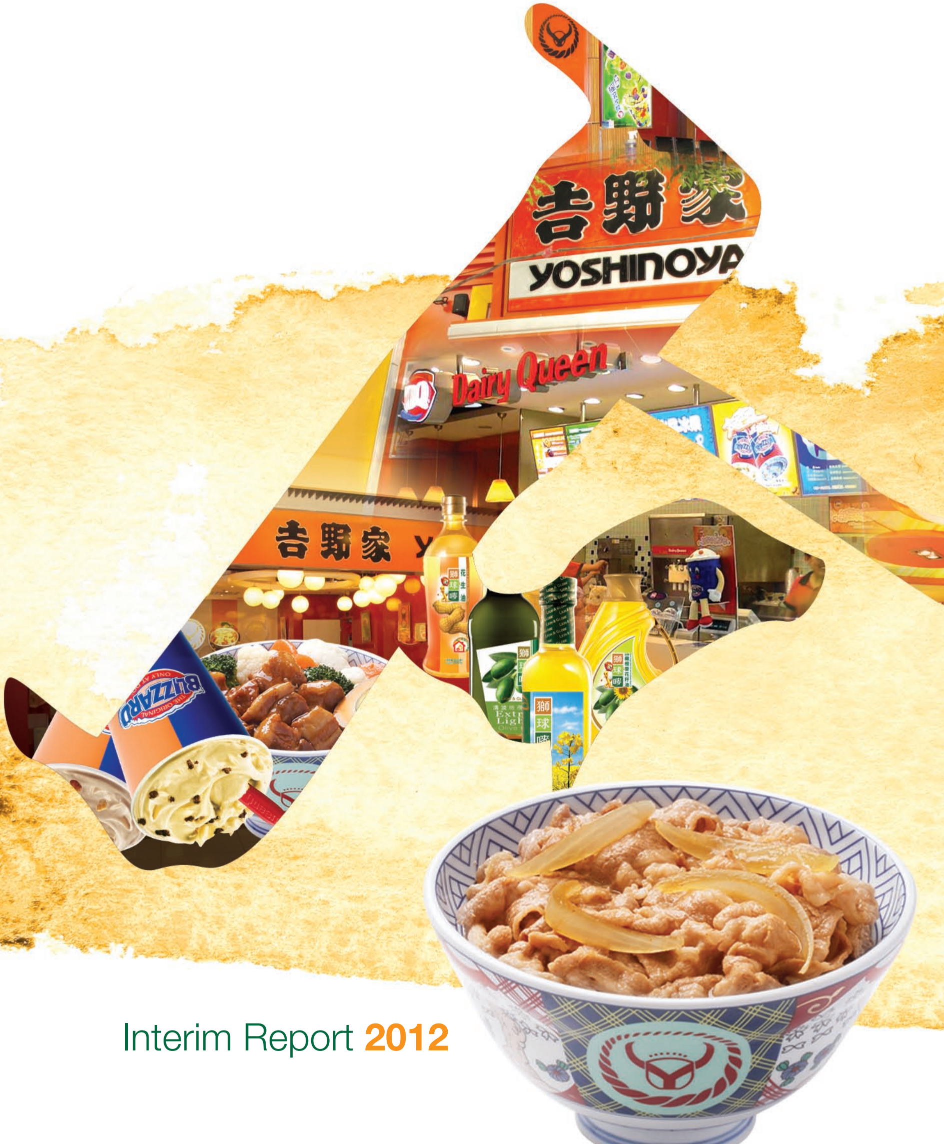
HOP HING GROUP HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 47



Interim Report 2012


吉野家
YOSHINOYA
Dairy Queen
4008-197-197
BLIZZARD
Extra Light
Olive Oil

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 2012, 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 INCOME STATEMENT

	Notes	**Unaudited For the six months ended 30 June 2012 HK$'000**	Unaudited For the six months ended 30 June 2011 HK$'000 (Restated)
TURNOVER	*5*	**1,389,025**	1,128,374
Direct cost of stocks sold and services provided		**(711,965)**	(581,041)
Other income and gains, net	*5*	**5,313**	3,650
Other production and service costs		**(27,332)**	(27,188)
Selling and distribution costs		**(453,191)**	(346,277)
General and administrative expenses		**(84,308)**	(78,613)
PROFIT FROM OPERATING ACTIVITIES	*6*	**117,542**	98,905
Finance costs	*7*	**(6,113)**	(5,905)
PROFIT BEFORE TAX		**111,429**	93,000
Income tax expense	*8*	**(37,552)**	(31,360)
PROFIT FOR THE PERIOD		**73,877**	61,640
PROFIT ATTRIBUTABLE TO:			
Equity holders of the Company		**59,516**	30,080
Non-controlling interests		**14,361**	31,560
		73,877	61,640
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	*9*		
Basic		**HK11.47 cents**	HK5.88 cents
Diluted		**HK 0.60 cent**	HK 0.30 cent

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited For the six months ended 30 June 2012 HK$'000	2011 HK$'000 (Restated)
PROFIT FOR THE PERIOD	**73,877**	61,640
OTHER COMPREHENSIVE INCOME/(EXPENSE)		
Release of exchange fluctuation reserve upon disposal of a subsidiary	**(2,039)**	–
Release of exchange fluctuation reserve upon de-registration of a subsidiary	**(133)**	–
Exchange differences on translation of foreign operations	**–**	8,718
OTHER COMPREHENSIVE INCOME/(EXPENSE) FOR THE PERIOD	**(2,172)**	8,718
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**71,705**	70,358
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:		
Equity holders of the Company	**58,343**	35,570
Non-controlling interests	**13,362**	34,788
	71,705	70,358

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	Unaudited 30 June 2012 HK$'000	Unaudited 31 December 2011 HK$'000 (Restated)
NON-CURRENT ASSETS			
Property, plant and equipment	*10*	**421,935**	405,789
Prepaid land lease payments		**26,907**	27,268
Trademarks		**125,154**	124,310
Deferred tax assets		**476**	476
Rental deposits		**38,046**	32,629
Total non-current assets		**612,518**	590,472
CURRENT ASSETS			
Stocks		**262,184**	222,852
Accounts receivable	*11*	**129,173**	120,342
Prepayments, deposits and other receivables		**68,149**	61,103
Amounts due from related companies		**–**	185
Tax recoverable		**290**	290
Pledged bank deposits		**37,379**	44,907
Cash and cash equivalents		**240,268**	465,461
		737,443	915,140
Non-current assets held for disposal	*12*	**3,693**	–
Total current assets		**741,136**	915,140
CURRENT LIABILITIES			
Accounts payable	*13*	**163,978**	173,955
Bills payable		**–**	26,235
Other payables and accrued charges		**273,787**	362,032
Interest-bearing bank loans	*14*	**189,083**	228,766
Tax payable		**11,311**	8,109
Amounts due to related companies		**–**	7,095
Amount due to a then shareholder of a subsidiary		**–**	44,389
Total current liabilities		**638,159**	850,581
NET CURRENT ASSETS		**102,977**	64,559
TOTAL ASSETS LESS CURRENT LIABILITIES		**715,495**	655,031
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**11,304**	12,918
NET ASSETS		**704,191**	642,113
EQUITY			
Equity attributable to equity holders of the Company			
Issued share capital	*15*	**52,008**	51,566
Convertible securities and reserves		**651,989**	516,961
		703,997	568,527
Non-controlling interests		**194**	73,586
Total equity		**704,191**	642,113

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2012 (Unaudited)

	Attributable to equity holders of the Company					
	Issued share capital HK$'000	Share premium account* HK$'000	Perpetual subordinated convertible securities ("PSCS")* (note 16) HK$'000	PSCS distribution reserve* (note 16) HK$'000	Merger reserve*# HK$'000	Share option reserve* HK$'000
At 1 January 2012, as previously reported	51,566	11,513	–	–	–	6,645
Effect of business combination under common control (note 1)	–	–	–	–	3,479	–
At 1 January 2012, as restated	51,566	11,513	–	–	3,479	6,645
Profit for the period	–	–	–	–	–	–
Other comprehensive income for the period:						
Release of exchange fluctuation reserve upon disposal of a subsidiary	–	–	–	–	–	–
Release of exchange fluctuation reserve upon de-registration of a subsidiary	–	–	–	–	–	–
Total comprehensive income/(expense) for the period	–	–	–	–	–	–
Issue of shares upon exercise of warrants (note 15)	399	399	–	–	–	–
Exercise of share options (note 15)	43	108	–	–	–	–
Equity-settled share option arrangements	–	–	–	–	–	74
Disposal of a subsidiary	–	–	–	–	–	–
De-registration of a subsidiary	–	–	–	–	–	–
Issuance of the PSCS	–	–	4,964,232	–	–	–
PSCS issue expenses	–	–	(2,850)	–	–	–
Dividend declared by a subsidiary payable to the former owners	–	–	–	–	–	–
Transfer to PSCS distribution reserve	–	–	–	36,987	–	–
Business combination under control (note 1)	–	–	–	–	(4,860,798)	–
At 30 June 2012	52,008	12,020	4,961,382	36,987	(4,857,319)	6,719

* These reserve accounts comprise the convertible securities and reserves of HK$651,989,000 in the condensed consolidated statement of financial position as at 30 June 2012.

