HOP HING GROUP HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 47

健康之選

ANNUAL REPORT
2011


獅球嘜
芥花籽油
Lion & Globe Canola Oil
奧米加3
Omega 3
淨容量 900毫升
Net Volume 900 mL
獅球嘜
初榨橄欖芥花籽油
Extra Virgin Olive Oil with Canola Oil
眼睛健康之選
獅球嘜
清淡橄欖小米油
Extra Light Olive Oil with Rice Bran Oil
抗衰老之選
獅球嘜
DHA芥花籽油
Lion & Globe
DHA Canola Oil
腦部發展之選
獅球嘜
葡萄芥花籽油
Lion & Globe
Grapeseed Oil with Canola Oil
抗氧化之選
淨容量Net Volume
900 毫升 mL

Contents

Corporate Information

DIRECTORS

Hung Hak Hip, Peter* *(Chairman)*
Hung Ming Kei, Marvin *(Chief Executive Officer)*
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

ONC Lawyers
Pinsent Masons
Simpson Thacher & Bartlett

PRINCIPAL BANKERS

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

PRINCIPAL SHARE 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
Shops 1712-1716, 17 Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS

Units E & F, 2/F.
Hop Hing Building
9 Ping Tong Street East
Tong Yan San Tsuen
Yuen Long
New Territories
Hong Kong

WEBSITE

http://www.hophing.com

STOCK CODE

47

WARRANT CODE

134

Chairman's Statement

REVIEW OF OPERATION AND PROSPECTS

For the year ended 31 December 2011, the profit for the year was HK$4.3 million, as compared to HK$6.5 million for the year ended 31 December 2010. The profit attributable to equity holders of the Company was HK$1.3 million, decreased by HK$5.9 million from HK$ 7.2 million of last year.

Earnings before interest, tax, depreciation and amortization ("EBITDA") for the year under review was HK$39.2 million, an improvement of HK$2.2 million compared to HK$37.0 million for the year ended 31 December 2010.

The basic earnings per share for the year was HK0.25 cent (2010: HK1.40 cents).

DIVIDEND

No interim dividend was paid (2010: Nil) and the directors do not recommend payment of any final dividend for the year under review (2010: Nil).

REVIEW OF OPERATION

In the year under review, the financial events in the western world were still one of the key factors that affected our business environment. After a period of stability, the edible oil raw material costs started surging up in the latter half of 2010 which continued into 2011. Although the increase in raw material costs together with severe market competition exerted pressure on the gross margin of our retail products, the provision of edible oil related services to other market players and the capitalization of oil inventory gain during the year enabled the Group to record an increase in gross profit over last year.

In Hong Kong, we continued our strategy of building up and reinforcing the loyalty of our customers by developing healthy products and providing them with quality products freshly produced by the only one edible oil refinery plant in Hong Kong owned by the Group. The members of our family of healthy edible oil products now include Olive Canola Oil, Olive Sunflower Oil, Rice Bran Oil and Grapeseed Canola Oil and the newly launched DHA Canola Oil. Our continuing research and development effort has now been paid back. 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 five consecutive years from October 2006 to September 2011. Besides, the contribution of this edible oil and fats and shortening segment in this year showed an improvement over last year.

In the PRC, the control on the retail prices of edible oil products imposed by the government together with the fierce competition during the period had negatively impacted the sales volume and gross profit margin of our PRC operation. In addition, the narrow price gap between crude and refined oil continued affecting the demand for our edible oil related services in PRC. As a result, the performance of our PRC operation in this year was not up to expectation.

To comply with the land policy of the local government, our non wholly-owned subsidiary in the PRC had to dispose its property, the only manufacturing facilities of that subsidiary, to a third party property developer. In view of such surrender and the unfavourable operating conditions, the shareholders of the non wholly-owned subsidiary resolved in May 2011 to sell its interest in such subsidiary. Another wholly-owned subsidiary of the Company also disposed of its vacant property in Zhongshan to a third party purchaser in May 2011.

REVIEW OF OPERATION *(continued)*

As announced on 30 September 2011, Lam Soon Group and our Group entered into an agreement to terminate the joint venture agreement relating to the carrying out of certain edible oil and fats and shortening business in Hong Kong and Macau by Evergreen Oils & Fats Limited and its subsidiaries ("Evergreen"), the jointly controlled entities of our Group. Upon termination of the joint venture agreement on 1 April 2012, the business which is being carried out by Evergreen will be carried out by subsidiaries of our Group according to our Group's own business strategies.

It has always been the development strategies of our Group to diversify its existing business portfolio and broaden its source of income and enhance value to our shareholders. On 1 December, 2011, our Company entered into an acquisition agreement with Queen Board Limited ("Queen Board") to acquire, among others, the entire issued share capital of Summerfield Profits Limited ("Summerfield") and the loan of HK$ 44 million due by Summerfield to Queen Board and its associates at a total consideration of HK$3,475 million satisfied by the issue of convertible securities by our Company to companies as directed by Queen Board. Summerfield is the holding company of a group of companies that own the rights to operate the Yoshinoya and Dairy Queen fast food restaurant chains in Beijing municipality, Tianjin municipality, the provinces of Hebei, Liaoning, Heilongjiang and Jilin, and the Inner Mongolia Autonomous Region, PRC (the "Fast Food Business"). The acquisition was approved by the shareholders in its extraordinary general meeting on 17 January 2012 and completed on 12 March 2012.

FINANCIAL REVIEW

As at 31 December 2011, the Group's Hong Kong bank borrowing was bank loans of HK$86.3 million. The Group's PRC bank borrowings as at the year end were bank loans and bills payable totaling HK$131.7 million, of which approximately HK$74.0 million were borrowed by a PRC subsidiary and secured by certain assets of certain PRC subsidiaries of the Group and have no recourse to the Group other than those PRC subsidiaries. As at 31 December 2011, the Group's total bank loans amounting to HK$191.7 million (31 December 2010: HK$176.2 million) were either repayable or subject to renewal within one year.

The Group's gearing ratio (expressed as a percentage of interest-bearing bank loans over equity attributable to equity holders of the Company) as at 31 December 2011 was 39% (31 December 2010: 36%).

The interest expense for the year was HK$10.3 million (2010: HK$8.5 million). The increase in interest expenses was mainly attributable to increase in interest rates on bank loans, when compared to those in the previous year.

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

REMUNERATION POLICIES

Staff remuneration packages of the Group are comprised of salary and discretionary bonuses and are determined with reference to the market conditions and the performance of the Group and the individuals concerned. The Group also provided other staff benefits including medical insurance, continuing education allowances, provident funds 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$55 million (2010: HK$52 million). As at 31 December 2011, the Group had 370 full time and temporary employees (31 December 2010: 453).

REMUNERATION POLICIES *(continued)*

Subsequent to 31 December 2011, the annual remuneration of Mr. Wong Kwok Ying and Ms. Lam Fung Ming, Tammy, both are executive directors of the Company, were revised to HK$2,273,400 and HK$1,212,600 respectively, with bonuses which will be payable according to the terms of the relevant bonus entitlement scheme of the Company.

On 12 March 2012, Mr. Hung Ming Kei, Marvin was appointed as an executive director and the Chief Executive Officer of the Company. Mr. Hung is entitled to a director's fee of HK$2,000,000 per annum for being a director under a service contract, and a salary of RMB1,600,000 per annum for being the Chief Executive Officer of the Company, housing benefit of RMB360,000 per annum and a performance related discretionary bonus.

The remuneration packages for the executive directors of the Company were determined by the Board after considering the recommendations of the remuneration committee of the Company which were made after taking into account their respective qualifications and experiences.

Details of share options granted under the share option scheme of the Company are set out in note 26 to the financial statements.

OPERATING SEGMENT INFORMATION

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

CONTINGENT LIABILITIES

Details of the contingent liabilities are set out in note 30 to the financial statements.

PLEDGE OF ASSETS

Details of the pledge of assets are set out in notes 13, 14, 20 and 23 to the financial statements.

MATERIAL ACQUISITION OF SUBSIDIARIES

The Company made an announcement on 1 December 2011 and published a circular on 30 December 2011 in relation to, among others, the very substantial acquisition and connected transaction in relation to the acquisition by the Company of the entire issued share capital of Summerfield and the loans in an aggregate amount of approximately HK$44 million owed by Summerfield to Queen Board, the seller, and its associates. The total consideration of HK$3,475 million was to be satisfied by the issue of convertible securities by the Company to Queen Board or its appointed nominees. All conditions precedent under the acquisition agreement were satisfied and the completion took place on 12 March 2012, and the convertible securities were issued by the Company to the companies as directed by Queen Board on the same day.

Upon completion, Summerfield and its subsidiaries became wholly-owned subsidiaries of the Company.

Chairman's Statement

OUTLOOK

It is expected that the financial stability of western countries will continuously affect the business environment in which we are operating. Rising raw material costs and severe competition will still be the major challenges that the management has to face with. The management believes that adhering to our proven strategies of meeting the needs of our customers and providing them with healthy and quality products will always enable us to differentiate ourselves from our competitors. For the PRC edible oil operation, resources will continually be invested in selective and more profitable products and markets. The management will continue their effort in exploring opportunities to improve the financial contribution of the Group's PRC edible oil operation.

The acquisition of the Fast Food Business enables our Group to participate in the quick service restaurant chain business in northern China and develop a more diversified business in the food and beverage and retail business with significant growth potential. In addition, our Group would derive additional earnings and cash flow contribution from the Fast Food Business. After the completion of the acquisition, our Group will continue to develop and expand the newly acquired business with an aim to improve the financial performance and to maximize our shareholders' value. The strategies that the Fast Food Business will deploy include further penetrating existing markets through new store openings in its franchise regions and focusing on several key initiatives, e.g. expand delivery services, attract more customers, etc. The shareholders may refer to our announcement of even date for further updates on the business operation and financial performance of the Fast Food Business in 2011.

CLOSURE OF REGISTER OF MEMBERS

The transfer books and register of members of the Company will be closed from 1 June 2012 to 4 June 2012, both days inclusive, during which period no transfer of shares of the Company will be effected. In order to qualify for attending the annual general meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, situated at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on 31 May 2012 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
Beijing, the PRC

21 March 2012

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining a high standard of corporate governance practices and procedures. The Company has adopted the Code of Corporate Governance Practices contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") as its code on corporate governance (the "CG Code").

Save as announced by the Company on 7 June 2011 the inadvertent delay in disclosure of the disposal of a property situated in Pinghu, Zhejiang Province in the PRC by a non-wholly owned subsidiary of the Company which constituted a discloseable transaction of the Company under the Listing Rules, none of the directors of the Company is aware of any information that would reasonably indicate that the Company did not meet the applicable code provisions set out in the CG Code for any part of the financial year ended 31 December 2011.

To comply with the amended Listing Rules which will be effective on 1 April 2012, the Company has approved to establish a nomination committee comprised Mr. Hung Hak Hip, Peter, the non-executive chairman of the Company (as the chairman of nomination committee); Mr. Hung Ming Kei, Marvin, an executive director and the chief executive officer of the Company; Dr. Hon. Wong Yu Hong, Philip, *GBS*, Mr. Seto Gin Chung, John and Hon Shek Lai Him, Abraham, *SBS, JP*., all of them are independent non-executive director of the Company. In addition, Mr. Cheung Wing Yui, Edward, an independent non-executive director of the Company has been appointed as the chairman of the remuneration committee of the Company with effective on 1 April 2012 and Mr. Hung Hak Hip, Peter, the non-executive chairman of the Company, will be re-designated as a member of the remuneration committee of the Company on the same day.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as its code of conduct of dealings in securities of the Company by the directors. The Model Code also applies to "relevant employees" as defined in the CG Code.

