Separate Financial Statements — Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate</i>
HKFRS 2 Amendments	Amendments to HKFRS 2 <i>Share-based Payment — Vesting Conditions and Cancellations</i>
HKFRS 7 Amendments	Amendments to HKFRS 7 <i>Financial Instruments: Disclosures — Improving Disclosures about Financial Instruments</i>
HKFRS 8	<i>Operating Segments</i>
HKAS 1 (Revised)	<i>Presentation of Financial Statements</i>
HKAS 18 Amendment*	Amendment to Appendix to HKAS 18 <i>Revenue — Determining whether an entity is acting as a principal or as an agent</i>
HKAS 23 (Revised)	<i>Borrowing Costs</i>
HKAS 32 and HKAS 1 Amendments	Amendments to HKAS 32 <i>Financial Instruments: Presentation</i> and HKAS 1 <i>Presentation of Financial Statements — Puttable Financial Instruments and Obligations Arising on Liquidation</i>
HK(IFRIC) — Int 9 and HKAS 39 Amendments	Amendments to HK(IFRIC) — Int 9 <i>Reassessment of Embedded Derivatives</i> and HKAS 39 <i>Financial Instruments: Recognition and Measurement — Embedded Derivatives</i>
HK(IFRIC) — Int 13	<i>Customer Loyalty Programmes</i>
HK(IFRIC) — Int 15	<i>Agreements for the Construction of Real Estate</i>
HK(IFRIC) — Int 16	<i>Hedges of a Net Investment in a Foreign Operation</i>
HK(IFRIC) — Int 18	<i>Transfers of Assets from Customers (adopted from 1 July 2009)</i>
Improvements to HKFRSs (October 2008)**	Amendments to a number of HKFRSs

\* Included in *Improvements to HKFRSs 2009* (as issued in May 2009).

\*\* The Group adopted all the improvements to HKFRSs issued in October 2008 except for the amendments to HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations — Plan to sell the controlling interest in a subsidiary*, which is effective for annual periods beginning on or after 1 July 2009.

Other than as further explained below regarding the impact of HKAS 1 (Revised), the adoption of these new and revised HKFRSs has had no significant financial effect on these financial statements and there have been no significant changes to the accounting policies applied in these financial statements.

HKAS 1 (Revised) introduces changes in the presentation and disclosures of financial statements. The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented as a single line. In addition, this standard introduces the statement of comprehensive income, with all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense recognised directly in equity, either in one single statement, or in two linked statements. The Group has elected to present two statements.

## 2.3 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.

HKFRS 1 (Revised)	<i>First-time Adoption of Hong Kong Financial Reporting Standards</i> <sup>1</sup>
HKFRS 1 Amendments	<i>Amendments to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards – Additional Exemptions for First-time Adopters</i> <sup>2</sup>
HKFRS 1 Amendment	<i>Amendments to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards – Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters</i> <sup>4</sup>
HKFRS 2 Amendments	<i>Amendments to HKFRS 2 Share-based Payment – Group Cash-settled Share-based Payment Transactions</i> <sup>2</sup>
HKFRS 3 (Revised)	<i>Business Combinations</i> <sup>1</sup>
HKFRS 9	<i>Financial Instruments</i> <sup>6</sup>
HKAS 24 (Revised)	<i>Related Party Disclosures</i> <sup>5</sup>
HKAS 27 (Revised)	<i>Consolidated and Separate Financial Statements</i> <sup>1</sup>
HKAS 32 Amendment	<i>Amendment to HKAS 32 Financial Instruments: Presentation – Classification of Rights Issues</i> <sup>3</sup>
HKAS 39 Amendment	<i>Amendment to HKAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items</i> <sup>1</sup>
HK(IFRIC) – Int 14 Amendments	<i>Amendments to HK(IFRIC) – Int 14 Prepayments of a Minimum Funding Requirement</i> <sup>5</sup>
HK(IFRIC) – Int 17	<i>Distributions of Non-cash Assets to Owners</i> <sup>1</sup>
HK(IFRIC) – Int 19	<i>Extinguishing Financial Liabilities with Equity Instruments</i> <sup>4</sup>
Amendments to HKFRS 5 included in <i>Improvements to HKFRSs</i> issued in October 2008	<i>Amendments to HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations – Plan to sell the controlling interest in a subsidiary</i> <sup>1</sup>
HK Interpretation 4 (Revised in December 2009)	<i>Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases</i> <sup>2</sup>

Apart from the above, the HKICPA has issued *Improvements to HKFRSs 2009* which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to HKFRS 2, HKAS 38, HK(IFRIC) – Int 9 and HK(IFRIC) – Int 16 are effective for annual periods beginning on or after 1 July 2009 while the amendments to HKFRS 5, HKFRS 8, HKAS 1, HKAS 7, HKAS 17, HKAS 36 and HKAS 39 are effective for annual periods beginning on or after 1 January 2010 although there are separate transitional provisions for each standard or interpretation.

<sup>1</sup> Effective for annual periods beginning on or after 1 July 2009

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2010

<sup>3</sup> Effective for annual periods beginning on or after 1 February 2010

<sup>4</sup> Effective for annual periods beginning on or after 1 July 2010

<sup>5</sup> Effective for annual periods beginning on or after 1 January 2011

<sup>6</sup> Effective for annual periods beginning on or after 1 January 2013

## 2.3 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, the Group considers that these new and revised HKFRSs are unlikely to have a 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 at cost less any impairment losses.

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

A joint venture is treated as:

- (a) a subsidiary, if the Group has unilateral control, directly or indirectly, over the joint venture;
- (b) a jointly-controlled entity, if the Group does not have unilateral control, but has joint control, directly or indirectly, over the joint venture;
- (c) an associate, if the Group does not have unilateral or joint control, but holds, directly or indirectly, generally not less than 20% of the joint venture's registered capital and is in a position to exercise significant influence over the joint venture; or
- (d) an equity investment accounted for in accordance with HKAS 39, if the Group holds, directly or indirectly, less than 20% of the joint venture's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture.

## 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 the proportionate consolidation method, 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. Unrealised gains and losses resulting from transactions between the Group and its jointly-controlled entities are eliminated to the extent of the Group's interests in the jointly-controlled entities, except where unrealised losses provide evidence of an impairment of the asset transferred.

### 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 interests in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting less any impairment losses. The Group's share of the post-acquisition results of associates is included in the consolidated income statement. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates, except where unrealised losses provide evidence of an impairment of the asset transferred.

### Goodwill

Goodwill arising on the acquisition of subsidiaries, associates and jointly-controlled entities represents the excess of the cost of the business combination over the Group's interest in the net fair value of the acquirees' identifiable assets, liabilities and contingent liabilities assumed as at the date of acquisition.

Goodwill arising on acquisition is recognised in the consolidated statement of financial position as an asset, initially measured at cost and subsequently at cost less any accumulated impairment losses. In the case of associates and jointly-controlled entities, goodwill is included in the carrying amount thereof, rather than as a separately identified asset in the consolidated statement of financial position.

The carrying amount of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the synergy of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units.

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. An impairment loss recognised for goodwill is not reversed in a subsequent period.

## 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 is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on 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 stocks, deferred tax assets, financial assets and goodwill), the asset's recoverable amount is estimated. An asset's recoverable amount is 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 the end of each reporting period as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an 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, but 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 an 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)

### Related parties

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

- (a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;
- (b) the party is an associate;
- (c) the party is a jointly-controlled entity;
- (d) the party is a member of the key management personnel of the Group;
- (e) the party is a close member of the family of any individual referred to in (a) or (d);
- (f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or
- (g) the party is a post-employment benefit plan for the benefit of the employees of the Group, or of any entity that is a related party of the Group.

### Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost or valuation less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation.

