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## **HOP HING GROUP HOLDINGS LIMITED**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 47)**

### **DISCLOSEABLE TRANSACTIONS SURRENDER OF PROPERTY BY AND DISPOSAL OF SHARES IN PINGHU HOP HING VEGETABLE OILS COMPANY, LIMITED**

As reported in the 2010 Annual Report of the Group, to comply with the land policy of the local government, the JV, a non wholly-owned subsidiary of the Company, had to dispose the Property, the only manufacturing facilities of the JV. In view of the Surrender and the unfavourable operating conditions of the JV, the equity interest holders of the JV resolved to cease the business operation of the JV.

The Board announced that the JV entered into the Compensation Agreement with the Developer on 14 March 2011 to dispose the Property at a consideration of RMB12,000,000 (equivalent to approximately HK\$14,400,000), subject to the terms and conditions of the Compensation Agreement. A gain in an estimated sum of approximately HK\$11,300,000 is expected to accrue to the Group as a result of the Surrender.

The Board also announces that on 23 May 2011, the directors of the JV resolved to sell the Sale Assets to the Purchaser or any other companies directed by the Purchaser. On 7 June 2011, the JV entered into the Sale and Purchase Agreement with the Purchaser for the Disposal. Hop Hing (Pinghu), which is a wholly-owned subsidiary of the Company and is interested in 51% equity interest in the JV, acknowledged on 7 June 2011 that it would be willing to be bound by the Sale and Purchase Agreement and transfer its 51% equity interest in the JV to the company directed by the Purchaser. The holders of the equity interest of the JV (including Hop Hing (Pinghu)) will enter into separate sale and purchase agreements with the Purchaser or companies directed by the Purchaser for the transfer of the Sale Equity Interest.

Since some of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the transactions under the Compensation Agreement and the Sale and Purchase Agreement are more than 5% and all applicable percentage ratios are less than 25%, each of these transactions constitutes a discloseable transaction for the Company under Rule 14.06 of the Listing Rules.

As reported in the 2010 Annual Report of the Group, to comply with the land policy of the local government, the JV, a non wholly-owned subsidiary of the Company, had to dispose the Property, the only manufacturing facilities of the JV. In view of the Surrender and the unfavourable operating conditions of the JV, the equity interest holders of the JV resolved to cease the business operation of the JV. The edible oil products which are currently manufactured by the JV for other member of the Group would be taken up by the relevant member of the Group.

The Board announces that, the JV entered into the Compensation Agreement with the Developer on 14 March 2011 to dispose the Property at a consideration of RMB12,000,000 (approximately HK\$14,400,000), subject to the terms and conditions of the Compensation Agreement. On 23 May 2011, the directors of the JV resolved to sell the Sale Assets to the Purchaser or any other companies directed by the Purchaser. On 7 June 2011, the JV entered into the Sale and Purchase Agreement with the Purchaser for the Disposal. Hop Hing (Pinghu), which is a wholly-owned subsidiary of the Company and is interested in 51% equity interest in the JV, acknowledged on 7 June 2011 that it would be willing to be bound by the Sale and Purchase Agreement and transfer its 51% equity interest in the JV to the company directed by the Purchaser. The holders of the equity interest of the JV (including Hop Hing (Pinghu)) will enter into separate sale and purchase agreements with the Purchaser or companies directed by the Purchaser for the transfer of the Sale Equity Interest.

## **COMPENSATION AGREEMENT**

### **1. Parties**

The JV : Pinghu Hop Hing Vegetable Oils Company, Limited, a non wholly-owned subsidiary of the Company

Developer : Zhejiang Yaojiang Urban Construction and Development Co., Ltd.\* (浙江耀江城市建設開發有限公司)

To the best of the Directors' knowledge, information and belief and having made all reasonable enquires, the Developer and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

### **2. Date**

The Compensation Agreement was entered into by the JV and the Developer on 14 March 2011.

