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HOP HING HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 47)

CONTINUING CONNECTED TRANSACTIONS

SALES AGREEMENT

On 5 August 2005, Panyu Hop Hing, an indirect wholly-owned subsidiary of the Company, entered into the Sales Agreement with Shenzhen You Rong, a connected person (as defined in the Listing Rules) of the Company, for the sale and purchase of various edible oil products manufactured by the Group.

The Transactions constitute continuing connected transactions of the Company for the purposes of the Listing Rules. Particulars of the Transactions and certain other relevant information are given below in accordance with Listing Rule 14A.56. The terms and conditions of the Transactions have been negotiated on an arm's length basis. The Transactions are in the ordinary and usual course of business of the Company and on normal commercial terms. The Board (including the independent non-executive directors) considers that the terms of the Transactions are fair and reasonable, and the Transactions are in the interests of the Company and the Shareholders, taken as a whole.

As certain percentage ratio (as defined in Rule 14.07 of the Listing Rules) in respect of the Transactions, on an annual basis, is more than 2.5% but less than 25% and the total annual income receivable under the Transactions is less than HK\$10 million, the Transactions are subject to the reporting and announcement requirements under Rules 14A.45 to 14A.47 of the Listing Rules but are exempt from the independent shareholders' approval requirements.

Particulars of the Transactions are set forth below, and will be disclosed in the Company's 2005 annual report and accounts.

A. RELATIONSHIP BETWEEN THE PARTIES

Panyu Hop Hing is an indirect wholly-owned subsidiary of the Company. Shenzhen You Rong is a connected person of the Company for the reason as set out below.

Hop Hing Oil (1985) Limited (as trustee of HHOUT) and Hung's (1985) Limited (as trustee of Hung's UT) hold approximately 37.63% and 28.36% respectively of the issued share capital of the Company. GZ Trust Corporation (as trustee of the Family Trusts) holds approximately 99.98% of the issued units of each of HHOUT and Hung's UT. GZ Trust Corporation is therefore entitled to control indirectly the exercise of approximately 65.99% of the voting power at any general meeting of the Company, and is hence a controlling shareholder (as defined in the Listing Rules) of the Company.

GZ Trust Corporation (as trustee of the Family Trusts) is indirectly interested in Shenzhen You Rong so as to exercise or control the exercise of 30% or more of the voting power at the general meetings of Shenzhen You Rong. Shenzhen You Rong is therefore an associate of GZ Trust Corporation and constitutes a connected person of the Company under the Listing Rules.

B. SALES AGREEMENT

Principal Terms

Date of agreement: 5 August 2005

Parties: Panyu Hop Hing as seller

Shenzhen You Rong as purchaser

Subject: Pursuant to the Sales Agreement, Panyu Hop Hing has agreed to supply to Shenzhen You Rong the Products and the Peach Blossom Products for wholesale and retail sales in the PRC.

Term: The Sales Agreement is effective from 1 January 2005 to 31 December 2007 (both dates inclusive).

Price: Pursuant to the Sales Agreement, it has been agreed that the prices at which the Products and Peach Blossom Products are supplied to Shenzhen You Rong by Panyu Hop Hing are charged at the following rates ("Supply Prices"):

	Supply Prices (RMB)
The Products	Distribution price less an agreed discount
Peach Blossom Products	Panyu Hop Hing's production cost plus an agreed percentage

In consideration of Panyu Hop Hing's supply of the Products and the Peach Blossom Products at the Supply Prices, Shenzhen You Rong has agreed to be responsible for (a) the expenses for promoting the sales of the Products and the Peach Blossom Products, in particular, at its supermarket chains; and (b) distributing the Products and the Peach Blossom Products from its central warehouse to its supermarket chains at its own costs.

Since the Peach Blossom Products have not been sold in the PRC market in the past 2 to 3 years, the Group has decided to re-launch the Peach Blossom Products in 2005. Therefore, the Peach Blossom Products are sold to Shenzhen You Rong with reference to Panyu Hop Hing's production costs.

