



HOP HING HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

ANNOUNCEMENT OF 2001 RESULTS

RESULTS

The Directors of Hop Hing Holdings Limited announce the audited results of the Group for the year ended 31 December 2001 as follows:

	<i>Notes</i>	2001 HK\$'000	2000 <i>HK\$'000</i> (Restated)
TURNOVER	2	598,041	847,166
Direct cost of stocks sold and services provided		(421,574)	(646,430)
Other production and services costs (including depreciation of HK\$29,068,000 (2000: HK\$30,551,000))		(50,519)	(57,629)
Selling and distribution costs		(40,014)	(33,892)
General and administrative expenses		(60,550)	(79,962)
Other revenue and gains		624	24,867
Restructuring costs		–	(2,240)
PROFIT FROM OPERATING ACTIVITIES	3	26,008	51,880
Finance costs, net	4	(23,028)	(33,421)
Share of profit of a jointly controlled entity		5,836	3,242
PROFIT BEFORE TAX		8,816	21,701
Tax	5	(1,577)	(1,389)

PROFIT AFTER TAX		7,239	20,312
Minority interests		102	279
		<hr/>	<hr/>
NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS		7,341	20,591
Retained profits/(accumulated losses) at beginning of year:			
As previously reported		19,246	(1,133)
Prior year adjustment	6	(651)	(863)
		<hr/>	<hr/>
Retained profits/(accumulated losses) as restated		18,595	(1,996)
		<hr/>	<hr/>
RETAINED PROFITS AT END OF YEAR		25,936	18,595
		<hr/> <hr/>	<hr/> <hr/>
Retained in/(accumulated by):			
Company and subsidiaries		(13,985)	(16,241)
Associates		24,646	24,646
A jointly controlled entity		15,275	10,190
		<hr/>	<hr/>
		25,936	18,595
		<hr/> <hr/>	<hr/> <hr/>
EARNINGS PER SHARE (HK cents)	7		
Basic		1.79	5.03
		<hr/> <hr/>	<hr/> <hr/>
Diluted		N/A	N/A
		<hr/> <hr/>	<hr/> <hr/>

1. IMPACT OF NEW/REVISED HONG KONG STATEMENTS OF STANDARD ACCOUNTING PRACTICE

In current year, the Group has adopted the first time a number of new and revised Statements of Standard Accounting Practice (“SSAPs”) issued by the Hong Kong Society of Accountants.

These new/revise SSAPs prescribe new accounting measurement and disclosure practices. Except as disclosed below, these SSAPs have no significant impact on the financial statements. The major effects on the Group’s accounting policies and on the amounts disclosed in these financial statements are summarised as follows:

SSAP 14 (Revised) “Leases” prescribes the basis for lessor and lessee accounting for finance and operating leases, and the required disclosures in respect thereof. The revised SSAP requirements have not had a material effect on the amounts previously recorded in the financial statements. The changes in disclosure requirements under this SSAP have resulted in changes to the detailed information disclosed for operating leases.

SSAP 26 “Segment reporting” prescribes the principles to be applied for reporting financial information by segment. It requires that management assesses whether the Group’s predominant risks or returns are based on business segments or geographical segments and determines one of these bases to be the primary segment information reporting format, with the other as the secondary segment information reporting format.

SSAP 29 prescribes the recognition and measurement criteria for intangible assets, together with the disclosure requirements. The major impact of the SSAP for these financial statements is that deferred expenditure of a jointly controlled entity of the Group which was recognised as a non-current asset in previous years no longer qualifies for recognition as an asset under SSAP 29. This has resulted in a prior year adjustment, further details of which are included in “Prior year adjustment” below.

In accordance with the requirements of SSAP 29 “Intangible Assets”, the cost of the Group’s trademarks should be amortised over their 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 earnings 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 2001; 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, 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. SEGMENT INFORMATION

The Group’s primary segment is the edible oils and food related business segment. Since this 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. In determining the Group’s geographical segments, revenues and results are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

	PRC		Hong Kong		Consolidated	
	2001 <i>HK\$’000</i>	2000 <i>HK\$’000</i>	2001 <i>HK\$’000</i>	2000 <i>HK\$’000</i>	2001 <i>HK\$’000</i>	2000 <i>HK\$’000</i>
Revenue from external customers	<u>462,112</u>	<u>685,354</u>	<u>135,929</u>	<u>161,812</u>	<u>598,041</u>	<u>847,166</u>
Segment results	<u>6,487</u>	<u>5,036</u>	<u>19,521</u>	<u>46,844</u>	<u>26,008</u>	<u>51,880</u>

