HOP HING HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

Interim Results
For the six months ended 30 June 2003

INTERIM RESULTS

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 2003, 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	
		2003	2002
	Notes	***HK$'000***	*HK$'000*
			(Restated)
TURNOVER	2	**168,896**	264,095
Direct cost of stocks sold and services provided		**(124,560)**	(193,624)
Other production and service costs (including depreciation of HK$13,368,000 (2002: HK$13,937,000))		**(23,380)**	(25,633)
Selling and distribution costs		**(9,104)**	(22,272)
General and administrative expenses		**(22,826)**	(24,314)
Provision against and write-off of deposits and prepayments	3	**–**	(39,272)
LOSS FROM OPERATING ACTIVITIES	3	**(10,974)**	(41,020)
Finance costs, net	4	**(8,137)**	(9,579)
Share of profit/(loss) of a jointly controlled entity		**(425)**	642
LOSS BEFORE TAX		**(19,536)**	(49,957)
Tax	5	**(1,040)**	(416)

LOSS AFTER TAX		**(20,576)**	(50,373)
Minority interests		**47**	(11)
NET LOSS ATTRIBUTABLE TO SHAREHOLDERS		**(20,529)**	(50,384)
LOSS PER SHARE (HK cents)			
– Basic	8	**(5.02)**	(12.32)
– Diluted		**N/A**	N/A

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 2002, except that SSAP 12 (Revised) "Income taxes" has been adopted for the first time in the preparation of the current period's condensed consolidated financial statements.

SSAP 12 (Revised) "Income taxes" prescribes the basis for accounting for income taxes payable or recoverable, arising from the taxable profit or loss for the current period (current tax); and income taxes payable or recoverable in future periods, principally arising from taxable and deductible temporary differences and the carryforward of unused tax losses (deferred tax). The principal impact of the revision of this SSAP on these condensed consolidated financial statements is that deferred tax assets and liabilities relating to the differences between capital allowances for tax purposes and depreciation for financial reporting purposes and other taxable and deductible temporary differences are generally fully provided for, whereas previously the deferred tax was recognised for timing differences only to the extent that it was probable that the deferred tax asset or liability would crystallise in the foreseeable future. In addition, deferred tax liabilities have been recognised on the revaluation of the Group's land and buildings, and deferred tax asset has been recognised for tax losses arising in the prior periods to the extent that it is probable that there will be sufficient future taxable profits against which such losses can be utilised. Further details of the prior period adjustments arising from them are included in note 6.

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 2002; 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 SEGMENTED 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 Unaudited Six months ended 30 June		**Hong Kong Unaudited Six months ended 30 June**		**Consolidated Unaudited Six months ended 30 June**	
	2003	2002	**2003**	2002	**2003**	2002
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue from external customers	**100,270**	219,167	**68,626**	44,928	**168,896**	264,095

3. LOSS FROM OPERATING ACTIVITIES

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

	Unaudited Six months ended 30 June	
	2003	2002
	HK$'000	*HK$'000*
Cost of stocks sold	**123,180**	192,414
Provision against and write-off of deposits and prepayments – note	**–**	39,272

Note:

The Group has commenced cooperation with a company established in Guangzhou, the People's Republic of China ("PRC") (the "PRC Company") in relation to the Group's edible oil business in the PRC (the "PRC Businesses") since 1999. A wholly-owned subsidiary of the Company in the PRC has since been having a trading relationship with the PRC Company. In May 2000, the Group entered into a cooperative agreement with the PRC Company.

In the prior period, the Group received information that the PRC Company was involved in certain enquiries being conducted by certain authorities in the PRC and was concerned as to the possible impacts to the Group, if the results of such enquiries adversely affect the PRC Company. In respect of the amounts due from the PRC Company (the "Amounts"), including trading deposits and prepayments, and in preparation for enforcement of payment thereof, the Group has obtained legal opinion which indicates that the Group has valid grounds to claim and recover the Amounts in full. However, actual recovery of the Amounts still depends on the financial conditions of the PRC Company and hence remains uncertain. Provisions for the recoverability of the Amounts were therefore made in the prior period. In this connection, costs associated with the proposed listing of the PRC Businesses on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited were also written off in that period.

