HOP HING GROUP HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 47

ANNUAL REPORT 2008


駱駝嘜
CAMEL BRAND
特級食油
Cooking Oil
悠久信譽
淨容量 Net Volume 3公升 L
香港名牌
HONG KONG TOP BRAND
香港卓越名牌
HONG KONG PREMIER BRAND
獅球嘜
初榨橄欖芥花籽油
Extra Virgin Olive Oil with Canola Oil
100%
淨容量 Net Volume 3公升 L

Contents

Corporate Information

DIRECTORS

Hung Hak Hip, Peter* *(Chairman)*
Wong Yu Hong, Philip**
Sze Tsai To, Robert**
Cheung Wing Yui, Edward**
Seto Gin Chung, John**
Shek Lai Him, Abraham**
Hung Chiu Yee*
Lee Pak Wing*
Wong Kwok Ying
Lam Fung Ming, Tammy

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

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
46/F, 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

427

Chairman's Statement

REVIEW OF OPERATION AND PROSPECTS

For the year ended 31 December 2008, the profit attributable to equity holders was HK$14.7 million, as compared to HK$0.2 million for the year ended 31 December 2007.

The turnover of the Group exceeded HK$1 billion in 2008, representing an increase of 19% over that of 2007. The Group's earnings before interest, tax and depreciation and amortisation ("EBITDA") also increased by HK$19.7 million or 59% from HK$33.3 million for the year ended 31 December 2007 to HK$53 million for the year under review. The profit from operating activities for the year was HK$32.9 million which is three times of last year.

The basic earnings per share for the year was HK3.13 cents (2007: HK0.04 cent).

DIVIDEND AND PROPOSED BONUS ISSUE OF WARRANTS

No interim dividend was paid (2007: Nil) and the directors do not recommend the payment of any final dividend for the year under review (2007: Nil).

The Board has resolved to propose an issue of bonus warrants ("Bonus Warrants Issue") on the basis of one warrant for every five shares held by the shareholders whose names appear on the register of members of the Company on 3 June 2009 at an initial subscription price of HK$0.20 per share. Details of the Bonus Warrants Issue has been included in the Company's announcement dated 24 April 2009.

REVIEW OF OPERATION

2008 was an unusual and arduous year. The financial tsunami caused by the sub-prime mortgage crisis triggered an abrupt transition of the world economy from booming to recessionary and the market sentiment from optimistic to pessimistic. This imposed difficult market conditions on business concerns. The volatility of edible oil prices gave additional challenge to the edible oil market. After reaching record highs in the first half of the year, the international edible oil market prices experienced a drastic and deep dive in the second half of the year. Apart from facing with keen competition from competitors who tried to minimise losses brought about by price volatility by increasing their inventory turnover, credit control was an area of emphasis. Despite working against an unprecedented severe environment, the Group, with its efficient operation which had been strived for by the management in previous years, was able to report a profit of HK$14.7 million for the year under review, the first time since 2002. The Group's net current assets has also improved by 2.5 times from HK$17.9 million as at 31 December 2007 to HK$62.3 million as at the end of 2008.

The Hong Kong economy has unavoidably been adversely affected by the financial tsunami started off in the second half of 2008. In the down-turning economic environment, the catering segment was hard-hit as more people preferred home cooking to dining out. Our proven strategy of riding on the healthy trend fit in such change of dining habit well. The total sales of our healthy edible oil retail products, including Canola oil and Sunflower oil, recorded double-digit growth in the last four years. 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 two consecutive years from November 2006 to October 2008. The appropriate business strategy has enabled our Hong Kong edible oil segments to deliver an improved contribution to the Group in such a challenging year.

Chairman's Statement

REVIEW OF OPERATION (Continued)

In PRC, the Group continued its focus on the Southern China sales region. High volatility of raw material costs was the major challenge to our PRC segment in the year. Although our PRC edible oil business had an efficient operation and was able to keep its inventory level to a minimum, it unavoidably suffered from loss in the value of inventory resulting from the sudden reverse trend of edible oil market price in the second half of the year. During the year, our PRC segment also had to face with keen competition from her competitors who tried to minimise losses brought by price volatility by increasing their inventory turnover. Despite all these difficult conditions, our PRC edible oil segment continued to report a positive EBITDA in the year under review. A PRC subsidiary which has not been in operation for years disposed of its fixed assets and recorded a gain of HK$8.2 million in the year under review.

The scheme of arrangement to change the domicile of the ultimate holding company of the Group from Bermuda to the Cayman Islands was approved by the shareholders of Hop Hing Holdings Limited ("HHHL") on 7 April 2008 and sanctioned by the Supreme Court of Bermuda on 11 April 2008. The Company became the ultimate holding company of the Group on 25 April 2008 and its shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 29 April 2008.

As the Group did not intend to continue with the joint venture agreement (the "Joint Venture Agreement") in respect of Evergreen Oils & Fats Limited, a jointly-controlled entity of the Group, on its existing terms after 30 June 2009, HHHL, pursuant to the terms of the Joint Venture Agreement, served a notice of termination on Lam Soon Food Industries Limited ("Lam Soon") on 27 June 2008 to terminate the Joint Venture Agreement with effect from 1 July 2009. After lengthy discussion, an agreement was subsequently reached with Lam Soon to continue the joint venture until December 2023 unless terminated on 31 December 2013 or 31 December 2018 by either party giving notice in writing not less than twelve months but not more than twenty-four months prior to the date of termination. The notice of termination was withdrawn by HHHL, with the consent of Lam Soon, on 25 February 2009.

FINANCIAL REVIEW

As at 31 December 2008, the Group's Hong Kong bank borrowings were bank loans of HK$47.3 million. The Group's PRC bank borrowings were bank loans and bills payable totaling HK$132 million, of which approximately HK$96.6 million were secured by assets of certain PRC subsidiaries of the Group and have no recourse to other members of the Group. As at the balance sheet date, the Group's total bank loans amounting to HK$150.7 million (31 December 2007: HK$148 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 2008 was 36% (31 December 2007: 36%).

The net interest expense for the year was HK$12.6 million (2007: HK$11 million). Such increase was mainly attributable to the increase in interest-bearing bank and other loans during the year.

The Group's funding policy is to finance the business operations mainly 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.

Chairman's Statement

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$47 million (2007: HK$47 million). As at 31 December 2008, the Group had 428 full time and temporary employees (31 December 2007: 420).

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

CONTINGENT LIABILITIES

Details of the contingent liabilities are set out in note 32 to the financial statements.

PLEDGE OF ASSETS

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

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

Looking forward, the world economic conditions will remain severe and the extent of the adverse impact of the financial tsunami has yet to be seen. Volatility of edible oil costs and keen competition in an economic recession environment will be the major challenges that the Group has to meet with in the foreseeable future.

With the Group's proven business strategies and efficient operation, the management has confidence to face up with the challenges lying ahead. Apart from reinforcing the loyalty of our customers and providing them with healthy and quality products that meet their needs, the management will continue to explore opportunities to provide edible oil related services to our customers to improve our operational efficiency and to develop other edible oil related products. As the required group structure is now in place, the Directors will 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.

Chairman's Statement

CLOSURE OF REGISTER OF MEMBERS

The transfer books and register of members of the Company will be closed from 30 May 2009 to 3 June 2009, both days inclusive, during which period no transfer of shares of the Company will be effected. In order to qualify for attending the AGM and the proposed Bonus Warrants Issue, 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 29 May 2009 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

24 April 2009

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining a high standard of corporate governance practices and procedures. The Company and HHHL, a direct wholly-owned subsidiary of the Company, have adopted their codes on corporate governance (the "CG Codes") 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.

None of the directors of the Company is aware of any information that would reasonably indicate that the Company and HHHL did not meet the applicable code provisions set out in the CG Codes for any part of the financial year ended 31 December 2008 when their securities were listed on the Main Board of the Stock Exchange.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company and HHHL have 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 their codes of conduct of dealings in securities of the Company and HHHL by the directors respectively. The Model Code also applies to "relevant employees" as defined in the CG Codes.

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 and HHHL throughout the financial year ended 31 December 2008 when the securities of the Company and HHHL were listed on the Main Board of the Stock Exchange.