Segment assets	539,820	618,823	409,783	492,204	949,603	1,111,027
Unallocated assets					58,228	52,834
					<u>1,007,831</u>	<u>1,163,861</u>
Capital expenditure incurred during the year	<u>2,358</u>	<u>8,993</u>	<u>422</u>	<u>2,621</u>	<u>2,780</u>	<u>11,614</u>

3. PROFIT FROM OPERATING ACTIVITIES

The Group's profit from operating activities is arrived at after crediting:

	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Realised and unrealised gains on investments in listed securities classified as other revenue and gains	624	24,867
and after charging:		
Cost of stocks sold (including write-back of accounts payable provision of HK\$10,206,000 (2000: HK\$13,000,000))	418,974	643,838
Depreciation	29,068	30,551
Loss on disposal of fixed assets	985	905
Loss on disposal of subsidiaries	–	1,080

4. FINANCE COSTS, NET

	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on bank borrowings	25,676	37,686
Interest on other loans wholly repayable within five years	161	161
Total finance costs	25,837	37,847
Less: Interest income	(2,809)	(4,426)
	<u>23,028</u>	<u>33,421</u>

5. TAX

Hong Kong profits tax has been provided at the rate of 16% (2000: 16%) on the estimated assessable profits arising in Hong Kong during the year. Overseas taxes have been provided for at the applicable tax rates, if required.

	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Tax in the profit and loss account represents:		
Provision for Hong Kong profits tax	(923)	(1,113)
Provision for tax elsewhere	(71)	–
Underprovision in respect of prior years	(86)	(297)
	<u>(1,080)</u>	<u>(1,410)</u>
Deferred tax	254	555
	(826)	(855)
Share of tax charges of a jointly controlled entity – Hong Kong	(751)	(534)
	<u>(1,577)</u>	<u>(1,389)</u>

6. PRIOR YEAR ADJUSTMENT

In order to conform with the provisions of SSAP 29 “Intangible assets”, the jointly controlled entity of the Group (the “JCE”) changed its accounting policy with respect to the treatment of deferred expenditures during the year. The JCE now expenses rather than capitalises and amortises such deferred expenditures.

This change in accounting policy has been made retrospectively and, accordingly, the comparative amounts for the year ended 31 December 2000, including earnings per share, retained profits brought forward as at 1 January 2000 and interests in the JCE have been restated. The effect of this change in respect of the year ended 31 December 2000 is to increase both share of profits of the JCE and the net profit attributable to shareholders by HK\$212,000. The retained profits brought forward as at 1 January 2000 have been reduced by HK\$863,000 which is the amount of the adjustment in respect of the Group's share of the write-off of the deferred expenditures of the JCE capitalised relating to the years prior to 1 January 2000.

7. EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share is calculated based on the profit attributable to shareholders of HK\$7,341,000 (2000: HK\$20,591,000 (restated)); and 409,113,021 shares (2000: 409,113,021 shares) in issue during the year.

(b) Diluted earnings per share

Diluted earnings per share for both years are not presented as the share options outstanding during the years had an anti-dilutive effect on the basic earnings per share.

8. SUMMARY OF AUDITORS' REPORT

The auditors' report on the Group's financial statements for the year ended 31 December 2001 contained a modified opinion because of the possible effects of the accounting treatment of the Group's trademarks. The following is an extract of the auditors' report :

“Included in the consolidated balance sheet are trademarks of HK\$121,971,000 which are stated at cost and are not amortised. In accordance with SSAP 29 “Intangible Assets”, which became effective during the year, these trademarks should be amortised over the best estimate of their useful lives. However, as further explained in note 13 (“Trademarks”) to the financial statements, 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 were unable to determine the effect of this departure from SSAP 29 on the Group's net assets as at 31 December 2001 and the profit for the year then ended, including the prior year adjustment that is required in respect thereof in order to implement SSAP 29 retrospectively in accordance with the requirements of the SSAP.

Except for any adjustments that might have been found necessary had the trademarks been amortised, in our opinion the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2001 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.”

