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## HOP HING GROUP HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 47)

### ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2010

The Board of Directors (the "Board") of Hop Hing Group 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 2010, together with the comparative amounts.

These interim financial results have not been audited, but have been reviewed by the Company's audit committee and the Company's auditors.

#### CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	Unaudited For the six months ended 30 June	
		2010 HK\$'000	2009 HK\$'000
<b>TURNOVER</b>	4	334,976	436,349
Direct cost of stocks sold and services provided		(240,638)	(329,459)
Other income and gains, net		739	71
Other production and service costs (including depreciation and amortisation of HK\$9,121,000 (2009: HK\$10,172,000))		( 26,300)	( 26,278)
Selling and distribution costs		( 49,402)	( 52,408)
General and administrative expenses		( 21,267)	( 19,968)
<b>PROFIT/(LOSS) FROM OPERATING ACTIVITIES</b>	5	( 1,892)	8,307
Finance costs	6	( 3,998)	( 4,900)
Share of losses of associates		-	( 23)
<b>PROFIT/(LOSS) BEFORE TAX</b>		( 5,890)	3,384
Income tax expense	7	( 1,048)	( 1,371)
<b>PROFIT/(LOSS) FOR THE PERIOD</b>		( 6,938)	2,013
<b>PROFIT/(LOSS) ATTRIBUTABLE TO:</b>			
Equity holders of the Company		( 6,789)	145
Non-controlling interests		( 149)	1,868
		( 6,938)	2,013
<b>EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY</b>	8		
Basic		<u>HK(1.33 cents)</u>	<u>HK0.03 cent</u>
Diluted		<u>HK(1.33 cents)</u>	<u>HK0.03 cent</u>

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited	
	For the six months	
	ended 30 June	
	2010	2009
	HK\$'000	HK\$'000
<b>PROFIT/(LOSS) FOR THE PERIOD AND</b>		
<b>TOTAL COMPREHENSIVE INCOME/(EXPENSE)</b>		
<b>FOR THE PERIOD</b>	<u>(6,938)</u>	<u>2,013</u>
<b>TOTAL COMPREHENSIVE INCOME/(EXPENSE)</b>		
<b>ATTRIBUTABLE TO:</b>		
Equity holders of the Company	(6,789)	145
Non-controlling interests	<u>( 149)</u>	<u>1,868</u>
	<u>(6,938)</u>	<u>2,013</u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	Unaudited 30 June 2010 HK\$'000	Audited 31 December 2009 HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		228,186	232,706
Prepaid land lease payments		26,443	26,784
Trademarks		124,244	124,162
Interests in associates		-	( 1,381)
Deferred tax assets		<u>2,033</u>	<u>2,033</u>
<b>Total non-current assets</b>		<u>380,906</u>	<u>384,304</u>
<b>CURRENT ASSETS</b>			
Stocks		118,520	131,296
Accounts receivable	9	83,755	106,332
Prepayments, deposits and other receivables		26,954	19,255
Tax recoverable		13	326
Pledged bank deposits		8,405	10,961
Cash and cash equivalents		<u>105,881</u>	<u>114,364</u>
<b>Total current assets</b>		<u>343,528</u>	<u>382,534</u>
<b>CURRENT LIABILITIES</b>			
Accounts payable	10	26,248	39,317
Bills payable		28,017	36,538
Other payables and accrued charges		34,490	42,508
Interest-bearing bank and other loans		157,753	165,419
Tax payable		<u>823</u>	<u>286</u>
<b>Total current liabilities</b>		<u>247,331</u>	<u>284,068</u>
<b>NET CURRENT ASSETS</b>		<u>96,197</u>	<u>98,466</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		477,103	482,770
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liabilities		<u>2,330</u>	<u>2,269</u>
<b>NET ASSETS</b>		<u>474,773</u>	<u>480,501</u>
<b>EQUITY</b>			
<b>Equity attributable to equity holders of the Company</b>			
Issued share capital		51,133	51,095
Reserves		<u>414,341</u>	<u>419,958</u>
		465,474	471,053
<b>Non-controlling interests</b>		<u>9,299</u>	<u>9,448</u>
<b>Total equity</b>		<u>474,773</u>	<u>480,501</u>