\# Merger reserve represents the excess of investment cost in Hop Hing Fast Food Group Holdings Limited (formerly known as Summerfield Profits Limited ("SPL") ("Hop Hing Fast Food") of HK$4,919,843,000 (being the fair value of HK$4,964,232,000 of the PSCS issued to satisfy the consideration for the Company to acquire the entire issued share capital of Hop Hing Fast Food (details of the acquisition as disclosed in note 1) reduced by the loans of HK$44,389,000 owed by Hop Hing Fast Food to Queen Board Limited ("Queen Board") and its associates (the "Loan")) over the share capital and share premium of Hop Hing Fast Food of HK$363,000 and HK$62,161,000, respectively.

Attributable to equity holders of the Company							
Exchange fluctuation reserve*	Properties revaluation reserve*	Statutory reserve*	Capital and other reserves*##	Retained profits/ (accumulated losses)*	Total	Non-controlling interests	Total equity
HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
29,293	2,080	–	434,025	(41,578)	493,544	5,349	498,893
14,745	–	15,157	5,309	36,293	74,983	68,237	143,220
44,038	2,080	15,157	439,334	(5,285)	568,527	73,586	642,113
–	–	–	–	59,516	59,516	14,361	73,877
(1,040)	–	–	–	–	(1,040)	(999)	(2,039)
(133)	–	–	–	–	(133)	–	(133)
(1,173)	–	–	–	59,516	58,343	13,362	71,705
–	–	–	–	–	798	–	798
–	–	–	–	–	151	–	151
–	–	–	–	–	74	–	74
–	–	–	1,690	–	1,690	(3,982)	(2,292)
–	–	–	(97)	–	(97)	–	(97)
–	–	–	–	–	4,964,232	–	4,964,232
–	–	–	–	–	(2,850)	–	(2,850)
–	–	–	–	(26,073)	(26,073)	(23,727)	(49,800)
–	–	–	(36,987)	–	–	–	–
–	–	–	–	–	(4,860,798)	(59,045)	(4,919,843)
42,865	2,080	15,157	403,940	28,158	703,997	194	704,191

As at 30 June 2012, capital and other reserves mainly comprises of contributed surplus of HK$351,237,000 of the Company which is distributable under the Companies Laws of the Cayman Islands, subject to the terms of distribution to the PSCS holders as detailed in note 16.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

For the six months ended 30 June 2011 (Unaudited)

(Restated)

	Attributable to equity holders of the Company										
	Issued share capital HK$'000	Share premium account HK$'000	Share option reserve HK$'000	Exchange fluctuation reserve HK$'000	Properties revaluation reserve HK$'000	Statutory reserve HK$'000	Capital and other reserves HK$'000	Retained profits/ (accumulated losses) HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2011, as previously reported	51,154	11,143	6,306	23,198	2,080	–	434,025	(42,877)	485,029	8,901	493,930
Effect of business combination under common control (note 1)	–	–	–	10,789	–	15,157	5,309	70,494	101,749	114,674	216,423
At 1 January 2011, as restated	51,154	11,143	6,306	33,987	2,080	15,157	439,334	27,617	586,778	123,575	710,353
Profit for the period	–	–	–	–	–	–	–	30,080	30,080	31,560	61,640
Other comprehensive income for the period:											
Exchange differences on translation of foreign operations	–	–	–	5,490	–	–	–	–	5,490	3,228	8,718
Total comprehensive income for the period	–	–	–	5,490	–	–	–	30,080	35,570	34,788	70,358
Issue of shares upon exercise of warrants (note 15)	1	1	–	–	–	–	–	–	2	–	2
Share issue expenses	–	(42)	–	–	–	–	–	–	(42)	–	(42)
Equity-settled share option arrangements	–	–	170	–	–	–	–	–	170	–	170
Repayment of loans due to non-controlling interests	–	–	–	–	–	–	–	–	–	(5,495)	(5,495)
At 30 June 2011	51,155	11,102	6,476	39,477	2,080	15,157	439,334	57,697	622,478	152,868	775,346

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited For the six months ended 30 June 2012 HK$'000	2011 HK$'000 (Restated)
NET CASH FLOWS FROM/(USED IN):		
OPERATING ACTIVITIES	**36,537**	129,655
INVESTING ACTIVITIES	**(18,424)**	(73,117)
FINANCING ACTIVITIES	**(185,282)**	(28,946)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**(167,169)**	27,592
Cash and cash equivalents at beginning of period	**397,560**	262,539
Effect of foreign exchange rates changes, net	**–**	3,024
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**230,391**	293,155
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and cash equivalents as stated in the condensed consolidated statement of financial position	**240,268**	334,455
Less: Time deposits with original maturity of more than three months when acquired	**(9,877)**	(41,300)
Cash and cash equivalents as stated in the condensed consolidated statement of cash flows	**230,391**	293,155

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BUSINESS COMBINATIONS UNDER COMMON CONTROL AND BASIS OF PREPARATION

On 1 December 2011, the Company and Queen Board, a company controlled by a substantial shareholder of the Company, entered into an acquisition agreement (the "Acquisition") pursuant to which Queen Board has agreed to sell the entire issued share capital of Hop Hing Fast Food, an investment holding company of a group of companies that own rights to operate the Yoshinoya and Dairy Queen quick service restaurants ("QSR") in their franchised regions in the People's Republic of China (the "PRC") which include Beijing municipality, Tianjin municipality, the provinces of Hebei, Liaoning, Heilongjiang and Jilin, and the Inner Mongolia Autonomous Region (excluding airports, railway stations or highway service areas), and the Loan owed by Hop Hing Fast Food to Queen Board and its associates. Details of the Acquisition have been set out in the Company's announcements made on 1 December 2011 and 12 March 2012 and circular dated 30 December 2011.

The Acquisition was completed on 12 March 2012 for a consideration satisfying by an issue of PSCS by the Company to companies as directed by Queen Board. Details of the PSCS are set out in note 16.

The financial statements have been prepared in accordance with the principles of merger accounting as set out in Accounting Guideline 5 *Merger Accounting for Common Control Combinations* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), as if the Acquisition had been completed at the beginning of the earliest period presented because the Acquisition were regarded as a business combination under common control of the substantial shareholder of the Company before and after the Acquisition.

The condensed consolidated income statements, condensed consolidated statements of comprehensive income, condensed consolidated statements of changes in equity and condensed consolidated statements of cash flows of the Group for the six months ended 30 June 2012 and 2011 include the results and cash flows of all companies now comprising the Group from the earliest date presented or since the dates when the subsidiaries first came under the common control of the substantial shareholder, where this is a shorter period. The condensed consolidated statements of financial position of the Group as at 31 December 2011 and 30 June 2012 have been prepared to present the assets and liabilities of the Group using the existing carrying values from the substantial shareholder perspective. No adjustments are made to reflect fair values, or recognise any new assets or liabilities as a result of the Acquisition.

Equity interests in subsidiaries and/or business held by parties other than the substantial shareholder prior to the Acquisition are presented as non-controlling interests in equity in applying the principles of merger accounting.

1. BUSINESS COMBINATIONS UNDER COMMON CONTROL AND BASIS OF PREPARATION (continued)

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 HKICPA and the disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities 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 and the Acquisition as set out above, the accounting policies and basis of preparation adopted in the preparation of the condensed consolidated interim financial statements are the same as those used in the preparation of the annual financial statements for the year ended 31 December 2011.

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 condensed consolidated interim financial statements.

HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets*
HKAS 12 Amendments	Amendments to HKAS 12 *Income Taxes – Deferred Tax: Recovery of Underlying Assets*

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 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Government Loans*[2]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*[2]
HKFRS 9	*Financial Instruments*[4]
HKFRS 10	*Consolidated Financial Statements*[2]
HKFRS 11	*Joint Arrangements*[2]
HKFRS 12	*Disclosure of Interests in Other Entities*[2]
HKFRS 13	*Fair Value Measurement*[2]
HKAS 1 Amendments	Amendments to HKAS 1 *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*[1]
HKAS 19 (2011)	*Employee Benefits*[2]
HKAS 27 (2011)	*Separate Financial Statements*[2]
HKAS 28 (2011)	*Investments in Associates and Joint Ventures*[2]
HKAS 32 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*[3]
HK(IFRIC)-Int 20	*Stripping Costs in the Production Phase of a Surface Mine*[2]
Annual Improvement	*Annual Improvements to HKFRSs 2009 – 2011 Cycle*[2]

1 Effective for annual periods beginning on or after 1 July 2012
2 Effective for annual periods beginning on or after 1 January 2013
3 Effective for annual periods beginning on or after 1 January 2014
4 Effective for annual periods beginning on or after 1 January 2015

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Group considers that these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has two reportable operating segments as follows:

(a) the edible oils business; and

(b) the QSR business.