The transitional provision set out in paragraph 80A of HKAS 16 *Property, Plant and Equipment* issued by the 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 end of the reporting period.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Property, plant and equipment and depreciation (continued)

Depreciation is calculated on the straight-line basis to write off the cost or valuation of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

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

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

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment and any significant part initially recognised 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 sales 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.

### Trademarks

Trademarks with indefinite useful lives 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.

### Operating leases

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

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



## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Financial assets

#### *Initial recognition and measurement*

Financial assets within the scope of HKAS 39 are classified as loans and receivables. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

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.

The Group's financial assets include accounts receivable, other receivables, pledged bank deposits and cash and cash equivalents.

#### *Subsequent measurement*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in the income statement. The loss arising from impairment is recognised in the income statement.

### 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 when:

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

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, 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. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Derecognition of financial assets (continued)

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.

### Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

#### *Financial assets carried at amortised cost*

For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them 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 there is objective evidence that an impairment loss 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). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced either directly or through the use of an allowance account and the amount of the loss is recognised in the income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the income statement.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Financial liabilities

#### *Initial recognition and measurement*

Financial liabilities within the scope of HKAS 39 are classified as loans and borrowings. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

The Group's financial liabilities include accounts payable, bills payable, other payables and interest-bearing bank and other loans.

#### *Subsequent measurement*

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

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the income statement.

### 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.

### Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

### Stocks

Stocks are stated at the lower of cost and net realisable value. Cost is determined using the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or 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, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period 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.

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 the end of each reporting period 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. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Income tax (continued)

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 by the end of each reporting period.

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.

### 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, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;
- (ii) from the provision of management, marketing, bottling, packaging and testing services, in the period in which the services are rendered;
- (iii) rental income, on a time proportion 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 rate method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

### Employee benefits

#### *Share-based payment transactions*

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial option pricing model, further details of which are given in note 27 to the financial statements.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Employee benefits (continued)

#### *Share-based payment transactions (continued)*

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. The cumulative expense recognised for equity-settled transactions at the end of each reporting period 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 equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service 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, if the original terms of the award are met. In addition, an expense is recognised for any modification, that increases the total fair value of the share-based payment transaction, 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. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. 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. All cancellations of equity-settled transaction awards are treated equally.

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

#### *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 end of the reporting period is permitted to be carried forward and utilised by the respective employees in the following year. An accrual is made at the end of the reporting period for the expected future cost of such paid leave earned during the year by the employees and carried forward.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Employee benefits (continued)

#### *Retirement benefits schemes*

The Group operates defined contribution retirement benefits schemes, namely, the Mandatory Provident Fund Scheme (the “MPF Scheme”) and a scheme registered under the Occupational Retirement Schemes 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 their 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.

#### Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short-term highly liquid investments that are readily convertible into known amounts of cash, 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 statements of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

#### 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 end of the reporting period 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.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 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 recorded by the entities in the Group are initially recorded using their respective functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. All differences are taken to the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currencies of certain subsidiaries outside Hong Kong are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the end of the reporting period and their income statements are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the income statement.

For the purpose of the consolidated statement of cash flows, 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.



### 3. SIGNIFICANT ACCOUNTING ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

#### Estimation uncertainty

##### *Deferred tax assets*

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets relating to recognised tax losses at 31 December 2009 was HK\$2,033,000 (2008: HK\$3,016,000). Further details are contained in note 25 to the financial statements.

### 4. OPERATING SEGMENT INFORMATION

The Group's primary operating segment is the edible oils and food related business. Since it is the only operating segment of the Group, no further analysis thereof is presented. In determining the Group's geographical information, the revenue information is based on the location of the customers, and the total non-current assets information is based on the location of the assets and excludes deferred tax assets.

#### Geographical information

##### Year ended 31 December 2009

	Hong Kong HK\$'000	Mainland China HK\$'000	Total HK\$'000
Revenue from external customers	460,834	400,223	861,057
Non-current assets	155,542	228,110	383,652
Capital expenditure*	1,428	237	1,665

\* Capital expenditure consists of additions to property, plant and equipment and trademarks.

## Notes to Financial Statements

31 December 2009

### 4. OPERATING SEGMENT INFORMATION (Continued)

#### Geographical information (continued)

##### Year ended 31 December 2008

	Hong Kong HK\$'000	Mainland China HK\$'000	Total HK\$'000
Revenue from external customers	572,492	440,528	1,013,020
Non-current assets	158,806	241,324	400,130
Capital expenditure*	3,314	1,137	4,451

\* Capital expenditure consists of additions to property, plant and equipment and trademarks.

### 5. TURNOVER AND OTHER INCOME AND GAINS, NET

Turnover represents the aggregate of the net invoiced value of goods sold, after allowances for returns and trade discounts, the value of services rendered, gross rental income received and royalties during the year.

	2009 HK\$'000	2008 HK\$'000
<b>Turnover</b>		
Sales of goods and services	854,641	1,005,638
Royalties	6,215	7,188
Rental and other income	201	194
	<b>861,057</b>	1,013,020
<b>Other income and gains, net</b>		
Bank interest income	475	533
Foreign exchange differences, net	(172)	2,293
Gain on disposal of items of property, plant and equipment, net	3	8,255
Recovery of prepayments and deposits written off in prior years	5,974	—
	<b>6,280</b>	11,081

## 6. PROFIT FROM OPERATING ACTIVITIES

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

	Notes	2009 HK\$'000	2008 HK\$'000
Net rental income		(180)	(191)
Foreign exchange differences, net		172	(2,293)
Direct cost of stocks sold and services provided		639,298	788,215
Gain on disposal of items of property, plant and equipment, net		(3)	(8,255)
Employee benefit expenses (including directors' emoluments in note 8):			
Wages and salaries		46,991	45,530
Equity-settled share option expense		4,040	—
Pension scheme contributions		1,705	1,649
Less: Unvested contributions forfeited*		—	(17)
		1,705	1,632
		52,736	47,162
Depreciation**	13	17,455	19,598
Amortisation of prepaid land lease payments**	14	682	673
Minimum lease payments under operating leases in respect of land and buildings		7,907	7,883
Auditors' remuneration		1,223	1,393
Impairment of accounts receivable***	20	296	916
Reversal of impairment of accounts receivable***	20	(439)	—
Recovery of prepayments and deposits written off in prior years		(5,974)	—

Notes:

\* At 31 December 2009, the Group had no forfeited contributions available to reduce its future contributions to the Exempted Scheme (2008: Nil).

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

\*\*\* Impairment/(reversal of impairment) of accounts receivable are included in "General and administrative expenses" in the consolidated income statement.

## Notes to Financial Statements

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### 7. FINANCE COSTS

	Group	
	2009	2008
	HK\$'000	HK\$'000
Interest on bank and other loans wholly repayable within five years	9,718	13,111

### 8. DIRECTORS' EMOLUMENTS

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

	2009					
	Fees	Salaries, allowances and benefits	Discretionary/ performance related bonuses	Equity-settled share option benefits	Pension scheme contributions	Total remuneration
	HK\$'000	in kind HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>(a) Independent non-executive directors</b>						
Sze Tsai To, Robert	275	—	—	358	—	633
Wong Yu Hong, Philip	220	—	—	358	—	578
Cheung Wing Yui, Edward	220	—	—	358	—	578
Seto Gin Chung, John	220	—	—	358	—	578
Shek Lai Him, Abraham	220	—	—	358	—	578
	1,155	—	—	1,790	—	2,945
<b>(b) Executive directors and non-executive directors</b>						
Executive directors:						
Wong Kwok Ying	—	1,644	401	339	131	2,515
Lam Fung Ming, Tammy	—	1,068	200	169	85	1,522
	—	2,712	601	508	216	4,037
Non-executive directors:						
Hung Hak Hip, Peter	990	—	—	716	—	1,706
Hung Chiu Yee	30	—	—	358	—	388
Lee Pak Wing	30	—	—	358	—	388
	1,050	—	—	1,432	—	2,482