BOARD OF DIRECTORS

As at 31 December 2008, 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 relationships among themselves are set out under "Directors' Biographies" on pages 13 to 15 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.

Corporate Governance Report

BOARD OF DIRECTORS (Continued)

During the year, the Company held four full board meetings (including those with voting by communication) and there was a full board circulation. Individual attendance records for full board meetings of the Company are set out on page 11 of this Annual Report.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

The Chairman's principal responsibility is to ensure effective running of the Board, enabling 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 2008, 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 on 29 April 2008 with a particular responsibility to review the Company's remuneration policy for directors and members of the senior management. As at 31 December 2008, 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*, three 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.

The remuneration committee of the Company held two meetings and there was a full committee circulation in 2008. During the meeting, the remuneration committee reviewed the remuneration packages of all directors. Individual attendance records for the Company's remuneration committee meetings are set out on page 11 of this Annual Report.

Information relating to the remuneration of each director for 2008 is set out in note 8 to the financial statements.

Corporate Governance Report

NOMINATION OF DIRECTORS

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

AUDITORS' REMUNERATION

During 2008, the fees payable to Ernst & Young, the Company's external auditors, for the Group's audit services totalled to HK$1,393,000 (2007: HK$1,298,000). Ernst & Young has also provided the Group with non-audit services, including the review of interim financial report and services in relation to the redomicile proposal, at fees totalled to HK$630,000 (2007: HK$758,000).

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 2008, 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 2008, the audit committee reviewed with the management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters, including the review of the Group's audited accounts for the year ended 31 December 2007 and the interim financial report for the six months ended 30 June 2008. The Group's results for the year ended 31 December 2008 have also been reviewed by the audit committee of the Company.

The audit committees of the Group held two meetings and there were two full committee circulations in 2008. Individual attendance records for the Group's audit committee meetings are set out on page 11 of this Annual Report.

Corporate Governance 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 2008 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 2008 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.

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.hophing.com.

Corporate Governance Report

DIRECTORS'/COMMITTEE MEMBERS' ATTENDANCE IN 2008

Name of Director	Meetings attended/eligible to attend Full Board	Audit Committee (Note)	Remuneration Committee
Non-executive Directors			
Hung Hak Hip, Peter *(Chairman of the Board and the remuneration committee)*	4/4	2/2	2/2
Hung Chiu Yee	4/4	N/A	N/A
Lee Pak Wing	4/4	N/A	N/A
Independent Non-executive Directors			
Wong Yu Hong, Philip	4/4	N/A	N/A
Sze Tsai To, Robert *(Chairman of the audit committee)*	4/4	2/2	2/2
Cheung Wing Yui, Edward	3/4	2/2	0/2
Seto Gin Chung, John	4/4	2/2	N/A
Shek Lai Him, Abraham	2/4	N/A	1/2
Executive Directors			
Wong Kwok Ying	4/4	N/A	N/A
Lam Fung Ming, Tammy	4/4	N/A	N/A

Note: One of the audit committee meetings was held by HHHL on 24 April 2008 when HHHL's securities were listed on the Main Board of the Stock Exchange.

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 2008.

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, DIVIDENDS AND PROPOSED BONUS WARRANTS ISSUE

The Group's profits for the year ended 31 December 2008 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 24 to 77.

The directors do not recommend the payment of any dividend for the year, but propose the Bonus Warrants Issue on the basis of one warrant for every five shares held by the shareholders whose names appear on the register of members of the Company on 3 June 2009 at an initial subscription price of HK$0.20 per share. Details of the Bonus Warrants Issue has been included in the Company's announcement dated 24 April 2009.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and asset and liabilities of the Group for the last five financial years, as extracted from the audited financial statements, is set out on page 78. This summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL, SHARE OPTIONS, WARRANTS AND RESERVES

Details of movements in the Company's share capital, share options and warrants during the year, together with the reasons therefor, are set out in notes 26 and 27 to the financial statements. The movements in the reserves of the Company and the Group during the year are set out in note 28 to the financial statements and in the consolidated statement of changes in equity, respectively.

Details of the distributable reserves of the Company are set out in note 28(b) to the financial statements.

BORROWINGS

Particulars of the borrowings of the Group at the balance sheet date are set out in notes 23 and 24 to the financial statements.

Report of the Directors

DIRECTORS

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

Hung Hak Hip, Peter* *(Chairman)*
Wong Yu Hong, Philip**
Sze Tsai To, Robert**
Cheung Wing Yui, Edward**
Seto Gin Chung, John**
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. Sze Tsai To, Robert, Mr. Lee Pak Wing and Ms. Lam Fung Ming, Tammy retire and, being eligible, offer themselves for re-election.

DIRECTORS' BIOGRAPHIES

(a) Non-executive directors

Mr. Hung Hak Hip, Peter, aged 64, 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 discretionary trusts which beneficially own securities in the Company.

Dr. The Hon Wong Yu Hong, Philip, *GBS*, *JD*, *Ph D*, aged 70, appointed a director of the Group in 1989, is a prominent businessman who serves on the board of a number of public organisations, including member of the Legislative Council for the Hong Kong Special Administrative Region ("SAR"), Life Honorary Chairman of the Chinese General Chamber of Commerce and board member of the Hong Kong Trade Development Council. Dr. Wong received the Gold Bauhinia Star Award from the Hong Kong SAR Government in 2003 and the Courvoisier Awards for Business Excellency from the then Chief Justice of Hong Kong, Sir Denys Roberts, in 1986. He is currently the non-executive chairman of Qin Jia Yuan Media Services Company Limited and a non-executive director of Asia Financial Holdings Limited, both of which are Hong Kong listed companies. He is also an independent non-executive director of Elec & Eltek International Company Limited, securities of which are listed on Singapore Exchange Limited.

Report of the Directors

DIRECTORS' BIOGRAPHIES (Continued)

(a) Non-executive directors (continued)

Mr. Sze Tsai To, Robert, aged 68, 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 59, 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 60, 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 63, 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 Hong Kong SAR representing real estate and construction functional constituency since 2000. Currently, Mr. Shek is a member of the Council of The Hong Kong University of Science & Technology and member of the Court of The University of Hong Kong. He is also a 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 68, 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 63, 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.

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.

DIRECTORS' BIOGRAPHIES (Continued)

(b) Executive directors

Mr. Wong Kwok Ying, aged 49, 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.

Ms. Lam Fung Ming, Tammy, aged 45, 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.

Report of the Directors

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

As at 31 December 2008, the interests of the directors and chief executive in the shares and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, were as follows:

Interests in ordinary shares of the Company

	Number of shares held, capacity and nature of interest					
Name of director	Directly and beneficially owned	Through spouse or minor children	Through controlled corporation	Beneficiary of a trust	Total	Percentage of the Company's issued share capital
Hung Hak Hip, Peter	—	1,675,974	4,321,928	2,808,903*	8,806,805	1.8%
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	2,443,565	—	—	—	2,443,565	0.5%
Seto Gin Chung, John	417,373	—	—	—	417,373	0.1%
Shek Lai Him, Abraham	—	—	—	—	—	—
Hung Chiu Yee	2,460,238	—	—	—	2,460,238	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.

Interests in warrants of the Company

	Number of warrants held, capacity and nature of interest				
Name of director	Directly and beneficially owned	Through spouse or minor children	Through controlled corporation	Beneficiary of a trust	Total
Hung Hak Hip, Peter	—	—	—	—	—
Wong Yu Hong, Philip	—	—	—	—	—
Sze Tsai To, Robert	—	—	—	—	—
Cheung Wing Yui, Edward	79,600	—	—	—	79,600
Seto Gin Chung, John	—	—	—	—	—
Shek Lai Him, Abraham	—	—	—	—	—
Hung Chiu Yee	154,534	—	—	—	154,534
Lee Pak Wing	—	—	—	—	—
Wong Kwok Ying	—	—	—	—	—
Lam Fung Ming, Tammy	—	—	—	—	—

Save as disclosed above, as at 31 December 2008, 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.