Historical figures: There were no sales of the Products by Panyu Hop Hing to Shenzhen You Rong during the two years ended 31 December 2003. For the year ended 31 December 2004, the total sales of the Products by Panyu Hop Hing to Shenzhen You Rong was approximately RMB1,065,000 (by adopting the then exchange rate of HK\$1.00=RMB1.068, equivalent to approximately HK\$997,000). For the six months ended 30 June 2005, the sales of the Products by Panyu Hop Hing to Shenzhen You Rong was approximately RMB758,000 (equivalent to approximately HK\$722,000).

There was no sales of the Peach Blossom Products by Panyu Hop Hing to Shenzhen You Rong during the three years ended 31 December 2004. For the six months ended 30 June 2005, the sales of the Peach Blossom Products by Panyu Hop Hing to Shenzhen You Rong was approximately RMB143,000 (equivalent to approximately HK\$136,000).

During the aforesaid periods, the terms and conditions of their transactions were not formalized and no formal agreements had been entered into between Panyu Hop Hing and Shenzhen You Rong. Since January 2005, both parties have verbally agreed on the trading terms of their transactions. In mid 2005, in anticipation of the increase of the total sales of the Products and the Peach Blossom Products to Shenzhen You Rong, both parties decided to put the agreed terms and conditions in writing by entering into a written agreement. Accordingly, both parties entered into the Sales Agreement which is effective from 1 January 2005.

Annual caps:

The maximum aggregate annual value of sales by Panyu Hop Hing to Shenzhen You Rong under the Transactions for each of the three financial years ending 31 December 2007 is estimated to be RMB9,500,000 (equivalent to approximately HK\$9,048,000), which represents the target sales agreed between Panyu Hop Hing and Shenzhen You Rong.

The above target sales were agreed after taking into account the following factors:

- (a) the historical sales to Shenzhen You Rong of approximately RMB1,065,000 (by adopting the then exchange rate of HK\$1.00=RMB1.068, equivalent to approximately HK\$997,000) and approximately RMB901,000 (equivalent to approximately HK\$858,000), for the year ended 31 December 2004 and the six months ended 30 June 2005, respectively;
- (b) the Supply Prices;
- (c) as more international supermarkets and hypermarket chains have entered and are likely to enter into the PRC market after the entry of the PRC into the World Trade Organisation, the individual buying habit of people in the PRC have and will be changed gradually. Such change and anticipated change are expected to create a positive sentiment in supermarket sales in the PRC; and

- (d) the aggressive sale promotion strategy of Shenzhen You Rong which includes offering sales discount and gift and cash discount on the Products and the Peach Blossom Products.
- Other significant terms:
- (a) Shenzhen You Rong has undertaken to Panyu Hop Hing that the prices at which the Products and Peach Blossom Products are to be sold by Shenzhen You Rong in the retail market shall not be lower than the prevailing market retail price from time to time, and in the event of breach, Shenzhen You Rong shall be liable for any claim arising therefrom.
- (b) In the event that the Supply Prices are higher than the prevailing market retail prices, Shenzhen You Rong shall have the right to sell the Products and Peach Blossom Products at the then prevailing market retail prices, and Panyu Hop Hing shall compensate for the difference.
- (c) Panyu Hop Hing shall deliver the Products and the Peach Blossom Products to the central warehouse of Shenzhen You Rong in Shenzhen, the PRC. Shenzhen You Rong shall be responsible for delivering the Products and the Peach Blossom Products from its central warehouse to its own supermarket outlets at its own costs; and
- (d) Shenzhen You Rong shall make payments to Panyu Hop Hing at the time when it places its orders.

