# HOP HING HOLDINGS LIMITED

*(Incorporated in Bermuda with limited liability)*
**(Stock Code: 47)**

# ANNOUCEMENT OF 2005 RESULTS

## RESULTS

The board of directors (the "Board") of Hop Hing Holdings Limited (the "Company") announces the audited results of the Group for the year ended 31 December 2005 as follows:

### CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2005

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

## CONSOLIDATED BALANCE SHEET
As at 31 December 2005

| | *Notes* | **2005** | 2004 |
|---|---|---|---|
| | | ***HK$'000*** | *HK$'000* |
| | | | (Restated) |
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | | **290,575** | 376,175 |
| Investment property | | **–** | 58,400 |
| Prepaid land lease payments | | **15,802** | 16,029 |
| Trademarks | | **122,944** | 122,659 |
| Interests in associates | | **(1,425)** | (1,425) |
| Deferred tax assets | | **6,271** | 10,763 |
| **Total non-current assets** | | **434,167** | 582,601 |
| **Current assets** | | | |
| Stocks | | **83,415** | 95,148 |
| Accounts receivable | 7 | **81,226** | 71,552 |
| Prepayments, deposits and other receivables | | **36,411** | 37,135 |
| Pledged cash deposits | | **1,226** | 5,944 |
| Cash and cash equivalents | | **24,552** | 36,287 |
| **Total current assets** | | **226,830** | 246,066 |
| **Total assets** | | **660,997** | 828,667 |
| **EQUITY AND LIABILITIES** | | | |
| **Equity attributable to equity holders of the Company** | | | |
| Issued share capital | *10* | **41,709** | 40,925 |
| Reserves | | **365,808** | 368,660 |
| | | **407,517** | 409,585 |
| **Minority interests** | | **11,693** | 11,948 |
| **Total equity** | | **419,210** | 421,533 |
| **Non-current liabilities** | | | |
| Interest-bearing bank loans | *8* | **8,000** | 222,958 |
| Deferred tax liabilities | | **4,983** | 10,075 |
| **Total non-current liabilities** | | **12,983** | 233,033 |
| **Current liabilities** | | | |
| Accounts payable | *9* | **40,020** | 47,378 |
| Bills payable | | **4,099** | 11,463 |
| Other payables and accrued charges | | **35,032** | 43,342 |
| Interest-bearing bank loans | *8* | **148,463** | 69,279 |
| Tax payable | | **1,190** | 2,639 |
| **Total current liabilities** | | **228,804** | 174,101 |
| **Total liabilities** | | **241,787** | 407,134 |
| **Total equity and liabilities** | | **660,997** | 828,667 |

*NOTES*

## 1. IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

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

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

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

(a) HKAS 1 – Presentation of Financial Statements

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

(b) HKAS 17 – Leases

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

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

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

(c) HKAS 31 – Interests in Joint Ventures

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

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

(d) HKAS 40 – Investment Property

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

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

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

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

(e) HKFRS 2– Share-based Payment

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

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

The main impact of HKFRS 2 on the Group is the recognition of the cost of these transactions and a corresponding entry to equity for employee share options.

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

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

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

The following is a summary of effect of adopting the new HKFRSs on the consolidated financial statements:

(a) Effect on the consolidated income statement

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

(b) Effect on the consolidated balance sheet

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

## 2 TURNOVER AND SEGMENT INFORMATION

### TURNOVER

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

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

### SEGMENT INFORMATION

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

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

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

## 3 PROFIT FROM OPERATING ACTIVITIES

The Group's profit from operating activities is arrived at after crediting:

| | 2005 | 2004 |
|---|---|---|
| | *HK$'000* | *HK$'000* (Restated) |
| Rental income | 2,395 | 6,309 |
| Less: Outgoings | (671) | (2,355) |
| Net rental income | 1,724 | 3,954 |
| Foreign exchange gain/(loss), net | 1,168 | (17) |
| Gain on disposal of subsidiaries | 452 | – |

| | | |
|---|---|---|
| and after charging: | | |
| Cost of stocks sold | **502,587** | 526,630 |
| Loss/(gain) on disposal of items of property, plant and equipment, net | **110** | (113) |
| Employee benefits expenses (including directors' emoluments): | | |
| Wages and salaries | **40,159** | 42,789 |
| Equity-settled share option expenses | **222** | – |
| Pension scheme contributions | **1,687** | 1,803 |
| Less: Unvested contributions forfeited * | **(256)** | (178) |
| | **1,431** | 1,625 |
| | **41,812** | 44,414 |
| Depreciation ** | **22,548** | 25,765 |
| Amortisation of prepaid land lease payments ** | **404** | 404 |
| Minimum lease payments under operating leases in respect of land and buildings | **4,394** | 1,047 |
| Auditors' remuneration | **1,147** | 1,148 |

*Note:*

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

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

## 4 FINANCE COSTS, NET

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

## 5 TAX

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

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

The Group received notices of assessment from the Inland Revenue Department in Hong Kong in respect of the Group's assessable profits arising from royalty income, which is under objection.