REVIEW OF OPERATIONS AND PROSPECTS

2001 was another difficult and challenging year for businesses in Hong Kong, and household and consumer spending continued to have been influenced by high unemployment rate as well as the gloomy local and international economic outlook. During this year, your Management has maintained its focus on its prudent strategies while at the same time taking the necessary steps to position itself for any market changes in the future.

Operating Results

Earnings before interests, depreciation and amortisation (EBIDTA) for the year ended 31 December 2001 was HK\$60.3 million, as compared to HK\$60.8 million (before accounting for gain on investment shares) for the year 2000.

Net profit attributable to shareholders for the year ended 31 December 2001 was HK\$7.3 million, as compared to HK\$20.6 million for 2000. The latter figure includes HK\$24.9 million gain on investment shares.

Dividend and Bonus Warrants

No interim dividend was paid (2000: Nil) and your directors do not recommend the payment of any final dividend for the year under review (2000: Nil).

The Directors will propose a bonus issue of warrants (“Bonus Warrant Issue”) to shareholders of the Company. Further announcement will be made by the Company relating to the Bonus Warrant Issue which may and may not proceed.

Review of Operations

Edible Oil

Your business in Hong Kong has performed slightly better than the previous year, but much efforts and resources had to be deployed to maintaining and enhancing our cutting edge against anticipated increase in competition after China's accession to WTO.

In China, the market was still heavily impacted by competition with price driven strategies. In the circumstance, your management has continued to concentrate on brand building and risk management, strengthening our readiness for more profitable market shares in the foreseeable future.

At the same time, our drive to further improve working capital management and become more cost effective has produced positive results. Our accounts receivable was reduced by about 60%, from HK\$127 million of 2000 to HK\$51 million on 31 December 2001.

Inventory at the end of 2001 amounted to HK\$60 million, as compared to HK\$79 million on 31 December 2000. Total wages and salaries paid in 2001 was about HK\$46.8 million, against HK\$51.2 million in 2000, a reduction of 8.6%.

Gearing

As at 31 December 2001, the total interest-bearing bank loans amounted to HK\$296.8 million, a reduction of HK\$65.1 million from 31 December 2000. Accordingly, when compared against that for 31 December 2000, the Group's gearing ratio on 31 December 2001 has improved by 19%.

Human Resources

The Group places high emphasis on the quality of its employees which is vital for performance in this fast changing and challenging business environment.

During the reporting year, the Group has completed rebuilding a management team with both the breadth and depth required to meet the forthcoming business needs. Concurrently, much has been done in training and development, designed to achieve a quantum leap in quality in all levels of employment.

Outlook

The Hong Kong market will go through a period of stagnation and increased competition. On the other hand, with China's accession to WTO and the fast expansion of international supermarket chains in PRC, retail sales of branded edible oils in China will stand to benefit due to increased transparency and anticipated growth in this sector of the industry. Your Board looks ahead with prudent optimism in this regard.

Management and Staff

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

MANAGEMENT DISCUSSION AND ANALYSIS

Results

Net profit attributable to shareholders for the year ended 31 December 2001 was HK\$7.3 million, as compared to HK\$20.6 million for 2000. The operating profit for the year under review, including share of profit of a jointly controlled entity but before other revenue and gains was HK\$31.2 million compared to HK\$30.3 million for the previous year. The basic earnings per share for the year was 1.79 cents (2000: 5.03 cents).

Equity

The number of issued shares of HK\$0.10 each as at 31 December 2001 was 409,113,021. There was no movement in the share capital of the Company in the year under review. During the year, the 81,451,743 warrants carrying rights to subscribe for an aggregate of 81,451,743 new shares of HK\$0.10 each in the Company expired. As at the year end date, there were outstanding share options granted to the certain eligible employees, entitling them to subscribe for an aggregate of 23,492,677 shares of the Company.

Liquidity and Gearing

As at the balance sheet date, the Group's current ratio was 1.01 (2000: 1.07). The Group's total borrowings less cash and cash equivalents amount to HK\$272 million (2000: HK\$337 million). The net interest expense for the year was HK\$23 million (2000: HK\$33 million).

As at 31 December 2001, the Group's gearing ratio (expressed as a percentage of long term bank borrowings over shareholders' funds and long term bank borrowings) was 22% (2000: 27%).

The Group's bank borrowings are denominated in Hong Kong dollars, US dollars and Renminbi. It is the Group's policy to hedge 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' emoluments) of the Group in 2001 was HK\$47 million (2000: HK\$51 million). As at 31 December 2001, the Group has 593 (2000: 582) employees.