**8. DIRECTORS' EMOLUMENTS (Continued)**

	2008				Total remuneration HK\$'000
	Fees HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Discretionary/ performance related bonuses HK\$'000	Pension scheme contributions HK\$'000	
<b>(a) Independent non-executive directors</b>					
Sze Tsai To, Robert	275	—	—	—	275
Wong Yu Hong, Philip	220	—	—	—	220
Cheung Wing Yui, Edward	220	—	—	—	220
Seto Gin Chung, John	220	—	—	—	220
Shek Lai Him, Abraham	220	—	—	—	220
	1,155	—	—	—	1,155
<b>(b) Executive directors and non-executive directors</b>					
Executive directors:					
Wong Kwok Ying	—	1,600	395	128	2,123
Lam Fung Ming, Tammy	—	1,040	198	83	1,321
	—	2,640	593	211	3,444
Non-executive directors:					
Hung Hak Hip, Peter	330	660*	—	—	990
Hung Chiu Yee	30	—	—	—	30
Lee Pak Wing	30	—	—	—	30
	390	660	—	—	1,050

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

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

During the year, certain directors were granted share options, in respect of their services to the Group, under the share option scheme of the Company, further details of which are set out in note 27 to the financial statements. The fair value of such options which is being recognised in the income statement over the vesting periods, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above directors' remuneration disclosure.

## Notes to Financial Statements

31 December 2009

### 9. SENIOR EXECUTIVES' EMOLUMENTS

The aggregate emoluments of the five highest paid employees, including three (2008: three) directors whose emoluments are set out in note 8 above, for the year are as follows:

	Group	
	2009 HK\$'000	2008 HK\$'000
Salaries, allowances and other emoluments	5,374	5,234
Discretionary/performance related bonuses	924	854
Equity-settled share option expense	1,286	—
Pension scheme contributions	223	217
	<b>7,807</b>	6,305

The above emoluments are analysed as follows:

	Number of employees	
	2009	2008
Nil to HK\$1,000,000	—	3
HK\$1,000,001 to HK\$1,500,000	2	1
HK\$1,500,001 to HK\$2,000,000	2	—
HK\$2,000,001 to HK\$2,500,000	—	1
HK\$2,500,001 to HK\$3,000,000	1	—
	<b>5</b>	5

**10. INCOME TAX EXPENSE**

Hong Kong profits tax has been provided at the rate of 16.5% (2008: 16.5%) 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.

	<b>2009</b>	2008
	<b>HK\$'000</b>	HK\$'000
Group:		
Current — Hong Kong		
Charge for the year	<b>2,382</b>	2,774
Under/(over)provision in prior years	<b>60</b>	(44)
	<b>2,442</b>	2,730
Current — elsewhere		
Charge for the year	<b>392</b>	259
Overprovision in prior years	<b>—</b>	(21)
	<b>392</b>	238
Deferred tax (note 25)	<b>601</b>	1,307
<b>Total tax charge for the year</b>	<b>3,435</b>	4,275

Note: Pursuant to the PRC Corporate Income Tax Law being effective on 1 January 2008, the PRC corporate income tax rate for the Group's major operating PRC subsidiaries is unified at 25%.

A reconciliation of the tax expense applicable to profit before tax at the statutory rates 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:

	<b>Group</b>	
	<b>2009</b>	2008
	<b>HK\$'000</b>	HK\$'000
Profit before tax	<b>17,951</b>	20,150
Tax at the applicable tax rate	<b>2,962</b>	3,325
Effect of different tax rates in other jurisdictions	<b>(321)</b>	(1,084)
Effect of change in tax rate on opening deferred tax balances	<b>—</b>	118
Income not subject to tax	<b>(1,300)</b>	(1,500)
Expenses not deductible for tax	<b>2,340</b>	1,541
Tax losses not recognised	<b>1,049</b>	3,468
Under/(over)provision in respect of prior years, net	<b>60</b>	(65)
Utilisation of previously unrecognised tax losses	<b>(739)</b>	(1,208)
Others	<b>(616)</b>	(320)
<b>Tax charge at the Group's effective rate</b>	<b>3,435</b>	4,275

## Notes to Financial Statements

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### 11. PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The consolidated profit attributable to the equity holders of the Company for the year ended 31 December 2009 includes a loss of HK\$5,384,000 (2008: HK\$129,000) which has been dealt with in the financial statements of the Company (note 28(b)).

### 12. EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

#### (a) Basic earnings per share

The calculation of basic earnings per share is based on the consolidated profit for the year attributable to equity holders of the Company of HK\$12,784,000 (2008: HK\$14,698,000), and the weighted average number of 505,265,336 (2008: 469,928,119) ordinary shares in issue during the year.

#### (b) Diluted earnings per share

The calculation of diluted earnings per share which is based on the consolidated profit for the year attributable to equity holders of the Company of HK\$12,784,000 (2008: HK\$14,698,000) and the weighted average number of 532,900,371 (2008: 494,711,755) ordinary shares in issue after adjusting for the effect of all dilutive potential ordinary shares of 27,635,035 (2008: 24,783,636) shares for the year ended 31 December 2009 is calculated as follows:

	2009 HK\$'000	2008 HK\$'000
Consolidated profit attributable to equity holders of the Company	12,784	14,698
	Number of shares	
	2009	2008
<b>Shares</b>		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	505,265,336	469,928,119
Effect of dilution:		
Warrants	27,417,953	24,783,636
Share options	217,082	—
	532,900,371	494,711,755



**13. PROPERTY, PLANT AND EQUIPMENT****Group**

	Leasehold land and buildings HK\$'000	Barges, vehicles, leasehold improvements, machinery and equipment HK\$'000	Total HK\$'000
<b>31 December 2009</b>			
Cost or valuation:			
At 1 January 2009	254,821	360,266	615,087
Additions	—	1,471	1,471
Disposals	—	(108)	(108)
At 31 December 2009	254,821	361,629	616,450
Accumulated depreciation and impairment:			
At 1 January 2009	107,321	259,066	366,387
Provided during the year	5,813	11,642	17,455
Disposals	—	(98)	(98)
At 31 December 2009	113,134	270,610	383,744
Net book value:			
At 31 December 2009	141,687	91,019	232,706

## Notes to Financial Statements

31 December 2009

### 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
<b>31 December 2008</b>			
Cost or valuation:			
At 1 January 2008	250,848	359,321	610,169
Additions	147	4,054	4,201
Disposals	(5,177)	(14,771)	(19,948)
Exchange realignment	9,003	11,662	20,665
At 31 December 2008	254,821	360,266	615,087
Accumulated depreciation and impairment:			
At 1 January 2008	104,127	250,250	354,377
Provided during the year	5,872	13,726	19,598
Disposals	(5,177)	(12,234)	(17,411)
Exchange realignment	2,499	7,324	9,823
At 31 December 2008	107,321	259,066	366,387
Net book value:			
At 31 December 2008	147,500	101,200	248,700

**13. PROPERTY, PLANT AND EQUIPMENT (Continued)**

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

	Hong Kong, professional valuation at 31 December 1993 less accumulated depreciation and impairment losses HK\$'000	Hong Kong, at cost less accumulated depreciation HK\$'000	Elsewhere, at cost less accumulated depreciation HK\$'000	Total HK\$'000
<b>31 December 2009</b>				
Long-term leases	—	—	4,036	4,036
Medium-term leases	9,265	3,150	125,236	137,651
	<b>9,265</b>	<b>3,150</b>	<b>129,272</b>	<b>141,687</b>
<b>31 December 2008</b>				
Long-term leases	—	—	4,133	4,133
Medium-term leases	9,509	3,278	130,580	143,367
	<b>9,509</b>	<b>3,278</b>	<b>134,713</b>	<b>147,500</b>

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\$139,965,000 (2008: HK\$145,656,000).