Based on specific enquiry of the Company's directors, the directors confirmed that they complied with the required standards in the Model Code adopted by the Company throughout the financial year ended 31 December 2011.

BOARD OF DIRECTORS

As at 31 December 2011, the Board comprised 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. Hon. 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. Mr. Hung Ming Kei, Marvin was appointed as an executive director and the Chief Executive Officer of the Company on 12 March 2012. Biographical details of these directors which include relationship among themselves are set out under "Directors' Biographies" on pages 13 to 16 of this Annual Report.

BOARD OF DIRECTORS *(continued)*

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 board meetings and supplemented via circulation of written resolutions between board meetings.

During the year, there were six full board meetings (including those with voting by communication) and five full board circulations. 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 Code requires that the roles of the Chairman and Chief Executive Officer be separated and not performed by the same individual.

The Chairman's principal responsibility is to ensure effective running of the Board, enabling the Board as a whole to play a full and constructive part in the development and determination of the Group's strategies and overall commercial objectives. The Chief Executive Officer is responsible for day-to-day management of the Group's business and achieving the strategic and commercial objectives agreed by the Board.

In 2011, 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 and Ms. Lam Fung Ming, Tammy, two executive directors of the Company. On 12 March 2012, Mr. Hung Ming Kei, Marvin was appointed as an executive director and the Chief Executive Officer of the Company.

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 memorandum and articles of association of the Company.

REMUNERATION OF DIRECTORS

The remuneration committee of the Company was established with a particular responsibility to review the Company's remuneration policy for directors and members of the senior management. As at 31 December 2011, the remuneration committee comprised Mr. Hung Hak Hip, Peter (chairman of the committee), the non-executive Chairman of the Company, Mr. Sze Tsai To, Robert, Mr. Cheung Wing Yui, Edward and Hon. Shek Lai Him, Abraham, *SBS, JP*, all of them are independent non-executive directors of the Company.

To comply with the new CG Code effective 1 April 2012, Mr. Cheung Wing Yui, Edward (an independent non-executive director of the Company) has been appointed as the chairman of the remuneration committee and Mr. Hung Hak Hip, Peter has been re-designated as member of the remuneration committee effective 1 April 2012.

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 reviewed by the remuneration committee with reference to the directors' duties, responsibilities and performance and the results of the Group.

In 2011, there were two remuneration committee meetings and one remuneration committee circulation. During the remuneration committee meetings, the remuneration packages of all directors were reviewed. Individual attendance records for the remuneration committee meetings are set out on page 11 of this Annual Report.

Information relating to the remuneration of each director for 2011 is set out in note 8 to the financial statements.

NOMINATION OF DIRECTORS

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

To comply with the new CG Code effective 1 April 2012, a nomination committee of the Company has been formed and its member comprises Mr. Hung Hak Hip, Peter (chairman of the committee), Mr. Hung Ming Kei, Marvin, an executive director and the chief executive officer of the Company, Dr. Hon. Wong Yu Hong, Philip *GBS*, Mr. Seto Gin Chung, John and Hon. Shek Lai Him, Abraham, *SBS*, *JP*, all of them are independent non-executive directors of the Company.

AUDITORS' REMUNERATION

During 2011, the fees payable to Ernst & Young, the Company's external auditors, for audit services totalled to HK$1,350,000 (2010: HK$1,257,000). Ernst & Young also provided the Group with non-audit services, including the review of interim report, and the professional services in relation to the Group's circular issued for the proposed acquisition of Summerfield during 2011 at an aggregated fee of HK$1,623,000 (2010:HK$480,000).

Corporate Governance Report

AUDIT COMMITTEE

The Company has 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 2011, the audit committee comprised 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 of the Company, 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 2011, 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 2010 and interim report for the six months ended 30 June 2011. The Group's results for the year ended 31 December 2011 have also been reviewed by the audit committee of the Company.

In 2011, there were two audit committee meetings and one audit committee circulation. Individual attendance records for audit committee meetings are set out on page 11 of this Annual Report.

FINANCIAL REPORTING

The directors acknowledge their responsibility to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group. The financial statements of the Company for the year ended 31 December 2011 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 2011 did not reveal any significant defects.

INTERNAL CONTROL *(continued)*

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, communicate with shareholders in general meetings and encourage their participation. The Company also communicates 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.

DIRECTORS'/COMMITTEE MEMBERS' ATTENDANCE IN 2011

	Meetings attended/eligible to attend		
Name of Director	**Full Board**	**Audit Committee**	**Remuneration Committee**
Non-executive Directors			
Hung Hak Hip, Peter *(Chairman of the Board and the remuneration committee)*	6/6	2/2	2/2
Hung Chiu Yee	5/6	N/A	N/A
Lee Pak Wing	5/6	N/A	N/A
Independent Non-executive Directors			
Wong Yu Hong, Philip	4/6	N/A	N/A
Sze Tsai To, Robert *(Chairman of the audit committee)*	6/6	2/2	2/2
Cheung Wing Yui, Edward	4/6	2/2	2/2
Seto Gin Chung, John	5/6	2/2	N/A
Shek Lai Him, Abraham	5/6	N/A	2/2
Executive Directors			
Wong Kwok Ying	6/6	N/A	N/A
Lam Fung Ming, Tammy	6/6	N/A	N/A

Report of the Directors

The directors present their report and the audited financial statements of the Company and the Group for the year ended 31 December 2011.

PRINCIPAL ACTIVITIES

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

RESULTS AND DIVIDENDS

The Group's profits for the year ended 31 December 2011 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 28 to 89.

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

SUMMARY FINANCIAL INFORMATION

A summary of the published results and of the assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements, is set out on page 90. This summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL, SHARE OPTIONS AND WARRANTS, AND RESERVES

Details of the movements in the Company's share capital, share options and warrants during the year, together with the reasons therefor, are set out in notes 25 and 26 to the financial statements. The movements in the reserves of the Company and the Group during the year are set out in note 27 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 27(b) to the financial statements.

BORROWINGS

Particulars of the borrowings of the Group at 31 December 2011 are set out in notes 22 and 23 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)*
Hung Ming Kei, Marvin *(Chief Executive Officer)* (appointed on 12 March 2012)
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 memorandum and articles of association. At the forthcoming annual general meeting, Mr. Hung Hak Hip, Peter, Mr. Hung Ming Kei, Marvin, Mr. Sze Tsai To, Robert, Mr. Lee Pak Wing and Ms. Lam Fung Ming, Tammy will retire and, being eligible, offer themselves for re-election.

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

DIRECTORS' BIOGRAPHIES

(a) Non-executive directors

Mr. Hung Hak Hip, Peter, aged 67, 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, and is an uncle of Mr. Hung Ming Kei, Marvin, an executive director and the Chief Executive Officer of the Company. As at the date of this report, Mr. Hung was the sole director and beneficial owner of the trustee of two family discretionary trusts which beneficially owned securities in the Company as disclosed in the section under "Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares and Underlying Shares". The trustee is deemed to be a substantial shareholder of the Company by virtue of the Securities and Futures Ordinance ("SFO").

DIRECTORS' BIOGRAPHIES *(continued)*

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

Dr. Hon. Wong Yu Hong, Philip, *GBS, JD, PhD*, aged 73, appointed a director of the Group in 1989, is a prominent businessman who serves on the board of a number of public organizations, including member of the Legislative Council for the Hong Kong Special Administrative Region ("HKSAR"), Life Honorary Chairman of the Chinese General Chamber of Commerce and board member of the Hong Kong Trade Development Council. Dr. Wong received the Gold Bauhinia Star Award from the HKSAR Government in 2003 and the Courvoisier Awards for Business Excellency from the then Chief Justice of Hong Kong, Sir Denys Roberts, in 1986. He is 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 was also an independent non-executive director of Elec & Eltek International Company Limited, securities of which are listed on Singapore Exchange Limited, up to 31 December 2009.

Mr. Sze Tsai To, Robert, aged 71, 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 62, 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. He is a non-executive director of a number of Hong Kong listed companies including Tai Sang Land Development Limited, Tianjin Development Holdings Limited, Sunevision Holdings Limited, SRE Group Limited and SmarTone Telecommunications Holdings Limited. He is also an independent non-executive director of Agile Property Holdings Limited which is a Hong Kong listed company. He was an independent non-executive director of Ping An Insurance (Group) Company of China, Limited until June 2009.

Mr. Seto Gin Chung, John, aged 63, 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 was also appointed on 28 October 2010 a non-executive director of Sateri Holdings Limited, which became a listed company on the Stock Exchange on 8 December 2010. 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.

DIRECTORS' BIOGRAPHIES *(continued)*

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

Hon. Shek Lai Him, Abraham, *SBS, JP*, aged 66, 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 degree. He is a member of the Legislative Council for the HKSAR representing real estate and construction functional constituency since 2000. Currently, Mr. Shek is a member of the Court 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 including NWS Holdings Limited, Midas International Holdings Limited, Paliburg Holdings Limited, Lifestyle International Holdings Limited, Chuang's Consortium International Limited, ITC Corporation Limited, Titan Petrochemicals Group Limited, Country Garden Holdings Company Limited, MTR Corporation Limited, Hsin Chong Construction Group Limited, Chuang's China Investments Limited, SJM Holdings Limited, Kosmopolito Hotels International Limited, ITC Properties Group Limited and China Resources Cement Holdings Limited. Mr. Shek is also an independent non-executive director of Eagle Asset Management (CP) Limited, the manager of Champion Real Estate Investment Trust and an independent non-executive director of Regal Portfolio Management Limited, the manager of Regal Real Estate Investment Trust. He was an independent non executive director of See Corporation Limited from October 2005 up to 30 September 2008.

Ms. Hung Chiu Yee, aged 71, 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 and is an auntie of Mr. Hung Ming Kei, Marvin, an executive director and the Chief Executive Officer of the Company.

Mr. Lee Pak Wing, aged 66, holds a Master of Science degree in production technology. He joined the Group in 1979 prior to which he was a systems manager with Tyco Industries Limited. He was formerly the Vice-chairman of the Group.

(b) Executive directors

Mr. Hung Ming Kei, Marvin, aged 41, is the Chief Executive Officer of the Group with overall responsibility for the edible oils business and the quick service restaurant chain business of the Group. He was appointed a director and the Chief Executive Officer of the Group on 12 March 2012. Mr. Hung holds a Bachelor's degree in Science majoring in Accounting from the University of Southern California in the United States of America in 1992 and a Master's degree in Business Administration from China Europe International Business School. Mr. Hung has approximately 20 years of experience in business management. Mr. Hung is a nephew of Mr. Hung Hak Hip, Peter and Ms. Hung Chiu Yee and a son of Mr. Hung Hak Yau, a substantial shareholder of the Company by virtue of the SFO.