Contingent Liabilities

- a) At the balance sheet date, 37 (2000: 49) employees had completed the required number of years of service under the Employment Ordinance to be eligible for long service payments on termination of their employment. The Group is only liable to make such payments where the termination meets the required circumstances specified in the Employment Ordinance. If the termination of all these employees met the circumstances required by the Employment Ordinance, the Group's liability at the balance sheet date would be approximately HK\$964,000 (2000: HK\$1,148,000). No provision has been made for this amount in the financial statements as the probability of an outflow of resources thereof is considered remote.
- (b) At the balance sheet date, the contingent liabilities in respect of guarantees given to banks to secure banking facilities utilised by the JCE of the Group amounted to HK\$15,333,000 (2000: HK\$10,131,000).

Pledge of Assets

At the balance sheet date, investment property, certain leasehold land and buildings and certain plant and machinery of the Group with an aggregate carrying value of approximately HK\$344,970,000 (2000: HK\$352,174,000), certain accounts receivable of the Group of approximately HK\$5,049,000 (2000: Nil), certain stocks of the Group with a carrying value of approximately HK\$22,096,000 (2000: Nil) and a cash deposit of the Group of approximately HK\$7,437,000 (2000: HK\$5,802,000) 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 (2000: HK\$2,293,000) were pledged to secure certain other loans.

Segment Information

The Group continued to develop its business based on the Group's core skills. In the year under review, the Group's edible oil business in Mainland China continued to account for a substantial proportion of the Group's turnover. The decrease in bulk oil activities contributed to the fluctuation of Group's turnover as compared with last year.

The net profit for last year included a holding gain on investments in listed securities.

DEALINGS IN THE COMPANY'S LISTED SECURITIES

During the year ended 31 December 2001, there were no purchases, sales or redemptions by the Company or any of its subsidiaries of the Company's listed securities.

CODE OF BEST PRACTICE

In the opinion of the directors, the Company has complied with the Code of Best Practices as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited throughout the period, except that the independent non-executive directors of the Company are not appointed for specific terms as they are subject to retirement and re-election in accordance with the provision of the Bye-laws of the Company.

DISCLOSURE OF INFORMATION ON THE WEBSITE OF THE HONG KONG STOCK EXCHANGE (THE "STOCK EXCHANGE")

Information that is required by paragraphs 45(1) to 45(3) of Appendix 16 of the Rules Governing The Listing of Securities on the Stock Exchange published on the website of the Stock Exchange in due course.

CLOSURE OF REGISTER

The Register of Members of the Company will be closed from 14 May 2002 to 22 May 2002, both days inclusive, during which period no share transfers will be registered.

In order to qualify for attending the Annual General Meeting, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's Registrars in Hong Kong, Central Registration Hong Kong Limited, shops 1712-6, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:00 p.m. on 13 May 2002.

By order of the Board

Hung Hak Hip

Chairman

Hong Kong, 23 April 2002

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Members of HOP HING HOLDINGS LIMITED (the "Company") will be held at Units E & F, 2/F., Hop Hing Building, 9 Ping Tong Street East, Tong Yan San Tsuen, Yuen Long, New Territories on 22 May 2002 at 11:30 a.m. for the following purposes:

1. to receive and consider the audited financial statements of the Company and the reports of the Directors and the Auditors thereon for the year ended 31 December 2001;
2. to re-elect retiring Directors;
3. to fix the remuneration for Directors;
4. to re-appoint Auditors and to authorise the Directors to fix their remuneration; and
5. as special business, to consider and, if thought fit, pass with or without amendments, the following resolutions:

Ordinary Resolutions

A. THAT:

- (i) subject to paragraph (iii) below, the exercise by the Directors of the Company during the Relevant Period of all the powers of the Company to allot, issue and deal with additional securities of the Company and to make or grant offers, agreements and options which would or might require the exercise of such powers be and it is hereby generally and unconditionally approved;
- (ii) the approval contained in paragraph (i) above shall authorise the Directors of the Company during the Relevant Period to make or grant offers, agreements and options which would or might require the exercise of such powers after the end of the Relevant Period;
- (iii) the aggregate nominal amount of the securities allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the Directors of the Company pursuant to the approval contained in paragraph (i) above, otherwise than pursuant to (a) a Rights Issue, (b) an issue of shares as scrip dividends pursuant to the Bye-Laws of the Company from time to time, (c) the exercise of subscription rights under any warrants to subscribe for shares of the