Report of the Directors

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 2008, 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	28.5%
Hop Hing Oil (1985) Limited ("HHO")	(ii)	186,471,237	37.8%
GZ Trust Corporation ("GZTC")	(iii)	327,034,536	66.3%
Hung Cheung Pui	(iv)	327,034,536	66.3%
Lei Shing Hong Investment Limited		21,335,277	4.3%

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 units of certain unit trusts, of which Hung's and HHO are trustees. By virtue of the SFO, GZTC is deemed to be interested in the shares held by Hung's and HHO.

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

Report of the Directors

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

Interests in warrants of the Company

Name of holder	Number of warrants held
Lei Shing Hong Investment Limited	4,267,055

Save as disclosed above, as at 31 December 2008, the Company had not been notified of any persons other than the directors of the Company whose interests are set out in the section "Directors' and Chief Executive's Interests and Short Positions in Shares and Underlying Shares" above, who had interests or short positions in the shares or underlying shares of the Company, which are required to be recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

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 "Tenancy Agreements"), as the tenant, with Wytak Limited ("Wytak"), as the landlord, for renting certain 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 Tenancy Agreements to increase the monthly rental in accordance with the terms of the Tenancy Agreements.

The aggregate rent paid under the Tenancy Agreements by the Group for the year ended 31 December 2008 was approximately HK$3.7 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 the balance sheet date, 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 was the founder of two discretionary trusts, of which GZTC was the trustee. GZTC was a substantial shareholder of the Company ("Substantial Shareholder") and therefore Wytak was an associate of the Substantial Shareholder.

Details of the transaction contemplated by the Tenancy Agreements were set out in HHHL's announcement dated 8 May 2006.

Report of the Directors

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 the sale of various edible oil products manufactured by the Group to Shenzhen You Rong for the three financial years ending 31 December 2010.

The aggregate sales by Panyu Hop Hing to Shenzhen You Rong under the Sales Agreement in the year ended 31 December 2008 was approximately HK$8 million.

Shenzhen You Rong is a connected person of the Group. As at the balance sheet date, 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 were set out in HHHL's announcement dated 18 February 2008.

Listing Rules Implications

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

The independent non-executive directors have reviewed and confirmed that the continuing connected transactions arising from the Tenancy Agreements and the Sales Agreement during the year ended 31 December 2008 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 Tenancy Agreements and the Sales Agreement and confirmed that the transactions (i) had received the approval of the Board of HHHL; (ii) had been entered into in accordance with the Tenancy Agreements and the Sales Agreement governing the transactions; and (iii) had not exceeded the annual cap disclosed in the announcements of HHHL dated 8 May 2006 and 18 February 2008.

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

Report of the Directors

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 40.6% of the total purchases for the year with purchases from the largest supplier included therein amounted to 11.6%.

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 2008, the total scheme contributions made by the Group amounted to approximately HK$1,649,000 and forfeited contributions applied to reduce employer's contributions were approximately HK$17,000. As at 31 December 2008, 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.

Report of the Directors

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 and HHHL during the year.

SUFFICIENCY OF PUBLIC FLOAT

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

AUDITORS

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

ON BEHALF OF THE BOARD

HUNG HAK HIP, PETER
Chairman

24 April 2009

Independent Auditors' Report

ERNST & YOUNG
安 永

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 24 to 77, which comprise the consolidated and company balance sheets as at 31 December 2008, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. Our report is made solely to you, as a body, 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)

To the shareholders of Hop Hing Group Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

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 2008 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

24 April 2009

Consolidated Income Statement

Year ended 31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
TURNOVER	5	**1,013,020**	851,325
Direct cost of stocks sold and services provided		**(788,215)**	(650,421)
Other production and service costs (including depreciation and amortisation of HK$20,271,000 (2007: HK$22,442,000))		**(58,751)**	(57,826)
Selling and distribution costs		**(97,308)**	(82,864)
General and administrative expenses		**(35,836)**	(49,378)
PROFIT FROM OPERATING ACTIVITIES	6	**32,910**	10,836
Finance costs, net	7	**(12,578)**	(10,964)
Share of losses of associates		**(182)**	—
PROFIT/(LOSS) BEFORE TAX		**20,150**	(128)
Tax	10	**(4,275)**	(2,797)
PROFIT/(LOSS) FOR THE YEAR		**15,875**	(2,925)
ATTRIBUTABLE TO:			
Equity holders of the Company	11	**14,698**	177
Minority interests		**1,177**	(3,102)
		15,875	(2,925)
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	12		
Basic		**HK3.13 cents**	HK0.04 cent
Diluted		**HK2.97 cents**	HK0.04 cent

Consolidated Balance Sheet

31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**248,700**	255,792
Prepaid land lease payments	14	**27,462**	26,695
Trademarks	15	**123,968**	123,718
Interests in associates	17	**(1,607)**	(1,425)
Deferred tax assets	25	**3,016**	4,733
Total non-current assets		**401,539**	409,513
CURRENT ASSETS			
Stocks	19	**158,386**	139,351
Accounts receivable	20	**120,289**	109,082
Prepayments, deposits and other receivables		**19,139**	23,167
Tax recoverable		**1,816**	—
Pledged bank deposits	21	**10,466**	9,161
Cash and cash equivalents		**42,337**	33,573
Total current assets		**352,433**	314,334
CURRENT LIABILITIES			
Accounts payable	22	**54,954**	64,341
Bills payable	23	**28,636**	30,538
Other payables and accrued charges		**43,561**	53,094
Interest-bearing bank and other loans	24	**162,083**	147,968
Tax payable		**880**	505
Total current liabilities		**290,114**	296,446
NET CURRENT ASSETS		**62,319**	17,888
TOTAL ASSETS LESS CURRENT LIABILITIES		**463,858**	427,401
NON-CURRENT LIABILITIES			
Deferred tax liabilities	25	**2,651**	3,212
NET ASSETS		**461,207**	424,189

Consolidated Balance Sheet (Continued)

31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
EQUITY			
Equity attributable to equity holders of the Company			
Issued share capital	26	**49,331**	43,586
Reserves	28(a)	**400,659**	370,941
		449,990	414,527
Minority interests		**11,217**	9,662
Total equity		**461,207**	424,189

HUNG HAK HIP, PETER
CHAIRMAN

WONG KWOK YING
EXECUTIVE DIRECTOR AND CHIEF FINANCIAL OFFICER

Consolidated Statement of Changes in Equity

Year ended 31 December 2008

	Attributable to equity holders of the Company									
	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$'000	Total HK$'000	Minority interests HK$'000	Total equity HK$'000
At 1 January 2007	41,943	375,090	366	5,705	2,659	58,759	(80,312)	404,210	12,388	416,598
Exchange realignment	–	–	–	6,824	–	–	–	6,824	376	7,200
Total income and expense recognised directly in equity	–	–	–	6,824	–	–	–	6,824	376	7,200
Profit/(loss) for the year	–	–	–	–	–	–	177	177	(3,102)	(2,925)
Total income and expense for the year	–	–	–	6,824	–	–	177	7,001	(2,726)	4,275
Issue of shares	1,643	1,673	–	–	–	–	–	3,316	–	3,316
Transfer from share option reserve upon exercise of share options	–	366	(366)	–	–	–	–	–	–	–
At 31 December 2007 and 1 January 2008	43,586	377,129	–	12,529	2,659	58,759	(80,135)	414,527	9,662	424,189
Exchange realignment	**–**	**–**	**–**	**6,252**	**–**	**–**	**–**	**6,252**	**378**	**6,630**
Deferred tax reversed upon disposal (note 25)	**–**	**–**	**–**	**–**	**127**	**–**	**–**	**127**	**–**	**127**
Deferred tax credit resulting from a change in tax rate (note 25)	**–**	**–**	**–**	**–**	**24**	**–**	**–**	**24**	**–**	**24**
Transfer upon disposal	**–**	**–**	**–**	**–**	**(730)**	**(1,867)**	**2,597**	**–**	**–**	**–**
Total income and expense recognised directly in equity	**–**	**–**	**–**	**6,252**	**(579)**	**(1,867)**	**2,597**	**6,403**	**378**	**6,781**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**14,698**	**14,698**	**1,177**	**15,875**
Total income and expense for the year	**–**	**–**	**–**	**6,252**	**(579)**	**(1,867)**	**17,295**	**21,101**	**1,555**	**22,656**
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	**49,331**	**8,613**	**–**	**18,781**	**2,080**	**434,025**	**(62,840)**	**449,990**	**11,217**	**461,207**

* These reserve accounts comprise the reserves of HK$400,659,000 (2007: HK$370,941,000) in the consolidated balance sheet.