## Notes

### 1. BASIS OF PREPARATION

The condensed consolidated interim financial statements are prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" and other relevant HKASs and Interpretations, Hong Kong Financial Reporting Standards (collectively, the "HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited. Save for the adoption of new and revised HKFRSs during the period as set out in note 2 below, the accounting policies and basis of preparation adopted in the preparation of the interim financial statements are the same as those used in the preparation of the annual financial statements for the year ended 31 December 2009.

### 2. IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The Group has adopted the following new and revised HKFRSs for the first time for the current period's consolidated interim financial statements.

HKFRS 1 (Revised)	<i>First-time Adoption of Hong Kong Financial Reporting Standards</i>
HKFRS 1 Amendments	<i>Amendments to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards – Additional Exemptions for First-time Adopters</i>
HKFRS 2 Amendments	<i>Amendments to HKFRS 2 Share-based Payment – Group Cash-settled Share-based Payment Transactions</i>
HKFRS 3 (Revised)	<i>Business Combinations</i>
HKAS 27 (Revised)	<i>Consolidated and Separate Financial Statements</i>
HKAS 39 Amendment	<i>Amendment to HKAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items</i>
HK(IFRIC) – Int 17	<i>Distributions of Non-cash Assets to Owners</i>
Amendments to HKFRS 5 included in <i>Improvements to HKFRSs</i> issued in October 2008	<i>Amendments to HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations – Plan to sell the controlling interest in a subsidiary</i>
HK Interpretation 4 (Revised in December 2009)	<i>Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases</i>

Apart from the above, the HKICPA has issued *Improvements to HKFRSs 2009* which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to HKFRS 2, HKAS 38, HK(IFRIC) – Int 9 and HK(IFRIC) – Int 16 are effective for annual periods beginning on or after 1 July 2009 while the amendments to HKFRS 5, HKFRS 8, HKAS 1, HKAS 7, HKAS 17, HKAS 36 and HKAS 39 are effective for annual periods beginning on or after 1 January 2010 although there are separate transitional provisions for each standard or interpretation.

The adoption of these new and revised HKFRSs has had no significant financial effect on these condensed consolidated interim financial statements and there have been no significant changes to the accounting policies applied in these condensed consolidated interim financial statements.

### 3. ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these interim financial statements.

HKFRS 1 Amendment	Amendments to HKFRS 1 <i>First-time Adoption of Hong Kong Financial Reporting Standards – Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters</i> <sup>2</sup>
HKFRS 9	<i>Financial Instruments</i> <sup>4</sup>
HKAS 24 (Revised)	<i>Related Party Disclosures</i> <sup>3</sup>
HKAS 32 Amendment	Amendment to HKAS 32 <i>Financial Instruments: Presentation – Classification of Rights Issues</i> <sup>1</sup>
HK(IFRIC) – Int 14 Amendments	Amendments to HK(IFRIC) – Int 14 <i>Prepayments of a Minimum Funding Requirement</i> <sup>3</sup>
HK(IFRIC) – Int 19	<i>Extinguishing Financial Liabilities with Equity Instruments</i> <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 February 2010

<sup>2</sup> Effective for annual periods beginning on or after 1 July 2010

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2011

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2013

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. However, it is not yet in a position to state whether they would have a significant impact on the Group's results of operations and financial position.