For the six months ended 30 June 2012

	Edible oils	QSR	Inter-segment elimination	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Segment revenue				
Sales to external customers	432,525	956,500		1,389,025
Direct cost of stocks sold and services provided	(327,602)	(384,363)		(711,965)
Other income and gains, net	2,989	2,935	(611)	5,313
Other production and service costs	(27,332)	–		(27,332)
Selling and distribution costs	(53,577)	(399,614)		(453,191)
General and administrative expenses	(20,374)	(59,881)		(80,255)
Profit from operating activities before unallocated head office expenses	6,629	115,577		121,595
Finance costs	(5,240)	(1,484)	611	(6,113)
Profit before unallocated head office expenses and tax	1,389	114,093		115,482
Income tax expense	(2,052)	(35,500)		(37,552)
Profit/(loss) before unallocated head office expenses and after tax	**(663)**	**78,593**		77,930
Unallocated head office expenses				(4,053)
Profit for the period				**73,877**

4. OPERATING SEGMENT INFORMATION (continued)

As at 30 June 2012

	Edible oils HK$'000	QSR HK$'000	Total HK$'000
Segment assets			
NON-CURRENT ASSETS			
Property, plant and equipment and prepaid land lease payments	225,581	223,261	448,842
Trademarks	125,154	–	125,154
Other non-current assets	476	38,046	38,522
Total non-current assets	351,211	261,307	612,518
CURRENT ASSETS			
Stocks	152,752	109,432	262,184
Accounts receivable	124,584	4,589	129,173
Cash and cash equivalents and pledged bank deposits	134,952	142,695	277,647
Other current assets	26,380	45,752	72,132
Total current assets	438,668	302,468	741,136
CURRENT LIABILITIES			
Accounts payable	(43,520)	(120,458)	(163,978)
Interest-bearing bank loans	(163,157)	(25,926)	(189,083)
Other current liabilities	(48,383)	(236,715)	(285,098)
Total current liabilities	(255,060)	(383,099)	(638,159)
NET CURRENT ASSETS/(LIABILITIES)	183,608	(80,631)	102,977
NON-CURRENT LIABILITIES			
Deferred tax liabilities	(1,641)	(9,663)	(11,304)
NET ASSETS	**533,178**	**171,013**	**704,191**

4. OPERATING SEGMENT INFORMATION (continued)

For the six months ended 30 June 2011
(Restated)

	Edible oils HK$'000	**QSR** HK$'000	**Total** HK$'000
Segment revenue			
Sales to external customers	385,257	743,117	1,128,374
Direct cost of stocks sold and services provided	(283,546)	(297,495)	(581,041)
Other income and gains, net	1,238	2,412	3,650
Other production and service costs	(27,188)	–	(27,188)
Selling and distribution costs	(50,130)	(296,147)	(346,277)
General and administrative expenses	(20,668)	(56,037)	(76,705)
Profit from operating activities before unallocated head office expenses	4,963	95,850	100,813
Finance costs	(5,001)	(904)	(5,905)
Profit/(loss) before unallocated head office expenses and tax	(38)	94,946	94,908
Income tax expense	(1,034)	(30,326)	(31,360)
Profit/(loss) before unallocated head office expenses and after tax	**(1,072)**	**64,620**	63,548
Unallocated head office expenses			(1,908)
Profit for the period			**61,640**

4. OPERATING SEGMENT INFORMATION (continued)

As at 31 December 2011
(Restated)

	Edible oils HK$'000	QSR HK$'000	Total HK$'000
Segment assets			
NON-CURRENT ASSETS			
Property, plant and equipment and prepaid land lease payments	234,422	198,635	433,057
Trademarks	124,310	–	124,310
Other non-current assets	476	32,629	33,105
Total non-current assets	359,208	231,264	590,472
CURRENT ASSETS			
Stocks	143,507	79,345	222,852
Accounts receivable	116,251	4,091	120,342
Cash and cash equivalents and pledged bank deposits	178,659	331,709	510,368
Other current assets	25,126	36,452	61,578
Total current assets	463,543	451,597	915,140
CURRENT LIABILITIES			
Accounts payable	(51,876)	(122,079)	(173,955)
Interest-bearing bank loans	(191,729)	(37,037)	(228,766)
Other current liabilities	(78,304)	(369,556)	(447,860)
Total current liabilities	(321,909)	(528,672)	(850,581)
NET CURRENT ASSETS/(LIABILITIES)	141,634	(77,075)	64,559
NON-CURRENT LIABILITIES			
Deferred tax liabilities	(1,949)	(10,969)	(12,918)
NET ASSETS	**498,893**	**143,220**	**642,113**

4. OPERATING SEGMENT INFORMATION (continued)

Geographical information

(a) Revenue from external customers

	Unaudited For the six months ended 30 June 2012 HK$'000	2011 HK$'000 (Restated)
Hong Kong and Macau	**319,804**	226,516
Mainland China	**1,069,221**	901,858
	1,389,025	1,128,374

The revenue information from operations above is based on the location of the customers.

(b) Non-current assets

	Unaudited 30 June 2012 HK$'000	Unaudited 31 December 2011 HK$'000 (Restated)
Hong Kong and Macau	**144,135**	146,644
Mainland China	**467,907**	443,352
	612,042	589,996

The non-current assets information is based on the location of assets and excludes deferred tax assets.

5. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold and the value of services rendered during the period.

An analysis of revenue and other income and gains are as follows:

	Unaudited For the six months ended 30 June 2012 HK$'000	2011 HK$'000 (Restated)
Revenue		
Sale of edible oils products and related business	**432,525**	385,257
Sale of QSR products	**956,500**	743,117
	1,389,025	1,128,374
Other income and gains, net		
Bank interest income	**2,299**	1,398
Foreign exchange differences, net	**(239)**	609
Recovery of deposits written off in prior year	**1,500**	–
Compensation	**–**	1,627
Others	**1,753**	16
	5,313	3,650

6. PROFIT FROM OPERATING ACTIVITIES

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

	Unaudited For the six months ended 30 June 2012 HK$'000	2011 HK$'000 (Restated)
Direct cost of stocks sold and services provided	**711,965**	581,041
Depreciation	**51,368**	49,585
Amortisation of prepaid land lease payments	**361**	354
Lease payments under operating leases in respect of lands and buildings		
– minimum lease payments	**110,115**	89,369
– contingent rents	**18,317**	14,507
Loss on disposal of items of property, plant and equipment, net	**388**	218

7. FINANCE COSTS

	Unaudited For the six months ended 30 June 2012 HK$'000	2011 HK$'000 (Restated)
Interest on bank loans wholly repayable within five years	**5,962**	5,708
Others	**151**	197
	6,113	5,905

8. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2011: 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.

Pursuant to the Corporate Income Tax Law of the PRC being effective on 1 January 2008, the PRC corporate income tax rate for the Group's subsidiaries operated in Mainland China during the period was 25% (2011: 25%) on their taxable profits.

The major components of the income tax expense for the period are as follows:

	Unaudited For the six months ended 30 June	
	2012	2011
	HK$'000	HK$'000 (Restated)
Current – Hong Kong		
Charge for the period	**3,313**	1,582
Current – Elsewhere		
Charge for the period	**31,346**	23,366
Deferred tax	**2,893**	6,412
Total tax charge for the period	**37,552**	31,360

9. EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

a. Basic earnings per share

The calculation of basic earnings per share is based on the consolidated profit for the period attributable to equity holders of the Company of HK$59,516,000 (2011 (restated): HK$30,080,000), and the weighted average number of 518,718,724 (2011: 511,548,211) ordinary shares in issue during the period.

9. EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY (continued)

b. Diluted earnings per share

The calculation of diluted earnings per share is based on the consolidated profit for the period attributable to equity holders of the Company of HK$59,516,000 (2011 (restated): HK$30,080,000) and the weighted average number of 9,977,053,275 (2011 (restated): 9,956,626,437) ordinary shares in issue after adjusting for the effect of all dilutive potential ordinary shares of 9,458,334,551 (2011 (restated): 9,445,078,226) for the period ended 30 June 2012 calculated as follows:

	Unaudited For the six months ended 30 June	
	2012	2011
	HK$'000	HK$'000
		(Restated)
Consolidated profit attributable to equity holders of the Company	**59,516**	30,080

	Unaudited Number of shares	
	30 June 2012	30 June 2011
		(Restated)
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	**518,718,724**	511,548,211
Effect of dilution – weighted average number of ordinary shares:		
Warrants	**56,561,886**	49,616,142
Share options	**9,880,773**	3,570,192
PSCS*	**9,391,891,892**	9,391,891,892
	9,977,053,275	9,956,626,437

* The effect of 9,391,891,892 dilutive potential ordinary share of PSCS has been restated for the period ended 30 June 2011.

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2012, the Group acquired items of property, plant and equipment with a cost of HK$75,076,000 (2011 (restated): HK$43,668,000). Items of property, plant and equipment with a net book value of HK$3,869,000 (2011 (restated): HK$344,000) were disposed of during the six months ended 30 June 2012.

11. ACCOUNTS RECEIVABLE

	Unaudited 30 June 2012 HK$'000	Unaudited 31 December 2011 HK$'000 (Restated)
Accounts receivable	**144,267**	135,408
Impairment	**(15,094)**	(15,066)
	129,173	120,342

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. Each customer has a maximum credit limit and overdue balances are regularly reviewed by the senior management. In view of the aforementioned and the fact that the Group's accounts receivable relate to a number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its accounts receivable balance. Accounts receivable are non-interest-bearing.

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 2012 HK$'000	Unaudited 31 December 2011 HK$'000 (Restated)
Current (neither past due nor impaired)	**100,201**	91,801
Within 60 days past due	**21,967**	20,834
Over 60 days past due	**7,005**	7,707
	129,173	120,342

11. ACCOUNTS RECEIVABLE (continued)

Included in the Group's accounts receivable are amounts totalling HK$5,138,000 (31 December 2011: HK$5,204,000) due from the Group's jointly-controlled entities which are repayable on credit terms comparable to those offered to other unrelated customers of the Group.

Certain of the above accounts receivable as at 31 December 2011 were factored to a bank in exchange for cash and the related bank loans which had been included as "Interest-bearing bank loans" on the face of the condensed consolidated statement of financial position (note 14).