4. FINANCE COSTS, NET

	Unaudited Six months ended 30 June	
	2003	2002
	HK$'000	*HK$'000*
Interest on bank borrowings	**8,276**	9,872
Interest on other loans wholly repayable within five years	**69**	80
Total finance costs	**8,345**	9,952
Less: interest income	**(208)**	(373)
	8,137	9,579

5. TAX

Hong Kong profits tax has been provided at the rate of 17.5% (2002: 16%) 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	
	2003	2002
	HK$'000	*HK$'000*
		(Restated)
Tax in the profit and loss account represents:		
Provision for Hong Kong profits tax	**752**	580
Provision for tax elsewhere	**218**	130
	970	710
Deferred tax	**(41)**	(643)
	929	67
Share of tax charges of a jointly-controlled entity – Hong Kong	**111**	349
	1,040	416

6. PRIOR PERIOD ADJUSTMENTS

In the current period, the Company adopted SSAP 12 (Revised) "Income taxes" as detailed in note 1. This change in accounting policy has been applied retrospectively and has resulted in an increase in the Group's deferred tax asset and deferred tax liabilities as at 31 December 2002 by HK$9,840,000 and HK$9,219,000, respectively. As a consequence, the Group's net loss attributable to shareholders for the six months ended 30 June 2002 has been decreased by HK$643,000, the consolidated retained profits and other properties revaluation reserve as at 1 January 2002 have been increased by HK$9,033,000 and reduced by HK$9,002,000, respectively, and the consolidated accumulated losses and other properties revaluation reserve as at 1 January 2003 have been reduced by HK$9,623,000 and HK$9,002,000, respectively.

7. INTERIM DIVIDEND

The directors do not recommend the payment of any interim dividend for the six months ended 30 June 2003 (2002: Nil).

8. LOSS PER SHARE

(a) Basic loss per share

Basic loss per share is calculated based on the net loss attributable to shareholders of HK$20,529,000 (2002: HK$50,384,000 (as restated)) and the weighted average of 409,130,246 shares (2002: 409,113,229 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.

9. CONTINGENT LIABILITIES

As at 30 June 2003, 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$32,140,000 (31 December 2002: HK$38,623,000).

10. PLEDGE OF ASSETS

As at 30 June 2003, investment property, certain leasehold land and buildings and certain plant and machinery of the Group with an aggregate carrying value of approximately HK$352,254,000 (31 December 2002: HK$362,784,000), certain accounts receivable and stocks of HK$1,548,000 (31 December 2002: HK$2,230,000) and cash deposits of the Group of approximately HK$8,752,000 (31 December 2002: HK$11,545,000) 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 2002: HK$2,293,000) were pledged to secure certain other loans.

SUMMARY OF AUDITORS' INDEPENDENT REVIEW REPORT

The auditors' review report on the Group's financial statements for the period ended 30 June 2003 contained a modified conclusion in respect of the accounting treatment of the Group's trademarks. The following is an extract of the auditors' review report:

Accounting treatment of trademarks

Included in the condensed consolidated balance sheet are trademarks of HK$122,429,000 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 life 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 2003 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 period ended 30 June 2002 and qualified our opinion for the year ended 31 December 2002 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 2003.

BUSINESS REVIEW AND PROSPECTS

It has been an exceptional and eventful 6 months. The economic conditions in Hong Kong have remained difficult during the period under review, while severe competition persisted both in Hong Kong and in China. The war in Iraq had caused volatility and an upsurge of costs in sea transportation and in fuel used in oil refineries. The occurrence of SARS in March had greatly disturbed sales in the restaurants and catering sector of the industry. All these factors have presented challenges to the business as a whole.