DIRECTORS' BIOGRAPHIES *(continued)*

(b) Executive directors *(continued)*

Mr. Wong Kwok Ying, aged 52, is the Group Comptroller and the 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 30 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 48, is the Chief Operating Officer of the Group and responsible for the sales activities, manufacturing, quality assurance and product development in respect of the Group's edible oil business. 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 headings "Continuing Connected Transactions" and "Connected Transactions", none of the directors had a significant interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

DIRECTORS' SERVICE CONTRACTS

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

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

As at 31 December 2011, 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 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	9,723,917,311*	2,808,903**	9,728,402,188	1,886.6%
Wong Yu Hong, Philip	2,045,565	–	–	–	2,045,565	0.4%
Sze Tsai To, Robert	2,045,565	–	–	–	2,045,565	0.4%
Cheung Wing Yui, Edward	2,523,165	–	–	–	2,523,165	0.5%
Seto Gin Chung, John	417,373	–	–	–	417,373	0.1%
Shek Lai Him, Abraham	–	–	–	–	–	–
Hung Chiu Yee	2,614,772	–	–	–	2,614,772	0.5%
Lee Pak Wing	2,376,052	–	–	–	2,376,052	0.5%
Wong Kwok Ying	–	–	–	–	–	–
Lam Fung Ming, Tammy	–	–	–	–	–	–

* Mr. Hung Hak Hip, Peter is the sole director and beneficial owner of Hungs Family (2009) Limited which is the trustee of two family discretionary trusts, which beneficially owned 327,034,536 Shares. He is also deemed to be interested in 4,990,883 Shares held through a controlled corporation. 9,391,891,892 Shares (the "Relevant Shares") represent the maximum number of Shares which will be issued and allotted upon the full conversion of the Convertible Securities to the Seller, Queen Board Limited (a company indirectly controlled by Mr. Hung Hak Hip, Peter) pursuant to the Acquisition Agreement as at 31 December 2011. Mr. Hung Hak Hip, Peter is therefore deemed to be interested in the Relevant Shares as at 31 December 2011.

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

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES *(continued)*

Interests in warrants of the Company

	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	–	335,194	66,405,082*	561,780**	67,302,056
Wong Yu Hong, Philip	409,113	–	–	–	409,113
Sze Tsai To, Robert	409,113	–	–	–	409,113
Cheung Wing Yui, Edward	504,633	–	–	–	504,633
Seto Gin Chung, John	83,474	–	–	–	83,474
Shek Lai Him, Abraham	–	–	–	–	–
Hung Chiu Yee	522,954	–	–	–	522,954
Lee Pak Wing	475,210	–	–	–	475,210
Wong Kwok Ying	–	–	–	–	–
Lam Fung Ming, Tammy	–	–	–	–	–

* Mr. Hung Hak Hip, Peter is the sole director and beneficial owner of Hungs Family (2009) Limited which is the trustee of two family discretionary trusts, which beneficially owned 65,406,906 Warrants. He is also deemed to be interested in 998,176 Warrants held through a controlled corporation.

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

Save as disclosed above and the share options granted to the directors as disclosed under the heading "Share Options" in note 26 to the financial statements, as at 31 December 2011, none of the directors had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO.

SHARE OPTION SCHEME

Details of the Company's share option scheme are disclosed in note 26 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 26 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 2011, the interests of substantial shareholders/other persons 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/PSCS* of the Company

Name of holder	Notes	Number of ordinary Shares held	Number of PSCS* held	Total	Percentage of the Company's issued share capital
Hung's (1985) Limited ("Hung's")	(i)	140,563,299	–	140,563,299	27.3%
Hop Hing Oil (1985) Limited ("HHO")	(ii)	186,471,237	–	186,471,237	36.2%
Hungs Family (2009) Limited ("Hungs Family (2009)")	(iii)	327,034,536	–	327,034,536	63.4%
Hung Hak Hip, Peter	(iv)	336,510,296	9,391,891,892	9,728,402,188	1,886.6%
Queen Board Limited ("Queen Board")	(v)	–	9,391,891,892	9,391,891,892	1,821.3%
Ever Intellect Limited	(vi)	327,034,536	–	327,034,536	63.4%
H H Hung (2008) Limited	(vii)	–	9,391,891,892	9,391,891,892	1,821.3%
Hung Diana Wan Ling	(viii)	336,510,296	9,391,891,892	9,728,402,188	1,886.6%
Hung Hak Yau	(ix)	1,469,248	9,391,891,892	9,393,361,140	1,821.6%
Konview Building (2008) Limited	(x)	–	9,391,891,892	9,391,891,892	1,821.3%
Webshine Developments Limited	(xi)	–	9,391,891,892	9,391,891,892	1,821.3%

* PSCS refers to the perpetual subordinated convertible securities to be issued by the Company for the satisfaction of the consideration for the proposed acquisition as announced by the Company on 1 December 2011.

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) Hungs Family (2009), as the trustee of two family discretionary trusts, is the registered holder of units of certain unit trusts, of which Hung's and HHO are trustees. By virtue of the SFO, Hungs Family (2009) is deemed to be interested in the shares held by Hung's and HHO mentioned in notes (i) and (ii) respectively.

(iv) As disclosed in the section under "Directors' and Chief Executive's Interests and Short Positions in Shares and Underlying Shares", by virtue of the SFO, Mr. Hung Hak Hip, Peter is deemed to be interested in:–

  (a) the disclosed interest of Hungs Family (2009) of 327,034,536 Shares mentioned in note (iii) as Mr. Hung Hak Hip, Peter is the sole director and beneficial owner of Hungs Family (2009);

  (b) 4,990,883 Shares held through a controlled corporation;

  (c) 1,675,974 Shares held through Mr. Hung Hak Hip, Peter's spouse or minor children; and

  (d) 2,808,903 Shares beneficially owned by a discretionary trust whose discretionary beneficiaries include certain associates of Mr. Hung Hak Hip, Peter;

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

Interests in Ordinary Shares/PSCS* of the Company *(continued)*

Notes: *(continued)*

(e) 9,391,891,892 Shares (the "Relevant Shares") represent the maximum number of Shares which will be issued and allotted upon the full conversion of the convertible securities to be issued to Queen Board (a company indirectly controlled by Mr. Hung Hak Hip, Peter), therefore is interested in the Relevant Shares.

(v) The Relevant Shares represent the maximum number of Shares which will be issued and allotted upon the full conversion of the convertible securities to be issued to Queen Board.

(vi) Ever Intellect Limited holds the entire issued share capital of Hungs Family (2009). Mr. Hung Hak Hip, Peter is the sole shareholder of Ever Intellect Limited.

(vii) H H Hung (2008) Limited indirectly controls more than one-third of the voting power at general meetings of Queen Board and the company is deemed to be interested in the Relevant Shares mentioned in note (v).

(viii) Ms. Hung Diana Wan Ling is the wife of Mr. Hung Hak Hip, Peter and she is deemed to be interested in the shares and the Relevant Shares mentioned in note (iv)(e).

(ix) Mr. Hung Hak Yau indirectly controls more than one-third of the voting power at general meetings of Queen Board and he is deemed to be interested in the Relevant Shares mentioned in note (v). He is also interested in 1,469,248 shares held through a controlled corporation.

(x) Konview Building (2008) Limited indirectly controls more than one-third of the voting power at general meetings of Queen Board and the company is deemed to be interested in the Relevant Shares mentioned in note (v).

(xi) Webshine Developments Limited directly controls more than one-third of the voting power at general meetings of Queen Board and the company is deemed to be interested in the Relevant Shares mentioned in note (v).

Interests in Warrants of the Company

Name of holder	Notes	Number of Warrants held
Hung's	(i)	28,112,659
HHO	(ii)	37,294,247
Hungs Family (2009)	(iii)	65,406,906
Hung Hak Hip, Peter	(iv)	67,302,056
Ever Intellect Limited	(v)	65,406,906
Hung Diana Wan Ling	(vi)	67,302,056
Hung Hak Yau	(vii)	293,849

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

Interests in Warrants of the Company *(continued)*

Notes:

(i) Hung's is the registered holder of the warrants disclosed above.

(ii) HHO is the registered holder of the warrants disclosed above.

(iii) Hungs Family (2009), as the trustee of two family discretionary trusts, is the registered holder of units of certain unit trusts, of which Hung's and HHO are trustees. By virtue of the SFO, Hungs Family (2009) is deemed to be interested in the shares held by Hung's and HHO mentioned in notes (i) and (ii) respectively.

(iv) As disclosed in the section under "Directors' and Chief Executive's Interests and Short Positions in Shares and Underlying Shares", by virtue of the SFO, Mr. Hung Hak Hip, Peter is deemed to be interested in:–

(a) the disclosed interest of Hungs Family (2009) of 65,406,906 warrants mentioned in note (iii) as Mr. Hung Hak Hip, Peter is the sole director and beneficial owner of Hungs Family (2009);

(b) 998,176 warrants held through a controlled corporation;

(c) 335,194 warrants held through Mr. Hung Hak Hip, Peter's spouse or minor children; and

(d) 561,780 warrants beneficially owned by a discretionary trust whose discretionary beneficiaries include certain associates of Mr. Hung Hak Hip, Peter.

(v) Ever Intellect Limited holds the entire issued share capital of Hungs Family (2009) and Mr. Hung Hak Hip, Peter is the sole shareholder of Ever Intellect Limited.

(vi) Ms. Hung Diana Wan Ling is the wife of Mr. Hung Hak Hip, Peter and she is deemed to be interested in the warrants held by Mr. Hung Hak Hip, Peter mentioned in note (iv).

(vii) Mr. Hung Hak Yau is interested in the warrants disclosed above through a controlled corporation.

Save as disclosed above, as at 31 December 2011, the Company had not been notified of any other persons 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 21 September 2009, Hop Hing Oil Factory Limited ("HHOF"), 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 for the period from 1 August 2009 to 31 July 2012.

The aggregate rent paid under the Tenancy Agreements by the Group in the year ended 31 December 2011 was approximately HK$4.3 million which did not exceed the annual threshold under Rule 14A.34 of the Listing Rules.

Details of the transactions contemplated by the Tenancy Agreements were set out in the announcement dated 21 September 2009 of the Company.

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 24 November 2010 for the sale of various edible oil products manufactured by the Group to Shenzhen You Rong in the three financial years ending 31 December 2013.

The maximum aggregate annual value of the sales by Panyu Hop Hing to Shenzhen You Rong under the Sales Agreement for each of the three financial years ending 31 December 2013 is estimated not to exceed RMB7,200,000 (equivalent to approximately HK$8,352,000 at the then exchange rate).

The aggregate sales value by Panyu Hop Hing to Shenzhen You Rong under the Sales Agreement in the year ended 31 December 2011 was approximately HK$5.5 million.

Details of the Sales Agreement were set out in the announcement dated 24 November 2010.

Listing Rules Implications

As at 31 December 2011, Mr. Hung Hak Hip, Peter, being a non-executive director of the Company, was the sole director and beneficial owner of the trustee of two family discretionary trusts which beneficially owned approximately 63% of the issued share capital of the Company. The trustee is deemed to be a substantial shareholder of the Company by virtue of the SFO. Mr. Hung was also deemed to be interested in approximately 1,886.6% of the issued share capital of the Company. Details of which are set out in the section headed "Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares and Underlying Shares".

CONTINUING CONNECTED TRANSACTIONS *(continued)*

Listing Rules Implications *(continued)*

Wytak and Shenzhen You Rong were associates of Mr. Hung and constituted connected persons of the Company under the Listing Rules for the respective reason as set out below:

(i) the voting power at general meetings of Wytak was indirectly controlled by the trustee of a discretionary trust. Such trustee was wholly-owned by Mr. Hung and his spouse, and the trustee was deemed to be a substantial shareholder of the Company by virtue of the SFO; and

(ii) the voting power at general meetings of Shenzhen You Rong was indirectly controlled by the trustee of a discretionary trust. The sole shareholder of such trustee was Mr. Hung Hak Yau, who is a brother of Mr. Hung and he was deemed to be a substantial shareholder of the Company by virtue of the SFO.

In respect of the Tenancy Agreements and the Sales Agreement which constituted 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 2011 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 Company has also received a letter from Ernst & Young, the Company's auditors, reporting on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* and with reference to Practice Note 740 *Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules* issued by the Hong Kong Institute of Certified Public Accountants. Ernst & Young have issued their unqualified letter containing the following findings and conclusions in respect of the continuing connected transactions disclosed above by the Group in accordance with Rule 14A.38 of the Listing Rules:

(i) the transactions had received the approval of the Board of the Company;

(ii) the transactions involving the provision of goods by the Group were in accordance with the pricing policies of the Company;

(iii) the transactions had been entered into in accordance with the Tenancy Agreements and the Sales Agreement governing the transactions; and

(iv) the transactions had not exceeded the annual cap disclosed in the announcements dated 21 September 2009 and 24 November 2010 of the Company respectively.