Consolidated Cash Flow Statement

Year ended 31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax		**20,150**	(128)
Adjustments for:			
Interest income	7	**(533)**	(635)
Interest expenses	7	**13,111**	11,599
Depreciation	6	**19,598**	21,749
Amortisation of prepaid land lease payments	6	**673**	693
Impairment of items of property, plant and equipment and prepaid land lease payments	6	**—**	9,371
Impairment of accounts receivable	6	**916**	1,902
Gain on disposal of items of property, plant and equipment and prepaid land lease payments, net	6	**(8,255)**	(803)
Share of losses of associates		**182**	—
		45,842	43,748
Increase in stocks		**(19,035)**	(37,495)
Increase in accounts receivable		**(12,123)**	(27,788)
Decrease in prepayments, deposits and other receivables	29	**4,300**	5,337
Increase/(decrease) in accounts payable		**(9,387)**	29,910
Increase/(decrease) in bills payable		**(1,902)**	8,773
Increase/(decrease) in other payables and accrued charges		**(9,533)**	10,996
Cash generated from/(used in) operations		**(1,838)**	33,481
Interest received		**533**	635
Hong Kong profits tax paid		**(2,481)**	(3,533)
Overseas tax paid		**(1,928)**	(298)
Net cash inflow/(outflow) from operating activities		**(5,714)**	30,285
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(4,201)**	(1,488)
Proceeds from disposal of items of property, plant and equipment and prepaid land lease payments		**10,792**	2,824
Increase in trademarks		**(250)**	(295)
Net cash inflow from investing activities		**6,341**	1,041

Consolidated Cash Flow Statement (Continued)

Year ended 31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid		**(13,111)**	(11,599)
Net drawing/(repayment) of bank and other loans		**8,191**	(7,088)
Increase in pledged bank deposits		**(1,305)**	(2,632)
Issue of shares, including share premium		**14,362**	3,316
Net cash inflow/(outflow) from financing activities		**8,137**	(18,003)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**8,764**	13,323
Cash and cash equivalents at 1 January		**33,573**	20,250
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		**42,337**	33,573
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		**42,337**	33,573

Balance Sheet

31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
NON-CURRENT ASSETS			
Interests in subsidiaries	16	**445,607**	—
Deferred tax assets	25	**3**	—
Total non-current assets		**445,610**	—
CURRENT ASSETS			
Prepayments		**208**	24
Cash and cash equivalents		**113**	—
Total current assets		**321**	24
CURRENT LIABILITIES			
Other payables and accrued charges		**139**	4
Due to a fellow subsidiary		**—**	267
Total current liabilities		**139**	271
NET CURRENT ASSETS/(LIABILITIES)		**182**	(247)
NET ASSETS/(LIABILITIES)		**445,792**	(247)
EQUITY/(DEFICIENCY IN ASSETS)			
Issued share capital	26	**49,331**	—
Reserves	28(b)	**396,461**	(247)
Total equity/(deficiency in assets)		**445,792**	(247)

HUNG HAK HIP, PETER
CHAIRMAN

WONG KWOK YING
EXECUTIVE DIRECTOR AND CHIEF FINANCIAL OFFICER

Notes to Financial Statements

31 December 2008

1. CORPORATE INFORMATION AND REORGANISATION

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.

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 have been set out in HHHL's scheme document dated 14 March 2008.

The listing status of HHHL was withdrawn on 28 April 2008 and the shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 29 April 2008.

2.1 BASIS OF PRESENTATION AND PREPARATION

The consolidated financial statements have been prepared based on the principles of merger accounting as if the Reorganisation had been completed as at the beginning of the year ended 31 December 2007. Under such accounting guideline, the Company's acquisition of the companies now comprising the Group on 25 April 2008 should be regarded as a business combination under common control as the Company and the companies now comprising the Group were all ultimately controlled by the same group of ultimate shareholders immediately before and after the Reorganisation. The comparative figures as at 31 December 2007 and for the year ended 31 December 2007 have been prepared on the same basis.

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 (the "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.

Notes to Financial Statements

31 December 2008

2.1 BASIS OF PRESENTATION AND PREPARATION (Continued)

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 2008. Apart from the Reorganisation, 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 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

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

HKAS 39 and HKFRS 7 Amendments	Amendments to HKAS 39 *Financial Instruments: Recognition and Measurement* and HKFRS 7 *Financial Instruments: Disclosures — Reclassification of Financial Assets*
HK(IFRIC) — Int 11	HKFRS 2 – *Group and Treasury Share Transactions*
HK(IFRIC) — Int 12	*Service Concession Arrangements*
HK(IFRIC) — Int 14	HKAS 19 – *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*

The adoption of these new interpretations and amendments 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.

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

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

HKFRS 1 and HKAS 27 Amendments	Amendments to HKFRS 1 *First-time Adoption of HKFRSs* and HKAS 27 *Consolidated and Separate Financial Statements — Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*[1]
HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards[3]
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment — Vesting Conditions and Cancellations*[1]
HKFRS 3 (Revised)	Business Combinations[3]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures — Improving Disclosures about Financial Instruments*[1]
HKFRS 8	*Operating Segments*[1]
HKAS 1 (Revised)	*Presentation of Financial Statements*[1]
HKAS 23 (Revised)	*Borrowing Costs*[1]
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements*[3]
HKAS 32 and HKAS 1 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation* and HKAS 1 *Presentation of Financial Statements — Puttable Financial Instruments and Obligations Arising on Liquidation*[1]
HKAS 39 Amendment	Amendment to HKAS 39 *Financial Instruments: Recognition and Measurement — Eligible Hedged Items*[3]
HK(IFRIC) — Int 9 and HKAS 39 Amendments	Amendments to HK(IFRIC) – Int 9 *Reassessment of Embedded Derivatives* and HKAS 39 *Financial Instruments: Recognition and Measurement – Embedded Derivatives*[2]
HK(IFRIC) — Int 13	*Customer Loyalty Programmes*[4]
HK(IFRIC) — Int 15	*Agreements for the Construction of Real Estate*[1]
HK(IFRIC) — Int 16	*Hedges of a Net Investment in a Foreign Operation*[5]
HK(IFRIC) — Int 17	*Distributions of Non-cash Assets to Owners*[3]
HK(IFRIC) — Int 18	*Transfers of Assets from Customers*[3]

Apart from the above, the HKICPA has issued Improvements to HKFRSs* which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. Except for the amendment to HKFRS 5 which is effective for annual periods beginning on or after 1 July 2009, other amendments are effective for annual periods beginning on or after 1 January 2009 although there are separate transitional provisions for each standard.

1 Effective for annual periods beginning on or after 1 January 2009
2 Effective for annual periods ending on or after 30 June 2009
3 Effective for annual periods beginning on or after 1 July 2009
4 Effective for annual periods beginning on or after 1 July 2008
5 Effective for annual periods beginning on or after 1 October 2008
* Improvements to HKFRSs contain amendments to HKFRS 5, HKFRS 7, HKAS 1, HKAS 8, HKAS 10, HKAS 16, HKAS 18, HKAS 19, HKAS 20, HKAS 23, HKAS 27, HKAS 28, HKAS 29, HKAS 31, HKAS 34, HKAS 36, HKAS 38, HKAS 39, HKAS 40 and HKAS 41.

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

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, it has concluded that while the adoption of HKFRS 7 Amendments, HKFRS 8 and HKAS 1 (Revised) may result in new or amended disclosures and the adoption of HKFRS 3 (Revised) and HKAS 27 (Revised) may result in changes in accounting policies, 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 and losses from the joint venture's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

A joint venture is treated as:

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Jointly-controlled entities

A jointly-controlled entity is a joint venture that is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly-controlled entity.