### **3. The Property**

Pursuant to the Compensation Agreement, for the purpose of complying with the land policy of local government for urban development, the JV had agreed to dispose the Property to the Developer for demolition. The assets to be disposed of mainly consists of the Property situated at Meiyuan Sanzu Danghu Road, Pinghu, Zhejiang Province, the PRC with a gross floor area of approximately 1,200 square metres. The book value of the Property was approximately HK\$3,100,000 as at 31 December 2010.

#### **4. Consideration**

The consideration payable by the Developer to the JV for the Surrender is RMB12,000,000 (equivalent to approximately HK\$14,400,000), which will be payable in the following manner:

- a. RMB3,000,000 (equivalent to approximately HK\$3,600,000) payable by the Developer to the JV within 10 business days after the date of the Compensation Agreement;
- b. RMB2,000,000 (equivalent to approximately HK\$2,400,000) payable by the Developer to the JV before 31 May 2011;
- c. RMB2,000,000 (equivalent to approximately HK\$2,400,000) payable by the Developer to the JV before 30 June 2011; and
- d. The remaining balance of the consideration in the sum of RMB5,000,000 (equivalent to approximately HK\$6,000,000) shall be payable by the Developer to the JV within 10 business days after the delivery of vacant possession of the Property before 30 September 2011.

If the JV fails to deliver the vacant possession of the Property to the Developer before 30 September 2011, the Developer shall be entitled to a compensation calculated on a daily rate of 0.05% of the total consideration for the Surrender.

The consideration for the Compensation Agreement was arrived at after arm's length negotiations between the parties to the Compensation Agreement in accordance with applicable laws and regulations with reference to the standard compensation rates and losses that the JV may suffer from the Surrender.

#### **5. Listing Rules Implications**

Since one of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Compensation Agreement is more than 5% and all applicable percentage ratios are less than 25%, the Surrender constitutes a discloseable transaction for the Company under Rule 14.06 of the Listing Rules.

### **SALE AND PURCHASE AGREEMENT**

#### **1. Parties**

The JV

Purchaser: Jiaxing Huiyuantang Shenrong Co., Ltd.\* (嘉興市匯元堂參茸有限公司)

To the best of the Directors' knowledge, information and belief and having made all reasonable enquires, the Purchaser and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

The holders of the equity interest of the JV (including Hop Hing (Pinghu)) will enter into separate sale and purchase agreements with the Purchaser or companies directed by the Purchaser for the transfer of the Sale Equity Interest.

## **2. Date**

The Sale and Purchase Agreement was entered into by the JV and the Purchaser on 7 June 2011.

## **3. The Sale Assets**

Pursuant to the Sale and Purchase Agreement, the Purchaser had agreed to purchase the Sale Assets, which include (i) the Sale Equity Interest; (ii) the Trademark; and (iii) the Sale Equipment.

The Sale Equity Interest represents the entire equity interest of the JV. The JV shall cease to be a subsidiary of the Company after completion of the Disposal.

## **4. Consideration**

Before the transfer of the Sale Equity Interest, the JV shall conduct internal liquidation of its assets and liabilities to adjust its net asset value to an amount equivalent to the book value of the JV's paid-up capital, which is RMB7,970,000 (equivalent to approximately HK\$9,600,000). The total consideration payable by the Purchaser for the transfer of the Sale Equity Interest shall be determined based on the net asset value of the JV and shall be set out in the sale and purchase agreements to be entered into by the relevant parties. The total consideration for the transfer of the Sale Equity Interest shall become payable by the Purchaser (or any other companies directed by the Purchaser) within 5 days after obtaining the approval of the relevant government authority for the transfer of the Sale Equity Interest.

Within 5 business days after the date of the Sale and Purchase Agreement, the Purchaser shall pay a deposit in the amount of RMB1,000,000 (equivalent to approximately HK\$1,200,000) to the JV, which is refundable after full payment by the Purchaser of the consideration for the transfer of the Sale Equity Interest.