Reasons for and benefits of the Sales Agreement

Despite the agreed discount on the Products and the supply of the Peach Blossom Products on a cost plus basis, the terms and conditions of the Transactions have been negotiated on an arm's length basis since (a) Shenzhen You Rong would be responsible for distributing the Products and the Peach Blossom Products to its retail outlets (in contrast to the sale of the relevant products to other independent third parties of the Group where Panyu Hop Hing would normally distribute the products to its customers' individual retail outlets); (b) Shenzhen You Rong would promote, at its own costs, the sales of the Products and the Peach Blossom Products, in particular at its supermarket chains (in contrast to the sale of products to other independent third parties of the Group where Panyu Hop Hing would normally be

responsible for promotional activities relating to the relevant products); and (c) Shenzhen You Rong would make payment in advance to Panyu Hop Hing in respect of each of the Transactions. The Board considers that the above help the Group, to save on its costs of sales, including but not limited to distribution costs and marketing costs, which would otherwise have to be incurred by the Group; and to facilitate the logistics and marketing operations and cashflow of the Group.

The Board (including the independent non-executive directors) considers that the terms of the Transactions are fair and reasonable, and the Transactions are in the interests of the Company and the Shareholders, taken as a whole.

C. REQUIREMENTS OF THE LISTING RULES

The Transactions constitute continuing connected transactions of the Company for the purposes of the Listing Rules. As certain percentage ratio (as defined in Rule 14.07 of the Listing Rules) in respect of the Transactions, on an annual basis, is more than 2.5% but less than 25%, and the total annual income receivable under the Transactions is less than HK\$10 million, the Transactions are subject to the reporting and announcement requirements under Rules 14A.45 to 14A.47 of the Listing Rules but are exempt from the independent shareholders' approval requirements.

D. GENERAL

The Group is principally engaged in the extraction, refining, blending and distribution of edible oil and ancillary activities. Panyu Hop Hing is principally engaged in the extraction, refining, blending and distribution of edible oil in the PRC. Shenzhen You Rong is principally engaged in operating supermarket chains in the PRC.

E. DEFINITIONS

In this announcement, the following expressions shall have the following meanings unless the context requires otherwise:

“associate”	has the meaning ascribed to it in the Listing Rules
“Board”	the board of directors of the Company
“Company”	Hop Hing Holdings Limited, a company incorporated in Bermuda with limited liability whose shares are listed on the Stock Exchange
“Family Trusts”	Discretionary Trusts established by Mr. Hung Cheung Pui for the benefit of certain family members of Mr. Hung Cheung Pui
“Group”	The Company and its subsidiaries

“HHOUT”	Hop Hing Oil Unit Trust
“HK\$”	Hong Kong dollars, the lawful currency of the Hong Kong Special Administrative Region of the People’s Republic of China
“Hung’s UT”	Hung’s Unit Trust
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Panyu Hop Hing”	Panyu Hop Hing Oils & Fats Co. Ltd. (番禺合興油脂有限公司), a wholly foreign owned enterprise established in the PRC on 26 December 1995
“Peach Blossom Products”	The “Peach Blossom (紅桃)” brand of edible oil products
“PRC”	The People’s Republic of China
“Products”	various edible oil products, including but not limited to, the “Lion and Globe (獅球嘜)”, “Camel (駱駝嘜)”, “Kitchen King (廚寶)” and “SS” brands
“RMB”	the lawful currency of the PRC
“Sales Agreement”	an agreement dated 5 August 2005 and entered into between Panyu Hop Hing and Shenzhen You Rong in respect of the sale and purchase of the Products and Peach Blossom Products
“Shareholders”	shareholders of the Company
“Shenzhen You Rong”	Shenzhen You Rong Retail Co. Ltd. (深圳市有榮配銷有限公司), a limited liability company established in the PRC on 18 March 1997
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transactions”	the Sales Agreement and all the transactions contemplated thereunder

Unless otherwise defined, an exchange rate of HK\$1.00 = RMB1.05 is adopted in this announcement, for illustration purposes only.

By Order of the Board
Wong Kwok Ying
Company Secretary

Hong Kong, 5 August 2005

As at the date of this announcement, the executive directors of the Company are Mr. Wong Kwok Ying and Ms. Lam Fung Ming, Tammy. The non-executive directors of the Company are Mr. Hung Hak Hip, Ms. Hung Chiu Yee and Mr. Lee Pak Wing. The independent non-executive directors of the Company are Dr. Wong Yu Hong, Philip, Mr. Sze Tsai To, Robert and Mr. Cheung Wing Yui, Edward.

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