



Hop Hing Holdings Limited

(Incorporated in Bermuda with limited liability)



Interim Report | 2004



The Board of Directors (the "Board") of Hop Hing Holdings Limited (the "Company") herein present their unaudited condensed consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2004, together with the comparative amounts.

This interim financial report has not been audited, but has been reviewed by the Company's audit committee and the Company's auditors.

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

		Unaudited Six months ended 30 June	
		2004	2003
		HK\$'000	HK\$'000
	Notes		
TURNOVER	2	214,677	168,896
Direct cost of stocks sold and services provided		(172,308)	(124,560)
Other production and service costs (including depreciation of HK\$12,665,000 (2003: HK\$13,368,000))		(21,219)	(23,380)
Selling and distribution costs		(6,315)	(9,104)
General and administrative expenses		(15,369)	(22,826)
LOSS FROM OPERATING ACTIVITIES	3	(534)	(10,974)
Finance costs, net	4	(7,377)	(8,137)
Share of profit/(loss) of a jointly-controlled entity		1,493	(425)
LOSS BEFORE TAX		(6,418)	(19,536)
Tax	5	(849)	(1,040)
LOSS BEFORE MINORITY INTERESTS		(7,267)	(20,576)
Minority interests		(273)	47
NET LOSS ATTRIBUTABLE TO SHAREHOLDERS		(7,540)	(20,529)
LOSS PER SHARE (HK cents)	6		
– Basic		(1.84)	(5.02)
– Diluted		N/A	N/A

CONDENSED CONSOLIDATED BALANCE SHEET

		Unaudited	Audited
		30 June	31 December
	Notes	2004	2003
		HK\$'000	HK\$'000
NON-CURRENT ASSETS			
Fixed assets		452,253	464,509
Trademarks		122,599	122,477
Interests in associates		(1,425)	(1,425)
Interest in a jointly-controlled entity		56,323	55,090
Deferred tax assets		10,763	10,763
		640,513	651,414
CURRENT ASSETS			
Stocks		39,219	43,596
Accounts receivable	7	21,189	24,314
Sundry receivables, deposits and prepayments		34,936	63,387
Pledged cash deposits		5,987	6,149
Cash and bank balances		40,783	47,984
		142,114	185,430
CURRENT LIABILITIES			
Interest-bearing bank loans		44,935	41,060
Other loans		5,177	5,177
Bills payable		11,625	12,149
Accounts payable	8	14,577	28,071
Other payables and accrued charges		28,992	52,897
Tax payable		5,436	4,944
		110,742	144,298
NET CURRENT ASSETS		31,372	41,132
TOTAL ASSETS LESS CURRENT LIABILITIES		671,885	692,546

	Notes	Unaudited 30 June 2004 HK\$'000	Audited 31 December 2003 HK\$'000
NON-CURRENT LIABILITIES			
Interest-bearing bank loans		242,958	255,958
Deferred tax liabilities		8,097	8,499
		251,055	264,457
MINORITY INTERESTS			
		6,852	6,579
		413,978	421,510
CAPITAL AND RESERVES			
Issued capital	9	40,918	40,915
Reserves		373,060	380,595
		413,978	421,510

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2004 (Unaudited)

	Reserves							Total HK\$'000
	Issued share capital HK\$'000	Share premium account HK\$'000	Investment property revaluation reserve HK\$'000	Other properties revaluation reserve HK\$'000	Capital and other reserves HK\$'000	Accumulated losses HK\$'000	Sub-total HK\$'000	
At 1 January 2004	40,915	374,062	319	16,892	58,759	(69,437)	380,595	421,510
Issue of shares	3	5	-	-	-	-	5	8
Net loss for the period	-	-	-	-	-	(7,540)	(7,540)	(7,540)
As 30 June 2004	40,918	374,067	319	16,892	58,759	(76,977)	373,060	413,978

For the six months ended 30 June 2003 (Unaudited)