Company, or (d) the exercise of subscription rights attaching to options granted by the Company pursuant to its share option scheme, shall not exceed the aggregate of 20 per cent of the aggregate nominal amount of the issued share capital of the Company as at the date hereof plus the aggregate nominal amount of the number of such securities repurchased by the Company since the date of this Resolution and such approval shall be limited accordingly; and

(iv) for the purposes of this Resolution:

“Relevant Period” means the period from the passing of this Resolution until whichever is the earlier of:

- (a) the conclusion of the next Annual General Meeting of the Company;
- (b) the expiration of the period within which the next Annual General Meeting of the Company is required by law to be held; and
- (c) the revocation or variation of the authority given under this Resolution by an ordinary resolution of the Members of the Company in general meeting.

“Rights Issue” means the allotment, issue or grant of shares pursuant to an offer made to the Members of the Company, excluding for that purpose any Member who is resident in a place where such offer is not permitted or is impracticable under the law of that place and, where appropriate, to holders of other equity securities of the Company for the time being in issue (if any) entitled to be offered them, pro rata (apart from fractional entitlements) to their existing holdings of shares (or such other equity securities);

B. THAT:

- (i) subject to paragraph (ii) below, the exercise by the Directors of the Company during the Relevant Period (which shall have the same meaning for the purposes of this Resolution, mutatis mutandis, as given in paragraph (iv) of the resolution set out as Resolution 5A in the notice of this meeting) of all powers of the Company to repurchase securities of the Company on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) or on any other exchange on which the securities

of the Company may be listed and recognised by the Securities and Futures Commission and the Stock Exchange for this purpose, subject to and in accordance with all applicable laws and the requirements of the Rules Governing the Listing of Securities on the Stock Exchange or of any other stock exchange as amended from time to time, be and it is hereby generally and unconditionally approved; and

- (ii) (a) the aggregate nominal amount of securities of the Company to be repurchased by the Company pursuant to paragraph (i) above during the Relevant Period shall not exceed 10 per cent of the aggregate nominal amount of the issued share capital of the Company as at the date of this Resolution and (b) the total amount of warrants of the Company which may be repurchased by the Company pursuant to the approval in paragraph (i) above during the Relevant Period and the authority pursuant to paragraph (i) above shall be limited accordingly; and

C. **THAT** conditional upon the passing of Resolution 5B set out in the notice convening this meeting, the general mandate granted to the Directors of the Company and for the time being in force to exercise the powers of the Company to allot securities be and it is hereby extended by the addition to the aggregate nominal amount of share capital which may be allotted or agreed conditionally or unconditionally to be allotted by the Directors of the Company pursuant to such general mandate an amount representing the aggregate nominal amount of securities of the Company repurchased by the Company since the granting of the said general mandate pursuant to the exercise by the Directors of the Company of the powers of the Company to repurchase such securities, provided that such amount shall not exceed 10 per cent of the aggregate nominal amount of the existing issued share capital of the Company as at the date of this Resolution.

By Order of the Board
Wong Kwok Ying
Company Secretary

Hong Kong
23 April 2002

Notes:

1. A Member entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy to attend and in the event of a poll, vote on his behalf. A proxy need not be a Member of the Company.
2. To be valid, a form of proxy and the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power of attorney or authority must be deposited at the Company's Registrars in Hong Kong, Central Registration Hong Kong Limited, Rooms 1901-5, 19th Floor Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time fixed for the holding of the meeting.
3. In the case of joint holders, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the vote(s) of the other joint holder(s), and for this purpose seniority will be determined by the order in which the names stand in the Register of Members of the Company in respect of the joint holding.
4. Concerning item 5A above, the Directors wish to state that approval is being sought from Members for a general mandate to be given to the Directors to allot additional securities of the Company in order to ensure flexibility and discretion to the Directors in the event that it becomes desirable to issue any securities of the Company up to 20 per cent of the existing issued share capital.
5. Concerning items 5B and 5C above, approval is being sought from Members for a general mandate to be given to the Directors to repurchase securities and to reissue securities as a result of such repurchase. In accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, a letter setting out the terms and conditions upon which such power will be exercised accompanies this notice.

Please also refer to the published version of this announcement in the Hong Kong iMail.