HOP HING HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

Stock Code: 47

ANNOUNCEMENT OF 2003 RESULTS

RESULTS

The Directors of Hop Hing Holdings Limited announce the audited results of the Group for the year ended 31 December 2003 as follows:

	Notes	**2003** *HK$'000*	2002 *HK$'000* (Restated)
TURNOVER	*2*	**427,389**	568,814
Direct cost of stocks sold and services provided		**(330,583)**	(423,302)
Other production and service costs (including depreciation of HK$25,464,000 (2002: HK$28,409,000))		**(45,645)**	(50,821)
Selling and distribution costs		**(18,525)**	(44,135)
General and administrative expenses		**(43,315)**	(58,058)
Provision against and write-off of deposits and prepayments	*3*	**–**	(39,272)
Other revenue and gains		**–**	832
PROFIT/(LOSS) FROM OPERATING ACTIVITIES	*3*	**(10,679)**	(45,942)
Finance costs, net	*4*	**(15,989)**	(18,612)
Share of profit of a jointly-controlled entity		**2,236**	1,634
PROFIT/(LOSS) BEFORE TAX		**(24,432)**	(62,920)
Tax	*5*	**(1,800)**	(12,071)
PROFIT/(LOSS) BEFORE MINORITY INTERESTS		**(26,232)**	(74,991)
Minority interests		**(1,444)**	108
NET PROFIT/(LOSS) ATTRIBUTABLE TO SHAREHOLDERS		**(27,676)**	(74,883)
LOSS PER SHARE (HK cents)	*7*		
Basic		**(6.76)**	(18.30)
Diluted		**N/A**	N/A

Notes:

1. PRINCIPAL ACCOUNTING POLICIES AND BASIS OF PREPARATION

In the current year, the Group adopted for the first time the revised Hong Kong Statement of Standard Accounting Practice ("SSAP") 12 "Income taxes" issued by the Hong Kong Society of Accountants.

SSAP 12 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 financial statements is described below:

- 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;

- a deferred tax liability has been recognised on the revaluation of the Group's land and buildings; and

- a deferred tax asset has been recognised for tax losses arising in the current/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 year adjustments arising from them are included in note 6 below.

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, 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

Turnover

Turnover represents the aggregate of the net invoiced value of goods sold, services rendered, rental, royalties and laboratory and testing fees income, but excludes intra-group transactions.

	2003	2002
	HK$'000	*HK$'000*
Sales of goods and services	**413,249**	552,265
Rental and other income	**14,140**	16,549
	427,389	568,814

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 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.

	Mainland China		**Hong Kong**		**Consolidated**	
	2003	2002	**2003**	2002	**2003**	2002
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000* (Restated)
Revenue from external customers	**271,252**	438,195	**156,137**	130,619	**427,389**	568,814
Segment assets	**405,373**	444,519	**367,043**	377,489	**772,416**	822,008
Unallocated assets					**65,853**	63,101
					838,269	885,109
Capital expenditure incurred during the year	**645**	1,772	**4,189**	3,138	**4,834**	4,910

3. PROFIT/(LOSS) FROM OPERATING ACTIVITIES

The Group's profit/(loss) from operating activities is arrived at after crediting:

	2003	2002
	HK$'000	*HK$'000*
Gain on disposal of a trading right in the Hong Kong Futures Exchange Limited classified as other revenue and gains	**–**	832
Gain on disposal of fixed assets	**614**	–
and after charging:		
Cost of stocks sold	**327,735**	420,726
Provision against and write-off of deposits and prepayments *(note)*	**–**	39,272
Depreciation	**25,464**	28,409

Note: The Group has commenced cooperation with a company established in Guangzhou, the People's Republic of China (the "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 year, 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, the 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 year. 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 (the "Stock Exchange") were also written off in the prior year.

4. FINANCE COSTS, NET

	2003	2002
	HK$'000	*HK$'000*
Interest on bank borrowings	**16,232**	19,248
Interest on other loans wholly repayable within five years	**111**	138
Total finance costs	**16,343**	19,386
Less: Interest income	**(354)**	(774)
	15,989	18,612

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 year. The increased Hong Kong profits tax rate became effective from the year of assessment 2003/2004, and so is applicable to the assessable profits arising in Hong Kong for the whole of the year ended 31 December 2003. Overseas taxes have been provided for at the applicable tax rates, if required.

	2003	2002
	HK$'000	*HK$'000*
		(Restated)
Current – Hong Kong *(note)*	**6,386**	12,978
Current – Elsewhere	**133**	88
Deferred	**(5,126)**	(1,287)
	1,393	11,779
Share of tax attributable to a jointly-controlled entity – Hong Kong	**407**	292
Total tax charge for the year	**1,800**	12,071

Note: In the prior year, the Group 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 appeal.

6. PRIOR YEAR ADJUSTMENTS

SSAP 12 (revised) was adopted during the year, as further explained in note 1 above. 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 year ended 31 December 2002 has been decreased by HK$590,000, 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. LOSS PER SHARE

(a) Basic loss per share

Basic loss per share is calculated based on the net loss attributable to shareholders of HK$27,676,000 (2002: HK$74,883,000 (as restated)), and the weighted average of 409,139,450 (2002: 409,119,516) shares in issue during the year.

(b) Diluted loss per share

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

SUMMARY OF AUDITORS' REPORT

The auditors' report on the Group's financial statements for the year ended 31 December 2003 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$122,477,000 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 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 are unable to determine the effect of this departure from SSAP 29 on the Group's net assets as at 31 December 2003 and the loss for the year then ended, including any prior year adjustment that may be required.