The Group's interests in its jointly-controlled entities are accounted for by proportionate consolidation, which involves recognising its share of the jointly-controlled entities' assets, liabilities, income and expenses with similar items in the consolidated financial statements on a line-by-line basis. 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 balance sheet 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, expect 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 balance sheet 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 on the consolidated balance sheet.

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 each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such 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 it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

The transitional provision set out in paragraph 80A of HKAS 16 *Property, Plant and Equipment* issued by 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 balance sheet date.

Notes to Financial Statements

31 December 2008

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 balance sheet date.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the year the asset is derecognised is the difference between the net 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

When financial assets are recognised initially, they are measured at fair value plus directly attributable transaction costs. The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at the balance sheet date.

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

Loans and receivables

Loans and receivables including accounts receivable, pledged bank deposits, cash and cash equivalents are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are subsequently carried at amortised cost using the effective interest method less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Impairment of financial assets

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

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through the use of an allowance account. The amount of the impairment loss is recognised in the income statement. 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 impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets (continued)

Assets carried at amortised cost (continued)

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

Derecognition of financial assets

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

Income tax

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

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

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with interests in subsidiaries, associates and joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income tax (continued)

- in respect of deductible temporary differences associated with interests in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

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

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 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Employee benefits

Share-based payment transactions

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

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted.

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

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

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

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

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

The Group has adopted the transitional provisions of HKFRS 2 in respect of equity-settled awards and has applied HKFRS 2 only to equity-settled awards granted after 7 November 2002 that had not vested by 1 January 2005 and to those granted on or after 1 January 2005.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Employee benefits (continued)

Paid leave carried forward

The Group provides paid annual leave to its employees under their employment contracts on a calendar year basis. Under certain circumstances, such leave which remains untaken as at the balance sheet date is permitted to be carried forward and utilised by the respective employees in the following year. An accrual is made at the balance sheet date for the expected future cost of such paid leave earned during the year by the employees and carried forward.

Retirement benefits schemes

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

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of its payroll costs to the central pension scheme. The contributions are charged to the income statement as they become payable in accordance with the rules of the central pension scheme.

Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short-term highly liquid investments 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 balance sheets, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the balance sheet date of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the income statement.

Foreign currencies

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

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

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

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 reporting date. 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 judgment 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 2008 was HK$3,016,000 (2007: HK$4,733,000). The amounts of unrecognised tax losses arising in Hong Kong and Mainland China at 31 December 2008 were HK$30,857,000 (2007: HK$43,602,000) and HK$33,855,000 (2007: HK$44,452,000), respectively. Further details are contained in note 25 to the financial statements.

4. SEGMENT INFORMATION

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

Segment information is presented below in respect of the Group's geographical areas, which is regarded as the secondary segment. In determining the Group's geographical segments, revenues 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	
	2008	2007	**2008**	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment revenue:						
Revenue from external customers	**572,492**	461,009	**440,528**	390,316	**1,013,020**	851,325
Other segment information:						
Segment assets	**397,870**	365,067	**352,877**	355,472	**750,747**	720,539
Unallocated assets					**4,832**	4,733
					755,579	725,272
Capital expenditure incurred during the year	**3,314**	956	**1,137**	827	**4,451**	1,783

5. TURNOVER

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

	2008 HK$'000	2007 HK$'000
Sale of goods and services	**1,005,638**	844,956
Royalties	**7,188**	5,784
Rental and other income	**194**	585
	1,013,020	851,325

6. PROFIT FROM OPERATING ACTIVITIES

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

	Notes	2008 HK$'000	2007 HK$'000
Net rental income		**(191)**	(537)
Foreign exchange gains, net		**(2,293)**	(2,124)
Direct cost of stocks sold and services provided		**788,215**	650,421
Gain on disposal of items of property, plant and equipment and prepaid land lease payments, net*		**(8,255)**	(803)
Employee benefit expenses (including directors' emoluments in note 8):			
Wages and salaries		**45,530**	45,815
Pension scheme contributions		**1,649**	1,629
Less: Unvested contributions forfeited**		**(17)**	(6)
		1,632	1,623
		47,162	47,438
Depreciation***	13	**19,598**	21,749
Amortisation of prepaid land lease payments***	14	**673**	693
Minimum lease payments under operating leases in respect of land and buildings		**7,883**	7,247
Auditors' remuneration		**1,393**	1,298
Impairment of items of property, plant and equipment and prepaid land lease payments*	13,14	**–**	9,371
Impairment of accounts receivable*	20	**916**	1,902

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6. PROFIT FROM OPERATING ACTIVITIES (Continued)

Notes:

* Gain on disposal of items of property, plant and equipment and prepaid land lease payments and impairment of items of property, plant and equipment and prepaid land lease payments and accounts receivable are included in “General and administrative expenses” on the face of the consolidated income statement.

** At 31 December 2008, the Group had no forfeited contributions available to reduce its future contributions to the Exempted Scheme (2007: Nil).

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

7. FINANCE COSTS, NET

	Group	
	2008	2007
	HK$’000	HK$’000
Interest on bank and other loans wholly repayable within five years	**13,111**	11,599
Less: Bank interest income	**(533)**	(635)
	12,578	10,964

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:

(a) Independent non-executive directors

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

	2008	2007
	HK$’000	HK$’000
Sze Tsai To, Robert	**275**	250
Wong Yu Hong, Philip	**220**	200
Cheung Wing Yui, Edward	**220**	200
Seto Gin Chung, John	**220**	200
Shek Lai Him, Abraham	**220**	200
	1,155	1,050

8. DIRECTORS' EMOLUMENTS (Continued)

(b) Executive directors and non-executive directors

	2008				
	Fees HK$'000	**Salaries, allowances and benefits in kind HK$'000**	**Discretionary/ performance related bonuses HK$'000**	**Pension scheme contributions HK$'000**	**Total remuneration HK$'000**
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**

	2007				
	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary/ performance related bonuses HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
Executive directors:					
Wong Kwok Ying	–	1,500	200	120	1,820
Lam Fung Ming, Tammy	–	975	100	78	1,153
	–	2,475	300	198	2,973
Non-executive directors:					
Hung Hak Hip, Peter	300	660*	–	–	960
Hung Chiu Yee	30	–	–	–	30
Lee Pak Wing	30	–	–	–	30
	360	660	–	–	1,020

* 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.

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9. SENIOR EXECUTIVES' EMOLUMENTS

The aggregate emoluments of the five highest paid employees, including three (2007: three) directors whose emoluments are set out in note 8 above, for the year are as follows:

	Group	
	2008	2007
	HK$'000	HK$'000
Salaries, allowances and other emoluments	**5,234**	4,698
Discretionary/performance related bonuses	**854**	518
Pension scheme contributions	**217**	224
	6,305	5,440

The above emoluments are analysed as follows:

	Number of employees	
	2008	2007
Nil to HK$1,000,000	**3**	3
HK$1,000,001 to HK$1,500,000	**1**	1
HK$1,500,001 to HK$2,000,000	**—**	1
HK$2,000,001 to HK$2,500,000	**1**	—
	5	5

10. TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2007: 17.5%) on the estimated assessable profits arising in Hong Kong during the year. The lower Hong Kong profits tax rate has been effective from the year of assessment 2008/2009, and so is applicable to the assessable profits arising in Hong Kong for the whole year ended 31 December 2008. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	2008 **HK$'000**	2007 HK$'000
Group:		
Current — Hong Kong		
Charge for the year	**2,774**	2,424
Under/(over)provision in prior years	**(44)**	62
	2,730	2,486
Current — elsewhere		
Charge for the year	**259**	494
Overprovision in prior years	**(21)**	(7)
	238	487
Deferred tax (note 25)	**1,307**	(176)
Total tax charge for the year	**4,275**	2,797

Note: Pursuant to the PRC Corporate Income Tax Law (the "New 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%.

