

Report of the Directors

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

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The subsidiaries of the Group are mainly engaged in the extraction, refining, blending, bottling, packaging and distribution of edible oils and ancillary activities. There were no significant changes in the nature of the Group's principal activities during the year.

RESULTS AND DIVIDENDS

The Group's loss for the year ended 31 December 2005 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 27 to 84.

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

SUMMARY FINANCIAL INFORMATION

A summary of the published results and of the assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the audited financial statements and restated/reclassified as appropriate, is set out on pages 85 and 86. This summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL, SHARE OPTIONS AND WARRANTS, AND RESERVES

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

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

BORROWINGS

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

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DIRECTORS

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

Hung Hak Hip, Peter* (*Chairman*)

Wong Yu Hong, Philip**

Sze Tsai To, Robert**

Cheung Wing Yui, Edward**

Hung Chiu Yee*

Lee Pak Wing*

Wong Kwok Ying

Lam Fung Ming, Tammy

Chan Sai On, David (resigned on 20 May 2005)

* *Non-executive directors*

** *Independent non-executive directors*

All directors, including the independent non-executive directors, are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provisions of the Company's Bye-laws. At the forthcoming annual general meeting, Mr. Hung Hak Hip, Peter, Mr. Lee Pak Wing and Mr. Wong Kwok Ying will retire and, being eligible, will offer themselves for re-election.

DIRECTORS' AND SENIOR EXECUTIVES' BIOGRAPHIES

(a) Non-executive directors

Hung Hak Hip, Peter, aged 61, Chairman, is a chartered accountant and worked in the Hong Kong securities industry before joining the Group in 1975. Mr. Hung is the brother of Ms. Hung Chiu Yee, a non-executive director of the Group. As disclosed under "Directors' and chief executive's interests and short positions in shares and underlying shares", an associate of Mr. Hung is a discretionary beneficiary of a discretionary trust which beneficially owns shares in the Company.

Dr The Hon Wong Yu Hong, Philip, JD, Ph D, aged 67, appointed a director of the Group in 1989, is a prominent businessman who serves on the board of a number of public organisations, including deputy of the National People's Congress, member of the People's Republic of China (the "PRC") Hong Kong SAR Legislative Council, Treasurer of the Chinese General Chamber of Commerce and board member of the Hong Kong Trade Development Council.

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DIRECTORS' AND SENIOR EXECUTIVES' BIOGRAPHIES (Continued)

(a) Non-executive directors (Continued)

Sze Tsai To, Robert, aged 65, appointed a director of the Group on 1 June 2000. Mr. Sze is a fellow of the Institute of Chartered Accountants in England and Wales and the Hong Kong Institute of Certified Public Accountants and was a partner in an international firm of accountants with which he practised for over 20 years. He is a non-executive director of a number of Hong Kong listed companies and is also a member of the Shanghai Committee of the Chinese People's Political Consultative Conference.

Cheung Wing Yui, Edward, aged 56, appointed a director of the Group in 1989, has been a partner of Woo, Kwan, Lee & Lo, solicitors, since 1981. Mr. Cheung is also a qualified solicitor in England and Singapore and a member of the Australian Society of Certified Practising Accountants.

Hung Chiu Yee, aged 65, appointed a director of the Group in 1988, holds a Bachelor of Science degree and was a former senior executive of the Group. She has business interests in cosmetics and trading. Ms. Hung is the sister of Mr. Hung Hak Hip, Peter.

Lee Pak Wing, aged 60, holds a Master of Science degree in production technology. He joined the Group in 1979 prior to which he was a systems manager with Tyco Industries Limited. He was formerly the Vice-chairman of the Group.

(b) Executive directors

Wong Kwok Ying, aged 46, is the Chief Financial Officer and Company Secretary of the Group and was appointed a director of the Company on 10 January 2000. Mr. Wong is a certified public accountant (practising) in Hong Kong and has over 20 years' experience in finance, accounting and audit. Prior to joining the Group in 1990, he worked with one of the international accounting firms in Hong Kong.

Lam Fung Ming, Tammy, aged 42, is the Chief Operating Officer of the Group and is responsible for the Group's sales activities, manufacturing, quality assurance and product development. She holds a Bachelor of Science degree in Food Science and Technology and a Higher Diploma in Chemical Technology from the Hong Kong Polytechnic University. She has over 15 years' experience in the oil and food industry. She joined the Group in 1990 and was appointed a director on 1 November 2004.