### 4. TURNOVER AND SEGMENT INFORMATION

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

### 5. PROFIT/(LOSS) FROM OPERATING ACTIVITIES

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

	Unaudited For the six months ended 30 June	
	2010	2009
	HK\$'000	HK\$'000
Direct cost of stocks sold and services provided	240,638	329,459
Depreciation	8,780	9,831
Amortisation of prepaid land lease payments	341	341
Gain on disposal of items of property, plant and equipment, net	<u>501</u>	<u>-</u>

## 6. FINANCE COSTS

	Unaudited	
	For the six months ended 30 June	
	2010	2009
	HK\$'000	HK\$'000
Interest on bank and other loans wholly repayable within five years	<u>3,998</u>	<u>4,900</u>

## 7. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2009: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	Unaudited	
	For the six months ended 30 June	
	2010	2009
	HK\$'000	HK\$'000
Tax in the income statement represents:		
Provision for Hong Kong profits tax	987	1,272
Provision for tax elsewhere	<u>-</u>	<u>293</u>
	987	1,565
Deferred tax	<u>61</u>	<u>( 194)</u>
	<u>1,048</u>	<u>1,371</u>

**8. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY**

a. Basic earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the consolidated loss for the period attributable to equity holders of the Company of HK\$6,789,000 (2009: profit of HK\$145,000), and the weighted average number of 511,265,476 (2009: 499,504,727) ordinary shares in issue during the period.

b. Diluted earnings/(loss) per share

No adjustment has been made to the basic loss per share amounts presented for the period ended 30 June 2010 in respect of a dilution as the impact of the warrants and share options outstanding had an anti-dilutive effect on the basic loss per share amounts presented. The calculation of diluted earnings per share for the period ended 30 June 2009 which was based on the consolidated profit attributable to equity holders of the Company of HK\$145,000 and the weighted average number of 511,468,108 ordinary shares in issue during the period after adjusting for the effect of all dilutive potential ordinary shares of 11,963,381 shares for the six months ended 30 June 2009 is calculated as follows:

	Unaudited For the six month ended 30 June 2009 HK\$'000
Consolidated profit attributable to equity holders of the Company	<u>145</u>
	Number of shares 2009
Shares	
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	499,504,727
Effect of dilution:	
Share options	751,319
Warrants	<u>11,212,062</u>
	<u>511,468,108</u>

## 9. ACCOUNTS RECEIVABLE

An aged analysis of the accounts receivable as at the end of the reporting period, based on payment due date and net of provisions, is as follows:

	Unaudited 30 June 2010 HK\$'000	Audited 31 December 2009 HK\$'000
Current (neither past due nor impaired)	59,164	82,097
Within 60 days past due	18,916	18,951
Over 60 days past due	<u>5,675</u>	<u>5,284</u>
	<u>83,755</u>	<u>106,332</u>

The Group's products are sold either on a cash on delivery basis, or on an open account basis with credit terms ranging from 7 to 70 days.

## 10. ACCOUNTS PAYABLE

An aged analysis of accounts payable as at the end of the reporting period, based on the payment due date, is as follows:

	Unaudited 30 June 2010 HK\$'000	Audited 31 December 2009 HK\$'000
Current and less than 60 days	24,617	38,338
Over 60 days	<u>1,631</u>	<u>979</u>
	<u>26,248</u>	<u>39,317</u>

The accounts payable are non-interest-bearing and are normally settled within credit terms of 7 to 60 days.



## **BUSINESS REVIEW AND OUTLOOK**

For the six months ended 30 June 2010, the loss attributable to equity holders of the Company was HK\$6.8 million, as compared to the profit of HK\$0.1 million for the six months ended 30 June 2009. The loss per share for the period was 1.33 HK cents (2009: earnings per share of 0.03 HK cent).

Earnings before interest, tax, depreciation and amortisation (EBITDA) for the period under review was HK\$7.2 million, against HK\$18.5 million for the same period in 2009.

### **DIVIDEND**

The Directors do not recommend the payment of any interim dividend for the six months ended 30 June 2010 (2009: Nil).