10. TAX (Continued)

A reconciliation of the tax expense applicable to profit/(loss) before tax using 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:

	Group	
	2008	2007
	HK$'000	HK$'000
Profit/(loss) before tax	**20,150**	(128)
Tax at the applicable tax rate	**3,325**	(22)
Effect of different tax rates in other jurisdictions	**(1,084)**	(1,041)
Effect of change in tax rate on opening deferred tax balances	**118**	—
Income not subject to tax	**(1,500)**	(423)
Expenses not deductible for tax	**1,541**	2,630
Tax losses not recognised	**3,468**	2,550
Under/(over)provision in respect of prior years, net	**(65)**	55
Utilisation of previously unrecognised tax losses	**(1,208)**	(1,118)
Others	**(320)**	166
Tax charge at the Group's effective rate	**4,275**	2,797

11. PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The consolidated profit attributable to equity holders of the Company for the year ended 31 December 2008 includes a loss of HK$129,000 (2007: HK$247,000) 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$14,698,000 (2007: HK$177,000), and the weighted average number of 469,928,119 (2007: 426,947,933) ordinary shares in issue during the year, being the shares that would have been in issue throughout the year if the Reorganisation as set out in note 1 had became effective on 1 January 2007.

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the consolidated profit for the year attributable to equity holders of the Company of HK$14,698,000 (2007: HK$177,000) and the weighted average number of 494,711,755 (2007: 471,596,295) ordinary shares in issue after adjusting for the effect of all dilutive potential ordinary shares of 24,783,636 (2007: 44,648,362) shares for the year ended 31 December 2008 calculated as follows:

	2008	2007
	HK$'000	HK$'000
Consolidated profit attributable to equity holders of the Company	**14,698**	177

	Number of shares	
	2008	2007
Weighted average number of ordinary shares in calculating diluted earnings per share:		
Weighted average number of ordinary shares for the purpose of the basic earnings per share calculation	**469,928,119**	426,947,933
Effect of dilution:		
Warrants	**24,783,636**	44,648,362
	494,711,755	471,596,295

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13. PROPERTY, PLANT AND EQUIPMENT

Group

	Leasehold land and buildings HK$'000	Barges, vehicles, leasehold improvements, machinery and equipment HK$'000	Total HK$'000
31 December 2008			
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**

	Leasehold land and buildings HK$'000	Barges, vehicles, leasehold improvements, machinery and equipment HK$'000	Total HK$'000
31 December 2007			
Cost or valuation:			
At 1 January 2007	243,918	348,918	592,836
Additions	82	1,406	1,488
Disposals	(2,080)	(2,500)	(4,580)
Exchange realignment	8,928	11,497	20,425
At 31 December 2007	250,848	359,321	610,169
Accumulated depreciation and impairment:			
At 1 January 2007	94,831	222,881	317,712
Provided during the year	5,275	16,474	21,749
Disposals	(134)	(2,425)	(2,559)
Impairment	2,004	6,750	8,754
Exchange realignment	2,151	6,570	8,721
At 31 December 2007	104,127	250,250	354,377
Net book value:			
At 31 December 2007	146,721	109,071	255,792

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13. PROPERTY, PLANT AND EQUIPMENT (Continued)

Group (continued)

As a result of the continuing operating losses incurred by certain subsidiaries, an impairment loss of HK$8,754,000 on the related leasehold land and buildings and plant and machinery was made and charged to the consolidated income statement for the year ended 31 December 2007. The impairment loss was determined by the management with reference to the net recoverable amount of these leasehold land and buildings and plant and machinery based on their fair values less costs to sell at the balance sheet date.

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
31 December 2008				
Long-term leases	**–**	**–**	**4,133**	**4,133**
Medium-term leases	**9,509**	**3,278**	**130,580**	**143,367**
	9,509	**3,278**	**134,713**	**147,500**
31 December 2007				
Long-term leases	–	–	4,228	4,228
Medium-term leases	9,751	3,411	129,331	142,493
	9,751	3,411	133,559	146,721

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$145,656,000 (2007: HK$144,749,000).

At 31 December 2008, certain leasehold land and buildings and certain plant and machinery of the Group with an aggregate carrying value of approximately HK$121,009,000 (2007: HK$126,525,000) were pledged to secure general banking facilities granted to the Group (note 24(a)).

14. PREPAID LAND LEASE PAYMENTS

	Group	
	2008	2007
	HK$'000	HK$'000
Carrying amount at 1 January	**27,109**	26,716
Amortised during the year	**(673)**	(693)
Impairment	**–**	(617)
Exchange realignment	**1,712**	1,703
Carrying amount at 31 December	**28,148**	27,109
Current portion included in prepayments, deposits and other receivables	**(686)**	(414)
Non-current portion	**27,462**	26,695

Prepaid land lease payments represent payments for land use rights held under medium-term leases in Mainland China. At 31 December 2008, certain of these land use rights of HK$27,957,000 (2007: HK$26,913,000) were pledged to secure general banking facilities granted to the Group (note 24(a)).

15. TRADEMARKS

	Group	
	2008	2007
	HK$'000	HK$'000
Cost:		
At 1 January	**123,718**	123,423
Additions	**250**	295
At 31 December	**123,968**	123,718

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 market value of the trademarks exceeded the carrying value as at 31 December 2008. Based on that, the directors considered that no impairment provision is necessary.

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16. INTERESTS IN SUBSIDIARIES

	Company	
	2008	2007
	HK$'000	HK$'000
Unlisted shares, at cost	**431,813**	—
Amounts due from subsidiaries	**13,794**	—
	445,607	—

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

The subsidiaries as defined under note 2.4 and have been consolidated into the Group's financial statements as if the Reorganisation as mentioned in note 1 had became effective on 1 January 2007.

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

Name	Place of incorporation/ registration and operations	Nominal value of issued/registered and fully paid share capital	Percentage of equity attributable to the Company	Principal activities
Hop Hing Holdings Limited	Bermuda	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	Investment holding
Hop Hing International Limited	British Virgin Islands	US$1,000	100	Investment holding
Hop Hing Oil Factory Limited	Hong Kong	HK$24,000,010	100	Bottling, packaging and distribution of edible oils
Hop Hing Oil (Holdings) Limited	Hong Kong	HK$88,241,505	100	Investment holding
Hop Hing Oil Investment Limited	Hong Kong	HK$1,000,010	100	Bottling, packaging and distribution of edible oils
Hop Hing Oil Procurement Limited	Hong Kong	HK$2	100	Procurement of edible oils
Hop Hing Oil Refinery Limited	Hong Kong	HK$10,000,000	100	Edible oils refinery

16. INTERESTS IN SUBSIDIARIES (Continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued/registered and fully paid share capital	Percentage of equity attributable to the Company	Principal activities
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.

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.

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17. INTERESTS IN ASSOCIATES

	Group 2008 HK$'000	2007 HK$'000
Share of net assets	**24,464**	24,646
Due to associates	**(26,071)**	(26,071)
	(1,607)	(1,425)

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

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

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

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

	2008 HK$'000	2007 HK$'000
Assets	**48,928**	49,301
Liabilities	**(1)**	(9)
Revenues	**—**	—
Loss	**(365)**	—

18. INTERESTS IN JOINTLY-CONTROLLED ENTITIES

Particulars of the jointly-controlled entities at the balance sheet date were as follows:

Name	Particulars of issued shares held	Place of incorporation/ operations	Percentage of Ownership interest	Percentage of Voting power	Percentage of Profit sharing	Principal activities
Evergreen Oils & Fats Limited	Ordinary shares of HK$1 each	Cayman Islands/ Hong Kong	50	50	50	Trading and distribution of edible oils, fats and shortenings
Hop Hing Oils and Fats Limited	Ordinary shares of HK$1 each	Hong Kong	50	50	50	Trading and distribution of edible oils, fats and shortenings
Lam Soon Oils and Fats Limited	Ordinary shares of HK$1 each	Hong Kong	50	50	50	Trading and distribution of edible oils, fats and shortenings
Landex Investments Limited	Ordinary shares of HK$1 each	Hong Kong	50	50	50	Property holding
Evergreen Oils & Fats (Macau) Limited	Ordinary shares of 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 tables illustrate the summarised financial information of the Group's jointly-controlled entities:

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

	2008 HK$'000	2007 HK$'000
Current assets	**159,753**	137,365
Non-current assets	**7,741**	8,440
Current liabilities	**(102,177)**	(83,805)
Non-current liabilities	**(497)**	(590)
Net assets	**64,820**	61,410

18. INTERESTS IN JOINTLY-CONTROLLED ENTITIES (Continued)

Share of the jointly-controlled entities' results:

	2008	2007
	HK$'000	HK$'000
Turnover	**413,778**	333,400
Costs and expenses	**(409,876)**	(329,515)
Profit before tax	**3,902**	3,885
Tax	**(492)**	(586)
Profit after tax	**3,410**	3,299

19. STOCKS

	Group	
	2008	2007
	HK$'000	HK$'000
Finished goods	**26,227**	28,966
Work in progress	**101**	155
Raw materials	**132,058**	110,230
	158,386	139,351

At the balance sheet date, certain stocks with an aggregate carrying value of approximately HK$36,661,000 (2007: HK$30,285,000) were pledged to secure certain banking facilities granted to the Group which had not been utilised as at 31 December 2008.