CONNECTED TRANSACTIONS

Acquisition of Summerfield Profits Limited

As announced on 1 December 2011, the Company and Queen Board (the "Seller") entered into an acquisition agreement pursuant to which the Seller agreed to sell the entire issued share capital of Summerfield and its subsidiaries and the loans (the "Loans") in the sum of approximately HK$44 million owed by the Summerfield to the Seller and its associates to the Company, for a total consideration of HK$3,475 million which will be satisfied by the issue of convertible securities by the Company to the Seller (or to its appointed nominee(s)). Subsequent to the year end, the transaction was completed on 12 March 2012.

As the Seller is an associate of the substantial shareholder of the Company, the entering into the acquisition agreement constituted a connected transaction under the Listing Rules.

Save for the continuing connected transactions and connected transaction disclosed above, during the year, there were no other transactions which, in the opinion of the directors, constituted connected transactions or continuing connected transactions that were subject to the reporting requirements under the Listing Rules.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for less than 30% of the total sales for the year. The percentage of purchases attributable to the Group's five largest suppliers accounted for 36% of the total purchases for the year with purchases from the largest supplier included therein amounted to 17%.

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

RETIREMENT BENEFITS SCHEMES

The Group operates defined contribution retirement benefits schemes, namely the Mandatory Provident Fund Scheme (the "MPF Scheme") and a scheme registered under the Occupational Retirement Schemes Ordinance which has been exempted under the MPF Schemes Ordinance (the "Exempted Scheme") for those employees who are eligible to participate. Contributions are made based on a percentage of the employees' salaries and are charged to the income statement as they become payable in accordance with the rules of the respective schemes.

The assets of the respective schemes are held separately from those of the Group in independently administered funds. In accordance with the MPF Schemes Ordinance, when an employee leaves the Exempted Scheme prior to his/her interest in the employer contributions vesting fully, the ongoing contributions payable by the Group may be reduced by the relevant amount of forfeited contributions. For the MPF Scheme, the employer contributions vest fully with the employees when contributed into the MPF Scheme.

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

RETIREMENT BENEFITS SCHEMES *(continued)*

For the year ended 31 December 2011, the total scheme contributions made by the Group amounted to approximately HK$1,824,000 and no forfeited contributions were applied to reduce employer's contributions. As at 31 December 2011, there was no forfeited contribution available to reduce future contributions to the Exempted Scheme.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's amended and restated articles of association or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

PURCHASE, SALE OR REDEMPTION OF OWN LISTED SECURITIES

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

SUFFICIENCY OF PUBLIC FLOAT

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

EVENTS AFTER THE REPORTING PERIOD

Details of the significant events after the reporting period of the Group are set out in note 33 to the financial statements.

AUDITORS

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

On behalf of the Board

Hung Hak Hip, Peter
Chairman
Beijing, the PRC

21 March 2012

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 consolidated financial statements of Hop Hing Group Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 28 to 89, which comprise the consolidated and company statements of financial position as at 31 December 2011, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view 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, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated 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 about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view 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 consolidated 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 consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2011, 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
22nd Floor
CITIC Tower
1 Tim Mei Avenue, Central
Hong Kong

21 March 2012

Consolidated Income Statement

Year ended 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
TURNOVER	5	**805,565**	769,147
Direct cost of stocks sold and services provided		**(592,119)**	(558,277)
Other income and gains, net	5	**23,314**	1,707
Other production and service costs (including depreciation and amortisation of HK$17,945,000 (2010: HK$18,381,000))		**(56,425)**	(53,961)
Selling and distribution costs		**(103,090)**	(98,927)
General and administrative expenses		**(45,712)**	(41,120)
Other expenses		**(10,280)**	–
PROFIT FROM OPERATING ACTIVITIES	6	**21,253**	18,569
Finance costs	7	**(10,286)**	(8,535)
PROFIT BEFORE TAX		**10,967**	10,034
Income tax expense	10	**(6,635)**	(3,500)
PROFIT FOR THE YEAR		**4,332**	6,534
ATTRIBUTABLE TO:			
Equity holders of the Company	11	**1,299**	7,179
Non-controlling interests		**3,033**	(645)
		4,332	6,534
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	12		
Basic		**HK0.25 cent**	HK1.40 cents
Diluted		**HK0.23 cent**	HK1.27 cents

Consolidated Statement of Comprehensive Income

Year ended 31 December 2011

	2011 HK$'000	2010 HK$'000
PROFIT FOR THE YEAR	**4,332**	6,534
OTHER COMPREHENSIVE INCOME		
Exchange differences on translation of foreign operations	**6,123**	4,511
OTHER COMPREHENSIVE INCOME FOR THE YEAR	**6,123**	4,511
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**10,455**	11,045
ATTRIBUTABLE TO:		
Equity holders of the Company	**7,394**	11,592
Non-controlling interests	**3,061**	(547)
	10,455	11,045

Consolidated Statement of Financial Position

31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**207,154**	226,743
Prepaid land lease payments	14	**27,268**	27,017
Trademarks	15	**124,310**	124,274
Deferred tax assets	24	**476**	989
Total non-current assets		**359,208**	379,023
CURRENT ASSETS			
Stocks	18	**143,507**	158,028
Accounts receivable	19	**116,251**	109,928
Prepayments, deposits and other receivables		**24,836**	21,561
Tax recoverable		**290**	1,511
Pledged bank deposits	20	**44,907**	43,477
Cash and cash equivalents		**133,752**	80,608
Total current assets		**463,543**	415,113
CURRENT LIABILITIES			
Accounts payable	21	**51,876**	60,613
Bills payable	22	**26,235**	17,925
Other payables and accrued charges		**49,337**	42,857
Interest-bearing bank loans	23	**191,729**	176,191
Tax payable		**2,732**	730
Total current liabilities		**321,909**	298,316
NET CURRENT ASSETS		**141,634**	116,797
TOTAL ASSETS LESS CURRENT LIABILITIES		**500,842**	495,820
NON-CURRENT LIABILITIES			
Deferred tax liabilities	24	**1,949**	1,890
NET ASSETS		**498,893**	493,930

Consolidated Statement of Financial Position (continued)

31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
EQUITY			
Equity attributable to equity holders of the Company			
Issued share capital	25	**51,566**	51,154
Reserves	27(a)	**441,978**	433,875
		493,544	485,029
Non-controlling interests		**5,349**	8,901
Total equity		**498,893**	493,930

HUNG HAK HIP, PETER
CHAIRMAN

WONG KWOK YING
EXECUTIVE DIRECTOR

Consolidated Statement of Changes in Equity

Year ended 31 December 2011

	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	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2010	51,095	11,084	4,040	18,785	2,080	434,025	(50,056)	471,053	9,448	480,501
Profit for the year	–	–	–	–	–	–	7,179	7,179	(645)	6,534
Other comprehensive income for the year:										
Exchange differences on translation of foreign operations	–	–	–	4,413	–	–	–	4,413	98	4,511
Total comprehensive income/ (expense) for the year	–	–	–	4,413	–	–	7,179	11,592	(547)	11,045
Issue of shares upon exercise of warrants (note 25)	59	59	–	–	–	–	–	118	–	118
Equity-settled share option arrangements (note 26)	–	–	2,266	–	–	–	–	2,266	–	2,266
At 31 December 2010 and 1 January 2011	51,154	11,143	6,306	23,198	2,080	434,025	(42,877)	485,029	8,901	493,930
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**1,299**	**1,299**	**3,033**	**4,332**
Other comprehensive income for the year:										
Exchange differences on translation of foreign operations	**–**	**–**	**–**	**6,095**	**–**	**–**	**–**	**6,095**	**28**	**6,123**
Total comprehensive income for the year	**–**	**–**	**–**	**6,095**	**–**	**–**	**1,299**	**7,394**	**3,061**	**10,455**
Issue of shares upon exercise of warrants (note 25)	**412**	**412**	**–**	**–**	**–**	**–**	**–**	**824**	**–**	**824**
Share issue expenses (note 25)	**–**	**(42)**	**–**	**–**	**–**	**–**	**–**	**(42)**	**–**	**(42)**
Equity-settled share option arrangements (note 26)	**–**	**–**	**339**	**–**	**–**	**–**	**–**	**339**	**–**	**339**
Repayment of loans due to non-controlling shareholders	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(6,613)**	**(6,613)**
At 31 December 2011	**51,566**	**11,513**	**6,645**	**29,293**	**2,080**	**434,025**	**(41,578)**	**493,544**	**5,349**	**498,893**

* These reserve accounts comprise the consolidated reserves of HK$441,978,000 (2010: HK$433,875,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**10,967**	10,034
Adjustments for:			
Interest income	5	**(755)**	(629)
Interest expenses	7	**10,286**	8,535
Depreciation	6	**17,234**	17,694
Amortisation of prepaid land lease payments	6	**711**	687
Impairment of accounts receivable	6	**76**	31
Gain on disposal of items of property, plant and equipment, and prepaid land lease payments, net	5	**(19,634)**	(655)
Equity-settled share option expense	26	**339**	2,266
		19,224	37,963
Decrease/(increase) in stocks		**17,279**	(25,087)
Increase in accounts receivable		**(5,610)**	(2,706)
Increase in prepayments, deposits and other receivables		**(2,622)**	(1,528)
Decrease in amounts due to associates		**–**	(1,381)
Increase/(decrease) in accounts payable		**(9,424)**	20,832
Increase/(decrease) in bills payable		**6,780**	(19,536)
Increase/(decrease) in other payables and accrued charges		**5,280**	(630)
Cash generated from operations		**30,907**	7,927
Interest received		**755**	629
Hong Kong profits tax paid		**(2,922)**	(3,367)
Overseas tax refunded/(paid)		**82**	(209)
Net cash flows from operating activities		**28,822**	4,980
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(1,431)**	(6,479)
Proceeds from disposal of items of property, plant and equipment		**31,124**	753
Increase in trademarks		**(36)**	(112)
Decrease in time deposits with original maturity of more than three months when acquired		**11,765**	31,235
Net cash flows from investing activities		**41,422**	25,397

Consolidated Statement of Cash Flows (continued)

Year ended 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid		**(10,286)**	(8,535)
Net drawing of bank and other loans		**10,447**	7,128
Increase in pledged bank deposits		**(1,430)**	(32,516)
Issue of shares, including share premium, net		**782**	118
Repayment of loans due to non-controlling shareholders		**(6,613)**	–
Net cash flows used in financing activities		**(7,100)**	(33,805)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**63,144**	(3,428)
Cash and cash equivalents at beginning of year		**68,843**	71,364
Effect of foreign exchange rates changes, net		**1,765**	907
CASH AND CASH EQUIVALENTS AT END OF YEAR		**133,752**	68,843
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents as stated in the consolidated statement of financial position		**133,752**	80,608
Less: Time deposits with original maturity of more than three months when acquired		**–**	(11,765)
Cash and cash equivalents as stated in the consolidated statement of cash flows		**133,752**	68,843

Statement of Financial Position

31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
NON-CURRENT ASSETS			
Investments in subsidiaries	16	**451,992**	450,929
Deferred tax assets	24	**11**	2
Total non-current assets		**452,003**	450,931
CURRENT ASSETS			
Due from a subsidiary	16	**14,000**	–
Prepayments and other receivables		**3,160**	306
Cash and cash equivalents		**1,331**	74
Total current assets		**18,491**	380
CURRENT LIABILITIES			
Other payables and accrued charges		**15,160**	211
Total current liabilities		**15,160**	211
NET CURRENT ASSETS		**3,331**	169
NET ASSETS		**455,334**	451,100
EQUITY			
Issued share capital	25	**51,566**	51,154
Reserves	27(b)	**403,768**	399,946
Total equity		**455,334**	451,100

HUNG HAK HIP, PETER
CHAIRMAN

WONG KWOK YING
EXECUTIVE DIRECTOR

Notes to Financial Statements

31 December 2011

1. CORPORATE INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands on 1 August 2007. The registered office address of the Company is 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 were primarily engaged in the extraction, refining, blending, bottling, packaging and distribution of edible oils and the provision of ancillary activities during the year under review.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for certain land and buildings which were carried at 1993 valuation. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") and the Group's share of the financial statements of the Group's jointly-controlled entities for the year ended 31 December 2011. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

Total comprehensive income within a subsidiary is attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

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

HKFRS 1 Amendment	Amendment to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters*
HKAS 24 (Revised)	*Related Party Disclosures*
HKAS 32 Amendment	Amendment to HKAS 32 *Financial Instruments: Presentation – Classification of Rights Issues*
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 *Prepayments of a Minimum Funding Requirement*
HK(IFRIC)-Int 19	*Extinguishing Financial Liabilities with Equity Instruments*
Improvements to HKFRSs 2010	Amendments to a number of HKFRSs issued in May 2010

Other than as further explained below regarding the impact of HKAS 24 (Revised), and amendments to HKAS 1 and HKAS 27 included in *Improvements to HKFRSs 2010*, the adoption of the new and revised HKFRSs has had no significant financial effect on these financial statements.