	Reserves							Total HK\$'000
	Issued share capital HK\$'000	Share premium account HK\$'000	Investment property revaluation reserve HK\$'000	Other properties revaluation reserve HK\$'000	Capital and other reserves HK\$'000	Accumulated losses HK\$'000	Sub-total HK\$'000	
At 1 January 2003	40,913	374,114	319	47,263	58,759	(41,761)	438,694	479,607
Issue of shares	2	5	-	-	-	-	5	7
Bonus warrants issue expenses	-	(57)	-	-	-	-	(57)	(57)
Deferred tax charged for the period	-	-	-	(844)	-	-	(844)	(844)
Net loss for the period	-	-	-	-	-	(20,529)	(20,529)	(20,529)
As 30 June 2003	40,915	374,062	319	46,419	58,759	(62,290)	417,269	458,184

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Unaudited Six months ended 30 June	
	2004	2003
	HK\$'000	HK\$'000
NET CASH INFLOW/(OUTFLOW) FROM:		
OPERATING ACTIVITIES	9,917	(3,811)
INVESTING ACTIVITIES	(531)	(1,969)
FINANCING ACTIVITIES	(16,587)	26,576
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(7,201)	20,796
Cash and cash equivalents at beginning of period	47,984	56,110
CASH AND CASH EQUIVALENTS AT END OF PERIOD	40,783	76,906
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and time deposits	40,783	76,906

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES

This interim financial report has been prepared in accordance with Statement of Standard Accounting Practice (“SSAP”) No. 25 “Interim financial reporting” issued by the Hong Kong Society of Accountants.

The accounting policies and basis of preparation adopted in the preparation of this interim financial report are consistent with those used in the Group’s annual financial statements for the year ended 31 December 2003.

Trademarks

In accordance with the requirements of SSAP 29 “Intangible assets”, the cost of the Group’s trademarks should be amortised over the best estimate of their useful lives. SSAP 29 also states that there is a rebuttable presumption that the useful life of an intangible asset will not exceed twenty years from the date when the asset is available for use. In the opinion of the directors, to follow the requirements of SSAP 29 would give a misleading view of the results of the Group and its loss per share for the following reasons:

- (i) The trademarks, which were acquired by the Group in 1988, have been in use for a very long time, some of them since the 1930s, and will continue to be used for the long term. The valuation of the Group’s trademarks performed by Sallmanns (Far East) Limited, an independent professional appraiser, has confirmed that the market value of the trademarks exceeded the carrying value as at 31 December 2003; and
- (ii) The Group has incurred and intends to continue to incur significant advertising and promotion expenses, which are charged to the profit and loss account when incurred, to maintain and increase the market value of its trademarks and brands.

As a result and consistent with the prior period, the Group has decided not to follow the requirements of SSAP 29 and to continue to adopt the accounting policy that trademarks are stated at cost and provision is made for any impairment in value. The Group intends to confirm the value of its trademarks by independent professional valuation periodically.

2. TURNOVER AND SEGMENT INFORMATION

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

Segment information is presented below in respect of the Group's geographical segment, which is regarded as the secondary segment.

	Mainland China		Hong Kong		Consolidated	
	Unaudited		Unaudited		Unaudited	
	Six months ended 30 June		Six months ended 30 June		Six months ended 30 June	
	2004	2003	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from external customers	154,751	100,270	59,926	68,626	214,677	168,896

3. LOSS FROM OPERATING ACTIVITIES

The Group's loss from operating activities is arrived at after charging:

	Unaudited	
	Six months ended 30 June	
	2004	2003
	HK\$'000	HK\$'000
Cost of stocks sold	170,792	123,180

4. FINANCE COSTS, NET

	Unaudited Six months ended 30 June	
	2004	2003
	HK\$'000	HK\$'000
Interest on bank borrowings	7,565	8,276
Interest on other loans wholly repayable within five years	67	69
	7,632	8,345
Total finance costs	7,632	8,345
Less: interest income	(255)	(208)
	7,377	8,137

5. TAX

Hong Kong profits tax has been provided at the rate of 17.5% (2003: 17.5%) on the estimated assessable profits arising in Hong Kong during the period. Overseas taxes have been provided for at the applicable tax rates, if required.

	Unaudited Six months ended 30 June	
	2004	2003
	HK\$'000	HK\$'000
Tax in the profit and loss account represents:		
Provision for Hong Kong profits tax	891	752
Provision for tax elsewhere	100	218
	991	970
Deferred tax	(402)	(41)
	589	929
Share of tax charges of a jointly-controlled entity – Hong Kong	260	111
	849	1,040

Note: The Group has received notices of assessment from the Inland Revenue Department in Hong Kong in respect of the Group's assessable profits arising from royalty income, which is under objection.