Except for any adjustment 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 2003 and of the loss 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

2003 was an exceptional year. During the first 6 months, the economic conditions in Hong Kong had remained difficult, and the war in Iraq and the outbreak of SARS both created further negative impacts on the business environment in which we operate. In the second half of the year, however, the signing of CEPA and the opening up of visitors to Hong Kong by China had, directly and indirectly, helped improve the economy within a relatively short timeframe.

Operating Results

Net loss after tax for the year ended 31 December 2003 was HK$27.7 million. This compares with the net loss after tax of HK$74.9 million for the year 2002.

Earnings before interest, tax, depreciation and amortisation (EBITDA) for 2003 was HK$17.0 million, compared with a negative EBITDA of HK$15.9 million in 2002.

Loss per share in 2003 was 6.76 cents whereas loss per share in 2002 was 18.30 cents.

Dividend

No interim dividend was paid (2002: nil) and your directors do not recommend the payment of any final dividend for the year under review (2002: nil).

Business Review

Review of Operations

In line with the changes in the economy during the period under review, business turnover for the second half of the year showed an increase of some 53% when compared to that of the first 6 months and EBITDA for the second half of the year was HK$15 million as compared to HK$2 million for the first half. The Group's efforts in streamlining costs in previous years has begun to be reflected in the accounts this year, although its impact was to an extent diluted by the rapid rise in raw material oil costs.

In Hong Kong, our market share has improved over 2002. The Company received the 2003/04 Caring Company Award and our premium brand, the Lion & Globe, received the Hong Kong Superbrands Tribute Award and the Honorary Award amongst the Hong Kong Top Ten Brandnames Awards. In respect of the latter, Lion & Globe is believed to be the first and so far the only edible oil product to have received such Honorary Award.

In China, the Group's strategy to concentrate only in the more profitable sales regions has begun to produce positive results, and the China operations has delivered a positive EBITDA from the second half of the year.

On working capital management, the Group has continued to improve the quality of accounts receivable by re-focusing of sales efforts, and the accounts receivable in 2003 was HK$24 million, as compared to HK$31 million of 2002 and HK$51 million of 2001.

Provision and Write-off

In 2002, the Group made a provision of HK$39 million which was mainly against deposits paid to a PRC company for procurement of raw materials. The Group has since taken actions to seek recovery of such and, in this regard, the matter is now in the hands of our lawyers.

Financial Review

Equity

The number of issued shares of HK$0.10 each as at 31 December 2003 was 409,152,938 (31 December 2002: 409,125,738). During the year 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 31 December 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 year 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 note 26 to the financial statements.

Liquidity and gearing

On 24 April 2003, the Group completed refinancing of its bank loans which resulted in a net current asset of HK$41 million as at 31 December 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$303 million (31 December 2002: HK$295 million). Of the total bank borrowings, HK$53 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 31 December 2003 was 38% (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 year was HK$16.0 million (2002: HK$18.6 million). Such decrease is mainly attributable to the repayments of bank loans and the decrease in interest rates during the year 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 year under review was HK$38 million (2002: HK$42 million). As at 31 December 2003, the Group had 222 (31 December 2002: 379) employees.

Details of share options granted under the Share Option Scheme of the Company are set out in note 26 to the financial statements.

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 above.

Contingent liabilities

(a) At the balance sheet date, 35 (2002: 28) 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$444,000 (2002: HK$750,000). No provision has been made for this amount in the financial statements as it is not considered probable that will be an outflow of resources in respect thereof.

(b) At the balance sheet date, the 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$45,544,000 (2002: HK$38,623,000).

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$309,409,000 (2002: HK$362,784,000), certain accounts receivable and stocks of the Group of nil (2002: HK$2,230,000), and cash deposits of the Group of approximately HK$6,149,000 (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 (2002: HK$2,293,000) were pledged to secure certain other loans.

OUTLOOK

As the economy continues to improve, your Board expects market situation to do likewise and have taken steps to position ourselves in this regard.

In addition, the Group has engaged a professional firm as our advisor to assist in a review of the overall strategic future of our business. Such review may or may not result in a restructuring of our businesses.

VOTE OF THANKS

We would like to thank all of our customers, suppliers, business associates and bankers for the continued support during 2003. We would also like to thank all members of our management team and staff for their hard work during the year.

DEALINGS IN THE COMPANY'S LISTED SECURITIES

During the year ended 31 December 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 throughout the year, 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.

DISCLOSURE OF INFORMATION ON THE WEBSITE OF THE HONG KONG 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 in force prior to 31 March 2004 will be published on the website of the Stock Exchange in due course.

ANNUAL GENERAL MEETING

The 2004 Annual General Meeting of the Company will be held on Friday, 25 June 2004 and the Notice of Annual General Meeting will be published and despatched in the manner as required by the Listing Rules in due course.

CLOSURE OF REGISTER

The Register of Members of the Company will be closed from 17 June 2004 to 25 June 2004, 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, Computershare Hong Kong Investor Services Limited, Rooms 1901-1905, 19th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:00 p.m. on 16 June 2004.

As at the date hereof, the Executive Directors of the Company are Mr. Liu Chi Keung, Ricky, Mr. Chan Sai On, David and Mr. Wong Kwok Ying. The Non-executive Directors are Mr. Hung Hak Hip, Peter, Ms. Hung Chiu Yee and Mr. Lee Pak Wing. The Independent Non-executive Directors are Mr. Wong Yu Hong, Philip, Mr. Sze Tsai To, Robert and Mr. Cheung Wing Yui, Edward.

By Order of the Board
Hung Hak Hip
Chairman

Hong Kong, 27 April 2004

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