The principal effects of adopting these HKFRSs are as follows:

(a) HKAS 24 (Revised) *Related Party Disclosures*

HKAS 24 (Revised) clarifies and simplifies the definitions of related parties. The new definitions emphasise a symmetrical view of related party relationships and clarify the circumstances in which persons and key management personnel affect related party relationships of an entity. The revised standard also introduces an exemption from the general related party disclosure requirements for transactions with a government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The accounting policy for related parties has been revised to reflect the changes in the definitions of related parties under the revised standard. The adoption of the revised standard did not have any impact on the financial position or performance of the Group. Details of the related party transactions, including the related comparative information, are included in note 31 to the consolidated financial statements.

Notes to Financial Statements

31 December 2011

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES *(continued)*

(b) *Improvements to HKFRSs 2010* issued in May 2010 sets out amendments to a number of HKFRSs. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments has had a significant financial impact on the financial position or performance of the Group. Details of the key amendments most applicable to the Group are as follows:

- HKAS 1 *Presentation of Financial Statements*: The amendment clarifies that an analysis of each component of other comprehensive income can be presented either in the statement of changes in equity or in the notes to the financial statements. The Group elects to present the analysis of each component of other comprehensive income in the statement of changes in equity.

- HKAS 27 *Consolidated and Separate Financial Statements*: The amendment clarifies that the consequential amendments from HKAS 27 (as revised in 2008) made to HKAS 21, HKAS 28 and HKAS 31 shall be applied prospectively for annual periods beginning on or after 1 July 2009 or earlier if HKAS 27 is applied earlier.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adoptors*[1]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets*[1]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*[4]
HKFRS 9	*Financial Instruments*[6]
HKFRS 10	*Consolidated Financial Statements*[4]
HKFRS 11	*Joint Arrangements*[4]
HKFRS 12	*Disclosure of Interests in Other Entities*[4]
HKFRS 13	*Fair Value Measurement*[4]
HKAS 1 Amendments	Amendments to HKAS 1 *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*[3]
HKAS 12 Amendments	Amendments to HKAS 12 *Income Taxes – Deferred Tax: Recovery of Underlying Assets*[2]
HKAS 19 (2011)	*Employee Benefits*[4]
HKAS 27 (2011)	*Separate Financial Statements*[4]
HKAS 28 (2011)	*Investments in Associates and Joint Ventures*[4]
HKAS 32 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*[5]
HK(IFRIC)-Int 20	*Stripping Costs in the Production Phase of a Surface Mine*[4]

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(continued)*

[1] Effective for annual periods beginning on or after 1 July 2011
[2] Effective for annual periods beginning on or after 1 January 2012
[3] Effective for annual periods beginning on or after 1 July 2012
[4] Effective for annual periods beginning on or after 1 January 2013
[5] Effective for annual periods beginning on or after 1 January 2014
[6] Effective for annual periods beginning on or after 1 January 2015

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Group considers that these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's investments in subsidiaries are stated at cost less any impairment losses.

Joint ventures

A joint venture is an entity set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture operates as a separate entity in which the Group and the other parties have an interest.

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

A joint venture is treated as:

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Joint ventures *(continued)*

(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.

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 investments in its jointly-controlled entities are accounted for by the proportionate consolidation method, which involves recognising its share of the jointly-controlled entities' assets, liabilities, income and expenses with similar items in the consolidated financial statements on a line-by-line basis. Unrealised gains and losses resulting from transactions between the Group and its jointly-controlled entities are eliminated to the extent of the Group's investments in the jointly-controlled entities, except where unrealised losses provide evidence of an impairment of the asset transferred. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to proportionate share of net assets in the events of liquidation either at fair value of at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date through profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Business combinations and goodwill *(continued)*

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the continent consideration does not fall within the scope of HKAS 39, it is measured in accordance with the appropriate HKFRS.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets of the subsidiary acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested 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 synergies 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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than stocks, deferred tax assets and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

An assessment is made at the end of each reporting period as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset 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.

Related parties

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

(a) the party is a person or a close member of that person's family and that person

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Related parties *(continued)*

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a); and

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity.

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost or valuation less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

The transitional provision set out in paragraph 80A of HKAS 16 *Property, Plant and Equipment* issued by the HKICPA has been adopted for certain properties which are stated at valuation. As a result, those assets stated at revalued amounts based on revaluations which were reflected in the financial statements for the year ended 31 December 1993 have not been revalued by class at the end of the reporting period.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

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

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

Where parts of an item of property, plant and equipment have different useful lives, the cost or valuation of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset. On disposal of a revalued asset, the relevant portion of the other properties revaluation reserve realised in respect of previous valuations is transferred to accumulated losses as a movement in reserves.

Trademarks

Trademarks with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level, and are not amortised. The useful life of a trademark with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Operating leases

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

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Operating leases *(continued)*

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.

Financial assets

Initial recognition and measurement

Financial assets within the scope of HKAS 39 are classified as loans and receivables. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss.

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

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

Subsequent measurement

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Derecognition of financial assets

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

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

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the assets. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of financial assets *(continued)*

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

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

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

Financial liabilities

Initial recognition and measurement

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial liabilities *(continued)*

Subsequent measurement

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the effective interest rate amortisation process.

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

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the income statement.

Offsetting of financial instruments

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

Stocks

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

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

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

- when the deferred tax liability arises from 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 investments in subsidiaries and joint ventures, when 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, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

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

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

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income tax *(continued)*

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

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

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(i) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(ii) from the provision of management, marketing, bottling, packaging and testing services, in the period in which the services are rendered;

(iii) rental income, on a time proportion basis over the lease terms;

(iv) royalties, in the period in which the related products are sold; and

(v) interest income, on an accrual basis using the effective interest rate method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

Employee benefits

Share-based payment transactions

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

The cost of equity-settled transactions with employees for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial option pricing model, further details of which are given in note 26 to the financial statements.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Employee benefits *(continued)*

Share-based payment transactions (continued)

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

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

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

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

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

Paid leave carried forward

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

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Employee benefits *(continued)*

Retirement benefits schemes

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

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

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short-term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the statements of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Provisions

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. All differences arising on settlement or translation of monetary items 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 gain or loss arising on retranslation of a non-monetary item is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss are also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of certain overseas subsidiaries and a jointly-controlled entity are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the end of the reporting period and their income statements are translated into Hong Kong dollars at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the income statement.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries and a jointly-controlled entity are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries and a joint-controlled entity which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

Notes to Financial Statements

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3. SIGNIFICANT ACCOUNTING ESTIMATE

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

Estimation uncertainty

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets relating to recognised tax losses at 31 December 2011 was HK$476,000 (2010: HK$989,000). Further details are contained in note 24 to the financial statements.

4. OPERATING SEGMENT INFORMATION

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

Geographical information

	Hong Kong		Mainland China		Consolidated	
	2011	2010	**2011**	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Revenue from external customers	**487,825**	436,909	**317,740**	332,238	**805,565**	769,147
Non-current assets	**146,644**	155,201	**212,088**	222,833	**358,732**	378,034
Capital expenditure *	**1,110**	6,388	**357**	203	**1,467**	6,591

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

5. TURNOVER AND OTHER INCOME AND GAINS, NET

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

An analysis of revenue and other income and gains, net is as follows:

	Group	
	2011	2010
	HK$'000	HK$'000
Turnover		
Sales of goods and services	**798,221**	762,695
Royalties	**6,655**	5,970
Rental and other income	**689**	482
	805,565	769,147
Other income and gains, net		
Bank interest income	**755**	629
Foreign exchange differences, net	**2,925**	423
Gain on disposal of items of property, plant and equipment, and prepaid land lease payments, net	**19,634**	655
	23,314	1,707

Notes to Financial Statements

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6. PROFIT FROM OPERATING ACTIVITIES

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

	Notes	**2011** **HK$'000**	2010 HK$'000
Net rental income		**(648)**	(473)
Foreign exchange differences, net	5	**(2,925)**	(423)
Direct cost of stocks sold and services provided		**592,119**	558,277
Gain on disposal of items of property, plant and equipment, and prepaid land lease payments, net	5	**(19,634)**	(655)
Employee benefit expenses (including directors' emoluments in note 8):			
Wages and salaries		**53,295**	47,532
Equity-settled share option expense	26	**339**	2,266
Pension scheme contributions		**1,824**	1,773
		55,458	51,571
Depreciation *	13	**17,234**	17,694
Amortisation of prepaid land lease payments *	14	**711**	687
Minimum lease payments under operating leases in respect of land and buildings		**8,014**	7,881
Auditors' remuneration		**1,350**	1,257
Impairment of accounts receivable **	19	**76**	31
Legal and professional fees incurred for the acquisition of subsidiaries ***		**10,280**	–

Notes:

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

** Impairment of accounts receivable is included in "General and administrative expenses" in the consolidated income statement.

*** Legal and professional fees incurred for the acquisition of subsidiaries are included in "Other expenses" in the consolidated income statement. Details of the acquisition are set out in note 33(a) to the financial statements.

**** At 31 December 2011, the Group had no forfeited contributions available to reduce its future contributions to the Exempted Scheme (2010: Nil).

