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HOP HING HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 47)

DISCLOSEABLE AND CONNECTED TRANSACTIONS

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DEFINITIONS

In this circular, the following expressions have the following meanings unless the context requires otherwise:–

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Company”	Hop Hing Holdings Limited, a company incorporated in Bermuda with limited liability, the ordinary shares of which are listed on the main board of the Stock Exchange
“Completion”	completion of the Share Purchase Agreement
“Controlling Shareholder”	Hop Hing Oil (1985) Limited, which is interested in and holds 155,392,698 Shares (representing approximately 38% of the existing issued ordinary share capital of the Company)
“connected person”	has the meaning ascribed to it in the Listing Rules
“Directors”	the directors of the Company
“Disposal”	the disposal of the Sale Shares and the Sale Debt under the Share Purchase Agreement
“EAL”	Express Associates Limited, a company incorporated in Hong Kong with limited liability, which was an indirectly wholly-owned subsidiary of the Company prior to Completion
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Shareholders”	Shareholders other than the Controlling Shareholder and its associates
“Latest Practicable Date”	20 May 2005, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

DEFINITIONS

“Properties”	the industrial properties and land sites held by Wytak at the date of the Disposal, namely (i) Units on G/F., Workshop B on UG/F., Portion A2 of Front Portion of Factory A on UG/F., Workshops C and D on UG/F., Workshop A on 1/F., Carpark nos.17 and 18 on Ground Floor, Workshop B on 2/F. and Carpark nos. 3, 12-16 and 23-25 on Ground Floor all of Hop Hing Industrial Building located at 704 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong; (ii) Lot No. 2024 in Demarcation District 121, Yuen Long, also known as 9 Ping Tong Street East, Tong Yan San Tsuen, Yuen Long; (iii) Section A, Lot No. 1284 in Demarcation District 121, Yuen Long; (iv) the Remaining Portion, Lot No. 1278 in Demarcation District 121, Yuen Long; and (v) the Remaining Portion, Section C, Lot No. 2008 in Demarcation District 121, Yuen Long
“Purchaser”	Merry Capital Investments Limited, a company incorporated in the British Virgin Islands with limited liability and a subsidiary of the Controlling Shareholder
“Sale Debt”	all shareholders’ loans owed by EAL to the Vendor that were outstanding at Completion
“Sale Shares”	12 ordinary shares of HK\$1.00 each in the issued share capital of EAL, representing the entire issued share capital of EAL
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shares”	ordinary shares of HK\$0.10 each in the ordinary share capital of the Company
“Share Purchase Agreement”	the sale and purchase agreement dated 29 April 2005 entered into between the Vendor and the Purchaser in relation to the Disposal
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendor”	Hop Hing Oil Factory Limited, an indirectly wholly-owned subsidiary of the Company

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“Wytak”	Wytak Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of EAL
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“sq.ft.”	square feet
“%”	per cent.

LETTER FROM THE BOARD



HOP HING HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 47)

Board of Directors:

Hung Hak Hip* (*Chairman*)

Wong Yu Hong, Philip**

Sze Tsai To, Robert**

Cheung Wing Yui, Edward**

Hung Chiu Yee*

Lee Pak Wing*

Wong Kwok Ying

Lam Fung Ming, Tammy

* *Non-executive Director*

** *Independent non-executive Director*

Registered office:

Canon's Court

22 Victoria Street

Hamilton HM 12

Bermuda

Head office and principal place of business in Hong Kong:

Units E & F, 2/F.

Hop Hing Building

9 Ping Tong Street East

Tong Yan San Tsuen

Yuen Long

New Territories

Hong Kong

23 May 2005

To the Shareholders

Dear Sir or Madam,

DISCLOSEABLE AND CONNECTED TRANSACTIONS

INTRODUCTION

On 29 April 2005, the Directors announced that the Vendor, an indirectly wholly-owned subsidiary of the Company, had on that date entered into the Share Purchase Agreement with the Purchaser, a subsidiary of the Controlling Shareholder, in relation to the Disposal.