### **REVIEW OF OPERATION**

In the period under review, the world economy still hinged on the financial events happened in the western side of the globe. Although there were indicators showing that the local economy has significantly recovered, people from the general public may not have a very strong feeling of it and are still very cautious when they come to personal spending. The competition in the edible oil market was particularly severe and resulted in a decrease in sales volume and hence the production efficiency of the Group. The edible oil prices were relatively less volatile in the period under review and the gross margin of the Group improved to 28.2%. Although sales related costs during the period decreased as a result of the decrease in turnover, additional advertising and promotional expenses had to be spent to meet with the keen competition in the markets. The bottom line of the Group for the first half of this year was HK\$6.9 million less than the corresponding period in 2009.

In Hong Kong, the competition in the edible oil market was keen. Apart from the competition amongst local products, there were challenges from imported brands. While our customers have confidence in the quality of our products which are manufactured by the Group's Hong Kong factory which owns the only one edible oil refinery plant in Hong Kong, advertising and promotional activities had been increased to stimulate their spending incentive. The management's investment and focus on riding on the healthy trend in past years has now paid back. The Group's wide range of healthy products developed in these years has recorded a performance better than that of the traditional products. The Nielsen Edible Oil MarketTrack Supermarket Service data collected by The Nielsen Company (Hong Kong) Limited, one of the most reputable international research companies in Hong Kong, revealed that Lion & Globe Canola oil products continued to rank first in sales value in the Canola oil segment for three consecutive years from October 2006 to September 2009. Such clear market leadership position and positive growth momentum continued throughout the period under review.

In PRC, the fierce competition during the period exerted pressure on the gross profit margin of edible oil products. In addition, the narrowing price gap between crude and refined oil has resulted in a decrease in the demand for refining OEM services. All these together have impacted the sales volume, gross margin and production efficiency of our PRC operation. As a result, the performance of our PRC operation in the first half of this year was not up to expectation.

## **FINANCIAL REVIEW**

### ***Equity***

The number of issued shares of HK\$0.10 each of the Company as at 30 June 2010 was 511,333,550 (31 December 2009: 510,949,072). At 1 January 2010, the Company had outstanding 102,115,011 units of warrants carrying rights to subscribe for an aggregate of 102,115,011 new shares of HK\$0.10 each at an initial subscription price of HK\$0.20 per share. During the period under review, 384,478 units of the warrants of the Company were exercised for 384,478 shares of HK\$0.10 each at a price of HK\$0.20 per share.

### ***Liquidity and gearing***

As at 30 June 2010, the Group's Hong Kong bank borrowing was bank loans of HK\$45.3 million. The Group's PRC bank borrowings as at the period end were bank loans and bills payable totaling HK\$129.1 million, of which approximately HK\$89.7 million were borrowed by a PRC subsidiary of the Group and secured by certain property, plant and equipment and prepaid land lease payments of certain PRC subsidiaries of the Group and have no recourse to the Group other than those PRC subsidiaries.

As at 30 June 2010, the Group's total bank loans amounting to HK\$146.4 million (31 December 2009: HK\$154.1 million) were either repayable or subject to renewal within one year.

The Group's gearing ratio (expressed as a percentage of interest-bearing bank and other loans over equity attributable to equity holders of the Company) as at 30 June 2010 was 34% (31 December 2009: 35%).

The interest expense for the period was HK\$4.0 million (2009: HK\$4.9 million). The decrease in interest expenses was mainly attributable to the decrease in interest rates for loans during the period under review.

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

Staff remuneration packages of the staff of the Group are comprised of salary and discretionary bonuses and are determined with reference to the market conditions and the performance of the Group and the individuals concerned. The Group also provided other staff benefits including medical insurance, continuing education allowances, provident funds and share options to eligible staff of the Group. The total remuneration paid to the employees (including pension costs and the directors' remuneration) of the Group in the period under review was HK\$25 million (2009: HK\$25 million). As at 30 June 2010, the Group had 419 full time and temporary employees (30 June 2009: 412).