20. ACCOUNTS RECEIVABLE

	Group	
	2008	2007
	HK$'000	HK$'000
Accounts receivable	**134,819**	122,984
Impairment	**(14,530)**	(13,902)
	120,289	109,082

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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 large 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 balance sheet date, based on payment due dates and net of provisions, is as follows:

	Group	
	2008	2007
	HK$'000	HK$'000
Current (neither past due nor impaired)	**95,029**	87,475
Within 60 days past due	**16,513**	18,541
Over 60 days past due	**8,747**	3,066
	120,289	109,082

Certain of the above accounts receivable as at 31 December 2008 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 balance sheet (note 24).

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

	Group	
	2008	2007
	HK$'000	HK$'000
At 1 January	**13,902**	12,000
Impairment losses recognised	**916**	1,902
Uncollectible amounts written off	**(288)**	—
At 31 December	**14,530**	13,902

The above impairment of accounts receivable is a provision for individually impaired accounts receivable. The individually impaired accounts receivable relate 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.

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

20. ACCOUNTS RECEIVABLE (Continued)

Receivables that were past due but not impaired relate to a number of independent customers that have 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 their 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$16,452,000 (2007: HK$8,844,000) 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.

At 31 December 2008, accounts receivable of approximately HK$36,184,000 (2007: HK$22,863,000) were pledged to secure certain banking facilities granted to the Group which had not been utilised as at 31 December 2008.

21. PLEDGED BANK DEPOSITS

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

22. ACCOUNTS PAYABLE

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

	Group	
	2008	2007
	HK$'000	HK$'000
Current and less than 60 days	**43,376**	63,147
Over 60 days	**11,578**	1,194
	54,954	64,341

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

Included in the Group's accounts payable are amounts of HK$14,363,000 (2007: HK$6,077,000) due to certain companies associated with another venturer of the Group's jointly-controlled entities which are payable on credit terms comparable to those offered by other unrelated suppliers of the Group.

23. BILLS PAYABLE

Certain bills payable are secured by bank deposits of HK$10,466,000 (2007: HK$9,161,000) of the Group (note 21).

24. INTEREST-BEARING BANK AND OTHER LOANS

Group

	2008			2007		
	Effective interest rate per annum %	**Maturity**	**HK$'000**	Effective interest rate per annum %	Maturity	HK$'000
Current (repayable within one year or on demand)						
Bank loans — unsecured	**4.3**	**2009**	**39,134**	5.3	2008	48,193
Bank loans on factored accounts receivable — unsecured (note 20)	**1.4**	**2009**	**13,858**	—	—	—
Bank loans — secured	**6.9**	**2009**	**97,727**	7.2	2008	99,775
Loan from a related company — unsecured	**7.2**	**2009**	**11,364**	—	—	—
			162,083			147,968

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 balance sheet date of approximately HK$27,957,000 (2007: HK$26,913,000) and HK$121,009,000 (2007: HK$126,525,000), respectively.

(ii) a personal guarantee of HK$6,818,000 (2007: HK$6,408,000) given to a bank by a senior executive of the Group; and

(iii) a corporate guarantee of HK$5,682,000 (2007: HK$5,340,000) given to a bank by independent third parties.

Certain of the Group's bank loans as at 31 December 2007 were secured by, in addition to the securities above, floating charges over certain of the Group's stocks and accounts receivable of HK$30,285,000 and HK$22,863,000, respectively.

24. INTEREST-BEARING BANK AND OTHER LOANS (Continued)

Notes: (continued)

(b) Fixed interest rate bank loans of HK$103,409,000 (2007: HK$100,513,000) and the loan from a related company of HK$11,364,000 (2007: Nil), 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$96,591,000 (2007: HK$93,358,000) in Mainland China which were borrowed by a PRC subsidiary of the Group and secured on certain property, plant and equipment and prepaid land lease payments of certain PRC subsidiaries and have no recourse to other members of the Group.

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

	Accelerated tax depreciation HK$'000	Revaluation of properties HK$'000	Total HK$'000
At 1 January 2007	3,139	563	3,702
Credited to the income statement during the year (note 10)	(490)	—	(490)
At 31 December 2007 and 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	**2,239**	**412**	**2,651**

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31 December 2008

25. DEFERRED TAX (Continued)

Deferred tax assets

Group

	Losses available for offsetting against future taxable profit HK$'000
At 1 January 2007	5,047
Charged to the income statement during the year (note 10)	(314)
At 31 December 2007 and 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	**3,016**

25. DEFERRED TAX (Continued)

The Group's deferred tax assets have been recognised in respect of tax losses of HK$18,279,000 (2007: HK$27,046,000) on the expected future profit streams.

The Group has tax losses arising in Hong Kong of HK$30,857,000 (2007: HK$43,602,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. The Group also has tax losses arising in Mainland China of HK$33,855,000 (2007: HK$44,452,000) that will expire in one to five years for offsetting against future taxable profit. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

Pursuant to the New 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 China and jurisdiction of the foreign investors. The Group is therefore liable to withholding taxes at 5% or 10% on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

At 31 December 2008, no deferred tax has been recognised for withholding taxes that would be payable upon remittance of the retained earnings 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. As at 31 December 2008, there was also no significant unrecognised deferred tax liability (2007: Nil) for taxes that would be payable upon remittance of the retained earnings of the Group's associates or jointly-controlled entities.

The Company's deferred tax assets of approximately HK$3,000 have been recognised in respect of tax losses of HK$17,000 (2007: Nil) on the expected future profit streams and were credited to the income statement during the year.

26. SHARE CAPITAL

	2008 HK$'000	2007 HK$'000
Authorised:		
800,000,000 (2007: 3,800,000) ordinary shares of HK$0.10 each	**80,000**	380
Issued and fully paid:		
493,306,988 (2007: 1) ordinary shares of HK$0.10 each	**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:			
Upon incorporation and at 31 December 2007	(a)	3,800,000	380
Increase during the year	(c)	796,200,000	79,620
At 31 December 2008		800,000,000	80,000

	Notes	Number of shares in issue	Issued capital HK$'000	Share premium account HK$'000	Total HK$'000
Issued:					
Upon incorporation and at 31 December 2007	(b)	1	—	—	—
Repurchase of shares	(d)	(1)	—	—	—
Issue of shares	(e)	435,887,212	43,589	—	43,589
Issue of shares upon exercise of warrants	(f)	57,419,776	5,742	8,613	14,355
At 31 December 2008		493,306,988	49,331	8,613	57,944

26. SHARE CAPITAL (Continued)

Notes:

(a) On incorporation, the authorised share capital of the Company was HK$380,000 divided into 3,800,000 shares of HK$0.10 each.

(b) On incorporation, one share of HK$0.10 was allotted and issued for cash.

(c) 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.

(d) 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.

(e) On 25 April 2008, pursuant to the Reorganisation, 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.

(f) 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 warrants, for a total cash consideration, before expenses, of approximately HK$14,355,000.

Share options

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

Warrants

At 31 December 2007, HHHL had 81,621,170 outstanding warrants. 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 81,595,250 outstanding warrants were cancelled on 25 April 2008 and the warrant holders thereof received one warrant of the Company for every one warrant then held.

At the balance sheet date, the Company had 24,175,474 warrants outstanding. The exercise in full of such warrants would, under the capital structure of the Company as at 31 December 2008, result in the issue of 24,175,474 new ordinary shares of HK$0.10 each.