The Share Purchase Agreement is a discloseable and connected transaction of the Company under the Listing Rules. Pursuant to Rule 14A.32 of the Listing Rules, the Share Purchase Agreement is subject to the reporting and announcement requirements set out in Rules 14A.45 to 14A.47 of the Listing Rules but is exempt from the independent shareholders' approval requirements. The purpose of this circular is to give the Shareholders further information on the Disposal and other information required by the Listing Rules.

LETTER FROM THE BOARD

THE SHARE PURCHASE AGREEMENT DATED 29 APRIL 2005

Parties:

Vendor: Hop Hing Oil Factory Limited, an indirectly wholly-owned subsidiary of the Company.

Purchaser: Merry Capital Investments Limited, a subsidiary of the Controlling Shareholder and the principal business of which is investment holding.

Assets to be disposed of:

Sale Shares: 12 ordinary shares of HK\$1.00 each in the issued share capital of EAL, representing the entire issued share capital of EAL, the principal business of which is investment holding.

Sale Debt: the shareholders' loans owed by EAL to the Vendor that were outstanding at Completion.

Consideration:

The total consideration for the Disposal of HK\$5.8 million, which was received in cash by the Group at Completion, was arrived at after arm's length negotiations between the parties. The consideration for the Sale Shares of HK\$1.6 million was determined with reference to the unaudited consolidated net asset value of EAL as at 31 March 2005 as adjusted to reflect a valuation of the Properties by an independent valuer as at 31 March 2005. The net book value of the Properties as at 31 March 2005 before revaluation was approximately HK\$125.1 million and the revaluation surplus amounts to approximately HK\$0.5 million. The consideration for the Sale Debt of HK\$4.2 million is equivalent to the book value of the Sale Debt as at the date of the Share Purchase Agreement. The Directors (including the independent non-executive directors) consider that the consideration is fair and reasonable insofar as the Company and the Independent Shareholders are concerned.

Completion

Completion took place immediately following signing of the Share Purchase Agreement on 29 April 2005. Upon Completion, EAL became a subsidiary of the Controlling Shareholder and is no longer a subsidiary of the Company. There are no restrictions on the subsequent sale of the Sale Shares by the Purchaser under the Share Purchase Agreement.

INFORMATION ON EAL

EAL is the holding company of Wytak, a company which holds the Group's industrial properties and land sites in Hong Kong and which also has a syndicated loan. The audited consolidated net loss before and after taxation and extraordinary items of EAL was

LETTER FROM THE BOARD

approximately HK\$1.3 million and HK\$0.3 million respectively for the year ended 31 December 2003 and was approximately HK\$1.1 million and HK\$9.5 million respectively for the year ended 31 December 2004. As at 31 March 2005, the unaudited consolidated net asset value of EAL as adjusted to reflect a valuation of the Properties by an independent valuer as at 31 March 2005 amounted to approximately HK\$1.6 million.

REASONS FOR AND FINANCIAL EFFECT OF THE DISPOSAL AND USE OF PROCEEDS

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

As stated in the annual results announcement of the Company for the year ended 31 December 2004 dated 28 April 2005, the Group sustained an audited consolidated net loss attributable to Shareholders of HK\$12.0 million for the year ended 31 December 2004. As at 31 December 2004, the audited consolidated net asset value of the Group amounted to approximately HK\$409.6 million, and the Group had total bank borrowings of approximately HK\$282.0 million, of which an aggregate amount of HK\$59.0 million was repayable within one year. Since 31 December 2004, the Group has considered and taken various measures to reduce its indebtedness and improve its financial position.