6. LOSS PER SHARE*(a) Basic loss per share*

Basic loss per share is calculated based on the net loss attributable to shareholders of HK\$7,540,000 (2003: HK\$20,529,000) and the weighted average of 409,172,918 shares (2003: 409,130,246 shares) in issue during the period.

(b) Diluted loss per share

Diluted loss per share for both periods have not been presented as the share options and warrants outstanding during the periods had an anti-dilutive effect on the basic loss per share for these periods.

7. ACCOUNTS RECEIVABLE

The aged analysis of accounts receivable as at the balance sheet date is as follows:

	Unaudited	Audited
	30 June	31 December
	2004	2003
	HK\$'000	HK\$'000
Current and less than 60 days	19,044	23,148
Over 60 days	2,145	1,166
	21,189	24,314

The Group's products are sold either on a cash on delivery basis, or on an open account basis ranging from 30 to 50 days of credit. Each customer has a maximum credit limit and overdue balances are regularly reviewed by senior management.

8. ACCOUNTS PAYABLE

The aged analysis of accounts payable as at the balance sheet date is as follows:

	Unaudited	Audited
	30 June	31 December
	2004	2003
	HK\$'000	HK\$'000
Current and less than 60 days	8,284	20,595
Over 60 days	6,293	7,476
	14,577	28,071

9. SHARE CAPITAL

During the period, 28,000 shares of HK\$0.10 each were issued for cash at a subscription price of HK\$0.27 per share pursuant to the exercise of 28,000 warrants of the Company for a total cash consideration, before expenses, of approximately HK\$8,000.

As at 30 June 2004, the Company had 81,754,687 warrants outstanding. The exercise in full of such warrants would, under the present capital structure of the Company, result in the issue of 81,754,687 additional shares of HK\$0.10 each and cash proceeds, before the related issue expenses, of approximately HK\$22,074,000.

10. COMMITMENTS

	Unaudited	Audited
	30 June	31 December
	2004	2003
	HK\$'000	HK\$'000
Capital commitments for the acquisition of property, plant and equipment:		
Contracted for	1,902	1,902
Authorised, but not contracted for	947	2,878

11. CONTINGENT LIABILITIES

As at 30 June 2004, the unaudited contingent liabilities in respect of guarantees given to banks to secure banking facilities utilised by the jointly-controlled entity of the Group amounted to HK\$37,777,000 (31 December 2003: HK\$45,544,000).

12. RELATED PARTY TRANSACTIONS

		Unaudited Six months ended 30 June	
		2004	2003
		HK\$'000	HK\$'000
Notes			
Transactions with the jointly-controlled entity:			
Sale of goods	a	15,035	21,262
Purchases of goods/services	b	20	866
Production and oil refinement income	c	14,052	17,200
Royalty income	d	5,236	10,215
Property rental and tank farm income	e	4,230	4,083
Other property related income	f	1,260	1,609
Management fee income	g	2,000	–
Transactions with companies in which a director of the Company has an indirect interest:			
Management fee	h	270	270
Rental income	i	943	943

Notes:

- a. The sale of goods were at prices comparable to those offered to other unrelated customers of the Group.
- b. The purchases of goods/services were at prices comparable to those offered by other unrelated suppliers/providers.
- c. The production and oil refinement income were charged basing on agreements entered into with the jointly-controlled entity after an arm's length negotiation and were at rates comparable to those offered to other unrelated customers of the Group.
- d. Pursuant to a trademark licence agreement entered into between the Group and the jointly-controlled entity, 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 entity within Hong Kong and Macau.

- e. The property rental income related to the properties and barges included in fixed assets. The property rental income and tank farm income were charged by reference to the relevant industry practice and was subject to review on a regular basis.
- f. The other property related income included air-conditioning charges and property management fee and were charged based on the cost incurred in managing the properties and providing air-conditioning services.
- g. The management fee income were charged based on the cost incurred for providing such services.
- h. The management fee expenses represented the payment of remuneration to a director of the Company through a company in which he has an indirect interest therein.
- i. The property rental income was charged by reference to relevant industry practice and was subject to review on a regular basis.