All warrants which remain outstanding as at 30 April 2009 will expire on that day. For details, please refer to the Company's announcement dated 27 March 2009.

The Board has resolved to propose an issue of bonus warrants ("Bonus Warrants Issue") on the basis of one warrant for every five shares held by the shareholders whose names appear on the register of members of the Company on 3 June 2009 at an initial subscription price of HK$0.20 per share. Details of the Bonus Warrants Issue has been included in the Company's announcement dated 24 April 2009.

27. SHARE OPTIONS

(a) 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.

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

27. SHARE OPTIONS (Continued)

(a) Share Option Scheme of the Company (continued)

During the period from the effective date of the Share Option Scheme to 31 December 2008, no share option was granted.

(b) 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.

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.

27. SHARE OPTIONS (Continued)

(b) Share Option Scheme of HHHL (continued)

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

From 1 January 2007 to 7 April 2008, no share options under the 2004 Share Option Scheme was granted. As at 31 December 2007, there were no outstanding share options under the 2004 Share Option Scheme. 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.

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	Contributed surplus	Accumulated losses	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Upon incorporation	—	—	—	—
Loss for the period	—	—	(247)	(247)
At 31 December 2007 and 1 January 2008	—	—	(247)	(247)
Arising from the Reorganisation	**—**	**388,224**	**—**	**388,224**
Issue of shares upon exercise of warrants (note 26)	**8,613**	**—**	**—**	**8,613**
Loss for the year	**—**	**—**	**(129)**	**(129)**
At 31 December 2008	**8,613**	**388,224**	**(376)**	**396,461**

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 as set out in note 1 and the consolidated shareholders' equity of HHHL and its subsidiaries as at 25 April 2008, the date on which the Reorganisation became effective.

As at 31 December 2008, the net amount of reserves distributable to shareholders of the Company amounted to HK$396,461,000.

29. NOTE TO THE CONSOLIDATED CASH FLOW STATEMENT

Major non-cash transaction

During the year ended 31 December 2007, tax reserve certificates of HK$8,546,000 included in the prepayment were utilised to settle a tax liability of one of the wholly-owned subsidiaries.

30. OPERATING LEASE ARRANGEMENTS

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

At the balance sheet date, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2008	2007
	HK$'000	HK$'000
Within one year	**3,148**	6,652
In the second to fifth years, inclusive	**137**	2,785
	3,285	9,437

31. CAPITAL COMMITMENTS

At the balance sheet date, the Group had the following commitments for capital expenditure:

	Group	
	2008	2007
	HK$'000	HK$'000
Property, plant and equipment:		
Contracted, but not provided for	**–**	9
Authorised, but not contracted for	**22**	1,198

The Company had no significant capital commitments at the balance sheet date (2007: Nil).

32. CONTINGENT LIABILITIES

Group

At the balance sheet date, the Group had no material contingent liabilities. At 31 December 2007, the contingent liabilities of the Group in respect of guarantees given to banks to secure banking facilities utilised by a jointly-controlled entity amounted to HK$13,628,000.

Company

At the balance sheet date, the contingent liabilities of the Company in respect of guarantees given to a bank to secure a banking facility utilised by a subsidiary amounted to HK$348,000 (2007: Nil).

33. 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	**2008 HK$'000**	2007 HK$'000
Transactions with jointly-controlled entities*:			
Sales of goods	(i)	**90,609**	57,447
Purchases of goods/services	(ii)	**72**	209
Production and oil refinement income	(iii)	**38,709**	42,997
Royalty income	(iv)	**14,377**	11,568
Property rental income	(v)	**361**	343
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)	**7,961**	6,509
Rental expenses	(vii)	**3,738**	3,503
Interest expenses	(viii)	**584**	—
Consideration received for disposal of a property	(ix)	**—**	2,700
Transactions with a company in which a director of the Company has an indirect interest:			
Management fee expense	(x)	**660**	660

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

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 the jointly-controlled entities after an arm's length negotiation and was at rates comparable to those offered to other unrelated customers of the Group.

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

(v) The property rental income related to the 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 tenancy agreements.

Notes to Financial Statements

31 December 2008

33. RELATED PARTY TRANSACTIONS (Continued)

(a) Notes: (continued)

(viii) The interest expenses represented payments of interest on a loan from a related company at the prevailing market rates.

(ix) On 17 July 2007, the Group disposed of a property to a company associated with a non-executive director of HHHL. Details of this transaction were summarised in an announcement of HHHL dated 17 July 2007.

(x) The management fee expense represented the payment for services provided by a director of the Company and his staff through a company in which the director has an indirect interest.

Save for item (viii), 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 also constituted connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules. Further details of continuing connected transactions are disclosed in the report of the directors under the heading of "Continuing connected transactions".

(b) Outstanding balances with related parties:

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

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

(iii) Details of the Group's loan from a related party as at the balance sheet date are disclosed in note 24 to the financial statements.

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

	2008 **HK$'000**	2007 HK$'000
Short-term employee benefits	**3,233**	2,775
Post-employment benefits	**211**	198
Total compensation paid to key management personnel	**3,444**	2,973

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

34. 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, 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 needs arise.

Foreign currency risk
The Group's monetary assets, liabilities and transactions are principally denominated in Hong Kong dollars, Renminbi or US dollars. Given that Hong Kong dollars are pegged to US dollars and fluctuations between Renminbi and US dollars are under the control of the 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. 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 large 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 balance sheet date, based on the contractual undiscounted payments, was less than one year.

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

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 conditions. 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 2008 and 2007.

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 2008 and 2007.

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 balance sheet dates were as follows:

Group

	2008 **HK$'000**	2007 HK$'000
Interest-bearing bank and other loans	**162,083**	147,968
Equity attributable to equity holders of the Company	**449,990**	414,527
Gearing ratio	**36%**	36%

35. COMPARATIVE AMOUNTS

Management fee income which was included as "property rental income" in note 33 to the financial statements for the year ended 31 December 2007 has been reclassified as "management fee income" 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.

36. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board on 24 April 2009.

Five Year Financial Summary

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, is set out below.

	Year ended 31 December				
	2008 HK$'000	2007 HK$'000	2006 HK$'000	2005 HK$'000	2004 HK$'000
RESULTS					
Turnover	**1,013,020**	851,325	672,792	677,425	699,674
Profit from operating activities	**32,910**	10,836	12,879	3,002	4,566
Finance costs, net	**(12,578)**	(10,964)	(9,407)	(10,910)	(14,921)
Share of losses of associates	**(182)**	—	—	—	—
Profit/(loss) before tax	**20,150**	(128)	3,472	(7,908)	(10,355)
Tax	**(4,275)**	(2,797)	(9,895)	(2,077)	(1,405)
Profit/(loss) for the year	**15,875**	(2,925)	(6,423)	(9,985)	(11,760)
Attributable to:					
Equity holders of the Company	**14,698**	177	(6,764)	(9,730)	(11,952)
Minority interests	**1,177**	(3,102)	341	(255)	192
	15,875	(2,925)	(6,423)	(9,985)	(11,760)

	As at 31 December				
	2008 HK$'000	2007 HK$'000	2006 HK$'000	2005 HK$'000	2004 HK$'000
ASSETS					
Property, plant and equipment	**248,700**	255,792	275,124	290,575	376,175
Investment property	**—**	—	—	—	58,400
Prepaid land lease payments	**27,462**	26,695	26,302	15,802	16,029
Trademarks	**123,968**	123,718	123,423	122,944	122,659
Interests in associates	**(1,607)**	(1,425)	(1,425)	(1,425)	(1,425)
Deferred tax assets	**3,016**	4,733	5,047	6,271	10,763
Current assets	**352,433**	314,334	248,881	226,830	246,066
TOTAL ASSETS	**753,972**	723,847	677,352	660,997	828,667
LIABILITIES					
Current liabilities	**290,114**	296,446	159,052	228,804	174,101
Long-term portion of bank loans	**—**	—	98,000	8,000	222,958
Deferred tax liabilities	**2,651**	3,212	3,702	4,983	10,075
TOTAL LIABILITIES	**292,765**	299,658	260,754	241,787	407,134
NET ASSETS	**461,207**	424,189	416,598	419,210	421,533