Operating results

For the six months ended 30 June 2003, net loss attributable to shareholders was HK$21 million, which compares with a net loss of HK$50 million for the same period of last year. The loss per share for the period was 5.02 cents (2002: loss per share of 12.32 cents).

Earnings before interest, tax, depreciation and amortisation (EBITDA) was HK$2 million, as compared to a loss of HK$26 million in 2002.

Financial Review

Equity

The number of issued shares of HK$0.10 each as at 30 June 2003 was 409,152,938 (31 December 2002: 409,125,738). During the period under review, the share capital of the Company was increased by 27,200 shares resulting from the exercise of 27,200 warrants of the Company. As at 30 June 2003, there were 81,782,687 warrants carrying rights to subscribe an aggregate of 81,782,687 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.

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 as at the period end date are set out in the section under “Directors’ and Chief Executive’s Interests and Short Positions” in the interim financial report.

Liquidity and gearing

On 24 April 2003, the Group completed refinancing of its bank loans which resulted in a net current asset of HK$58 million as at 30 June 2003 (net current liabilities as at 31 December 2002: HK$99 million).

As at the balance sheet date, the Group’s total bank borrowings less pledged cash deposits amounted to HK$324 million (31 December 2002: HK$295 million). Of the total bank borrowings, HK$64 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 2003 was 37% (31 December 2002: 18%). The increase in gearing ratio was mainly due to additional bank borrowings and reclassification of bank loans from current liabilities to long term liabilities as a result of the debt refinancing.

The net interest expenses for the period were HK$8.1 million (2002: HK$9.6 million). Such decrease is 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.

Review of Operations

In Hong Kong, restaurants, hotels and airlines were all hit hard by SARS for 3-4 months since March 2003. As a result, our catering sales in this sector were adversely affected, although loss in sales here was partly offset by increased retail sales as more cooking at home were seen during the SARS period.

The market situation in China was similar to Hong Kong during the same period, although the impact on catering sales was less severe. For this market, the Group has continued to concentrate only in the more profitable sales regions, which explained the overall decrease in turnover.

The Group has met such challenges by focusing on selective sales promotional activities and tightening control on costs and expenditures. Overall, the performance of our edible oil business has been in line with the market conditions.

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$20 million (2002: HK$21 million). As at 30 June 2003, the Group had 372 (31 December 2002: 379) employees.

Details of share options granted under the Share Option Scheme of the Company are set out in the section under “Directors’ and Chief Executive’s Interests and Short Positions” in the interim financial report

Segmented information

The Group continued to concentrate its efforts on its core business – edible oils. 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 segmented information are set out in note 2.

Contingent liabilities

Details of the contingent liabilities are set out in note 9.

Pledge of assets

Details of the pledge of assets are set out in note 10.

Provisions

As reported in 2002, the Group has made a provision of HK$39 million, mainly being money to be recovered from a PRC company (the "PRC Company"). During the period under review, the Group has continued to work with its lawyers in the pursuit of repayment of this from the PRC Company concerned.

Outlook

For the short term, businesses have rebounced faster than most people expected as a result of SARS. CEPA and the uplifting of control on tourism from China have helped improved market sentiments in general, although the impacts of these on the edible oils industry remains to be seen. The management expects market situation to improve slightly in the second half of the year.

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 2003. The Group's external auditors have carried out their review in accordance with Statement of Auditing Standards 700 "Engagement to review interim financial reports" issued by the Hong Kong Society of Accountants.

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 2003.

DEALINGS IN THE COMPANY'S LISTED SECURITIES

During the six months ended 30 June, 2003, 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 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 "Stock Exchange") throughout the period, except that the independent non-executive directors of the Company are 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.

PUBLICATION OF DETAILED INTERIM RESULTS

Information that is required by paragraphs 46(1) to 46(6) of Appendix 16 of the Rules Governing The Listing of Securities on the Stock Exchange will be subsequently published on the Stock Exchange's website in due course.

By Order of the Board
Hung Hak Hip
Chairman

Hong Kong, 26 September, 2003

"Please also refer to the published version of this announcement in The Standard"