12. NON-CURRENT ASSETS HELD FOR DISPOSAL

The non-current assets held for disposal included properties in Hong Kong that a jointly-controlled entity resolved during the period to sell to a third party purchaser. The properties have been classified as non-current assets held for disposal in the condensed consolidated statement of financial position as at 30 June 2012.

13. 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 2012 HK$'000	Unaudited 31 December 2011 HK$'000 (Restated)
Current and less than 60 days	**159,487**	168,128
Over 60 days	**4,491**	5,827
	163,978	173,955

The accounts payable are non-interest-bearing and are normally settled within credit terms of 7 to 90 days.

As at 31 December 2011, there were amounts totalling HK$4,665,000 due to certain companies associated with another venturer of the Group's jointly-controlled entities which were payable on credit terms comparable to those offered by other unrelated suppliers of the Group.

14. INTEREST-BEARING BANK LOANS

	Unaudited 30 June 2012 HK$'000	Unaudited 31 December 2011 HK$'000 (Restated)
Current (repayable within one year or on demand)		
Bank loans – unsecured	**115,076**	100,994
Bank loans on factored accounts receivable – unsecured (note 11)	**–**	22,294
Bank loans – secured (note a)	**74,007**	105,478
	189,083	228,766

Notes:

a. Certain of the Group's bank loans are secured by:

(i) legal charges over certain of the Group's land use rights, classified as prepaid land lease payments, and certain leasehold land and buildings and plant and machinery, which had aggregate carrying values as at 30 June 2012 of approximately HK$27,638,000 (31 December 2011: HK$27,999,000) and HK$87,190,000 (31 December 2011: HK$91,620,000), respectively; and

(ii) the pledge of certain of the Group's time deposits amounting to HK$37,379,000 (31 December 2011: HK$37,037,000).

b. Secured interest-bearing bank loans included certain of the Group's bank loans of approximately HK$74,007,000 (31 December 2011: HK$74,007,000) in Mainland China which 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 and have no recourse to the Group other than those PRC subsidiaries.

c. Fixed interest rate bank loans of HK$99,933,000 (31 December 2011 (restated): HK$111,044,000) and no floating interest rate bank loan (31 December 2011: HK$31,471,000) are denominated in Renminbi. All other bank loans are denominated in Hong Kong dollars with floating interest rates.

15. SHARE CAPITAL

a. During the period ended 30 June 2012, 3,990,764 ordinary shares of HK$0.10 each were issued for cash at a subscription price of HK$0.20 per share, pursuant to the exercise of the Company's warrants, for a total cash consideration, before expenses, of approximately HK$798,000.

   During the period ended 30 June 2012, 430,600 ordinary shares of HK$0.10 each were issued for cash at a subscription price of HK$0.35 per share, pursuant to the exercise of the Company's share options, for a total cash consideration, before expenses, of approximately HK$151,000.

b. During the period ended 30 June 2011, 9,955 ordinary shares of HK$0.10 each were issued for cash at a subscription price of HK$0.20 per share, pursuant to the exercise of the Company's warrants, for a total cash consideration, before expenses, of approximately HK$2,000.

16. PERPETUAL SUBORDINATED CONVERTIBLE SECURITIES

On 1 December 2011, the Company entered into an acquisition agreement in respect of the Acquisition at a consideration of HK$3,475,000,000 to be satisfied by issuing PSCS carrying the rights to convert into 9,391,891,892 new ordinary shares of the Company at an initial conversion price of HK$0.37 per share. The transaction was completed and the Company issued the PSCS on 12 March 2012. These PSCS have no maturity date and the Company has no contractual obligation to redeem these PSCS. The fair value of these PSCS issued on the completion date of the Acquisition amounted to approximately HK$4,964,232,000, which is determined by reference to a valuation report on the PSCS prepared by an independent firm of valuers.

These PSCS constitute direct, unsecured and subordinated obligations of the Company and rank pari passu without any preference or priority among themselves. In the event of the winding-up of the Company, the rights and claims of the holders of the PSCS shall (i) rank ahead of those persons whose claims are in respect of any class of share capital (including preference shares) of the Company; (ii) at all times rank pari passu with each other and with all its other present and future unsecured and subordinated obligations but shall be subordinated in rights of payment to the claims of all other present and future senior and unsubordinated creditors of the Company.

These PSCS confer the holders a right to receive distribution from and including the date of the issue of the PSCS at 3.5% per annum on any outstanding principal amount of the PSCS payable quarterly in arrears on March 31, June 30, September 30 and December 31 each year, subject to the terms and conditions of the PSCS. However, the Company may at its sole discretion, elect to defer a distribution pursuant to the terms of the PSCS. If on any distribution payment date, payment of all distribution payments scheduled to be made on such date is not made in full, the Company shall not: (a) declare or pay any dividends on ordinary shares; (b) redeem, reduce, cancel, buy back any ordinary shares, unless and until the Company satisfied in full all outstanding arrears of distribution or it is permitted to do so by an extraordinary resolution of the holders of the PSCS. As at 30 June 2012, the PSCS distribution of HK$36,987,000 for the period ended 30 June 2012 was deferred by the Company and was accounted for as a transfer from the capital and other reserves to the PSCS distribution reserve.

17. COMMITMENTS

At the end of the reporting period, the Group had the following commitments for capital expenditure:

	Unaudited 30 June 2012 HK$'000	Unaudited 31 December 2011 HK$'000 (Restated)
Property, plant and equipment:		
Contracted, but not provided for	**2,936**	2,890
Authorised, but not contracted for	–	13

18. CONTINGENT LIABILITIES

During the year ended 31 December 2010, the Hong Kong Inland Revenue Department (the "IRD") issued protective assessment for the year of assessment 2003/2004 to a jointly-controlled entity of the Group, in respect of which tax reserve certificate amounted to HK$2,800,000 was purchased. During the year ended 31 December 2011, the IRD issued protective assessments for the year of assessment 2004/2005 to the jointly-controlled entity and a subsidiary of the Group, in respect of which tax reserve certificates amounted to HK$4,000,000 and HK$1,500,000 were purchased respectively. During the period ended 30 June 2012, the IRD further issued protective assessments for the year of assessment 2005/2006 to certain jointly-controlled entities and certain subsidiaries of the Group, in respect of which tax reserve certificates amounted to HK$6,800,000 were purchased by the jointly-controlled entities. The Group has lodged objections with the IRD against these assessments.

In the opinion of the directors, the Group has grounds to contest the protective tax assessments, thus provision for Hong Kong profits tax in respect of these assessments at this information gathering stage is not considered necessary.

19. RELATED PARTY TRANSACTIONS

(a) In addition to those transactions and balances disclosed elsewhere in the condensed consolidated financial statements, the Group had the following material transactions with related parties during the interim period:

	Notes	Unaudited For the six months ended 30 June 2012 HK$'000	2011 HK$'000 (Restated)
Transactions with jointly-controlled entities*:			
Sales of goods	(i)	**8,795**	11,197
Purchase of goods	(i)	**91,527**	28
Production and oil refinement income	(ii)	**14,079**	32,123
Royalty income	(iii)	**–**	6,166
Property rental income	(iv)	**86**	181
Management fee income	(v)	**692**	2,383
Purchase of items of property, plant and equipment	(vi)	**2,395**	–
Transactions with companies associated with the controlling shareholder of the Company and/or a non-executive director of the Company:			
Sales of goods	(i)	**1,711**	2,814
Reimbursement of administrative expenses	(vii)	**973**	–
Rental expenses	(viii)	**2,388**	1,958
Management fee expense	(ix)	**–**	1,606
Expense charged	(x)	**1,347**	6,483

* The Group has proportionately consolidated 50% of its transactions with its jointly-controlled entities in the condensed consolidated income statement.

19. RELATED PARTY TRANSACTIONS (continued)

(a) (continued)

Notes:

(i) The sales and purchase of goods were based on mutually agreed terms.

(ii) The production and oil refinement income was based on agreements entered into with a jointly-controlled entity after an arm's length negotiation and was at rates not less favourable than those offered to other unrelated customers of the Group.

(iii) Pursuant to trademark license agreements entered into between the Group and certain jointly-controlled entities, the royalties received for the use of the trademarks were calculated based on a percentage, as agreed between the parties from time to time, on the gross sales value of licensed products sold by the Group's jointly-controlled entities within Hong Kong and Macau.

(iv) The property rental income related to subletting of certain properties. The property rental income was charged by reference to open market rental and was subject to review on a regular basis.

(v) The management fee income was based on the cost incurred for providing such services.

(vi) The purchase of items of property, plant and equipment were purchased at carrying amounts of the relevant assets.

(vii) Reimbursement of administrative expenses was charged on an actual cost incurred basis by the related companies, certain directors of which were also directors of the Company.

(viii) The rental expenses were paid by reference to open market rental and were subject to the terms of the relevant tenancies.

(ix) Management fee to a related company of which certain directors were also directors of the Company was based on mutually agreed terms.

(x) The expenses were charged on an actual cost incurred basis by related companies, certain directors of which were also directors of the Company.

19. RELATED PARTY TRANSACTIONS (continued)

(b) On 1 December 2011, the Company and Queen Board, a company controlled by a substantial shareholder of the Company, entered into an acquisition agreement pursuant to which Queen Board agreed to sell the entire issued share capital of Hop Hing Fast Food and the Loan for a consideration satisfying by an issue of the PSCS by the Company (note 16). Details of the Acquisition have been set out in note 1 and the Company's announcements made on 1 December 2011 and 12 March 2012 and circular dated 30 December 2011.