13. PLEDGE OF ASSETS

As at 30 June 2004, an investment property, certain leasehold land and buildings and certain plant and machinery of the Group with an aggregate carrying value of approximately HK\$301,601,000 (31 December 2003: HK\$309,409,000) and cash deposits of the Group of approximately HK\$5,987,000 (31 December 2003: HK\$6,149,000) were pledged to banks to secure banking facilities granted to the Group. In addition, certain stocks with carrying value of approximately HK\$2,293,000 (31 December 2003: HK\$2,293,000) were pledged to secure certain other loans.

BUSINESS REVIEW AND OUTLOOK

For the six months ended 30 June 2004, net loss attributable to shareholders was HK\$7.5 million, which was a 63% improvement when compared to the net loss of HK\$20.5 million for the same period in 2003. The loss per share for the period was 1.84 cents (2003: loss per share 5.02 cents).

Earnings before interest, tax, depreciation and amortisation (EBITDA) was HK\$13.6 million, almost a six-fold improvement over the HK\$2.0 million for the first half of 2003.

Dividend

The directors do not recommend the payment of any interim dividend for the six months ended 30 June 2004 (2003: Nil).

Review of Operation

In addition to our strategy to focus in the South China Region implemented since last year, the Group has sustained its efforts in increasing efficiency, streamlining costs and working capital management. We have also maintained tight risk management control on oil procurement. As a result, staff costs for the first half of 2004 were reduced by 23% to HK\$15.3 million when compared with that for the same period in 2003. Stock, accounts receivable and sundry receivable have all decreased substantially, with about 90% of our accounts receivable within the Group's normal credit policy period.

Our performance in both China and Hong Kong has improved from the first half of 2003.

In Hong Kong, the market is still subject to fierce competition and volatility on raw material prices challenges margins. Our flagship brand, Lion & Globe, has for the 5th consecutive year received the Super Brand Gold Award from Reader's Digest.

For China, our South China strategy has begun to show positive results, and has reported positive and improved EBITDA since the second half of last year.

Financial Review

Equity

The number of issued shares of HK\$0.10 each as at 30 June 2004 was 409,180,938 (31 December 2003: 409,152,938). During the period under review, the share capital of the Company was increased by 28,000 shares resulting from the exercise of 28,000 warrants of the Company. As at 30 June 2004, there were 81,754,687 warrants carrying rights to subscribe an aggregate of 81,754,687 new shares of HK\$0.10 each in the Company at any time up to 30 April 2005 at an initial subscription price of HK\$0.27 per share.

During the period, the Share Option Scheme (the "Old Scheme") adopted by the Company on 30 June 2000 was terminated. A new Share Option Scheme with rules complying the new Listing Rules of the Stock Exchange of Hong Kong Limited was adopted by the Company in its special general meeting held on 25 June 2004. The share options which were granted under the Old Scheme and outstanding as at 25 June 2004 are exercisable up to and including their respective expiry dates. As at the period end date, there were outstanding share options granted to certain eligible employees entitling them to subscribe for 23,492,677 shares of the Company. Details of the share options outstanding are disclosed in the section under "Share Option Scheme" in the interim financial report.

Liquidity and gearing

The Group's funding policy is to finance the business operations with internally generated cash and bank facilities.

As at the balance sheet date, the Group's total bank borrowings less pledged cash deposits amounted to HK\$293.5 million (31 December 2003: HK\$303.0 million). Of the total bank borrowings, HK\$56.6 million was repayable within one year and the balance was repayable within two to five years. The Group's gearing ratio (expressed as a percentage of long term bank borrowings over shareholders' funds and long term borrowings) as at 30 June 2004 was 37.0% (31 December 2003: 37.8%).

The net interest expenses for the period was HK\$7.4 million (2003: HK\$8.1 million). Such decrease was mainly attributable to the repayments of bank loans and the decrease in interest rates during the period under review.

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 and share option scheme

Remuneration packages comprised salary and bonuses based on individual merits. The total remuneration paid to the employees (including pension costs and the directors' remuneration) of the Group in the period under review was HK\$15.3 million (2003: HK\$19.8 million). As at 30 June 2004, the Group had 346 full time and temporary employees (30 June 2003: 372).