At 31 December 2009, certain leasehold land and buildings and certain plant and machinery of the Group with an aggregate carrying value of approximately HK\$109,963,000 (2008: HK\$121,009,000) were pledged to secure general banking facilities granted to the Group (note 24(a)).

## Notes to Financial Statements

31 December 2009

### 14. PREPAID LAND LEASE PAYMENTS

	Group	
	2009 HK\$'000	2008 HK\$'000
Carrying amount at 1 January	28,148	27,109
Amortised during the year	(682)	(673)
Exchange realignment	—	1,712
Carrying amount at 31 December	27,466	28,148
Current portion included in prepayments, deposits and other receivables	(682)	(686)
Non-current portion	26,784	27,462

Prepaid land lease payments represent payments for land use rights held under medium-term leases in Mainland China. At 31 December 2009, certain of these land use rights of HK\$27,280,000 (2008: HK\$27,957,000) were pledged to secure general banking facilities granted to the Group (note 24(a)).

### 15. TRADEMARKS

	Group	
	2009 HK\$'000	2008 HK\$'000
Cost:		
At 1 January	123,968	123,718
Additions	194	250
At 31 December	124,162	123,968

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.

Jones Lang LaSalle Sallmanns Limited, a firm of independent professionally qualified valuers, has confirmed, in their valuation of the Group's trademarks, that the fair value of the trademarks exceeded the carrying value as at 31 December 2009. Based on that, the directors considered that no impairment provision is necessary.

**16. INTERESTS IN SUBSIDIARIES**

	<b>Company</b>	
	<b>2009</b>	2008
	<b>HK\$'000</b>	HK\$'000
Unlisted shares, at cost	<b>431,813</b>	431,813
Amounts due from subsidiaries	<b>16,634</b>	13,794
	<b>448,447</b>	445,607

The amounts due from subsidiaries are unsecured, interest-free and are not expected to be repaid in the next 12 months.

Particulars of the principal subsidiaries are as follows:

<b>Name</b>	<b>Place of incorporation/ registration and operations</b>	<b>Nominal value of issued/ registered and fully paid share capital</b>	<b>Percentage of equity attributable to the Company</b>	<b>Principal activities</b>
Hop Hing Holdings Limited	Bermuda/ Hong Kong	HK\$100	100	Investment holding
Hop Hing Development Limited	Hong Kong	HK\$10,000	100	Investment holding
Hop Hing Food Products Limited	Hong Kong	HK\$2	100	Procurement of edible oils and 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	Hong Kong	HK\$1,000,010	100	Leasing of property, plant and equipment
Hop Hing Oil Procurement Limited	Hong Kong	HK\$2	100	Procurement of edible oils

## Notes to Financial Statements

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### 16. INTERESTS IN SUBSIDIARIES (Continued)

<b>Name</b>	<b>Place of incorporation/ registration and operations</b>	<b>Nominal value of issued/ registered and fully paid share capital</b>	<b>Percentage of equity attributable to the Company</b>	<b>Principal activities</b>
Hop Hing Oil Refinery Limited	Hong Kong	HK\$10,000,000	100	Edible oils refinery
Hop Hing Oil Terminals (Pan Yu) Limited	British Virgin Islands	US\$4,034,699	100	Investment holding
Hop Hing Oil Terminals (Guangzhou) Limited	British Virgin Islands	US\$1,385,941	100	Investment holding
Hop Hing Oil Trading (2000) Limited	Hong Kong	HK\$2	100	Distribution of edible oils
Knight Investment Limited	Hong Kong	HK\$22	100	Property holding
Lapidus (1985) Limited	Hong Kong	HK\$12	100	Barge ownership
Monitor Ltd.	British Virgin Islands	US\$1	100	Trademark holding
Panyu Hop Hing Oils & Fats Co. Ltd.**	People's Republic of China/ Mainland China	HK\$75,000,000	100	Bottling, packaging and distribution of edible oils
Panyu Kwong Hing Packaging Company, Limited**	People's Republic of China/ Mainland China	HK\$50,000,000	100	Blending and distribution of edible oils
Pinghu Hop Hing Vegetable Oils Company, Limited*	People's Republic of China/ Mainland China	US\$1,400,000	51	Edible oils refinery
Sino Food Products Company (Holdings) Limited	Hong Kong	HK\$10	100	Distribution of edible oils
Top Charter Holdings Limited	British Virgin Islands	US\$1	100	Production of edible oils

\* Registered as an equity joint venture under the PRC law.

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

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

**16. INTERESTS IN SUBSIDIARIES (Continued)**

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**

	<b>Group</b>	
	<b>2009</b> <b>HK\$'000</b>	2008 HK\$'000
Share of net assets	<b>24,441</b>	24,464
Due to associates	<b>(25,822)</b>	(26,071)
	<b>(1,381)</b>	(1,607)

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

Particulars of the associates are as follows:

<b>Name</b>	<b>Particulars of issued shares held</b>	<b>Place of incorporation</b>	<b>Percentage of ownership interest attributable to the Group</b>	<b>Principal activities</b>
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:

	<b>2009</b> <b>HK\$'000</b>	2008 HK\$'000
Assets	<b>48,882</b>	48,928
Liabilities	—	(1)
Revenues	—	—
Loss	<b>(45)</b>	(365)

## Notes to Financial Statements

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### 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			Principal activities
			Ownership interest	Voting power	Profit sharing	
Evergreen Oils & Fats Limited	Ordinary shares of HK\$1 each	Cayman Islands/ Hong Kong	50	50	50	Trading and distribution of edible oils, fats and shortenings
Hop Hing Oils and Fats Limited	Ordinary shares of HK\$1 each	Hong Kong	50	50	50	Trading and distribution of edible oils, fats and shortenings
Lam Soon Oils and Fats Limited	Ordinary shares of HK\$1 each	Hong Kong	50	50	50	Trading and distribution of edible oils, fats and shortenings
Landex Investments Limited	Ordinary shares of HK\$1 each	Hong Kong	50	50	50	Property holding
Evergreen Oils & Fats (Macau) Limited	Ordinary shares of MOP30,000 in total	Macau	50	50	50	Trading and distribution of edible oils, fats and shortenings

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:

	2009 HK\$'000	2008 HK\$'000
Current assets	139,254	159,753
Non-current assets	7,427	7,741
Current liabilities	(92,563)	(102,177)
Non-current liabilities	(466)	(497)
Net assets	53,652	64,820



**18. INTERESTS IN JOINTLY-CONTROLLED ENTITIES (Continued)**

Share of the jointly-controlled entities' results:

	<b>2009</b>	2008
	<b>HK\$'000</b>	HK\$'000
Turnover	<b>358,406</b>	413,778
Costs and expenses	<b>(354,723)</b>	(409,876)
Profit before tax	<b>3,683</b>	3,902
Tax	<b>(551)</b>	(492)
Profit after tax	<b>3,132</b>	3,410

**19. STOCKS**

	<b>Group</b>	
	<b>2009</b>	2008
	<b>HK\$'000</b>	HK\$'000
Finished goods	<b>29,409</b>	26,227
Work in progress	<b>61</b>	101
Raw materials	<b>101,826</b>	132,058
	<b>131,296</b>	158,386

**20. ACCOUNTS RECEIVABLE**

	<b>Group</b>	
	<b>2009</b>	2008
	<b>HK\$'000</b>	HK\$'000
Accounts receivable	<b>120,671</b>	134,819
Impairment	<b>(14,339)</b>	(14,530)
	<b>106,332</b>	120,289

## Notes to Financial Statements

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### 20. ACCOUNTS RECEIVABLE (Continued)

The Group's products are sold either on a cash on delivery basis, or on an open account basis with credit terms ranging from 7 to 70 days. Each customer has a maximum credit limit and overdue balances are regularly reviewed by the senior management. In view of the aforementioned and the fact that the Group's accounts receivable relate to a number of diversified customers, there is no significant concentration of credit risk. Accounts receivable are non-interest-bearing.