The consideration for the assignment of the Trademark is RMB1,000,000 (equivalent to approximately HK\$1,200,000), and is payable by the Purchaser (or any other company directed by the Purchaser) within 5 days after the completion of the registration of the transfer of the Sale Equity Interest with the relevant authority.

The consideration for the transfer of the Sale Equipment is RMB1,400,000 (equivalent to approximately HK\$1,700,000) and is payable by the Purchaser before 20 July 2011.

The consideration for the Sale Assets was arrived at after arm's length negotiations between the parties to the Sale and Purchase Agreement with reference to the book values and market values of the relevant assets.

## 5. Listing Rules Implications

Since two of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Sale and Purchase Agreement are more than 5% and all applicable percentage ratios are less than 25%, the Disposal constitutes a discloseable transaction for the Company under Rule 14.06 of the Listing Rules.

### INFORMATION OF THE JV

The JV is a sino-foreign company incorporated in the PRC on 17 March 1993 with limited liability and has a registered and paid-up capital of US\$1,400,000 (equivalent to approximately RMB7,970,000 at the then prevailing exchange rates). At the time of entering into the Sale and Purchase Agreement, Hop Hing (Pinghu) owned as to 51% equity interest of the JV. Pinghu State-owned Asset Management Co., Ltd.\* (平湖市国有资产经营有限公司) and Zhejiang Oil Co., Ltd.\* (浙江省油脂有限公司), owned as to 29% and 20% equity interest of the JV, respectively.

The principal activity of the JV is edible oil refinery and manufacturing.

Set out below are the net profits/(losses) attributable to the JV for the two years ended 31 December 2010:

	Year ended 31 December	
	2009	2010
	HK\$	HK\$
Profit/(Loss) before tax	769,000	(1,337,000)
Profit/(Loss) after tax	558,000	(1,318,000)

### FINANCIAL IMPACT OF THE SURRENDER AND THE DISPOSAL AND USE OF PROCEEDS

A gain in a sum of approximately HK\$11,300,000 is expected to accrue to the Group as a result of the Surrender. It is estimated based on the consideration receivable from the Surrender less the net book value of the Property and other related costs and expenses. A loss in the sum of approximately HK\$600,000, which is mainly resulted from the difference between the exchange rates at the time of capital injection and the current exchange rate, is expected to be incurred as a result of the transfer of the Sale Equity Interest. An aggregate loss HK\$243,000 is expected to be incurred in the transfer of Trademark and the Sale Equipment.

It is intended that the Group's share of net proceeds of the Surrender and of the Disposal will be used by the Group for its general working capital purposes.

## **REASONS FOR THE SURRENDER AND THE DISPOSAL AND THE DELAY IN DISCLOSURE OF THE SURRENDER**

The Surrender was for the purpose of complying with the land policy of local government for urban development.

In view of the Surrender and the undesirable operating conditions of JV, the Directors considered the Disposal to be a good opportunity for the Group to realize its investment in the JV.

The Board considered that the Compensation Agreement and the Sale and Purchase Agreement were entered into under normal commercial terms after arm's length negotiations between the parties thereof and that the terms of both the Compensation Agreement and the Sale and Purchase Agreement are fair and reasonable and in the interests of the Company and its shareholders as a whole.

Since one of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Compensation Agreement is more than 5% and all applicable percentage ratios are less than 25%, the Surrender constitutes a discloseable transaction for the Company under Rule 14.06 of the Listing Rules. Due to an inadvertent oversight, the Company did not make an announcement immediately after entering into the Compensation Agreement. As soon as the Board became aware of this inadvertent oversight, it had forthwith initiated the preparation of this announcement as a rectification measure and then notified the Stock Exchange. The Board would also initiate a review of the Group's compliance system to ensure strict compliance with the Listing Rules in the future. The Board considered the delay in disclosure of the Surrender had limited impact on the Group since:

- a. the Compensation Agreement was entered into solely for the purpose of complying with the land policy of local government for urban development;
- b. the Surrender only constituted a discloseable transaction of the Company and does not require prior approval of the shareholders of the Company under the Listing Rules; and
- c. the JV is only owned as to 51% by Hop Hing (Pinghu), hence the potential financial impact of the Surrender on the Group is limited accordingly.