20. COMPARATIVE AMOUNTS

As explained in note 1, the Acquisition is regarded as common control combinations and accounted for using the principles of merger accounting in accordance with the Accounting Guideline No. 5 issued by the HKICPA. Upon completion, the financial statements of Hop Hing Fast Food and its subsidiaries are included in the unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2012 as if the combinations had occurred from the date when Hop Hing Fast Food and its subsidiaries first came under common control of the substantial shareholder. Comparative figures as at 31 December 2011 and for the six months ended 30 June 2011 were also restated to present on the same basis.

21. APPROVAL OF THE INTERIM FINANCIAL REPORT

This interim financial report was approved and authorised for issue by the Board on 30 August 2012.

BUSINESS REVIEW AND OUTLOOK

During the first six months of this year, Hop Hing Group Holdings Limited ("Hop Hing" or "the Company") experienced a business transformation. We diversified our business from edible oil to the quick service restaurants ("QSR") business under the brand names of Japanese rice bowl fast food chain "Yoshinoya" and ice-cream retailer "Dairy Queen" in Northern China. The acquisition (the "Acquisition") of the QSR business was completed on 12 March 2012 by acquiring 100% equity interest in Hop Hing Fast Food Group Holdings Limited ("HHFF") (previously known as Summerfield Profits Limited) together with its subsidiaries (the "QSR Group"). As the QSR Group was under the common control of the majority shareholder of the Company before and after the Acquisition, the financial results of the Company presented in this interim report have been prepared under the principles of merger accounting as if the Acquisition had already been completed at the beginning of the periods covered by this interim report.

OVERALL PERFORMANCE

For the six months ended 30 June 2012, the turnover of the Group surged by 23.1% to HK$1,389.0 million (1H 2011: HK$1,128.3 million). The profit from operating activities for the period was HK$117.5 million, posting a growth of 18.8% compared to HK$98.9 million for the same period last year. The profit for the period under review was HK$73.9 million, representing an increase of 20.0% compared with HK$61.6 million for the six months ended 30 June 2011.

Basic earnings per share for the period were HK 11.47 cents (six months ended 30 June 2011: HK 5.88 cents).

The Directors do not recommend the payment of interim dividends for the six months ended 30 June 2012 (2011: Nil).

During the period under review and pursuant to the terms and conditions of the Perpetual Subordinated Convertible Securities (the "PSCS") issued as a consideration for the Acquisition, notices were issued by the Company to defer the payment of distribution for the period from the date of completion of the Acquisition to 30 June 2012 amounting to HK$37.0 million to the holders of PSCS.

BUSINESS REVIEW AND OUTLOOK (continued)

BUSINESS REVIEW

Our corporate strategy to diversify the Group's business into the QSR industry was materialized in the period upon completion of the Acquisition. Apart from being able to diversify from the edible oil business into high quality QSR business, the Acquisition enabled the Group to acquire immediate and additional earnings and cash flow, create long-term value for shareholders and further strengthen the quality of the senior management team through the addition of high caliber management with extensive QSR industry experience.

After the Acquisition, the QSR business constitutes a predominant portion of the Group's earnings and cash flow. Almost 69% of the Group's sales turnover and about 95% of the Company's operating earnings before interest and taxation ("EBIT") in the first half of 2012 were contributed by the QSR business.

QSR business

Industry review

During the period under review, the macro-economic growth across the globe slowed down. This was mainly attributable to the Eurozone debt crisis as well as the sluggish economy in the United States. The global macro-environment also affected the economic growth in China. This is evidenced by the declining GDP growth rate of 8.1% in the first quarter of 2012 to 7.6% in the second quarter of this year, which was the lowest in the past three years. Such market volatility also affected consumption sentiment in China, which was reflected in the declining Consumer Confidence Index from the 1996-2012 historical average of 108.9 to 99.3 in June 2012. The year-on-year monthly retail sales growth also recorded a declining trend, from over 15.0% earlier this year to 13.7% in June 2012. All these contributed to the challenging market environment in China in the first half of this year.

QSR business (continued)

Business review

In addition to the impact of the global macro-economy, the QSR industry faced other challenges, such as the increasing labor and food costs. As a result, competition became fierce when industry peers began to offer deeper discounts to tap into the lower-price market. In general, the QSR industry in Mainland China recorded a slower growth in the first six months of this year.

Despite this competitive environment, the Group's QSR business was able to record a surge of revenue to HK$956.5 million during the period under review, representing a growth of 28.7% from the corresponding period in 2011. Such satisfactory growth in revenue was achieved by successful implementation of the Group's strategy of achieving a steady and long term growth by improving its same stores sales and expanding store network. With effective cost control measures in place, the QSR business reported a profit before unallocated head office expenses and taxation of HK$114.1 million which was 20.2% higher than that of HK$94.9 million for the same period in 2011. The encouraging financial performance is a testimony of the Group's QSR business' resilience to market volatilities.

BUSINESS REVIEW AND OUTLOOK (continued)

QSR business (continued)

Business review (continued)

Among the 90 new stores planned for 2012, 51 net new stores were opened (1H 2011: 16 net new stores) in existing markets and selected regions during the period under review. These 51 stores included 30 Yoshinoya restaurants and 21 Dairy Queen stores. On 30 June 2012, there were 368 stores in operation.

		As at	
	30 June 2012	31 December 2011	30 June 2011
Yoshinoya			
Beijing	**153**	141	130
Tianjin	**17**	12	10
Hebei	**14**	7	3
Shenyang	**30**	26	25
Dalian	**16**	16	16
HuHeHaoTe	**7**	6	6
Harbin	**2**	1	–
	239	209	190
Dairy Queen			
Beijing	**85**	76	72
Tianjin	**14**	8	8
Hebei	**9**	4	4
Shenyang	**7**	6	6
Dalian	**10**	10	10
HuHeHaoTe	**4**	4	4
	129	108	104
Total	**368**	317	294

BUSINESS REVIEW AND OUTLOOK (continued)

QSR business (continued)

Business review (continued)

Apart from increasing our store penetration, the QSR Group managed to increase the same-store sales of the business by implementing various initiatives in product improvement, delivery service, daytime expansion, menu mix and price adjustment. In the first half of 2012, the QSR business recorded a growth of 11.8% (six months ended 30 June 2011: 16.9%) in its same store sales.

Taking into consideration the lackluster economic growth in Mainland China and growth rates recorded by other players in the QSR market, the double-digit growth in the Group's same-store sales demonstrates the management's ability to deliver satisfactory results and achieve steady growth amid a challenging macroeconomic environment.

	Percentage increase in same stores sales:	
	1H 2012	1H 2011
Overall	**11.8%**	16.9%
By business		
Yoshinoya	**13.1%**	18.0%
Dairy Queen	**1.8%**	9.2%

In the first half of 2012, Beijing-Tianjin-Hebei metropolitan region continued to be the QSR Group's largest market in terms of revenue.

QSR business (continued)

Business review (continued)

	Six months ended 30 June			
	2012		2011	
	HK$'000	**% of sales**	HK$'000	% of sales
a. By region				
Beijing-Tianjin-Hebei metropolitan region (1)	**733,853**	**76.7%**	561,514	75.6%
Northeast China and Inner Mongolia (2)	**222,647**	**23.3%**	181,603	24.4%
	956,500	**100.0%**	743,117	100.0%

(1) Including Beijing, Tianjin, Shijiazhuang, Tangshan, Langfang and Handan.

(2) Including Shenyang, Dalian, Tongliao, HuHeHaoTe and Harbin.

	HK$'000	**% of sales**	HK$'000	% of sales
b. By business				
Yoshinoya	**855,303**	**89.4%**	654,759	88.1%
Dairy Queen	**101,197**	**10.6%**	88,358	11.9%
	956,500	**100.0%**	743,117	100.0%

Managing and minimizing the impact of the continuous increase in three major cost elements, namely labor cost, food cost, and rental cost, was the major challenge for the food industry as a whole during the period under review. Apart from adjusting our menu prices on a selective basis, the management was able to maintain the gross profit margin at a stable level of 60% of sales by implementing strategic procurement of key food ingredients, improvement in logistics efficiency, effective tendering and tight cost control measures.

BUSINESS REVIEW AND OUTLOOK (continued)

QSR business (continued)

Business review (continued)

The salary level of employees in the QSR industry in China has generally been rising at a growth rate of more than 10% per annum. The Group continues to revise the salary level of our staff to ensure its competitiveness, enabling them to share the benefit of the business growth and at the same time upkeep their commitment and loyalty to the Group. Meanwhile, the management has set multi-level targets for our staff to continue to improve their productivity, creating a win-win situation for both the staff and the Group. During the first half of this year, the store and distribution centre labor and related costs went up by 0.4% of sales. This was mainly due to the hiring of additional staff to pave the way for the opening of 51 net new stores, which operated for only part of the six month period, as well as additional labor costs incurred for meeting the increasing demand for delivery services.

The long-term strategic relationship with key landlords built up by the management allowed us to minimize the impact of the rising rental cost, which has been brought about by urbanization over the last few years. Together with improvement in business processes, we were able to contain the increase in rental percentage within 0.4% of sales to 12.5% in the first six months of this year.