Details of share options granted under the Share Option Scheme of the Company are set out in the section under "Share Option Scheme" in the interim financial report.

Segment information

In the period under review, the Group's edible oil business in Mainland China continued to account for a major proportion of the Group's turnover.

Details of the segment information are set out in note 2 to the interim financial report.

Contingent liabilities

Details of the contingent liabilities are set out in note 11 to the interim financial report.

Pledge of assets

Details of the pledge of assets are set out in note 13 to the interim financial report.

Outlook

The recent publicity on defective food products has caused consumers to seek good quality products. In this connection, our household brands, particularly Lion & Globe, Camel and Kitchen King, are well placed to benefit from any change in consumer preference in this regard.

We are now well positioned to deepen our penetration and presence in the South China market. In this connection, the business environment created by the Closer Economic Partnership Arrangement (“CEPA”) and the initiatives in promoting a Pan Pearl River Delta area will in time create further opportunities for Hong Kong companies with a China presence like us.

We are hopeful that our performance in 2004 will improve over 2003.

The professional firm engaged by the Group to assist in a review of the overall structure of our business has continued to work with the Board in this regard.

Management and Staff

We thank all members of our management team and staff for their hard work during the period under review.

AUDIT COMMITTEE

The directors have engaged the Group’s external auditors to review the interim financial report for the six months ended 30 June 2004. The Group’s external auditors have carried out their review in accordance with Statement of Auditing Standard 700 “Engagement to review interim financial report” issued by the Hong Kong Society of Accountants.

The audit committee which was established in accordance with the requirements of the Code of Best Practice (the “Code”) as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) for the purposes of reviewing and providing supervision over the Group’s financial reporting process and internal controls, comprises Mr. Sze Tsai To, Robert (Chairman of the committee), Mr. Wong Yu Hong, Philip and Mr. Cheung Wing Yui, Edward, the three independent non-executive directors of the Company, and Ms. Hung Chiu Yee and Mr. Lee Pak Wing, two non-executive directors of the Company.

The audit committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the interim report for the six months ended 30 June 2004.

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

At 30 June 2004, the interests of the directors and chief executive in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("SFO") were as follows:

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 spouse or minor children	Through controlled corporation	Beneficiary of a trust		
Hung Hak Hip	–	1,396,645	3,601,607	3,227,420*	8,225,672	2.0
Liu Chi Keung, Ricky	–	–	–	–	–	–
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	–	–	–	–	–	–
Chan Sai On, David	–	–	–	–	–	–
Wong Kwok Ying	–	–	–	–	–	–

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

Interests in warrants of the Company

Name of director	Number of warrants held, capacity and nature of interest			
	Directly beneficially owned	Through spouse or minor children	Through controlled corporation	Beneficiary of a trust
Hung Hak Hip	–	179,328	720,321	645,483**
Liu Chi Keung, Ricky	–	–	–	–
Wong Yu Hong, Philip	–	–	–	–
Sze Tsai To, Robert	–	–	–	–
Cheung Wing Yui, Edward	79,600	–	–	–
Hung Chiu Yee	154,534	–	–	–
Lee Pak Wing	–	–	–	–
Chan Sai On, David	–	–	–	–
Wong Kwok Ying	–	–	–	–

** 645,483 warrants were beneficially owned by a discretionary trust whose discretionary beneficiaries include an associate of Mr. Hung Hak Hip.

The interests of the directors and chief executive in the share options of the Company are separately disclosed under the section headed “Share Option Scheme” below.

Save as disclosed above, none of the directors and chief executive had registered an interest or short position 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) that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) pursuant to Part XV of the SFO or pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”).

SHARE OPTION SCHEME

On 25 June 2004, the shareholders of the Company approved the termination of the share option scheme adopted by the Company on 30 June 2000 (the "2000 Share Option Scheme") and the adoption of a new share option scheme (the "2004 Share Option Scheme") with rules complying with the new requirements of Chapter 17 of the Listing Rules. Upon termination of the 2000 Share Option Scheme, no further share options can be granted thereunder but in all other respects the provisions of the 2000 Share Option Scheme shall remain in force and all share options granted prior to such termination shall continue to be valid and exercisable in accordance therewith.