## **GENERAL INFORMATION**

The Group is principally engaged in the extraction, refining, blending, bottling, packaging and distribution of edible oils and their ancillary activities.

To the Directors' best knowledge, information and belief, the Developer is a property development company and the Purchaser is a food packaging company.

## DEFINITIONS

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

<b>“Board”</b>	the board of Directors
<b>“Company”</b>	Hop Hing Group Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the securities of which are listed on the Stock Exchange
<b>“Compensation Agreement”</b>	the compensation agreement and the relevant supplemental agreement entered into between the JV and the Developer on 14 March 2011 for the Surrender
<b>“connected person(s)”</b>	has the meaning given to it by the Listing Rules
<b>“Director(s)”</b>	the director(s) of the Company
<b>“Disposal”</b>	the disposal of the Sale Assets to the Purchaser pursuant to the Sale and Purchase Agreement and other sale and purchase agreements to be entered into by the relevant parties
<b>“Group”</b>	the Company and its subsidiaries
<b>“Hop Hing (Pinghu)”</b>	Hong Kong Hop Hing Oil Refinery (Pinghu) Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Company
<b>“JV”</b>	Pinghu Hop Hing Vegetable Oils Company, Limited, a sino-foreign company incorporated in the PRC and a non wholly-owned subsidiary of the Company as at the date of this announcement
<b>“Listing Rules”</b>	Rules Governing the Listing of Securities on the Stock Exchange
<b>“Property”</b>	the property located at Meiyuan Sanzu Danghu Road, Pinghu, Zhejiang Province, the PRC, with a gross floor area of approximately 1,200 square metres, and registered under the Certificate of Ownership of Property Yue Fang Di Zheng Zi no.: 006698 (粵房地証字第006698號)
<b>“PRC”</b>	People’s Republic of China
<b>“Purchaser”</b>	Jiaxing Huiyuantang Shenrong Co., Ltd.* (嘉興市匯元堂參茸有限公司), a company incorporated in the PRC and an independent third party of the Company

<b>“Sale and Purchase Agreement”</b>	the sale and purchase agreement dated 7 June 2011 and entered into between the JV and the Purchaser in respect of the Disposal
<b>“Sale Assets”</b>	the assets to be disposed to the Purchaser in accordance with the Sale and Purchase Agreement and other sale and purchase agreements to be entered into by the relevant parties, including the Sale Equity Interest, the Trademark and the Sale Equipment
<b>“Sale Equity Interest”</b>	the entire equity interest of the JV
<b>“Sale Equipment”</b>	certain equipment of the JV including machinery, office supplies, automobiles, etc.
<b>“Stock Exchange”</b>	The Stock Exchange of Hong Kong Limited
<b>“Surrender”</b>	the disposal of the Property by the JV to the Developer for the purpose of complying with the land policy of local government for urban development
<b>“Trademark”</b>	“綠怡”, a trademark registered in Class 29 under the PRC Trademark Law
<b>“HK\$”</b>	Hong Kong dollars, the lawful currency of Hong Kong
<b>“RMB”</b>	Renminbi, the lawful currency of the PRC
<b>“US\$”</b>	United States dollars, the lawful currency of United States

*\* For identification only*

*Unless otherwise defined, exchange rate of RMB1.00 = HK\$1.20 and US\$1.00 = HK\$7.80 are adopted in this announcement, for illustration purposes only.*

By Order of the Board  
**Hop Hing Group Holdings Limited**  
**Wong Kwok Ying**  
*Executive Director and Company Secretary*

Hong Kong, 7 June 2011

*As at the date hereof, the executive directors of the Company are Mr. Wong Kwok Ying and Ms. Lam Fung Ming, Tammy. The non-executive directors of the Company are Mr. Hung Hak Hip, Peter, Ms. Hung Chiu Yee and Mr. Lee Pak Wing. The independent non-executive directors of the Company are 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.*