7. FINANCE COSTS

	Group	
	2011	2010
	HK$'000	HK$'000
Interest on bank and other loans wholly repayable within five years	**10,286**	8,535

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:

	2011					
	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary/ performance related bonuses HK$'000	Equity-settled share option benefits HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
(a) Independent non-executive directors						
Sze Tsai To, Robert	275	–	–	–	–	275
Wong Yu Hong, Philip	220	–	–	–	–	220
Cheung Wing Yui, Edward	220	–	–	–	–	220
Seto Gin Chung, John	220	–	–	–	–	220
Shek Lai Him, Abraham	220	–	–	–	–	220
	1,155	–	–	–	–	1,155
(b) Executive directors and non-executive directors						
Executive directors:						
Wong Kwok Ying	–	1,781	63	140	142	2,126
Lam Fung Ming, Tammy	–	1,153	32	70	92	1,347
	–	2,934	95	210	234	3,473
Non-executive directors:						
Hung Hak Hip, Peter	990	–	–	–	–	990
Hung Chiu Yee	30	–	–	–	–	30
Lee Pak Wing	30	–	–	–	–	30
	1,050	–	–	–	–	1,050

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8. DIRECTORS' EMOLUMENTS *(continued)*

	2010					
	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary/ performance related bonuses HK$'000	Equity-settled share option benefits HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
(a) Independent non-executive directors						
Sze Tsai To, Robert	275	–	–	167	–	442
Wong Yu Hong, Philip	220	–	–	167	–	387
Cheung Wing Yui, Edward	220	–	–	167	–	387
Seto Gin Chung, John	220	–	–	167	–	387
Shek Lai Him, Abraham	220	–	–	167	–	387
	1,155	–	–	835	–	1,990
(b) Executive directors and non-executive directors						
Executive directors:						
Wong Kwok Ying	–	1,705	212	318	136	2,371
Lam Fung Ming, Tammy	–	1,105	106	159	88	1,458
	–	2,810	318	477	224	3,829
Non-executive directors:						
Hung Hak Hip, Peter	990	–	–	333	–	1,323
Hung Chiu Yee	30	–	–	167	–	197
Lee Pak Wing	30	–	–	167	–	197
	1,050	–	–	667	–	1,717

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

As at the end of the reporting period, certain directors held share options of the Company, further details of which are set out in note 26 to the financial statements. The fair value of such options which is being recognised in the income statement over the vesting period, was determined as at the date of grant and the amounts included in the financial statements are included in the above directors' remuneration disclosures.

9. FIVE HIGHEST PAID EMPLOYEES

The aggregate emoluments of the five highest paid employees, including three (2010: three) directors whose emoluments are set out in note 8 above, for the year are as follows:

	Group	
	2011	2010
	HK$'000	HK$'000
Salaries, allowances and other emoluments	**5,661**	5,504
Discretionary/performance related bonuses	**294**	613
Equity-settled share option expense	**236**	868
Pension scheme contributions	**241**	231
	6,432	7,216

The above emoluments are analysed as follows:

	Number of employees	
	2011	2010
Nil to HK$1,000,000	**2**	1
HK$1,000,001 to HK$1,500,000	**2**	3
HK$1,500,001 to HK$2,000,000	**–**	–
HK$2,000,001 to HK$2,500,000	**1**	1
	5	5

10. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2010: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	Group	
	2011	2010
	HK$'000	HK$'000
Current – Hong Kong		
Charge for the year	**4,264**	2,798
Under/(over)provision in prior years	**55**	(7)
	4,319	2,791
Current – Elsewhere	**1,744**	44
Deferred (note 24)	**572**	665
Total income tax expense for the year	**6,635**	3,500

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

	Group	
	2011	2010
	HK$'000	HK$'000
Profit before tax	**10,967**	10,034
Tax at the applicable tax rate	**1,810**	1,656
Effect of different tax rates in other jurisdictions	**(1,549)**	(1,054)
Income not subject to tax	**(2,062)**	(226)
Expenses not deductible for tax	**2,835**	1,025
Tax losses not recognised	**5,406**	2,666
Under/(over)provision in respect of prior years, net	**55**	(7)
Utilisation of previously unrecognised tax losses	**–**	(93)
Others	**140**	(467)
Tax charge at the Group's effective rate	**6,635**	3,500

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 2011 includes a profit of HK$3,113,000 (2010: HK$33,000) which has been dealt with in the financial statements of the Company (note 27(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$1,299,000 (2010: HK$7,179,000), and the weighted average number of 511,825,177 (2010: 511,390,491) ordinary shares in issue during the year.

(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$1,299,000 (2010: HK$7,179,000) and the weighted average number of 561,455,371 (2010: 566,827,084) ordinary shares in issue after adjusting for the effect of all dilutive potential ordinary shares of 49,630,194 (2010: 55,436,593) for the year ended 31 December 2011 calculated as follows:

	2011 **HK$'000**	2010 HK$'000
Consolidated profit attributable to equity holders of the Company	**1,299**	7,179

	Number of shares	
	2011	2010
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**511,825,177**	511,390,491
Effect of dilution – weighted average number of ordinary shares:		
Warrants	**47,331,075**	51,051,939
Share options	**2,299,119**	4,384,654
	561,455,371	566,827,084

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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 2011			
Cost or valuation:			
At 1 January 2011	259,919	367,806	627,725
Additions	–	1,431	1,431
Disposals	(5,366)	(22,175)	(27,541)
Exchange realignment	7,810	8,680	16,490
At 31 December 2011	262,363	355,742	618,105
Accumulated depreciation and impairment:			
At 1 January 2011	118,715	282,267	400,982
Provided during the year	3,965	13,269	17,234
Disposals	(3,152)	(13,249)	(16,401)
Exchange realignment	2,431	6,705	9,136
At 31 December 2011	121,959	288,992	410,951
Net book value:			
At 31 December 2011	140,404	66,750	207,154

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

Group *(continued)*

	Leasehold land and buildings HK$'000	Barges, vehicles, leasehold improvements, machinery and equipment HK$'000	Total HK$'000
31 December 2010			
Cost or valuation:			
At 1 January 2010	254,821	361,629	616,450
Additions	–	6,479	6,479
Disposals	–	(6,639)	(6,639)
Exchange realignment	5,098	6,337	11,435
At 31 December 2010	259,919	367,806	627,725
Accumulated depreciation and impairment:			
At 1 January 2010	113,134	270,610	383,744
Provided during the year	4,018	13,676	17,694
Disposals	–	(6,541)	(6,541)
Exchange realignment	1,563	4,522	6,085
At 31 December 2010	118,715	282,267	400,982
Net book value:			
At 31 December 2010	141,204	85,539	226,743

Notes to Financial Statements

31 December 2011

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

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

	Hong Kong, professional valuation at 31 December 1993 less accumulated depreciation and impairment losses HK$'000	Hong Kong, at cost less accumulated depreciation HK$'000	Elsewhere, at cost less accumulated depreciation HK$'000	Total HK$'000
31 December 2011				
Long-term leases	–	–	–	–
Medium-term leases	8,779	2,888	128,737	140,404
	8,779	2,888	128,737	140,404
31 December 2010				
Long-term leases	–	–	3,938	3,938
Medium-term leases	9,022	3,021	125,223	137,266
	9,022	3,021	129,161	141,204

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$134,078,000 (2010: HK$139,605,000).

At 31 December 2011, certain leasehold land and buildings and certain plant and machinery of the Group with a net carrying value of approximately HK$91,620,000 (2010: HK$102,228,000) were pledged to secure general banking facilities granted to the Group (note 23(a)).

14. PREPAID LAND LEASE PAYMENTS

	Group	
	2011	2010
	HK$'000	HK$'000
Carrying amount at 1 January	**27,723**	27,466
Recognised during the year	**(711)**	(687)
Disposals	**(350)**	–
Exchange realignment	**1,337**	944
Carrying amount at 31 December	**27,999**	27,723
Current portion included in prepayments, deposits and other receivables	**(731)**	(706)
Non-current portion	**27,268**	27,017

Prepaid land lease payments represent payments for land use rights held under medium-term leases in Mainland China. At 31 December 2011, all of these land use rights of HK$27,999,000 (2010: certain of these land use rights of HK$27,541,000) were pledged to secure general banking facilities granted to the Group (note 23(a)).

15. TRADEMARKS

	Group	
	2011	2010
	HK$'000	HK$'000
Cost:		
At 1 January	**124,274**	124,162
Additions	**36**	112
At 31 December	**124,310**	124,274

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.

Notes to Financial Statements

31 December 2011

15. TRADEMARKS *(continued)*

Jones Lang LaSalle Sallmanns Limited, a firm of independent professionally qualified valuers, has confirmed, in their valuation of the Group's trademarks, that the fair value of the trademarks exceeded the carrying value as at 31 December 2011. Based on that, the directors considered that no impairment provision is necessary.

16. INVESTMENTS IN SUBSIDIARIES

	Company 2011 HK$'000	Company 2010 HK$'000
Unlisted shares, at cost	**431,813**	431,813
Amounts due from subsidiaries	**34,179**	19,116
	465,992	450,929

Except for an amount due from a subsidiary amounting to HK$14,000,000 (2010: nil) as at 31 December 2011 which is repayable within 12 months, the amounts due from subsidiaries are unsecured, interest-free and are not expected to be repaid in the next 12 months.

Particulars of the principal subsidiaries as at 31 December 2011 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/ Hong Kong	HK$100	100	Investment holding
Hop Hing Development Limited	Hong Kong	HK$10,000	100	Investment holding
Hop Hing Food Products Limited	Hong Kong	HK$2	100	Procurement of edible oils and investment holding
Hop Hing Oil Factory Limited	Hong Kong	HK$24,000,010	100	Bottling, packaging and distribution of edible oils
Hop Hing Oil (Holdings) Limited	Hong Kong	HK$88,241,505	100	Investment holding

16. INVESTMENTS IN SUBSIDIARIES *(continued)*

Particulars of the principal subsidiaries as at 31 December 2011 were as follows *(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 Investment Limited	Hong Kong	HK$1,000,010	100	Leasing of property, plant and equipment
Hop Hing Oil Procurement Limited	Hong Kong	HK$2	100	Procurement of edible oils
Hop Hing Oil Refinery Limited	Hong Kong	HK$10,000,000	100	Edible oils refinery
Hop Hing Oil Terminals (Pan Yu) Limited	British Virgin Islands	US$4,034,699	100	Investment holding
Hop Hing Oil Terminals (Guangzhou) Limited	British Virgin Islands	US$1,385,941	100	Investment holding
Hop Hing Oil Trading Limited	Hong Kong	HK$22	100	Distribution of edible oils
Hop Hing Oil Trading (2000) Limited	Hong Kong	HK$2	100	Distribution of edible oils
Hop Hing Oils & Fats (Hong Kong) Limited	Hong Kong	HK$2	100	Distribution of edible oils
Hop Hing Oils & Fats (Macau) Limited	Macau	MOP10,000	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

Notes to Financial Statements

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16. INVESTMENTS IN SUBSIDIARIES *(continued)*

Particulars of the principal subsidiaries as at 31 December 2011 were as follows *(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
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 the above principal subsidiaries are indirectly held by the Company.

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

17. INVESTMENTS IN JOINTLY-CONTROLLED ENTITIES

Particulars of the jointly-controlled entities as at 31 December 2011 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.

17. INVESTMENTS IN JOINTLY-CONTROLLED ENTITIES *(continued)*

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

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

	2011 **HK$'000**	2010 HK$'000
Current assets	**147,444**	156,093
Non-current assets	**6,438**	7,678
Current liabilities	**(98,682)**	(111,081)
Non-current liabilities	**(187)**	(188)
Net assets	**55,013**	52,502

Share of the jointly-controlled entities' results:

	2011 **HK$'000**	2010 HK$'000
Turnover	**380,454**	340,935
Costs and expenses	**(377,531)**	(342,284)
Profit/(loss) before tax	**2,923**	(1,349)
Income tax	**(420)**	199
Profit/(loss) after tax	**2,503**	(1,150)

18. STOCKS

	Group	
	2011 **HK$'000**	2010 HK$'000
Finished goods	**23,427**	26,536
Work in progress	**33**	222
Raw materials	**120,047**	131,270
	143,507	158,028

19. ACCOUNTS RECEIVABLE

	Group	
	2011	2010
	HK$'000	HK$'000
Accounts receivable	**131,317**	124,686
Impairment	**(15,066)**	(14,758)
	116,251	109,928

The Group's products are sold either on a cash on delivery basis, or on an open account basis with credit terms ranging from 7 to 70 days. Each customer has a maximum credit limit and overdue balances are regularly reviewed by the senior management. In view of the aforementioned and the fact that the Group's accounts receivable relate to a number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its accounts receivable balances. Accounts receivable are non-interest-bearing.