The Disposal reduced the Group's bank borrowings from approximately HK\$282.6 million before Completion to approximately HK\$156.8 million after Completion (representing a reduction of approximately HK\$120.0 million as this is the amount owed to banks by Wytak (a company which following Completion, is no longer a member of the Group) and a reduction of approximately HK\$5.8 million as the aggregate consideration of the same amount for the Disposal will be applied to reduce other bank borrowings of the Group). Therefore, the Group's financial position will be improved as a result of the Disposal. The Group will record a gain on the Disposal of approximately HK\$0.5 million for the year ending 31 December 2005, being the difference between the proceeds of the Disposal and the unaudited consolidated net asset value of EAL as at 31 March 2005 and representing an amount equal to the surplus arising from the revaluation of the Properties. As the Disposal reduced the assets (mainly property interests) and liabilities (mainly bank loans) of the Group by approximately HK\$123.4 million and HK\$123.9 million respectively, it is not expected that the Disposal will have any material impact on the net assets of the Group. Save as disclosed in the next paragraph, it is not expected that the Disposal will have any material impact on the net earnings of the Group (as rental loss as a result of the Disposal is expected to be more or less compensated by savings in interest expenses).

Upon Completion, the Group (through the Vendor) entered into a tenancy agreement with Wytak for the period from 29 April 2005 to 28 April 2006 in relation to certain leased properties. Pursuant to such tenancy agreement, the aggregate monthly rental for the leased properties amounts to HK\$278,200 (inclusive of government rates and air-conditioning charges) and is payable by the Vendor to Wytak on a monthly basis. Details of such tenancy agreement are set out in the Company's announcement dated 29 April 2005.

LETTER FROM THE BOARD

The Directors (including the independent non-executive directors) consider that the terms of the Share Purchase Agreement are normal commercial terms which are fair and reasonable so far as the Company and the Independent Shareholders are concerned and that the Disposal will benefit, and is in the best interests, of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

The Purchaser is a subsidiary of the Controlling Shareholder, a substantial shareholder of the Company under the Listing Rules. The Purchaser is therefore a connected person of the Company by virtue of it being an associate of a substantial shareholder of the Company. Accordingly, the Share Purchase Agreement is a connected transaction of the Company under the Listing Rules. The Share Purchase Agreement is also a discloseable transaction of the Company under the Listing Rules. As the Share Purchase Agreement was entered into on normal commercial terms where each of the applicable percentage ratios as defined under Rule 14.07 of the Listing Rules is more than 2.5% but less than 25% and the total consideration payable under the Share Purchase Agreement is less than HK\$10 million, pursuant to Rule 14A.32 of the Listing Rules, the Share Purchase Agreement is subject to the reporting and announcement requirements set out in Rules 14A.45 to 14A.47 of the Listing Rules but is exempt from the independent shareholders' approval requirements.

GENERAL INFORMATION

As at the date of this circular, the Board comprises two executive Directors, namely Mr. Wong Kwok Ying and Ms. Lam Fung Ming, Tammy, three non-executive Directors, namely Mr. Hung Hak Hip, Ms. Hung Chiu Yee and Mr. Lee Pak Wing, and three independent non-executive Directors, namely Mr. Wong Yu Hong, Philip, Mr. Sze Tsai To, Robert and Mr. Cheung Wing Yui, Edward.

Your attention is drawn to the general information set out in the appendix to this circular.

By Order of the Board
Hop Hing Holdings Limited

Hung Hak Hip
Chairman

RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquires, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

DISCLOSURE OF DIRECTORS' INTERESTS

As at the Latest Practicable Date, the interests and short positions of each of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO) or (ii) pursuant to Section 352 of the SFO, to be entered in the register maintained by the Company referred to therein or (iii) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

(i) Interests in ordinary shares of the Company

Name of director	Number of shares held, capacity and nature of interest			Total	Percentage of the Company's issued share capital
	Directly beneficially owned	Through controlled corporation	Beneficiary of a trust		
Hung Hak Hip	-	3,601,607	3,227,420*	6,829,027	1.7
Wong Yu Hong, Philip	-	-	-	-	-
Sze Tsai To, Robert	-	-	-	-	-
Cheung Wing Yui, Edward	398,000	-	-	398,000	0.1
Hung Chiu Yee	772,673	-	-	772,673	0.2
Lee Pak Wing	-	-	-	-	-
Wong Kwok Ying	-	-	-	-	-
Lam Fung Ming, Tammy	-	-	-	-	-