	Six months ended 30 June			
	2012		2011	
	HK$'000	**% of sales**	HK$'000	% of sales
Labor costs	**101,604**	**10.6%**	75,747	10.2%
Rental expense	**119,103**	**12.5%**	90,065	12.1%
Other operation expenses	**178,907**	**18.7%**	130,335	17.6%
Total selling and distribution costs	**399,614**	**41.8%**	296,147	39.9%

Edible oils

During the period under review, the edible oil operating environment remained challenging. Escalating edible oil costs remained one of the major factors that affected the edible oil market. The upward trend of edible oil costs that started in the latter half of 2010 continued, and the cost of certain types of edible oil in the current period was one-third higher than that in the first half of last year. Despite these challenging factors, the management's persistence in providing our health conscious customers with healthy and quality products over the years enabled the Group to record a growth in sales. Such growth was mainly achieved by optimizing its product mix to cater to the needs of health conscious customers, enabling us to counter the adverse effect brought about by the rising costs and severe market competition. According to the data reported by Nielsen, one of the most reputable international research companies in Hong Kong, through its MarketTrack Service on The Edible Oil Category in Total Supermarket and Convenience Stores for the period between May 2011 and April 2012, the brand "Lion & Globe" was ranked first in sales value and sales volume (Tonnage) for the given period.

In Mainland China, the edible oil market environment remained difficult. The rising cost during the period under review affected our business volume negatively and squeezed our profit margin. Although positive EBITDA (earnings before interest, taxation and depreciation and amortization) was recorded by this segment in the six months ended 30 June 2012, the performance of our operation in Mainland China did not match the Company's expectation.

Financial Review

Equity

The number of issued shares of HK$0.10 each of the Company as at 30 June 2012 was 520,082,552 (31 December 2011: 515,661,188). At 1 January 2012, the Company had outstanding 97,402,895 units of warrants carrying rights to subscribe for an aggregate of 97,402,895 new shares of HK$0.10 each at an initial subscription price of HK$0.20 per share. During the period under review, 3,990,764 units of the warrants of the Company were exercised for 3,990,764 shares of HK$0.10 each at a price of HK$0.20 per share.

BUSINESS REVIEW AND OUTLOOK (continued)

Financial Review (continued)

Equity (continued)

As at 1 January 2012, the Company had 33,568,000 outstanding share options. During the period, 430,600 share options were exercised for 430,600 shares of HK$0.10 each at a price of HK$0.35 per share and 169,400 share options were lapsed.

Liquidity and gearing

As at 30 June 2012, the Group's Hong Kong bank borrowing was bank loans of HK$89.2 million. The Group's PRC bank borrowings as at the period end were bank loans of HK$100 million, of which approximately HK$74 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 2012, the Group's total bank loans amounting to HK$189 million (31 December 2011: HK$229 million) were either repayable or subject to renewal within one year.

The Group's gearing ratio (expressed as a percentage of interest-bearing bank loans over equity attributable to equity holders of the Company) as at 30 June 2012 was 27% (31 December 2011: 40%).

As at 31 December 2011, the Group's edible oil business had a net bank borrowing position of HK$39.3 million (interest-bearing bank loans and bills payable less cash and cash equivalents and pledged bank deposits). After the completion of the Acquisition of the QSR business on 12 March 2012, the Group recorded a net cash position of HK$88.6 million (being cash and cash equivalents and pledged bank deposits less interest-bearing bank loans). The improvement in net cash position of the Group was due to the strong cashflow contribution by the QSR business whose cash flow movements in the period under review are analyzed below:

BUSINESS REVIEW AND OUTLOOK (continued)

Financial Review (continued)

Liquidity and gearing (continued)

	Unaudited For the six months ended 30 June 2012 HK$'000	2011 HK$'000
Net cash inflow from operation before adjusting for the other cash flows items below	**85,691**	84,680
Purchases of items of property, plant and equipment	**(68,558)**	(42,832)
Interest payments and repayment of bank and non-controlling shareholder loans	**(12,793)**	(2,926)
Other cash flow items		
Fund movements between group companies	**(45,391)**	–
Dividends paid	**(147,963)**	–
Net increase/(decrease) in cash and bank balances	**(189,014)**	38,922
Cash and bank balances at beginning of period	**331,709**	193,696
Effect of foreign exchange rates changes, net	**–**	2,266
Cash and bank balances at the end of period (see note 4 to the condensed consolidated financial statements)	**142,695**	234,884

The interest expense for the period was HK$6.1 million (2011: HK$5.9 million). The increase in interest expenses was mainly attributable to the increase in interest rates for the 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.

BUSINESS REVIEW AND OUTLOOK (continued)

Financial Review (continued)

Remuneration policies

Staff remuneration packages 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$168.0 million (2011: HK$132.1 million), of which, HK$139.0 million (2011: HK$104.3 million) was the total staff cost in QSR business. As at 30 June 2012, the Group had 8,047 full time and temporary employees (30 June 2011: 7,706).

Details of share options granted under the share option scheme of the Company are set out in the section under "Share Option Scheme".

Operating segment information

Details of the operating segment information are set out in note 4 to the condensed consolidated interim financial statements.

Contingent liabilities

Details of the contingent liabilities are set out in note 18 to the condensed consolidated interim financial statements.

Pledge of assets

Details of the pledge of assets are set out in note 14 to the condensed consolidated interim financial statements.

Outlook

Economic uncertainty in the first half of this year is likely to continue in the short-run, despite this, the management is cautiously optimistic about the medium to long term economic growth of Mainland China. To address future market challenges, the management will continue its strategy of achieving steady long term sustainable growth by executing a strategic store expansion plan. We aim to penetrate cities with high potential for quality returns and enhance relationships with key landlords as well as property developers that have development projects in the pipeline. The Group's plan to open 90 stores this year will further enhance its economies of scale and in turn, support the maintenance of a stable cost level despite the rising cost in general. The management will continue to uphold its standard of food safety by deploying monitoring resources and through stringent up-stream supply chain management. The management will also continue to drive the growth momentum by further improving same store sales growth through various initiatives, such as, standardizing the production process to ensure consistent quality and attracting more customers during non-peak hours, e.g. offering breakfast choices. For continuous growth, we believe it's critical to enhance customer experience by improving the in-store environment, increasing service speed during peak hours as well as developing new products. With efficient operation and effective cost control in place, the impact of the increasing food and labor costs can be minimized. The management believes that the above strategies and measures will bring us steady and sustainable long term growth.

The sales performance of the Group's edible oil flagship brand in Hong Kong, "Lion & Globe", in the period under review was encouraging. It reaffirms our management's belief that adhering to the strategy of providing our customers with popular quality products will enable the Group to stand against any challenges that may arise. For the operation in Mainland China, having already strengthened its management team and enhanced its staff incentive scheme to put focus on profitable sales regions, the management of the Group will also continue to explore opportunities to improve its contribution to the Group.

BUSINESS REVIEW AND OUTLOOK (continued)

Outlook (continued)

After the completion of the Acquisition in March this year, the profitability and financial position of the Group have been substantially improved. The management will continue to look for opportunities that may bring us steady long term growth and fit with our strategy to become a multi-brand QSR operator.

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.

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

As at 30 June 2012, the interests of the directors and chief executive in the shares and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

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

Interests in ordinary shares of the Company

	Number of shares held, capacity and nature of interest					
Name of director	Directly and beneficially owned	Through spouse or minor children	Through controlled corporation	Beneficiary of a trust	Total	Percentage of the Company's issued share capital
Hung Hak Hip, Peter	–	1,675,974	5,319,120,013*	2,808,903**	5,323,604,890	1,023.6 %
Hung Ming Kei, Marvin	104,163	–	–	–	104,163	0.02%
Wong Yu Hong, Philip	2,045,565	–	–	–	2,045,565	0.4%
Sze Tsai To, Robert	2,045,565	–	–	–	2,045,565	0.4%
Cheung Wing Yui, Edward	2,523,165	–	–	–	2,523,165	0.5%
Seto Gin Chung, John	417,373	–	–	–	417,373	0.1%
Shek Lai Him, Abraham	–	–	–	–	–	–
Hung Chiu Yee	2,614,772	–	–	–	2,614,772	0.5%
Lee Pak Wing	2,376,052	–	–	–	2,376,052	0.5%
Wong Kwok Ying	–	–	–	–	–	–
Lam Fung Ming, Tammy	–	–	–	–	–	–

* Mr. Hung Hak Hip, Peter is the sole director and beneficial owner of Hungs Family (2009) Limited which is the trustee of two family discretionary trusts which beneficially owned 327,034,536 shares. He is also deemed to be interested in 4,990,883 shares held through a controlled corporation. 4,987,094,594 shares represent the number of shares which will be issued and allotted upon the conversion of perpetual subordinated convertible securities ("PSCS") to certain holders of PSCS pursuant to the Acquisition Agreement (as defined in the announcement of the Company dated 1 December 2011). Mr. Hung Hak Hip, Peter indirectly controls more than one-third of the voting power at general meetings of such holders of PSCS, therefore is deemed to be interested in 4,987,094,594 shares as at 30 June 2012.

** 2,808,903 shares were beneficially owned by a discretionary trust whose discretionary beneficiaries include certain associates of Mr. Hung Hak Hip, Peter.