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

	Group	
	2009 HK\$'000	2008 HK\$'000
Current (neither past due nor impaired)	82,097	95,029
Within 60 days past due	18,951	16,513
Over 60 days past due	5,284	8,747
	<b>106,332</b>	120,289

Certain of the above accounts receivable as at 31 December 2009 were factored to a bank in exchange for cash and the related bank loans have been included as "Interest-bearing bank and other loans" on the face of the consolidated statement of financial position (note 24).

The movements in the impairment of accounts receivable are as follows:

	Group	
	2009 HK\$'000	2008 HK\$'000
At 1 January	14,530	13,902
Impairment losses recognised (note 6)	296	916
Impairment losses reversed (noted 6)	(439)	—
Uncollectible amounts written off	(48)	(288)
At 31 December	<b>14,339</b>	14,530

The above impairment of accounts receivable is a provision for individually impaired accounts receivable. The individually impaired accounts receivable relate to receivables which are expected not to be recoverable or only a portion of the receivables is expected to be recovered. The Group does not hold any collateral or other credit enhancements over these balances.

## 20. ACCOUNTS RECEIVABLE (Continued)

Receivables that were neither past due nor impaired relate to a number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have reasonably good track records with the Group. Based on past experience, the directors of the Company are of the opinion that no impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

Included in the Group's accounts receivable are amounts totalling HK\$8,620,000 (2008: HK\$16,452,000) due from the Group's jointly-controlled entities which are repayable on credit terms comparable to those offered to other unrelated customers of the Group.

## 21. PLEDGED BANK DEPOSITS

The deposits were pledged to a bank to secure bills payable of the Group (note 23).

## 22. ACCOUNTS PAYABLE

An aged analysis of the accounts payable as at the end of the reporting period, based on the payment due date, is as follows:

	<b>Group</b>	
	<b>2009</b> <b>HK\$'000</b>	2008 HK\$'000
Current and less than 60 days	<b>38,338</b>	43,376
Over 60 days	<b>979</b>	11,578
	<b>39,317</b>	54,954

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\$7,432,000 (2008: HK\$14,363,000) 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

Bills payable are secured by bank deposits of HK\$10,961,000 (2008: HK\$10,466,000) of the Group (note 21).

## Notes to Financial Statements

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### 24. INTEREST-BEARING BANK AND OTHER LOANS

#### Group

	2009			2008		
	Effective interest rate per annum %	Maturity	HK\$'000	Effective interest rate per annum %	Maturity	HK\$'000
<b>Current (repayable within one year or on demand)</b>						
Bank loans — unsecured	1.8	2010	55,340	4.3	2009	39,134
Bank loans on factored accounts receivable — unsecured (note 20)	1.5	2010	6,728	1.4	2009	13,858
Bank loans — secured	5.3	2010	91,987	6.9	2009	97,727
Loan from a related company — unsecured	5.3	2010	11,364	7.2	2009	11,364
			<b>165,419</b>			<b>162,083</b>

Notes:

- (a) Certain of the Group's bank loans are secured by:
- (i) legal charges over certain of the Group's land use rights, classified as prepaid land lease payments, and certain leasehold land and buildings and plant and machinery, which had aggregate carrying values at the end of the reporting period of approximately HK\$27,280,000 (2008: HK\$27,957,000) and HK\$109,963,000 (2008: HK\$121,009,000), respectively.
  - (ii) a personal guarantee of HK\$6,818,000 (2008: HK\$6,818,000) given to a bank by a senior executive of the Group; and
  - (iii) a corporate guarantee of HK\$5,682,000 (2008: HK\$5,682,000) given to a bank by an independent third party.
- (b) Fixed interest rate bank loans of HK\$97,669,000 (2008: HK\$103,409,000) and the loan from a related company of HK\$11,364,000 (2008: HK\$11,364,000), 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\$90,851,000 (2008: HK\$96,591,000) in Mainland China which were borrowed by a PRC subsidiary of the Group and secured by certain property, plant and equipment and prepaid land lease payments of certain PRC subsidiaries and have no recourse to the Group other than those PRC subsidiaries.

The carrying amounts of the Group's interest-bearing bank and other 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*

	<b>Accelerated tax depreciation HK\$'000</b>	<b>Revaluation of properties HK\$'000</b>	<b>Total HK\$'000</b>
At 1 January 2008	2,649	563	3,212
Reversed upon disposal credited to equity during the year	—	(127)	(127)
Effect of change in tax rate on opening deferred tax balances credited to equity during the year	—	(24)	(24)
Effect of change in tax rate on opening deferred tax balances credited to the income statement during the year (note 10)	(151)	—	(151)
Credited to the income statement during the year (note 10)	(259)	—	(259)
At 31 December 2008 and 1 January 2009	2,239	412	2,651
Credited to the income statement during the year (note 10)	<b>(382)</b>	<b>—</b>	<b>(382)</b>
At 31 December 2009	<b>1,857</b>	<b>412</b>	<b>2,269</b>

## Notes to Financial Statements

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### 25. DEFERRED TAX (Continued)

#### Deferred tax assets

##### Group

	<b>Losses available for offsetting against future taxable profit HK\$'000</b>
At 1 January 2008	4,733
Effect of change in tax rate on opening deferred tax balances charged to the income statement during the year (note 10)	(269)
Charged to the income statement during the year (note 10)	(1,448)
At 31 December 2008 and 1 January 2009	3,016
Charged to the income statement during the year (note 10)	<b>(983)</b>
At 31 December 2009	<b>2,033</b>

At 31 December 2009, the Group had tax losses of HK\$28,819,000 (2008: HK\$30,857,000) arising in Hong Kong that were available indefinitely for offsetting against future taxable profits of the relevant companies. The Group also had tax losses of HK\$31,241,000 (2008: HK\$33,855,000) arising in Mainland China for offsetting against future taxable profit of the relevant companies in one to five years. Tax losses of HK\$14,681,000 (2008: HK\$18,279,000) arising in Hong Kong have been recognised as deferred tax assets on the expected future profit streams. Deferred tax assets in respect of the tax losses of HK\$14,138,000 (2008: HK\$12,578,000) and HK\$31,241,000 (2008: HK\$33,855,000) arising in Hong Kong and Mainland China respectively have not been recognised as they arose 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.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5% or 10%. The Group is therefore liable to withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

At 31 December 2009, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. At 31 December 2009, there was no significant unrecognised deferred tax liability (2008: Nil) for taxes that would be payable on the unremitted earnings of the Group's subsidiaries, associates or jointly-controlled entities.

**25. DEFERRED TAX (Continued)****Deferred tax assets (continued)**

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

The Company's deferred tax assets of approximately HK\$5,000 (2008: HK\$3,000) have been recognised in respect of tax losses of HK\$28,000 (2008: HK\$17,000) on the expected future profit streams. Deferred tax assets of HK\$2,000 (2008: HK\$3,000) were credited to the income statement during the year.