At 30 June 2004, certain directors held share options granted to them under 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\$
Hung Hak Hip	4,752,105	17 November 2000 to 16 November 2010	0.1834
Liu Chi Keung, Ricky	4,091,130	17 November 2000 to 16 November 2010	0.1834
Wong Yu Hong, Philip	2,045,565	30 November 2000 to 29 November 2005	0.2112
Sze Tsai To, Robert	2,045,565	22 November 2001 to 21 November 2006	0.1834
Cheung Wing Yui, Edward	2,045,565	17 November 2000 to 16 November 2005	0.1834
Hung Chiu Yee	2,045,565	17 November 2000 to 16 November 2010	0.1834
Lee Pak Wing	2,376,052	17 November 2000 to 16 November 2010	0.1834
Wong Kwok Ying	4,091,130	17 November 2000 to 16 November 2010	0.1834

All the above share options were granted pursuant to a board resolution on 17 November 2000 and none of them was exercised during the period.

No share options were granted or exercised under both the 2000 Share Option Scheme and the 2004 Share Option Scheme during the period.

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" and "Share Option Scheme" above, at no time during the period 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 acquisitions of shares in or debentures of the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSON'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 30 June 2004, the interests of those persons (other than the directors and chief executive) holding 5% or more of the issued share capital, in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

Interests in ordinary shares of the Company

Name of holder	Notes	Number of ordinary shares held	Percentage of the Company's issued share capital
Hung's (1985) Limited ("Hung's")	(i)	117,136,083	28.6%
Hop Hing Oil (1985) Limited ("HHO")	(ii)	155,392,698	38.0%
GZ Trust Corporation ("GZTC")	(iii)	272,528,781	66.6%
Hung Cheung Pui	(iv)	272,528,781	66.6%

Notes:

- (i) Hung's is the registered holder of the shares disclosed above.
- (ii) HHO is the registered holder of the shares disclosed above.
- (iii) GZTC is the registered holder of 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.
- (iv) 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.

Interests in warrants of the Company

Name of holder	Notes	Number of warrants held
Hung's	(i)	23,427,216
HHO	(ii)	31,078,539
GZTC	(iii)	54,505,755
Hung Cheung Pui	(iv)	54,505,755

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

Save as disclosed above, no person, other than the directors of the Company whose interests are set out in the section "Directors' and Chief Executive's Interests and Short Positions in Shares and Underlying Shares" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

CONTINUING DISCLOSURE OBLIGATION

Advances and Guarantees to an Affiliated Company

As at 30 June 2004, the following advances were made to and guarantees were given for banking facilities granted to Evergreen Oils & Fats Limited ("Evergreen"), an affiliated company of the Company:

Affiliated company	Percentage of equity held by the Group	Balance of advances	Guarantees Given	Extent of guaranteed facilities utilized	Aggregate of advances and guarantees given
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Evergreen Oils & Fats Limited	50%	11,516	77,000	37,777	88,516

Evergreen is a jointly-controlled entity whose interests are held as to 50% by Lawshun Holdings Limited, a wholly-owned subsidiary of the Company, and 50% by an independent third party. The advances are trade receivables arising from the ordinary course of business of the Group and are unsecured, interest-free and repayable on demand.

The relevant percentage ratio of the above advances to and guarantees given for the banking facilities granted to Evergreen in aggregate exceeded 8% under Rule 13.16 of the Listing Rules.

Pursuant to the continuing disclosure requirements under Rule 13.22 of the Listing Rules, the proforma balance sheet of Evergreen and the Group's attributable interest in Evergreen as at 30 June 2004 are presented below:

Proforma Balance Sheet of Evergreen Oils & Fats Limited

	30 June 2004 (Unaudited) HK\$'000
Non-current assets	19,690
Current assets	246,622
Current liabilities	(153,666)
	<hr/>
Net assets	112,646
	<hr/> <hr/>
Attributable interest of the Group's share of net assets	56,323
	<hr/> <hr/>

Loan Agreements with Covenants relating to Specific Performance of the Controlling Shareholders

Details of the loan agreements with covenants relating to specific performance of the controlling shareholders which constitute disclosure obligation pursuant to Rules 13.18 and 13.21 of the Listing Rules are as follows:

On 24 April 2003, the Company and Wytak Limited, a wholly-owned subsidiary of the Company, entered into a loan agreement (the "Company Loan Agreement") with, inter alios, a syndicate of banks for a composite loan facility of up to HK\$140,000,000 consisting of a term loan facility and a revolving advances facility, both repayable in full on or before the last business day in October 2006. On the same date, Sino Food Products Company (Holdings) Limited, a wholly-owned subsidiary of the Company, entered into a loan agreement (the "Sino Food Loan Agreement") with, inter alios, a syndicate of banks for a term loan facility of up to HK\$40,000,000 available from the date of the Sino Food Loan Agreement to the last business day in October 2006.