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

Interests in warrants of the Company

	Number of warrants held, capacity and nature of interest				
Name of director	Directly and beneficially owned	Through spouse or minor children	Through controlled corporation	Beneficiary of a trust	Total
Hung Hak Hip, Peter	–	335,194	66,405,082*	561,780**	67,302,056
Hung Ming Kei, Marvin	20,832	–	–	–	20,832
Wong Yu Hong, Philip	409,113	–	–	–	409,113
Sze Tsai To, Robert	409,113	–	–	–	409,113
Cheung Wing Yui, Edward	504,633	–	–	–	504,633
Seto Gin Chung, John	83,474	–	–	–	83,474
Shek Lai Him, Abraham	–	–	–	–	–
Hung Chiu Yee	522,954	–	–	–	522,954
Lee Pak Wing	475,210	–	–	–	475,210
Wong Kwok Ying	–	–	–	–	–
Lam Fung Ming, Tammy	–	–	–	–	–

* Mr. Hung Hak Hip, Peter is the sole director and beneficial owner of Hungs Family (2009) Limited which is the trustee of two family discretionary trusts which beneficially owned 65,406,906 warrants. He is also deemed to be interested in 998,176 warrants held through a controlled corporation.

** 561,780 warrants were beneficially owned by a discretionary trust whose discretionary beneficiaries include certain associates of Mr. Hung Hak Hip, Peter.

Save as disclosed above and the share options granted to the directors as disclosed under the heading "Share Option Scheme" in this report, as at 30 June 2012, none of the directors had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTION SCHEME

As at 30 June 2012, the following share options granted under the share option scheme of the Company which was adopted on 12 March 2008 and became effective on 25 April 2008 were outstanding:

Name or category of participant	Number of share options: At 1 January 2012	Granted during the period	Lapsed during the period	Exercised during the period	At 30 June 2012	Date of grant (Note 2)	Exercise period	Price of Company's shares: Exercise price (Note 3) HK$ per share	At date of grant (Note 4) HK$ per share	Immediately before the exercise date (Note 5) HK$ per share	At date of exercise HK$ per share
Directors											
Hung Hak Hip, Peter	4,928,000	-	-	-	4,928,000	27 April 2009	27 April 2010 to 26 April 2019	0.35	0.35	N/A	N/A
Wong Yu Hong, Philip	2,464,000	-	-	-	2,464,000	27 April 2009	27 April 2010 to 26 April 2019	0.35	0.35	N/A	N/A
Sze Tsai To, Robert	2,464,000	-	-	-	2,464,000	27 April 2009	27 April 2010 to 26 April 2019	0.35	0.35	N/A	N/A
Cheung Wing Yui, Edward	2,464,000	-	-	-	2,464,000	27 April 2009	27 April 2010 to 26 April 2019	0.35	0.35	N/A	N/A
Seto Gin Chung, John	2,464,000	-	-	-	2,464,000	27 April 2009	27 April 2010 to 26 April 2019	0.35	0.35	N/A	N/A
Shek Lai Him, Abraham	2,464,000	-	-	-	2,464,000	27 April 2009	27 April 2010 to 26 April 2019	0.35	0.35	N/A	N/A
Hung Chiu Yee	2,464,000	-	-	-	2,464,000	27 April 2009	27 April 2010 to 26 April 2019	0.35	0.35	N/A	N/A
Lee Pak Wing	2,464,000	-	-	-	2,464,000	27 April 2009	27 April 2010 to 26 April 2019	0.35	0.35	N/A	N/A
Wong Kwok Ying	4,928,000	-	-	-	4,928,000	27 April 2009	Commencement subject to Note 1 below and up to 26 April 2019	0.35	0.35	N/A	N/A
Lam Fung Ming, Tammy	2,464,000	-	-	-	2,464,000	27 April 2009	Commencement subject to Note 1 below and up to 26 April 2019	0.35	0.35	N/A	N/A
	29,568,000	-	-	-	29,568,000						
Employees	4,000,000	-	(169,400)	(430,600)	3,400,000	27 April 2009	Commencement subject to Note 1 below and up to 26 April 2019	0.35	0.35	0.50	0.50
	33,568,000	-	(169,400)	(430,600)	32,968,000						

SHARE OPTION SCHEME (continued)

Notes:

(1) Subject to certain performance targets being met by the participants, the participants may, at any time as may be prescribed by the Board at its discretion, be notified (the "Date of Notification") of the vesting of the share options and the number of shares comprised in vested share options. Thereafter, the participants shall have the right to exercise the vested share options within the exercise period from the respective Date of Notification and up to 26 April 2019 in accordance with the terms of their grant.

(2) Subject to note (1) above, the share options are subject to vesting periods which run from the date of grant to the commencement of the exercise period.

(3) The exercise price of the share options is subject to adjustments.

(4) The price of the Company's shares disclosed is the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the day specified.

(5) The price of the Company's shares disclosed is the weighted average closing price of the shares immediately before the dates on which the share options were exercised during the period.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from as disclosed under the headings "Directors' and Chief Executive's Interests and Short Positions in Shares and Underlying Shares" and "Share Option Scheme" above, at no time during the period was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company or their respective spouse or minor children to acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2012, the interests of substantial shareholders/other persons in the shares and underlying shares of the Company, as notified to the Company and recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO, were as follows:

Interests in Ordinary Shares of the Company

Name of holder	Notes	Number of ordinary shares held	Number of shares ("Relevant Shares") which may be converted from PSCS*	Total	Percentage of the Company's issued share capital
Hung's (1985) Limited ("Hung's")	(i)	140,563,299	–	140,563,299	27.0%
Hop Hing Oil (1985) Limited ("HHO")	(ii)	186,471,237	–	186,471,237	35.9%
Hungs Family (2009) Limited ("Hungs Family (2009)")	(iii)	327,034,536	–	327,034,536	62.9%
Ever Intellect Limited	(iv)	327,034,536	582,297,296	909,331,832	174.9%
Hung Hak Hip, Peter	(v)	336,510,296	4,987,094,594	5,323,604,890	1,023.6%
Hung Diana Wan Ling	(vi)	336,510,296	4,987,094,594	5,323,604,890	1,023.6%
Elite Aim Limited	(vii)	–	291,148,648	291,148,648	56.0%
Urban Wise Global Limited	(vii)	–	291,148,648	291,148,648	56.0%
New Tree Limited	(viii)	–	430,900,000	430,900,000	82.9%

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES (continued)

Interests in Ordinary Shares of the Company (continued)

Name of holder	Notes	Number of ordinary shares held	Number of shares ("Relevant Shares") which may be converted from PSCS*	Total	Percentage of the Company's issued share capital
True Force Ventures Limited	(ix)	–	1,408,783,784	1,408,783,784	270.9%
Earn Field International Limited	(ix)	–	1,408,783,784	1,408,783,784	270.9%
Easy Record Limited	(ix)	–	1,156,329,730	1,156,329,730	222.3%
Morejoy Dynasty Limited	(x)	–	1,408,783,784	1,408,783,784	270.9%
Winner Planet Limited	(x)	–	1,408,783,784	1,408,783,784	270.9%
Creative Mount Limited	(x)	–	1,587,229,730	1,587,229,730	305.2%
Beijing China Fast Food (2008) Limited	(xi)	–	582,297,296	582,297,296	112.0%
Konview Building (2008) Limited	(xii)	–	3,973,897,298	3,973,897,298	764.1%
H H Hung (2008) Limited	(xiii)	–	4,404,797,298	4.404,797,298	847.0%
North China Fast Food (2008) Limited	(xiv)	–	4,404,797,298	4,404,797,298	847.0%
Hung Hak Yau	(xv)	1,469,248	4,404,797,298	4,406,266,546	847.2%

* PSCS refers to the perpetual subordinated convertible securities issued by the Company for the satisfaction of the consideration for the acquisition as announced by the Company on 1 December 2011.

Notes:

(i) Hung's is the registered holder of the shares disclosed above.

(ii) HHO is the registered holder of the shares disclosed above.

(iii) Hungs Family (2009), as the trustee of two family discretionary trusts, is the registered holder of units of certain unit trusts, of which Hung's and HHO are trustees. By virtue of the SFO, Hungs Family (2009) is deemed to be interested in the shares held by Hung's and HHO mentioned in notes (i) and (ii) respectively.

(iv) Ever Intellect Limited holds the entire issued share capital of Hungs Family (2009) and Beijing China Fast Food (2008) Limited. This company is deemed to be interested in the shares and the Relevant Shares mentioned in notes (iii) and (xi) respectively. Mr. Hung Hak Hip, Peter is the sole shareholder of Ever Intellect Limited.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES (continued)

Interests in Ordinary Shares of the Company (continued)

Notes: (continued)

(v) As disclosed in the section under "Directors' and Chief Executive's Interests and Short Positions in Shares and Underlying Shares", by virtue of the SFO, Mr. Hung Hak Hip, Peter is deemed to be interested in:

(a) the disclosed interest of Hungs Family (2009) of 327,034,536 shares mentioned in note (iii) as Mr. Hung Hak Hip, Peter is the sole director and beneficial owner of Hungs Family (2009);

(b) 4,990,883 shares held through a controlled corporation;

(c) 1,675,974 shares held through Mr. Hung Hak Hip, Peter's spouse or minor children;

(d) 2,808,903 shares beneficially owned by a discretionary trust whose discretionary beneficiaries include certain associates of Mr. Hung Hak Hip, Peter; and

(e) the disclosed interest of Beijing China Fast Food (2008) Limited and H H Hung (2008) Limited of 4,987,094,594 Relevant Shares in aggregate mentioned in notes (xi) and (xiii) respectively as Mr. Hung Hak Hip, Peter indirectly controls more than one-third of the voting power at general meetings of the companies.