**26. SHARE CAPITAL**

	2009 HK\$'000	2008 HK\$'000
Authorised:		
800,000,000 (2008: 800,000,000) ordinary shares of HK\$0.10 each	80,000	80,000
Issued and fully paid:		
510,949,072 (2008: 493,306,988) ordinary shares of HK\$0.10 each	51,095	49,331

A summary of the movements in the Company's authorised and issued ordinary share capital during the year is set out below:

	Notes	Number of ordinary shares	Nominal value of ordinary shares HK\$'000
Authorised:			
At 1 January 2008		3,800,000	380
Increase during the year	(a)	796,200,000	79,620
At 31 December 2008 and 31 December 2009		800,000,000	80,000

## Notes to Financial Statements

31 December 2009

### 26. SHARE CAPITAL (Continued)

Notes	Number of shares in issue	Issued capital HK\$'000	Share premium account HK\$'000	Total HK\$'000
Issued:				
	1	—	—	—
At 1 January 2008				
Repurchase of shares (b)	(1)	—	—	—
Issue of shares (c)	435,887,212	43,589	—	43,589
Issue of shares upon exercise of warrants (d)	57,419,776	5,742	8,613	14,355
At 31 December 2008 and 1 January 2009	493,306,988	49,331	8,613	57,944
Issue of shares upon exercise of warrants (e), (f)	17,642,084	1,764	2,644	4,408
Share issue expenses	—	—	(173)	(173)
At 31 December 2009	510,949,072	51,095	11,084	62,179

Notes:

- (a) Pursuant to an ordinary resolution passed on 12 March 2008, the authorised share capital of the Company was increased from HK\$380,000 to HK\$80,000,000 by the creation of an additional 796,200,000 ordinary shares of HK\$0.10 each, ranking pari passu in all respects with the existing share capital of the Company.
- (b) The Company repurchased its only one ordinary share of HK\$0.10 on 25 April 2008. The repurchase price was paid out of capital of the Company in cash.
- (c) On 25 April 2008, pursuant to a reorganisation (the "Reorganisation"), Hop Hing Holdings Limited ("HHHL"), the then ultimate holding company of its subsidiaries, became a wholly-owned subsidiary of the Company. The Company became the new holding company of the Group, comprising the Company, HHHL and its subsidiaries. Details of the Reorganisation were set out in HHHL's scheme document dated 14 March 2008. All the 435,887,212 ordinary shares of HHHL outstanding as at 25 April 2008 were cancelled and extinguished and the issued share capital of HHHL was reduced accordingly. HHHL then allotted and issued 1,000 new ordinary shares of HK\$0.10 each, credited as fully paid, to the Company.

In consideration of the cancellation and extinguishment of the 435,887,212 ordinary shares of HHHL outstanding as at 25 April 2008, the holders of these ordinary shares received ordinary shares of the Company issued and credited as fully paid, on the basis of one ordinary share of the Company for every one ordinary share of HHHL then held.

- (d) During the year ended 31 December 2008, 57,419,776 ordinary shares of HK\$0.10 each were issued for cash at a subscription price of HK\$0.25 per share, pursuant to the exercise of the Company's then warrants for a total cash consideration, before expenses, of approximately HK\$14,355,000.
- (e) During the year ended 31 December 2009, 17,579,748 ordinary shares of HK\$0.10 each were issued for cash at a subscription price of HK\$0.25 per share, pursuant to the exercise of the Company's then warrants for a total cash consideration, before expenses, of approximately HK\$4,395,000.
- (f) During the year ended 31 December 2009, 62,336 ordinary shares of HK\$0.10 each were issued for cash at a subscription price of HK\$0.20 per share, pursuant to the exercise of the Company's warrants for a total cash consideration, before expenses, of approximately HK\$13,000.



## 26. SHARE CAPITAL (Continued)

### Share options

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

### Warrants

During the year ended 31 December 2008, on 11 April 2008, 25,920 ordinary shares of HK\$0.10 each were issued for cash at a subscription price of HK\$0.25 per share, pursuant to the exercise of HHHL's warrants for a total cash consideration, before expenses, of approximately HK\$7,000. All the remaining outstanding warrants of 81,595,250 were cancelled on 25 April 2008 and the warrant holders of HHHL received one warrant of the Company for every one warrant of HHHL then held.

During the year ended 31 December 2008, 57,419,776 ordinary shares of HK\$0.10 each were issued for cash at a subscription price of HK\$0.25 per share, pursuant to the exercise of the Company's then warrants for a total cash consideration, before expenses, of approximately HK\$14,355,000.

During the year ended 31 December 2009, 17,579,748 ordinary shares of HK\$0.10 each were issued for cash at a subscription price of HK\$0.25 per share, pursuant to the exercise of the Company's then warrants for a total cash consideration, before expenses, of approximately HK\$4,395,000.

All the Company's then warrants which remained outstanding as at 30 April 2009 were expired on that day. For details, please refer to the Company's announcement dated 27 March 2009.

During the year, a bonus issue of warrants was made in the proportion of one warrant for every five shares held by the shareholders on the register of shareholders of the Company on 3 June 2009, resulting in 102,177,347 warrants being issued. Each warrant entitles the holder thereof to subscribe for one ordinary share of HK\$0.10 at a subscription price of HK\$0.20 per share, payable in cash and subject to adjustment, from the date of issue to 31 May 2013.

During the year, 62,336 warrants were exercised for 62,336 ordinary shares of HK\$0.10 each at a price of HK\$0.20 per share. At the end of the reporting period, the Company had 102,115,011 warrants outstanding. The exercise in full of such warrants would, under the capital structure of the Company, result in the issue of 102,115,011 additional ordinary shares of HK\$0.10 each.

## 27. SHARE OPTIONS

### (a) Share Option Scheme of HHHL

The purpose of the share option scheme adopted by HHHL on 25 June 2004 (the "2004 Share Option Scheme") was to provide incentives and rewards to the participants and to enhance their contribution to the success of the Group's operations. The participants of the 2004 Share Option Scheme include any full-time employee and any director of the Group, and any person approved by the shareholders of HHHL. The 2004 Share Option Scheme became effective on 25 June 2004 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum aggregate number of shares of HK\$0.10 each in HHHL which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2004 Share Option Scheme and any other schemes of HHHL must not exceed in aggregate 10% of the shares in issue from time to time (the "Overall 2004 Scheme Limit"). No options might be granted under any scheme of HHHL if such grant would result in the Overall 2004 Scheme Limit being exceeded.

## 27. SHARE OPTIONS (Continued)

### (a) Share Option Scheme of HHHL (continued)

The total number of shares which might be issued upon exercise of all options to be granted under the 2004 Share Option Scheme and any other schemes of HHHL must not in aggregate exceed 10% of the shares in issue as at the date of approval of this scheme (the "2004 Scheme Mandate Limit"). Options lapsed in accordance with the terms of the 2004 Share Option Scheme should not be counted for the purpose of calculating the 2004 Scheme Mandate Limit.

Subject to the Overall 2004 Scheme Limit, HHHL might seek approval from its shareholders in a general meeting for refreshing the 2004 Scheme Mandate Limit. However, the total number of shares which might 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 HHHL of the refreshing of the 2004 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 HHHL in issue.

The period within which the options might be exercised in accordance with the terms of the 2004 Share Option Scheme, should: (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 commenced.

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 the 2004 Share Option Scheme should not be less than whichever was 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 was 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 was made; and (iii) the nominal value of the shares of HHHL.

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

From 1 January 2008 to 7 April 2008, no share options under the 2004 Share Option Scheme was granted. On 7 April 2008, the shareholders of HHHL approved the termination of the 2004 Share Option Scheme. Upon termination of the 2004 Share Option Scheme, no further share options can be granted thereunder.

## 27. SHARE OPTIONS (Continued)

### (b) Share Option Scheme of the Company

On 12 March 2008, the Company adopted a share option scheme (the "Share Option Scheme") which became effective on 25 April 2008.