## 6 LOSS PER SHARE

(a) Basic loss per share

Basic loss per share is calculated based on the net loss attributable to equity holders of the Company of HK$9,730,000 (2004: HK$11,952,000), and the weighted average of 412,881,844 (2004: 409,199,822) shares in issue during the year.

(b) Diluted loss per share

Diluted loss per share for both years have not been presented as the share options and warrants outstanding during the years had anti-dilutive effects on the basic loss per share for these years.

## 7 ACCOUNTS RECEIVABLE

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

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

The Group's products are sold either on a cash on delivery basis or on open account basis ranging from 7 days to 70 days of credit.

## 8 INTEREST-BEARING BANK LOANS

| | Group | |
|---|---|---|
| | **2005** | 2004 |
| | ***HK$'000*** | *HK$'000* |
| | | (Restated) |
| **Current** | | |
| Bank loans – unsecured | **27,771** | 24,505 |
| Bank loans – secured | **120,692** | 44,774 |
| | **148,463** | 69,279 |
| **Non-current** | | |
| Bank loans – secured | **8,000** | 222,958 |
| | **156,463** | 292,237 |
| The bank loans are repayable: | | |
| Within one year or on demand | **148,463** | 69,279 |
| In the second year | **5,000** | 222,958 |
| In the third to fifth years, inclusive | **3,000** | – |
| | **156,463** | 292,237 |

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

## 9 ACCOUNTS PAYABLE

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

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

## 10 SHARE CAPITAL

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

## REVIEW OF OPERATIONS AND PROSPECTS

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

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

### Dividend

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

### Review of Operation

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

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

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

In April 2005, the Group disposed of certain of its subsidiaries whose major assets and liabilities were certain properties in Hong Kong and a syndicated bank loan. After the disposal, the Group's gearing ratio improved from 71.3% at the end of 2004 to 38.4% at the end of 2005 and net interest expenses for the year decreased by HK$4 million, or 26.9%, when compared to last year.

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

### Financial Review

*Equity*

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

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

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

*Liquidity and gearing*

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

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

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

*Remuneration policies and share option scheme*

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

*Segmented information*

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

*Contingent liabilities*

Group

(a) At the balance sheet date, 35 (2004: 33) employees had completed the required number of years of service under the Employment Ordinance to be eligible for long service payments on termination of their employment. The Group is only liable to make such payments where the termination meets the required circumstances specified in the Employment Ordinance. If the termination of all these employees met the circumstances required by the Employment Ordinance, the Group's liability at the balance sheet date would be approximately HK$439,000 (2004: HK$396,000). No provision has been made for this amount in the financial statements as it is not considered probable that there will be a significant outflow of resources in respect thereof.

(b) At the balance sheet date, the contingent liabilities in respect of guarantees given to banks to secure banking facilities utilised by the jointly-controlled entity of the Group amounted to HK$25,338,000 (2004: HK$21,697,000).

*Company*

At the balance sheet date, the contingent liabilities of the Company in respect of guarantees given to banks to secure banking facilities utilised by a subsidiary and the jointly-controlled entity amounted to HK$41,338,000 (2004: HK$174,697,000).

*Pledge of assets*

At the balance sheet date, land use right, classified as prepaid land lease payment, and certain leasehold land and buildings and certain plant and machinery of the Group with an aggregate carrying value of approximately HK$193,166,000 (2004: HK$294,047,000), and cash deposits of the Group of approximately HK$1,226,000 (2004: HK$5,944,000) were pledged to banks to secure banking facilities granted to the Group.

**Outlook**

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

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

## VOTE OF THANKS

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

## CORPORATE GOVERNANCE

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

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

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

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

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

## AUDIT COMMITTEE

The Company has an Audit Committee with terms of reference revised to align with the provisions of the Code on CG Practices as set out in Appendix 14 of the Listing Rules for the purpose of reviewing and providing supervision over the Group's financial reporting process and internal controls. The Group's annual results for the year ended 31 December 2005 have been reviewed by the audit committee of the Company.

## PURCHASE , SALE OR REDEMPTION OF OWN LISTED SECURITIES

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

## ANNUAL GENERAL MEETING

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

## CLOSURE OF REGISTER OF MEMBERS

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

Company in Bermuda, accompanied by the relevant share certificates, must be lodged with HSBC Institutional Trust Services (Asia) Limited, at 39th Floor, Dorset House, Taikoo Place, 979 King's Road, Hong Kong not later than 4:00 p.m. on 7 June 2006 for registration.

By Order of the Board
**Hung Hak Hip, Peter**
*Chairman*

Hong Kong, 24 April 2006

*As at the date hereof, the Executive Directors of the Company are Mr. Wong Kwok Ying and Ms. Lam Fung Ming, Tammy. The Non-executive Directors of the Company are Mr. Hung Hak Hip, Ms. Hung Chiu Yee and Mr. Lee Pak Wing. The Independent Non-executive Directors of the Company are Dr. Wong Yu Hong, Philip, Mr. Sze Tsai To, Robert and Mr. Cheung Wing Yui, Edward.*

Please also refer to the published version of this announcement in China Daily.