### ***Operating segment information***

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

### ***Contingent liabilities***

As at 30 June 2010, the contingent liabilities of the Group in respect of guarantees given to a bank to secure a banking facility to a third party amounted to HK\$11,364,000 (31 December 2009: HK\$11,364,000).

### ***Pledge of assets***

As at 30 June 2010, certain land use rights, classified as prepaid land lease payments, and certain leasehold land and buildings and plant and machinery of the Group with an aggregate carrying values of approximately HK\$26,941,000 (31 December 2009: HK\$27,280,000) and HK\$99,984,000 (31 December 2009: HK\$109,963,000), respectively, were pledged to banks to secure banking facilities granted to the Group.

### **OUTLOOK**

Although the Group experienced severe competition in the period under review, the management believes that the current healthy trend will continue in the years to come and the Group will continue to hold onto its proven strategy of providing quality healthy products and choices to our health-conscious customers. Maintaining high standard of quality, which is particular crucial in food products in Hong Kong and the PRC, could build up the confidence of our customers on the products manufactured and produced by our Group.

Improving the performance of the Group's PRC operation is another area that the management will put emphasis on. In light of the current edible oil environment in PRC, resources will be invested in selective and more profitable products and markets.

Apart from focusing on the current core business basing on the Group's core skill, the management has started looking for opportunities to diversify into other business areas, including food related businesses, so as to broaden the business scope of the Group to balance and enhance the overall financial performance of the Group to create value for shareholders.

### **VOTE OF THANKS**

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

### **CORPORATE GOVERNANCE PRACTICES**

The Company is committed to maintaining a high standard of corporate governance practices and procedures. The Company has adopted its code on corporate governance (the "CG Code") based on the principles set out in the Code of Corporate Governance Practices contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The Company made an announcement on 16 April 2010 in respect of an inadvertent delay in the disclosure of certain guarantees provided by a non-wholly owned subsidiary of the Company to a bank in support of the provision of banking facilities by the bank to an independent third party, who provided guarantees, on a reciprocal basis, to certain entities in support of the provision of banking facilities by the entities to the non-wholly owned subsidiary of the Company. Save as disclosed above, none of the directors of the Company is aware of any information that would reasonably indicate that the Company did not meet the applicable code provisions set out in the CG Code for any part of the period from 1 January 2010 to 30 June 2010.

## **MODEL CODE FOR SECURITIES TRANSACTIONS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as its code of conduct of dealings in securities of the Company by the directors. The Model Code also applies to the "relevant employees" as defined in the CG Code.

Based on specific enquiry of the Company's directors, the directors confirmed that they have complied with the required standards in the Model Code adopted by the Company throughout the accounting period covered by the interim report.

## **PURCHASE, SALE OR REDEMPTION OF OWN LISTED SECURITIES**

During the six months ended 30 June 2010, there were no purchases, sales or redemptions by the Company or any of its subsidiaries of the Company's listed securities.

## **PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT**

This result announcement is published on the Company's website at [www.hophing.com](http://www.hophing.com) and the website of Hong Kong Exchanges and Clearing Limited at [www.hkexnews.hk](http://www.hkexnews.hk). The interim report will be despatched to shareholders of the Company and made available at the aforesaid websites in due course.

By Order of the Board

**Hung Hak Hip, Peter**

*Chairman*

Hong Kong, 18 August 2010

*As at the date hereof, the executive directors of the Company are Mr. Wong Kwok Ying and Ms. Lam Fung Ming, Tammy. The non-executive directors of the Company are Mr. Hung Hak Hip, Peter, Ms. Hung Chiu Yee and Mr. Lee Pak Wing. The independent non-executive directors of the Company are Dr. Wong Yu Hong, Philip, GBS, Mr. Sze Tsai To, Robert, Mr. Cheung Wing Yui, Edward, Mr. Seto Gin Chung, John and Hon. Shek Lai Him, Abraham, SBS, JP.*