The main purpose of the Share Option Scheme is to attract, retain and reward the participants and to provide the participants with a performance incentive for continued and improved services with the Group. The participants of the Share Option Scheme include any full-time employee and any director of the Group, and any person approved by the board of directors or shareholders of the Company. The Share Option Scheme became effective on 25 April 2008 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum aggregate number of shares of HK\$0.10 each in the Company which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option 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 the Share Option Scheme and any other scheme must not in aggregate exceed 10% of the shares in issue as at the effective date of the Share Option Scheme (the "Scheme Mandate Limit"). Options lapsed in accordance with the terms of the Share Option 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 the Share Option 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 the Share Option Scheme shall not be less than the higher 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; and (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.

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### 27. SHARE OPTIONS (Continued)

#### (b) Share Option Scheme of the Company (continued)

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

The following share options under the Share Option Scheme of the Company were granted during the year and outstanding as at 31 December 2009:

Name or category of participant	Number of share options					Exercise period	Price of Company's shares			
	At 1 January 2009	Granted during the year	Exercised during the year	At 31 December 2009	Date of grant (Note 2)		Exercise price (Note 3)	At date of grant (Note 4)	Immediately before the exercise date	At date of exercise
							HK\$ per share	HK\$ per share	HK\$ per share	HK\$ per share
<b>Directors</b>										
Hung Hak Hip, Peter	–	4,928,000	–	4,928,000	27 April 2009	27 April 2010 to 26 April 2019	0.35	0.35	N/A	N/A
Wong Yu Hong, Philip	–	2,464,000	–	2,464,000	27 April 2009	27 April 2010 to 26 April 2019	0.35	0.35	N/A	N/A
Sze Tsai To, Robert	–	2,464,000	–	2,464,000	27 April 2009	27 April 2010 to 26 April 2019	0.35	0.35	N/A	N/A
Cheung Wing Yui, Edward	–	2,464,000	–	2,464,000	27 April 2009	27 April 2010 to 26 April 2019	0.35	0.35	N/A	N/A
Seto Gin Chung, John	–	2,464,000	–	2,464,000	27 April 2009	27 April 2010 to 26 April 2019	0.35	0.35	N/A	N/A
Shek Lai Him, Abraham	–	2,464,000	–	2,464,000	27 April 2009	27 April 2010 to 26 April 2019	0.35	0.35	N/A	N/A
Hung Chiu Yee	–	2,464,000	–	2,464,000	27 April 2009	27 April 2010 to 26 April 2019	0.35	0.35	N/A	N/A
Lee Pak Wing	–	2,464,000	–	2,464,000	27 April 2009	27 April 2010 to 26 April 2019	0.35	0.35	N/A	N/A
Wong Kwok Ying	–	4,928,000	–	4,928,000	27 April 2009	Commencement subject to Note 1 below and up to 26 April 2019	0.35	0.35	N/A	N/A
Lam Fung Ming, Tammy	–	2,464,000	–	2,464,000	27 April 2009	Commencement subject to Note 1 below and up to 26 April 2019	0.35	0.35	N/A	N/A
	–	29,568,000	–	29,568,000						
<b>Employees</b>	–	4,500,000	–	4,500,000	27 April 2009	Commencement subject to Note 1 below and up to 26 April 2019	0.35	0.35	N/A	N/A
	–	34,068,000	–	34,068,000						

## 27. SHARE OPTIONS (Continued)

### (b) Share Option Scheme of the Company (continued)

Notes to the table of share options granted during the year and outstanding as at 31 December 2009:

- (1) Subject to certain performance targets being met by the participants, the participants may, at any time as may be prescribed by the Board at its discretion, be notified (the "Date of Notification") of the vesting of the share options and the number of shares comprised in vested share options. Thereafter, the participants shall have the right to exercise the vested share options within the exercise period from the Date of Notification to 26 April 2019 in accordance with the terms of their grant.
- (2) Subject to note (1) above, the share options are subject to vesting periods which run from the date of grant to the commencement of the exercise period.
- (3) The exercise price of the share options is subject to adjustments.
- (4) 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.

The fair value of the share options granted during the year is HK\$6,718,000 (HK\$0.197 each) which is recognised in the income statement over the relevant vesting periods. Accordingly, share option expense of HK\$4,040,000 was recognised during the year ended 31 December 2009.

The fair value of share options granted during the year was estimated by the management as at the date of grant using the binomial option pricing model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

	2009
Dividend yield (%)	—
Employee exit rate (%)	—
Expected volatility (%)	71.96
Historical volatility (%)	71.96
Risk-free interest rate (%)	2.16
Suboptimal exercise factor	2.81

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may not necessarily be the actual outcome.

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

As at 31 December 2009, the Company had 34,068,000 share options outstanding under the Share Option Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 34,068,000 additional ordinary shares of the Company and additional share capital of HK\$3,406,800 and share premium of HK\$8,517,000 (before issue expenses).

No options were exercised during the year.

## Notes to Financial Statements

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### 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 27 of the financial statements.

#### (b) Company

	Share premium account HK\$'000	Share option reserve HK\$'000	Contributed surplus HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 January 2008	—	—	—	(247)	(247)
Loss and total comprehensive expense for the year	—	—	—	(129)	(129)
Arising from the Reorganisation	—	—	388,224	—	388,224
Issue of shares upon exercise of warrants (note 26)	8,613	—	—	—	8,613
At 31 December 2008 and 1 January 2009	8,613	—	388,224	(376)	396,461
Loss and total comprehensive expense for the year	—	—	—	(5,384)	(5,384)
Issue of shares upon exercise of warrants (note 26)	2,644	—	—	—	2,644
Share issue expenses	(173)	—	—	—	(173)
Equity-settled share option arrangements (note 27)	—	4,040	—	—	4,040
At 31 December 2009	11,084	4,040	388,224	(5,760)	397,588

The contributed surplus represents the difference between the nominal value of shares of HK\$0.10 each of the Company which were allotted under the Reorganisation and the consolidated shareholders' equity of HHHL and its subsidiaries as at 25 April 2008, the date on which the Reorganisation became effective.

The share option reserve comprises the fair value of share options granted which are yet to be exercised, as 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 retained profits should the related options expire or be forfeited.

As at 31 December 2009, the net amount of reserves distributable to shareholders of the Company amounted to HK\$393,548,000 (2008: HK\$396,461,000).

## 29. OPERATING LEASE ARRANGEMENTS

The Group rents certain of its office under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to three years.

At the end of the reporting period, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	<b>Group</b>	
	<b>2009</b> <b>HK\$'000</b>	2008 HK\$'000
Within one year	<b>7,082</b>	3,148
In the second to fifth years, inclusive	<b>9,024</b>	137
	<b>16,106</b>	3,285

The Company had no significant operating lease arrangements at the end of the reporting period (2008: Nil).

## 30. COMMITMENTS

At the end of the reporting period, the Group had the following commitments for capital expenditure:

	<b>Group</b>	
	<b>2009</b> <b>HK\$'000</b>	2008 HK\$'000
Property, plant and equipment:		
Contracted, but not provided for	<b>1,254</b>	—
Authorised, but not contracted for	<b>768</b>	22

The Company had no significant capital commitments at the end of the reporting period (2008: Nil).

## Notes to Financial Statements

31 December 2009

### 31. CONTINGENT LIABILITIES

#### Group

At the end of the reporting period, the contingent liabilities of the Group in respect of guarantees (the "Guarantee") given to a bank to secure a banking facility to a third party amounted to HK\$11,364,000 (2008: HK\$11,364,000).

#### Company

At the end of the reporting period, the contingent liabilities of the Company in respect of guarantees given to a bank to secure banking facilities utilised by subsidiaries amounted to HK\$3,651,000 (2008: HK\$348,000).