(vi) Mrs. Hung Diana Wan Ling is the wife of Mr. Hung Hak Hip, Peter and she is deemed to be interested in her husband's disclosed interests of the shares and the Relevant Shares mentioned in note (v).

(vii) Elite Aim Limited and Urban Wise Global Limited are the registered holders of PSCS.

(viii) New Tree Limited is the registered holder of PSCS.

(ix) True Force Ventures Limited, Earn Field International Limited and Easy Record Limited are the registered holders of PSCS.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES (continued)

Interests in Ordinary Shares of the Company (continued)

Notes: (continued)

(x) Morejoy Dynasty Limited, Winner Planet Limited and Creative Mount Limited are the registered holders of PSCS.

(xi) Beijing China Fast Food (2008) Limited holds the entire issued capital of Elite Aim Limited and Urban Wise Global Limited. This company is deemed to be interested in the Relevant Shares held by the registered holders of PSCS mentioned in note (vii).

(xii) Konview Building (2008) Limited indirectly holds the entire issued capital of True Force Ventures Limited, Earn Field International Limited and Easy Record Limited. This company is deemed to be interested in the Relevant Shares held by the registered holders of PSCS mentioned in note (ix).

(xiii) H H Hung (2008) Limited indirectly controls more than one-third of the voting power at general meetings of Konview Building (2008) Limited and New Tree Limited. This company is deemed to be interested in the Relevant Shares mentioned in notes (xii) and (viii) respectively.

(xiv) North China Fast Food (2008) Limited indirectly controls more than one-third of the voting power at general meetings of Morejoy Dynasty Limited, Winner Planet Limited and Creative Mount Limited. This company is deemed to be interested in the Relevant Shares held by the registered holders of PSCS mentioned in note (x).

(xv) Mr. Hung Hak Yau holds the entire issued capital of North China Fast Food (2008) Limited and he is deemed to be interested in the Relevant Shares mentioned in note (xiv). He is also interested in 1,469,248 shares held through a controlled corporation.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES (continued)

Interests in Warrants of the Company

Name of holder	Notes	Number of Warrants held
Hung's	(i)	28,112,659
HHO	(ii)	37,294,247
Hungs Family (2009)	(iii)	65,406,906
Ever Intellect Limited	(iv)	65,406,906
Hung Hak Hip, Peter	(v)	67,302,056
Hung Diana Wan Ling	(vi)	67,302,056
Hung Hak Yau	(vii)	293,849

Notes:

(i) Hung's is the registered holder of the warrants disclosed above.

(ii) HHO is the registered holder of the warrants disclosed above.

(iii) Hungs Family (2009), as the trustee of two family discretionary trusts, is the registered holder of units of certain unit trusts, of which Hung's and HHO are trustees. By virtue of the SFO, Hungs Family (2009) is deemed to be interested in the warrants held by Hung's and HHO mentioned in notes (i) and (ii) respectively.

(iv) Ever Intellect Limited holds the entire issued share capital of Hungs Family (2009) and is deemed to be interested in the warrants mentioned in note (iii). Mr. Hung Hak Hip, Peter is the sole shareholder of Ever Intellect Limited.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES (continued)

Interests in Warrants of the Company (continued)

Notes: (continued)

(v) As disclosed in the section under ''Directors' and Chief Executive's Interests and Short Positions in Shares and Underlying Shares", by virtue of the SFO, Mr. Hung Hak Hip, Peter is deemed to be interested in:

(a) the disclosed interest of Hungs Family (2009) of 65,406,906 warrants mentioned in note (iii) as Mr. Hung Hak Hip, Peter is the sole director and beneficial owner of Hungs Family (2009);

(b) 998,176 warrants held through a controlled corporation;

(c) 335,194 warrants held through Mr. Hung Hak Hip, Peter's spouse or minor children; and

(d) 561,780 warrants beneficially owned by a discretionary trust whose discretionary beneficiaries include certain associates of Mr. Hung Hak Hip, Peter.

(vi) Mrs. Hung Diana Wan Ling is the wife of Mr. Hung Hak Hip, Peter and she is deemed to be interested in his husband's disclosed interest of the warrants mentioned in note (v).

(vii) Mr. Hung Hak Yau is interested in the warrants disclosed above through a controlled corporation.

Save as disclosed above, as at 30 June 2012, the Company had not been notified of any persons other than the directors of the Company whose interests are set out in the sections "Directors' and Chief Executive's Interests and Short Positions in Shares and Underlying Shares" and "Share Option Scheme" above, who had interests or short positions in the shares or underlying shares of the Company, which are required to be recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

CHANGE OF INFORMATION ON DIRECTORS

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes of information on the directors of the Company since the Company's last published annual report and up to the date of this interim report are set out below:

Dr. Wong Yu Hong, Philip, *GBS*, retired as a non-executive director and the chairman of Qin Jia Yuan Media Services Company Limited with effect from 22 March 2012.

The updated biographies of directors of the Company are available on the Company's website.

CORPORATE GOVERNANCE

Corporate Governance Code

The Company is committed to maintaining a high standard of corporate governance practices and procedures. The Company has adopted the Code on Corporate Governance Practices (the "Old CG Code") (effective until 31 March 2012) and the Corporate Governance Code (the "New CG Code") (effective from 1 April 2012) contained in Appendix 14 of the Listing Rules as its code on corporate governance.

Save as disclosed below, 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 Old CG Code for the period from 1 January 2012 to 31 March 2012 and the New CG Code for any part of the period from 1 April 2012 to 30 June 2012.

In respect of Code Provision A.6.7 of the New CG Code, Dr. Wong Yu Hong, Philip, *GBS*, and Mr. Sze Tsai To, Robert, independent non-executive directors, and Ms. Hung Chiu Yee, a non-executive director, were unable to attend the Company's annual general meeting held on 4 June 2012 ("2012 AGM") due to oversea or other business engagement.

In respect of Code Provision E.1.2 of the New CG Code, Mr. Sze Tsai To, Robert, the chairman of the audit committee of the Company, was unable to attend the 2012 AGM due to oversea engagement. All other members of the audit committee attended the 2012 AGM.

CORPORATE GOVERNANCE (continued)

Model Code for Securities Transactions

The Company has adopted 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 "relevant employees" as defined in the New 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 this interim report.

Audit Committee

The directors have engaged the Group's external auditors to review the interim report for the six months ended 30 June 2012. The Group's external auditors have carried out their review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

The Company established an audit committee with terms of reference aligned with the provisions of the New CG Code for the purpose of reviewing and providing supervision over the Group's financial reporting process and internal controls. The terms of reference of the audit committee have been posted on the websites of Hong Kong Exchanges and Clearing Limited ("HKEX") and the Company.

As at 30 June 2012, the audit committee was comprised of Mr. Sze Tsai To, Robert (chairman of the committee), Mr. Cheung Wing Yui, Edward and Mr. Seto Gin Chung, John, all of them are independent non-executive directors of the Company, and Mr. Hung Hak Hip, Peter, the non-executive Chairman of the Company. The chairman of the audit committee has the required appropriate professional financial qualifications and experience.

Audit Committee (continued)

In the period under review, the audit committee reviewed with the 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 financial report for the six months ended 30 June 2012.

Remuneration Committee

The remuneration committee of the Company was established with a particular responsibility to review the Company's remuneration policy for directors and members of the senior management. As at 30 June 2012, the remuneration committee comprised Mr. Cheung Wing Yui, Edward (chairman of the committee), Mr. Sze Tsai To, Robert, and Hon. Shek Lai Him, Abraham, *SBS, JP*, all of them are independent non-executive directors of the Company, and Mr. Hung Hak Hip, Peter, the non-executive Chairman of the Company.

The terms of reference of the remuneration committee align with the provisions of the New CG Code and have been posted on the websites of HKEX and the Company.

Nomination Committee

To comply with the New CG Code, a nomination committee of the Company has been formed and its member comprises Mr. Hung Hak Hip, Peter (chairman of the committee), Mr. Hung Ming Kei, Marvin, an executive director and the chief executive officer of the Company, Dr. Wong Yu Hong, Philip, *GBS*, Mr. Seto Gin Chung, John and Hon. Shek Lai Him, Abraham, *SBS, JP*, all of them are independent non-executive directors of the Company.

The terms of reference of the nomination committee align with the provisions of the New CG Code and have been posted on the websites of HKEX and the Company.

PURCHASE, SALE OR REDEMPTION OF OWN LISTED SECURITIES

During the six months ended 30 June 2012, there were no purchases, sales or redemptions by the Company or any of its subsidiaries of the Company's listed securities.

BOARD OF DIRECTORS

As at the date of this interim report, the executive directors of the Company are Mr. Hung Ming Kei, Marvin, 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. Hon. 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*.

By Order of the Board

Hung Hak Hip, Peter
Chairman

Hong Kong, 30 August 2012

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

ERNST & YOUNG
安 永

To the board of directors of Hop Hing Group Holdings Limited

Introduction

We have reviewed the interim financial information set out on pages 1 to 27, which comprises the condensed consolidated statement of financial position of Hop Hing Group Holdings Limited as at 30 June 2012 and the related condensed consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 *Interim Financial Reporting* ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants.

The directors are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION (continued)

Scope of review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information does not present fairly, in all material respects, in accordance with HKAS 34.

Ernst & Young
Certified Public Accountants
22nd Floor
CITIC Tower
1 Tim Mei Avenue, Central
Hong Kong

30 August 2012