Under each of the Company Loan Agreement and the Sino Food Loan Agreement (the "Loan Agreements"), there would be an event of default if, at any time, (i) the aggregate unencumbered registered holdings of Hung's, a substantial shareholder (as defined in the Listing Rules) of the Company holding 28.6% equity interest in the Company, and HHO, a controlling shareholder (as defined in the Listing Rules) of the Company holding 38% equity interest in the Company, in the shares of the Company (the "Shares") represents less than 50% of the Shares; or (ii) GZTC, a controlling shareholder (as defined in the Listing Rules) of the Company holding indirectly 66.6% equity interest in the Company, ceases to be or is no longer interested in more than 50% of the relevant share capital (as defined in the SFO) of the Company. Upon the occurrence of any of the said events of default, all amounts outstanding in respect of all loans (including accrued interest) under the Loan Agreements shall become immediately due and payable and the obligations of the lenders to the Loan Agreements to make further advances shall cease. The aggregate amounts of the loan facilities under the Company Loan Agreement and the Sino Food Loan Agreement that may be affected by such breach as at 30 June 2004 were HK\$130,000,000 and HK\$36,000,000 respectively.

CODE OF BEST PRACTICE

In the opinion of the directors, the Company has complied with the Code as set out in Appendix 14 of the Listing Rules throughout the period, except that the independent non-executive directors of the Company were not appointed for specific terms as required by paragraph 7 of the Code as they are subject to retirement and re-election in accordance with the provisions of the Bye-laws of the Company.

MODEL CODE

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as its code of conduct regarding directors' securities transactions. Having made specific enquiry of all directors, the directors have complied with the required standard set out in the Model Code as provided in Appendix 10 of the Listing Rules.

PURCHASE, SALE OR REDEMPTION OF OWN LISTED SECURITIES

During the six months ended 30 June 2004, there were no purchases, sales or redemptions by the Company or any of its subsidiaries of the Company's listed securities.

By Order of the Board

Hung Hak Hip

Chairman

Hong Kong, 12 August, 2004

Independent Review Report**To the Board of Directors of Hop Hing Holdings Limited**

We have been instructed by the Company to review the interim financial report set out on pages 1 to 12.

Respective responsibilities of directors and auditors

The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with SSAP 25 “Interim financial reporting” issued by the Hong Kong Society of Accountants and the relevant provisions thereof. The interim financial report is the responsibility of, and has been approved and authorised for issue by, the directors. It is our responsibility to form an independent conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Review work performed

We conducted our review in accordance with SAS 700 “Engagements to review interim financial reports” issued by the Hong Kong Society of Accountants. A review consists principally of making enquiries of Group management and applying analytical procedures to the interim financial report and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the interim financial report.

Accounting treatment of trademarks

Included in the condensed consolidated balance sheet are trademarks of HK\$122,599,000 which are stated at cost and are not amortised. In accordance with SSAP 29 "Intangible assets", these trademarks should be amortised over the best estimate of their useful lives. However, as further explained in note 1 "Trademarks" to the interim financial report, in the opinion of the directors, no amortisation is considered necessary for the reasons stated therein. Because we have not been able to quantify the estimated useful lives of the trademarks, we are unable to determine the effect of this departure from SSAP 29 on the Group's net assets as at 30 June 2004 and the loss for the six months period then ended, including any prior period adjustment that may be required.

We previously modified our review conclusion for the six months ended 30 June 2003 and qualified our opinion for the year ended 31 December 2003 in respect of the above matter.

Modified review conclusion

Except for any adjustments that might have been found necessary had the trademarks been amortised, on the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the interim financial report for the six months ended 30 June 2004.

Ernst & Young

Certified Public Accountants

Hong Kong

12 August 2004