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

(ii) Interests in underlying shares of the Company

Certain directors held share options granted to them under the share option scheme which was adopted by the Company on 30 June 2000 and terminated on 25 June 2004 (the “2000 Share Option Scheme”), entitling them to subscribe for shares of HK\$0.10 each in the Company upon the exercise of their subscription rights as follows:

	Number of shares constituting the share options	Exercise period of share options	Exercise price of share options* HK\$	Price of the Company's shares at the date of grant of the share options** HK\$
Hung Hak Hip	4,752,105	17 November 2000 to 16 November 2010	0.1834	0.227
Wong Yu Hong, Philip	2,045,565	30 November 2000 to 29 November 2005	0.2112	0.280
Sze Tsai To, Robert	2,045,565	22 November 2001 to 21 November 2006	0.1834	0.230
Cheung Wing Yui, Edward	2,045,565	17 November 2000 to 16 November 2005	0.1834	0.227
Hung Chiu Yee	2,045,565	17 November 2000 to 16 November 2010	0.1834	0.227
Lee Pak Wing	2,376,052	17 November 2000 to 16 November 2010	0.1834	0.227
Wong Kwok Ying	4,091,130	17 November 2000 to 16 November 2010	0.1834	0.227

* *The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.*

** *The price of the Company's shares disclosed as at the date of the grant of the share options is the Stock Exchange closing price on the trading day immediately prior to the date of the grant of the options.*

All the above share options were granted pursuant to a board resolution on 17 November 2000 and were outstanding as at the Latest Practicable Date. Upon the termination of the 2000 Share Option Scheme, no further share options can be granted under it but in all other respects its provisions remain in force and all share options granted prior to such termination continue to be valid and exercisable in accordance with the terms of the scheme.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executive of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or (ii) pursuant to Section 352 of the SFO, to be entered in the register referred to therein or (iii) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies of the Listing Rules.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

Save as disclosed below, as at the Latest Practicable Date, according to the register of interest kept by the Company under Section 336 of the SFO and so far as was known to the Directors and the chief executive of the Company, no persons or companies (other than a Director or chief executive of the Company whose interests are disclosed above) had, or were deemed or taken to have, interests or short positions in the shares or underlying shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or had any option in respect of any such class of share capital:

Name of shareholder	<i>Notes</i>	Number of ordinary shares held <i>Shares</i>	Percentage of the Company's issued share capital (%)
Hung's (1985) Limited ("Hung's")	1	117,136,083	28.36
Hop Hing Oil (1985) Limited ("HHO")	2	155,392,698	37.63
GZ Trust Corporation ("GZTC")	3	272,528,781	65.99
Hung Cheung Pui	4	272,528,781	65.99

Notes:

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

DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into, or was proposing to enter into, any service contract with any member of the Group which was not expiring or determinable by the Company within one year without payment of compensation other than statutory compensation.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at the Latest Practicable Date, so far as the Directors are aware, none of the Directors nor their respective associates had any interest in a business that competes or may compete, either directly or indirectly, with the business of the Group or any other conflicts of interest with the Group.

LITIGATION

Neither the Company nor any of its subsidiaries is engaged in any litigation or arbitration of material importance and, so far as the Directors are aware, no litigation or claims of material importance is pending or threatened against the Company or any of its subsidiaries.

GENERAL

- (a) The registered office of the Company is at Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda. The principal place of business of the Company is at Units E & F, 2/F., Hop Hing Building, 9 Ping Tong Street East, Tong Yan San Tsuen, Yuen Long, New Territories, Hong Kong.
- (b) The Hong Kong branch share registrar and transfer office of the Company is Computershare Hong Kong Investor Services Limited at 46/F., Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (c) The secretary of the Company is Mr. Wong Kwok Ying. He is a certified public accountant in Hong Kong.
- (d) The qualified accountant of the Company is Mr. Wong Kwok Ying. He is a certified public accountant in Hong Kong.
- (e) The English text of this circular shall prevail over the Chinese text in the case of inconsistency.