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DIRECTORS' AND SENIOR EXECUTIVES' BIOGRAPHIES (Continued)

(c) Senior executives

Lian Bai Xiang, aged 57, is the General Manager for the Group's PRC operations. He obtained a Diploma in Industrial Enterprise Management from the Shanghai University of Textile in 1987. He has held various managerial positions with PRC entities for over 20 years. He is also the general manager of a Sino-foreign equity joint venture of the Group. Mr. Lian joined the Group in 1993.

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

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

Chan Chi Lik, Tony, aged 40, is the Group's IT manager. He holds a bachelor degree with honors in Information System from the University of Staffordshire in UK and a degree of Chinese Law (LLB) from Tsinghua University in Beijing. He has over 15 years' experience in information services and the implementation of Enterprise Resources Planning Execution systems. Mr. Chan joined the Group in 2000.

DIRECTORS' INTERESTS IN CONTRACTS

Other than transactions disclosed under the heading "Connected Transactions and Continuing Connected Transactions", none of the directors had a significant interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

DIRECTORS' SERVICE CONTRACTS

None of the directors proposed for re-election at the forthcoming annual general meeting was a party to any service contract with the Company which is not determinable by the Company within one year without payment other than statutory compensation.

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

At 31 December 2005, the interests of the directors and chief executive in the share capital and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

Interests in ordinary shares of the Company

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

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

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

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

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

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

SHARE OPTION SCHEME

Details of the Company's share option scheme are disclosed in note 28 to the financial statements.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from as disclosed under the headings "Directors' and Chief Executive's Interests and Short Positions in Shares and Underlying Shares" above and in the share option scheme disclosures in note 28 to the financial statements, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company or their respective spouse or minor children to acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.

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

At 31 December 2005, the interests of those persons (other than the directors) holding 5% or more of the issued share capital, in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

Interests in ordinary shares of the Company

Name of holder	Notes	Number of ordinary shares held	Percentage of the Company's issued share capital
Hung's (1985) Limited ("Hung's")	(i)	117,136,083	28.1%
Hop Hing Oil (1985) Limited ("HHO")	(ii)	155,392,698	37.2%
GZ Trust Corporation ("GZTC")	(iii)	272,528,781	65.3%
Hung Cheung Pui	(iv)	272,528,781	65.3%

Notes:

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

Interests in warrants of the Company

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

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

Interests in warrants of the Company (Continued)

Notes:

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

Save as disclosed above, as at 31 December 2005, no person, other than the directors of the Company whose interests are set out in the section "Directors' and Chief Executive's Interests and Short Positions in Shares and Underlying Shares" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

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

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

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

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CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS (Continued)

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

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

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

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

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

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

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

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

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CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS (Continued)

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

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

DISCLOSURES PURSUANT TO RULES 13.22 OF THE LISTING RULES

Advances and Guarantees to an Affiliated Company

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

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

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

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

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

Advances and Guarantees to an Affiliated Company (Continued)

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

Balance Sheet of Evergreen Oils & Fats Limited^(*)

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

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

MAJOR CUSTOMERS AND SUPPLIERS

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

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MAJOR CUSTOMERS AND SUPPLIERS (Continued)

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

RETIREMENT BENEFITS SCHEMES

The Group operates defined contribution retirement benefits schemes, namely the Mandatory Provident Fund Scheme (the "MPF Scheme") and the scheme registered under the Occupational Retirement Scheme Ordinance which has been exempted under the MPF Schemes Ordinance (the "Exempted Scheme") for those employees who are eligible to participate. Contributions are made based on a percentage of the employees' salaries and are charged to the income statement as they become payable in accordance with the rules of the respective schemes. The assets of the respective schemes are held separately from those of the Group in independently administered funds. In accordance with the MPF Schemes Ordinance, when an employee leaves the Exempted Scheme prior to his/her interest in the employer contributions vesting fully, the ongoing contributions payable by the Group may be reduced by the relevant amount of forfeited contributions. For the MPF Scheme, the employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute 11% of its payroll costs to the central pension scheme.

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

PRE-EMPTIVE RIGHTS

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

PURCHASE, SALE OR REDEMPTION OF OWN LISTED SECURITIES

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

Report of the Directors

SUFFICIENCY OF PUBLIC FLOAT

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

AUDITORS

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

ON BEHALF OF THE BOARD

HUNG HAK HIP, PETER

Chairman

24 April 2006