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

	Group	
	2011	2010
	HK$'000	HK$'000
Current (neither past due nor impaired)	**87,818**	76,042
Within 60 days past due	**20,726**	26,108
Over 60 days past due	**7,707**	7,778
	116,251	109,928

Certain of the above accounts receivable as at 31 December 2011 were factored to a bank in exchange for cash and the related bank loans have been included as "Interest-bearing bank loans" on the face of the consolidated statement of financial position (note 23).

19. ACCOUNTS RECEIVABLE *(continued)*

The movements in impairment of accounts receivable are as follows:

	Group	
	2011	2010
	HK$'000	HK$'000
At 1 January	**14,758**	14,339
Exchange realignment	**638**	439
Impairment losses recognised (note 6)	**76**	31
Uncollectible amounts written off	**(406)**	(51)
At 31 December	**15,066**	14,758

Included in the above impairment of accounts receivable is a provision for individually impaired accounts receivable.

The individually impaired accounts receivable relate to receivables which are expected not to be recoverable or only a portion of the receivables is expected to be recovered.

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

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

Included in the Group's accounts receivable are amounts totalling HK$5,204,000 (2010: HK$10,809,000) 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.

20. PLEDGED BANK DEPOSITS

The deposits were pledged to banks to secure certain bills payable (note 22) and bank loans (note 23(a)) of the Group.

21. ACCOUNTS PAYABLE

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

	Group	
	2011	2010
	HK$'000	HK$'000
Current and less than 60 days	**51,389**	58,441
Over 60 days	**487**	2,172
	51,876	60,613

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

Included in the Group's accounts payable are amounts of HK$4,665,000 (2010: HK$9,496,000) 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.

22. BILLS PAYABLE

Certain bills payable are secured by bank deposits of HK$7,870,000 (2010: HK$5,377,000) of the Group (note 20).

Notes to Financial Statements

31 December 2011

23. INTEREST-BEARING BANK LOANS

Group

	2011			2010		
	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	1.5	2012	63,957	2.3	2011	64,624
Bank loans on factored accounts receivable – unsecured (note 19)	1.7	2012	22,294	1.7	2011	6,183
Bank loans – secured	7.2	2012	105,478	7.1	2011	105,384
			191,729			176,191

Notes:

(a) Certain of the Group's bank loans are secured by:

(i) legal charges over all (2010: certain) of the Group's land use rights, classified as prepaid land lease payments, and certain leasehold land and buildings and plant and machinery, which had aggregate carrying values at the end of the reporting period of approximately HK$27,999,000 (2010: HK$27,541,000) and HK$91,620,000 (2010: HK$102,228,000), respectively;

(ii) the pledge of certain of the Group's time deposits amounting to HK$37,037,000 (2010: HK$38,100,000).

Certain of the Group's bank loans as at 31 December 2010 were secured by, a corporate guarantee of HK$10,588,000 given to a bank by an independent third party.

(b) Fixed interest rate bank loans of HK$74,007,000 (2010: HK$82,293,000) and floating interest rate bank loans of HK$31,471,000 (2010: HK$33,679,000) are denominated in Renminbi. All other bank loans are denominated in Hong Kong dollars and with floating interest rates.

(c) Secured interest-bearing bank loans included certain of the Group's bank loans of approximately HK$74,007,000 (2010: HK$70,528,000) in Mainland China which were borrowed by a PRC subsidiary of the Group and secured by certain property, plant and equipment and prepaid land lease payments of certain PRC subsidiaries and have no recourse to the Group other than those PRC subsidiaries.

24. DEFERRED TAX

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

Deferred tax liabilities

Group

	Accelerated tax depreciation HK$'000	Revaluation of properties HK$'000	Total HK$'000
At 1 January 2010	1,857	412	2,269
Credited to the income statement during the year (note 10)	(379)	–	(379)
At 31 December 2010 and 1 January 2011	1,478	412	1,890
Charged to the income statement during the year (note 10)	**59**	**–**	**59**
At 31 December 2011	**1,537**	**412**	**1,949**

Deferred tax assets

Group

	Losses available for offsetting against future taxable profits HK$'000
At 1 January 2010	2,033
Charged to the income statement during the year (note 10)	(1,044)
At 31 December 2010 and 1 January 2011	989
Charged to the income statement during the year (note 10)	**(513)**
At 31 December 2011	**476**

24. DEFERRED TAX *(continued)*

Deferred tax assets *(continued)*

At 31 December 2011, the Group had tax losses of HK$2,986,000 (2010: HK$8,855,000) arising in Hong Kong that were available indefinitely for offsetting against future taxable profits of the relevant companies. The Group also had tax losses of HK$38,214,000 (2010: HK$27,624,000) arising in Mainland China for offsetting against future taxable profits of the relevant companies in one to five years. Tax losses of HK$2,886,000 (2010: HK$6,191,000) arising in Hong Kong have been recognised as deferred tax assets on the expected future profit streams. Deferred tax assets in respect of tax losses of HK$100,000 (2010: HK$2,664,000) and HK$38,214,000 (2010: HK$27,624,000) arising in Hong Kong and Mainland China, respectively, have not been recognised 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 PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5% or 10%. The Group is therefore liable to withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

At 31 December 2011, there was no significant unrecognised deferred tax liability (2010: Nil) for taxes that would be payable on the unremitted earnings of the Group's subsidiaries or jointly-controlled entities.

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

The Company's deferred tax assets of approximately HK$11,000 (2010: HK$2,000) have been recognised in respect of tax losses of HK$69,000 (2010: HK$9,000) on the expected future profit streams. Deferred tax assets of HK$9,000 (2010: charge of HK$3,000) were credited to the income statement during the year.

25. SHARE CAPITAL

	2011 HK$'000	2010 HK$'000
Authorised:		
800,000,000 (2010: 800,000,000) ordinary shares of HK$0.10 each	**80,000**	80,000
Issued and fully paid:		
515,661,188 (2010: 511,539,906) ordinary shares of HK$0.10 each	**51,566**	51,154

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

	Notes	Number of shares in issue	Issued share capital HK$'000	Share premium account HK$'000	Total HK$'000
Issued:					
At 1 January 2010		510,949,072	51,095	11,084	62,179
Issue of shares upon exercise of warrants	(a)	590,834	59	59	118
At 31 December 2010 and 1 January 2011		511,539,906	51,154	11,143	62,297
Issue of shares upon exercise of warrants	(b)	**4,121,282**	**412**	**412**	**824**
Share issue expenses		**–**	**–**	**(42)**	**(42)**
At 31 December 2011		**515,661,188**	**51,566**	**11,513**	**63,079**

25. SHARE CAPITAL *(continued)*

Notes:

(a) During the year ended 31 December 2010, 590,834 ordinary shares of HK$0.10 each were issued for cash at a subscription price of HK$0.20 per share, pursuant to the exercise of the Company's warrants for a total cash consideration, before expenses, of approximately HK$118,000.

(b) During the year ended 31 December 2011, 4,121,282 ordinary shares of HK$0.10 each were issued for cash at a subscription price of HK$0.20 per share, pursuant to the exercise of the Company's warrants for a total cash consideration, before expenses, of approximately HK$824,000.

Share options

Details of the Company's share option scheme and the share options issued under the scheme are included in note 26 to the financial statements.

Warrants

During the year ended 31 December 2010, 590,834 ordinary shares of HK$0.10 each were issued for cash at a subscription price of HK$0.20 per share, pursuant to the exercise of the Company's warrants for a total consideration, before expenses, of approximately HK$118,000.

During the year ended 31 December 2011, 4,121,282 ordinary shares of HK$0.10 each were issued for cash at a subscription price of HK$0.20 per share, pursuant to the exercise of the Company's warrants for a total consideration, before expenses, of approximately HK$824,000. At the end of the reporting period, the Company had 97,402,895 warrants outstanding. The exercise in full of such warrants would, under the capital structure of the Company, result in the issue of 97,402,895 additional ordinary shares of HK$0.10 each.

Subsequent to the end of the reporting period and up to the approval date of this financial statements, 3,769,964 ordinary shares of HK$0.10 each were issued for cash at a subscription price of HK$0.20 per share, pursuant to the exercise of the Company's warrants for a total consideration, before expenses, of approximately HK$754,000.

26. SHARE OPTIONS

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.

26. SHARE OPTIONS *(continued)*

The following share options under the Share Option Scheme of the Company were outstanding during the year and as at 31 December 2011:

Name or category of participant	Number of share options: At 1 January 2011	Granted during the year	Lapsed during the year	Exercised during the year	At 31 December 2011	Date of grant (Note 2)	Exercise period	Price of the Company's shares: Exercise price (Note 3) HK$ per share	At date of grant (Note 4) HK$ per share	Immediately before the exercise date HK$ per share	At date of exercise HK$ per share
Directors											
Hung Hak Hip, Peter	4,928,000	–	–	–	4,928,000	27 April 2009	27 April 2010 to 26 April 2019	0.35	0.35	N/A	N/A
Wong Yu Hong, Philip	2,464,000	–	–	–	2,464,000	27 April 2009	27 April 2010 to 26 April 2019	0.35	0.35	N/A	N/A
Sze Tsai To, Robert	2,464,000	–	–	–	2,464,000	27 April 2009	27 April 2010 to 26 April 2019	0.35	0.35	N/A	N/A
Cheung Wing Yui, Edward	2,464,000	–	–	–	2,464,000	27 April 2009	27 April 2010 to 26 April 2019	0.35	0.35	N/A	N/A
Seto Gin Chung, John	2,464,000	–	–	–	2,464,000	27 April 2009	27 April 2010 to 26 April 2019	0.35	0.35	N/A	N/A
Shek Lai Him, Abraham	2,464,000	–	–	–	2,464,000	27 April 2009	27 April 2010 to 26 April 2019	0.35	0.35	N/A	N/A
Hung Chiu Yee	2,464,000	–	–	–	2,464,000	27 April 2009	27 April 2010 to 26 April 2019	0.35	0.35	N/A	N/A
Lee Pak Wing	2,464,000	–	–	–	2,464,000	27 April 2009	27 April 2010 to 26 April 2019	0.35	0.35	N/A	N/A
Wong Kwok Ying	4,928,000	–	–	–	4,928,000	27 April 2009	Commencement subject to Note 1 below and up to 26 April 2019	0.35	0.35	N/A	N/A
Lam Fung Ming, Tammy	2,464,000	–	–	–	2,464,000	27 April 2009	Commencement subject to Note 1 below and up to 26 April 2019	0.35	0.35	N/A	N/A
	29,568,000	–	–	–	29,568,000						
Employees	4,500,000	–	(500,000)	–	4,000,000	27 April 2009	Commencement subject to Note 1 below and up to 26 April 2019	0.35	0.35	N/A	N/A
	34,068,000	–	(500,000)	–	33,568,000						

26. SHARE OPTIONS *(continued)*

Notes:

(1) Subject to certain performance targets being met by the participants, the participants may, at any time as may be prescribed by the Board at its discretion, be notified (the "Date of Notification") of the vesting of the share options and the number of shares comprised in vested share options. Thereafter, the participants shall have the right to exercise the vested share options within the exercise period from the respective Date of Notification and up to 26 April 2019 in accordance with the terms of their grant.

(2) Subject to note (1) above, the share options are subject to vesting periods which run from the date of grant to the commencement of the exercise period.

(3) The exercise price of the share options is subject to adjustments.

(4) The price of the Company's shares disclosed is the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the day specified.

The fair value of the share options granted in the year ended 31 December 2009 was HK$6,178,000 (HK$0.197 each) of which the Group recognised an equity-settled share option expense of HK$339,000 (2010: HK$2,266,000) during the year ended 31 December 2011.