### 32. 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	2009 HK\$'000	2008 HK\$'000
Transactions with jointly-controlled entities*:			
Sales of goods	(i)	48,397	90,609
Purchases of goods/services	(ii)	67	72
Production and oil refinement income	(iii)	42,718	38,709
Royalty income	(iv)	12,431	14,377
Property rental income	(v)	361	361
Management fee income	(vi)	4,640	4,640
Transactions with companies associated with the controlling shareholder of the Company and/or a non-executive director of the Company:			
Sales of goods	(i)	5,467	7,961
Rental expenses	(vii)	3,284	3,738
Interest expenses	(viii)	686	584
Transactions with a company in which a director of the Company has an indirect interest:			
Management fee expense	(ix)	—	660

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



## 32. RELATED PARTY TRANSACTIONS (Continued)

(a) (continued)

Notes:

- (i) The sales of goods were on normal commercial terms in the ordinary and usual course of business of the Group.
- (ii) The purchases of goods/services were at prices comparable to those offered by other unrelated suppliers/providers of the Group.
- (iii) The production and oil refinement income was based on agreements entered into with a jointly-controlled entity after an arm's length negotiation and was at rates comparable to those offered to other unrelated customers of the Group.
- (iv) Pursuant to trademark licence agreements entered into between the Group and certain 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 its jointly-controlled entities within Hong Kong and Macau.
- (v) The property rental income related to subletting of certain properties. The property rental income was charged by reference to open market rental and was subject to review on a regular basis.
- (vi) The management fee income was based on the cost incurred for providing such services.
- (vii) The rental expenses were paid by reference to open market rental and were subject to the terms of the relevant tenancies.
- (viii) The interest expenses represented payment of interest on loans from related companies at the prevailing market rates.
- (ix) The management fee expense in 2008 represented the payment for services provided by a director of the Company and his staff through a company in which the director had an indirect interest.

The transactions with companies associated with the controlling shareholders of the Company and/or a non-executive director of the Company as set out above constituted continuing connected transactions as defined in Chapter 14A of the Listing Rules. Further details of the continuing connected transactions that are subject to the reporting requirement under the Listing Rules are included in the report of the directors under the heading of "Continuing Connected Transactions".

- (b) On 16 April 2010, Grand Synergy Investments Limited, a company incorporated in the British Virgin Islands and associated with a non-executive director of the Company, executed an indemnity deed (the "Indemnity") in favour of the Company for the purpose of indemnifying the Company against any loss or liability which the Company may incur in relation to the Guarantee (note 31), up to a maximum amount of RMB10,000,000 (equivalent to approximately HK\$11,363,636). Details of the Indemnity are set out in the Company's announcement dated 16 April 2010.

### 32. RELATED PARTY TRANSACTIONS (Continued)

- (c) Outstanding balances with related parties:
- (i) Details of the Group's trade balances with its jointly-controlled entities as at the end of the reporting period 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.
  - (iii) Details of the Group's loan from a related party as at the end of the reporting period are disclosed in note 24 to the financial statements.
- (d) Compensation of key management personnel of the Group:

	2009 HK\$'000	2008 HK\$'000
Short-term employee benefits	3,313	3,233
Post-employment benefits	216	211
Equity-settled share option expense	508	—
<b>Total compensation paid to key management personnel</b>	<b>4,037</b>	<b>3,444</b>

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

### 33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank and other loans, and cash and short-term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as accounts receivable, and accounts and bills payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The Group is also subject to commodity price risk. The board of directors reviews and agrees policies for managing each of these risks, which 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 needs arise.

### 33. 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 foreign currency risk is considered not material and the Group therefore 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. Concentrations of credit risk are managed by customer/counterparty and by geographical region. There are no significant concentrations of credit risk within the Group as the customer bases of the Group's accounts receivable are widely diversified to a number of customers.

Further quantitative data in respect of the Group's exposure to credit risk arising from accounts receivable are disclosed in note 20 to the financial statements.

#### Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g. accounts receivable) and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank and other loans to meet its working capital and capital expenditure requirements.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, was less than one year.

#### Commodity price risk

The major raw materials used in the production of the Group's products include crude edible oils. The Group is exposed to fluctuations in the prices of these raw materials which are subject to global as well as regional supply and demand and other factors. Fluctuations in the prices of raw materials could adversely affect the Group's financial performance. The Group did not enter into any commodity derivative instruments to hedge the potential commodity price changes during the years ended 31 December 2009 and 2008.

### 33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

#### Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2009 and 2008.

The Group monitors capital using a gearing ratio, which is expressed as a percentage of interest-bearing bank and other loans over equity attributable to equity holders of the Company. The gearing ratios as at the end of the reporting periods were as follows:

#### Group

	<b>2009</b>	2008
	<b>HK\$'000</b>	HK\$'000
Interest-bearing bank and other loans	<b>165,419</b>	162,083
Equity attributable to equity holders of the Company	<b>471,053</b>	449,990
Gearing ratio	<b>35%</b>	36%

### 34. COMPARATIVE AMOUNTS

As further explained in note 2.2 to the financial statements, due to the adoption of new and revised HKFRSs during the current year, the presentation of certain balances in the financial statements have been revised to comply with the current year's presentation. Accordingly, certain comparative amounts have been revised to conform with the current year's presentation.

Foreign exchange differences, net and gain on disposal of items of property, plant and equipment, net which were included in general and administrative expenses; and bank interest income which was included in finance costs, net on the face of the consolidated income statement for the year ended 31 December 2008 have been reclassified as "other income and gains, net" to conform with the current year's presentation. The directors are in the opinion that such presentation would give a fairer presentation of the operation of the Group.

### 35. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 23 April 2010.

## 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				
	2009 HK\$'000	2008 HK\$'000	2007 HK\$'000	2006 HK\$'000	2005 HK\$'000
<b>RESULTS</b>					
Turnover	861,057	1,013,020	851,325	672,792	677,425
Profit from operating activities	27,692	33,443	11,471	13,214	3,235
Finance costs	(9,718)	(13,111)	(11,599)	(9,742)	(11,143)
Share of losses of associates	(23)	(182)	—	—	—
Profit/(loss) before tax	17,951	20,150	(128)	3,472	(7,908)
Income tax expense	(3,435)	(4,275)	(2,797)	(9,895)	(2,077)
Profit/(loss) for the year	14,516	15,875	(2,925)	(6,423)	(9,985)
Attributable to:					
Equity holders of the Company	12,784	14,698	177	(6,764)	(9,730)
Minority interests	1,732	1,177	(3,102)	341	(255)
	14,516	15,875	(2,925)	(6,423)	(9,985)
<b>As at 31 December</b>					
	2009 HK\$'000	2008 HK\$'000	2007 HK\$'000	2006 HK\$'000	2005 HK\$'000
<b>ASSETS</b>					
Property, plant and equipment	232,706	248,700	255,792	275,124	290,575
Prepaid land lease payments	26,784	27,462	26,695	26,302	15,802
Trademarks	124,162	123,968	123,718	123,423	122,944
Interests in associates	(1,381)	(1,607)	(1,425)	(1,425)	(1,425)
Deferred tax assets	2,033	3,016	4,733	5,047	6,271
Current assets	382,534	352,433	314,334	248,881	226,830
<b>TOTAL ASSETS</b>	<b>766,838</b>	<b>753,972</b>	<b>723,847</b>	<b>677,352</b>	<b>660,997</b>
<b>LIABILITIES</b>					
Current liabilities	284,068	290,114	296,446	159,052	228,804
Long-term portion of bank loans	—	—	—	98,000	8,000
Deferred tax liabilities	2,269	2,651	3,212	3,702	4,983
<b>TOTAL LIABILITIES</b>	<b>286,337</b>	<b>292,765</b>	<b>299,658</b>	<b>260,754</b>	<b>241,787</b>
<b>NET ASSETS</b>	<b>480,501</b>	<b>461,207</b>	<b>424,189</b>	<b>416,598</b>	<b>419,210</b>