As at 31 December 2011, the Company had 33,568,000 share options outstanding under the Share Option Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 33,568,000 additional ordinary shares of the Company and additional share capital of HK$3,356,800 and share premium of HK$8,392,000 (before issue expenses).

No options were granted or exercised during the year.

27. 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 32 of the financial statements.

27. RESERVES *(continued)*

(b) Company

	Share premium account HK$'000	Share option reserve HK$'000	Contributed surplus HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2010	11,084	4,040	388,224	(5,760)	397,588
Total comprehensive income for the year	–	–	–	33	33
Issue of shares upon exercise of warrants (note 25)	59	–	–	–	59
Equity-settled share option arrangements (note 26)	–	2,266	–	–	2,266
At 31 December 2010 and 1 January 2011	11,143	6,306	388,224	(5,727)	399,946
Total comprehensive income for the year	**–**	**–**	**–**	**3,113**	**3,113**
Issue of shares upon exercise of warrants (note 25)	**412**	**–**	**–**	**–**	**412**
Share issue expenses (note 25)	**(42)**	**–**	**–**	**–**	**(42)**
Equity-settled share option arrangements (note 26)	**–**	**339**	**–**	**–**	**339**
At 31 December 2011	**11,513**	**6,645**	**388,224**	**(2,614)**	**403,768**

The Company's contributed surplus represents the difference between the nominal value of shares of HK$0.10 each of the Company allotted under a reorganisation (the "Reorganisation") whereby Hop Hing Holdings Limited ("HHHL"), the then ultimate holding company of the Group, became a wholly-owned subsidiary of the Company, and the consolidated shareholders' equity of HHHL and its subsidiaries as at 25 April 2008, the date on which the Reorganisation became effective. Details of the Reorganisation were set out in HHHL's scheme document dated 14 March 2008.

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

Pursuant to the Companies Law of the Cayman Islands, the net amount of reserves distributable to shareholders of the Company as at 31 December 2011 amounted to HK$397,123,000 (2010: HK$393,640,000).

28. OPERATING LEASE ARRANGEMENTS

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

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

	Group	
	2011	2010
	HK$'000	HK$'000
Within one year	**3,593**	7,370
In the second to fifth years, inclusive	**–**	3,840
	3,593	11,210

The Company had no significant operating lease arrangements at the end of the reporting period (2010: Nil).

29. CAPITAL COMMITMENTS

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

	Group	
	2011	2010
	HK$'000	HK$'000
Property, plant and equipment:		
Contracted, but not provided for	**2,266**	174
Authorised, but not contracted for	**13**	19

The Company had no significant capital commitments at the end of the reporting period (2010: Nil).

30. CONTINGENT LIABILITIES

Group

(a) At 31 December 2010, the contingent liabilities of the Group in respect of guarantees given to a bank to secure a banking facility granted to a third party amounted to HK$11,765,000 (the "Guarantee"). The corresponding banking facilities were unutilised as at 31 December 2011.

(b) During the year ended 31 December 2010, the Hong Kong Inland Revenue Department (the "IRD") issued protective assessment for the year of assessment 2003/2004 to a jointly-controlled entity of the Group, in respect of which tax reserve certificate amounted to HK$2,800,000 was purchased. During the year ended 31 December 2011, the IRD issued protective assessments for the year of assessment 2004/2005 to the jointly-controlled entity and a subsidiary of the Group, in respect of which tax reserve certificates amounted to HK$4,000,000 and HK$1,500,000 were purchased respectively. Subsequent to 31 December 2011, the IRD further issued protective assessments for the year of assessment 2005/2006 to certain jointly-controlled entities and certain subsidiaries of the Group, in respect of which tax reserve certificates amounted to HK$6,800,000 were purchased by the jointly-controlled entities. The Group has lodged objections with the IRD against these assessments.

In the opinion of the directors, the Group has grounds to contest the protective tax assessments, thus provision for Hong Kong profits tax in respect of these assessments at this information gathering stage is not considered necessary.

Company

At the end of the reporting period, the contingent liabilities of the Company in respect of guarantees given to a bank to secure banking facilities utilised by subsidiaries amounted to HK$22,704,000 (2010: HK$13,235,000).

31. 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:

		Group	
	Notes	**2011 HK$'000**	2010 HK$'000
Transactions with jointly-controlled entities*:			
Sales of goods	(i)	**25,851**	36,455
Production and oil refinement income	(ii)	**66,611**	54,078
Royalty income	(iii)	**13,311**	11,940
Property rental income	(iv)	**361**	361
Management fee income	(v)	**4,766**	4,640
Transactions with companies associated with the controlling shareholder of the Company and/or a non-executive director of the Company:			
Sales of goods	(i)	**5,483**	4,542
Rental expenses	(vi)	**4,320**	4,147
Interest expenses	(vii)	**–**	625

* 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 production and oil refinement income was based on agreements entered into with a jointly-controlled entity after an arm's length negotiation and was at rates not less favourable than those offered to other unrelated customers of the Group.

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

(iv) 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.

(v) The management fee income was based on the cost incurred for providing such services.

(vi) The rental expenses were paid by reference to open market rental and were subject to the terms of the relevant tenancies.

(vii) The interest expenses represented payments of interest on loans from related companies at the prevailing market rates.

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

31. RELATED PARTY TRANSACTIONS *(continued)*

(b) On 16 April 2010, Grand Synergy Investments Limited, a company incorporated in the British Virgin Islands and associated with a non-executive director of the Company, executed an indemnity deed (the "Indemnity") in favour of the Company for the purpose of indemnifying the Company against any loss or liability which the Company may incur in relation to the Guarantee (note 30), up to a maximum amount of RMB10,000,000 (equivalent to approximately HK$11,765,000). The corresponding banking facility was unutilised as at 31 December 2011. Details of the Indemnity are set out in the Company's announcement dated 16 April 2010.

(c) During the year, the Company entered into an acquisition agreement with a company controlled by a substantial shareholder of the Company. Details are set out in note 33(a) to the financial statements.

(d) Outstanding balances with related parties:

(i) Details of the Group's trade balances with jointly-controlled entities as at the end of the reporting period are disclosed in note 19 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 21 to the financial statements.

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

	2011	2010
	HK$'000	HK$'000
Short-term employee benefits	**3,029**	3,128
Post-employment benefits	**234**	224
Equity-settled share option expense	**210**	477
Total compensation paid to key management personnel	**3,473**	3,829

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

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk, liquidity risk and 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 exposure to the risk of changes in market interest rates relates primarily to the Group's bank loans carrying floating interest rates. The Group monitors its interest rate exposure closely and considers to take measures to reduce significant interest rate exposure, if necessary.

Foreign currency risk

The Group's monetary assets, liabilities and transactions are principally denominated in Hong Kong dollars, Renminbi or United States dollars. Given that the Hong Kong dollars are pegged to the United States dollars and fluctuations between Renminbi and United States 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 the need arises.

Credit risk

It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis. With such policies in place, the Group has been able to maintain its bad debts at a reasonable level. Concentrations of credit risk are managed by customer/counterparty and by geographical region. There are no significant concentrations of credit risk within the Group as the customer bases of the Group's accounts receivable are widely diversified to a 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 19 to the financial statements.

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

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 loans to meet its working capital and capital expenditure requirements.

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

Commodity price risk

The major raw materials used in the production of the Group's products include crude edible oils. The Group is exposed to fluctuations in the prices of these raw materials which are subject to global as well as regional supply and demand and other factors. Fluctuations in the prices of raw materials could adversely affect the Group's financial performance. The Group did not enter into any commodity derivative instruments to hedge the potential commodity price changes during the years ended 31 December 2011 and 2010.

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 2011 and 2010.

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Capital management *(continued)*

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

	Group	
	2011	2010
	HK$'000	HK$'000
Interest-bearing bank loans	**191,729**	176,191
Equity attributable to equity holders of the Company	**493,544**	485,029
Gearing ratio	**39%**	36%

33. EVENTS AFTER THE REPORTING PERIOD

(a) On 1 December 2011, the Company and Queen Board Limited ("Queen Board"), a company controlled by a substantial shareholder of the Company, entered into an acquisition agreement (the "Acquisition") pursuant to which Queen Board has agreed to sell the entire issued share capital of Summerfield Profits Limited ("Summerfield"), an investment holding company of a group of companies that own rights to operate the Yoshinoya and Dairy Queen fast food restaurant chains in their franchised regions in the PRC which include Beijing municipality, Tianjin municipality, the provinces of Hebei, Liaoning, Heilongjiang and Jilin, and the Inner Mongolia Autonomous Region (excluding airports, railway stations or highway service areas), and loans in the amount of approximately HK$44,000,000 owed by Summerfield to Queen Board and its associates, for a total consideration of HK$3,475,000,000 satisfying by an issue of perpetual subordinated convertible securities by the Company to companies as directed by Queen Board. Subsequent to 31 December 2011, the Acquisition was completed on 12 March 2012. Details of the Acquisition have been set out in the Company's announcements made on 1 December 2011 and 12 March 2012 and circular dated 30 December 2011.

(b) Subsequent to 31 December 2011, Pinghu Hop Hing Vegetable Oils Company, Limited, a 51%-owned subsidiary of the Group, was disposed to a third party purchaser for a total consideration of RMB5,407,000 (approximately HK$6,676,000) on 23 February 2012.

(c) Subsequent to 31 December 2011, pursuant to an ordinary resolution passed on 17 January 2012 at the extraordinary general meeting of the Company, the authorised share capital of the Company was increased from HK$80,000,000 to HK$1,480,000,000 by the creation of additional unissued shares of 14,000,000,000 of HK$0.10 each.

34. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 21 March 2012.

Five Year Financial Summary

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

	Year ended 31 December				
	2011 HK$'000	2010 HK$'000	2009 HK$'000	2008 HK$'000	2007 HK$'000
RESULTS					
Turnover	**805,565**	769,147	861,057	1,013,020	851,325
Profit from operating activities	**21,253**	18,569	27,692	33,443	11,471
Finance costs	**(10,286)**	(8,535)	(9,718)	(13,111)	(11,599)
Share of losses of associates	**–**	–	(23)	(182)	–
Profit/(loss) before tax	**10,967**	10,034	17,951	20,150	(128)
Income tax expense	**(6,635)**	(3,500)	(3,435)	(4,275)	(2,797)
Profit/(loss) for the year	**4,332**	6,534	14,516	15,875	(2,925)
Attributable to:					
Equity holders of the Company	**1,299**	7,179	12,784	14,698	177
Non-controlling interests	**3,033**	(645)	1,732	1,177	(3,102)
	4,332	6,534	14,516	15,875	(2,925)

	As at 31 December				
	2011 HK$'000	2010 HK$'000	2009 HK$'000	2008 HK$'000	2007 HK$'000
ASSETS					
Property, plant and equipment	**207,154**	226,743	232,706	248,700	255,792
Prepaid land lease payments	**27,268**	27,017	26,784	27,462	26,695
Trademarks	**124,310**	124,274	124,162	123,968	123,718
Investments in associates	**–**	–	(1,381)	(1,607)	(1,425)
Deferred tax assets	**476**	989	2,033	3,016	4,733
Current assets	**463,543**	415,113	382,534	352,433	314,334
TOTAL ASSETS	**822,751**	794,136	766,838	753,972	723,847
LIABILITIES					
Current liabilities	**321,909**	298,316	284,068	290,114	296,446
Deferred tax liabilities	**1,949**	1,890	2,269	2,651	3,212
TOTAL LIABILITIES	**323,858**	300,206	286,337	292,765	299,658
NET ASSETS	**498,893**	493,930	480,501	461,207	424,189