良心品質®

Working hand-in-hand to grow TOGETHER

2013 ANNUAL REPORT

HOP HING GROUP HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 47


DQ
Dairy Queen
MOOLATTE
BLIZZARD

CONTENTS

Corporate Information

DIRECTORS

Hung Hak Hip, Peter* *(Chairman)*
Hung Ming Kei, Marvin *(Chief Executive Officer)*
Wong Yu Hong, Philip**
Sze Tsai To, Robert**
Cheung Wing Yui, Edward **
Seto Gin Chung, John**
Shek Lai Him, Abraham**
Siu Wai Keung**
Lam Fung Ming, Tammy*
Wong Kwok Ying

* Non-executive directors
** Independent non-executive directors

AUDIT COMMITTEE

Sze Tsai To, Robert *(Chairman)*
Hung Hak Hip, Peter
Cheung Wing Yui, Edward
Seto Gin Chung, John

REMUNERATION COMMITTEE

Cheung Wing Yui, Edward *(Chairman)*
Hung Hak Hip, Peter
Sze Tsai To, Robert
Shek Lai Him, Abraham

NOMINATION COMMITTEE

Hung Hak Hip, Peter *(Chairman)*
Hung Ming Kei, Marvin
Wong Yu Hong, Philip
Seto Gin Chung, John
Shek Lai Him, Abraham

COMPANY SECRETARY

Wong Kwok Ying

AUDITORS

Ernst & Young
Certified Public Accountants

SOLICITORS

Simpson Thacher & Bartlett
Wilkinson & Grist

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
HSBC Bank (China) Company Limited
Bank of China (Hong Kong) Limited
Nanyang Commercial Bank (China) Limited

Corporate Information

PRINCIPAL REGISTRAR AND TRANSFER OFFICE

Appleby Trust (Cayman) Limited
Clifton House
75 Fort Street
P. O. Box 1350 GT
Grand Cayman
KY1-1108
Cayman Islands

HONG KONG BRANCH REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
17M Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

REGISTERED OFFICE

Clifton House
75 Fort Street
P. O. Box 1350 GT
Grand Cayman
KY1-1108
Cayman Islands

PRINCIPAL PLACE OF BUSINESS

Flat A, 2/F.
Hop Hing Building
9 Ping Tong Street East
Tong Yan San Tsuen
Yuen Long
New Territories
Hong Kong

WEBSITE

http://www.hophing.com

STOCK CODE

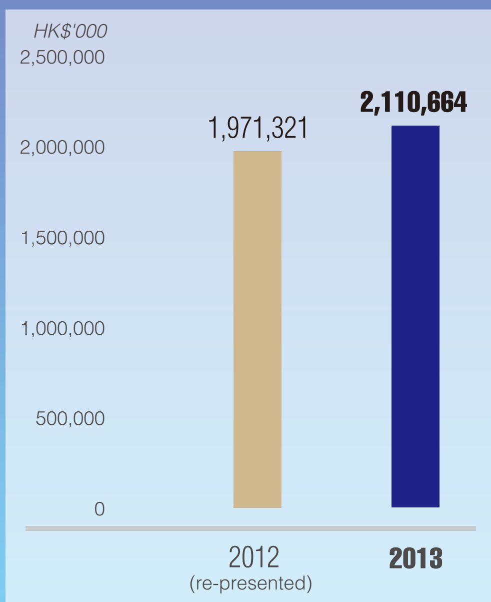
47

Financial Highlights

Turnover for the year ended 31 December 2013 was HK$2,111 million, grew by 7.1% compared to HK$1,971 million (re-presented) for the last year.

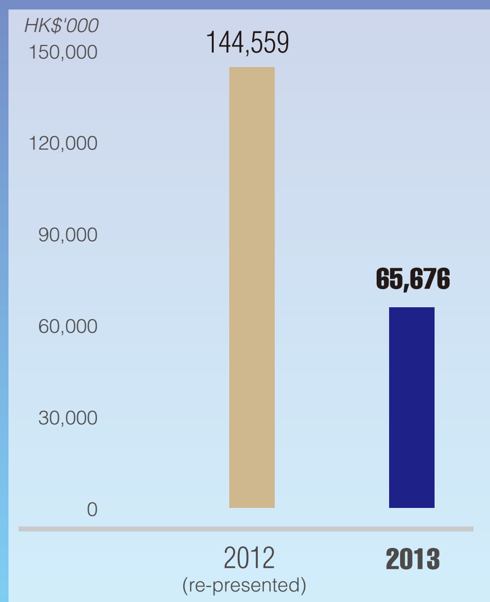
TURNOVER

HK$'000



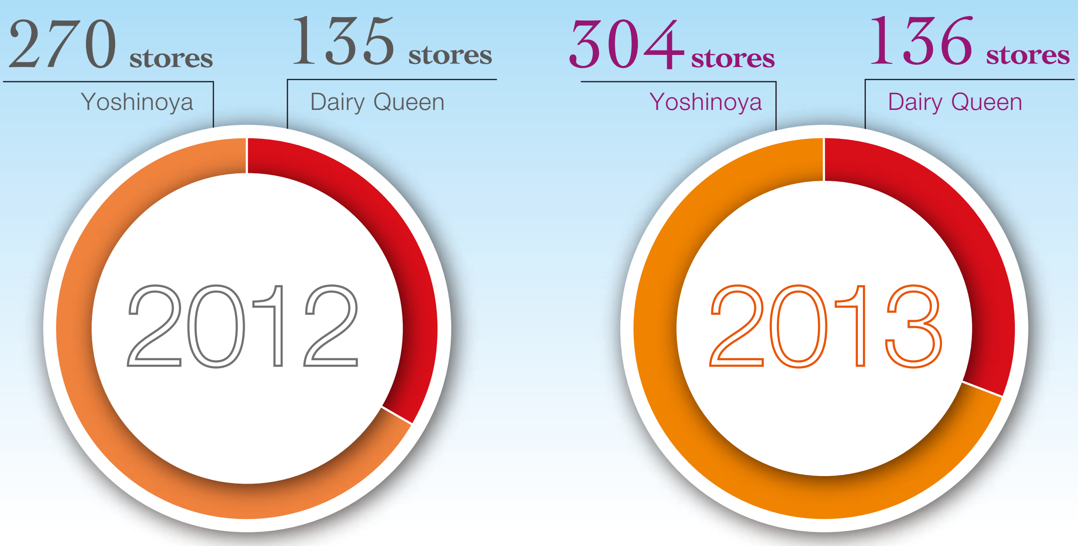
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS

HK$'000



NUMBER OF STORES

As at 31 December



304
YOSHINOYA Stores

136
DQ Stores

Hop Hing owns the rights to operate the Yoshinoya and Dairy Queen QSR chains in the Northern regions in the PRC, spanning across Beijing and Tianjin municipalities, Hebei, Liaoning, Heilongjiang and Jilin Provinces, and the Inner Mongolia Autonomous Region in the PRC

Yoshinoya is
A WELL-KNOWN
RICE BOWL BRAND
with over 100 years' history

Dairy Queen is
A POPULAR
ICE-CREAM BRAND
with over 70 years' history

Chairman's Statement

Our business transformation started when the acquisition of the quick service restaurant ("QSR") business in Northern China (the "QSR Business"), specifically the rice bowl brand "Yoshinoya" and the ice-cream brand "Dairy Queen", was completed in March 2012. The transformation advanced after disposing of our edible oils business in June 2013. As of now, we are a pure QSR business player in the People's Republic of China ("PRC") enabling us to focus our resources on our QSR Business.

2013 was a challenging year. Apart from the challenges brought forward in the second half of 2012, such as the sluggish China economy and foggy weather in Northern China, the QSR industry encountered new issues including food safety, reported avian flu cases and the ripple effect of the PRC government's austerity campaign to curb lavish spending and entertainment. All these together presented unprecedented headwinds and have adversely affected customers' confidence and market sentiment in the QSR industry. Operating in a difficult business environment, our management has to be prudent and patient.

In the year under review, we expanded our menus to include value meal products, such as rice burgers, and items such as stone pots that would attract customers who prefer their dinner in a cozy environment. In the renovation of our stores, the "Sunshine Kitchen" concept was introduced for our customers to observe the operation of our kitchen so as to reinforce the food safety image of our restaurants, enhance our customers' dinning experience and improve our operating efficiency. New Dairy Queen stores would have distinctive signage and shop front further uplifting the image of our popular ice-cream brand. Our web ordering site introduced late last year enabled our customers to place their orders electronically anywhere. The management is poised to grasp any opportunity that could grow our business.

Chairman's Statement

The pace of growing our store network in 2013 was adjusted according to the economic environment in which we were in. New Dairy Queen stores have to fit within our new store opening strategy before management approval is given. The quality of our stores has been improved after the closure of certain stores that did not meet internal profitability requirements. At the end of the year under review, we had 440 stores including 35 net new stores added in 2013.

Rising operational costs have been persisting issues facing by our management. The implementation of strategic bulk purchases and flexible promotional strategies enable us to improve our gross profit margin which mitigates the ever increasing labour costs and rental costs. Operational efficiency is expected to increase after the new business information system has been in place.

China's economy is recovering, albeit in a pace slower than expected. The Chinese government has announced its determination to improve the air quality in Northern China. Together with the increasing disposable income and urbanization, we are cautiously optimistic about the medium-to-long-term growth of the QSR business in China. In the near term, our management has taken various measures and implemented initiatives to improve the image, quality and health of our business. In a longer term, we shall adhere to our strategy of achieving sustainable growth by expanding and optimizing our store network, maintaining stringent internal cost controls and efficient operations while upholding food safety and positioning ourselves as an "Oriental Cuisine Specialist." Last but not least, we would look for and consider any opportunity that may maximize the shareholders' value of our company.

I would like to take this opportunity to thank all of our customers, shareholders and business partners and our staff for their continued support.

HUNG HAK HIP, PETER
Chairman
Hong Kong
28 March 2014

YOSHINOYA

7.4% Sales Growth in the review period


吉野家
YOSHINOYA

Management Discussion and Analysis

OVERALL PERFORMANCE

For the year ended 31 December 2013, the turnover of the Group increased by 7.1% to HK$2,110.7 million (2012: HK$1,971.3 million (re-presented)). The earnings before interest, taxation and depreciation and amortization (the "EBITDA") from the continuing operations for the year were HK$211.9 million, decreasing by 29.6% when compared to HK$301.1 million (re-presented) for the last year. The profit attributable to the equity holders of the Company for the year under review, including a loss of HK$51.7 million for the year (2012: loss of HK$0.4 million) from the discontinued operation, was HK$14.0 million, compared to HK$129.8 million for the year ended 31 December 2012.

Basic and diluted earnings per share for the year were HK 0.14 cent and HK 0.14 cent respectively (2012: HK 4.39 cents and HK 1.30 cents respectively). The basic and diluted earnings per share for the year from the continuing operations were HK 0.66 cent and HK 0.66 cent respectively (2012: HK 4.40 cents and HK 1.30 cents respectively).

DIVIDEND

During the year under review, the Company declared a special dividend of HK2.80 cents per share (2012: Nil) which was paid upon completion of the disposal of edible oils business on 28 June 2013. The Directors have recommended the payment of a final dividend of HK0.25 cent per share for the year ended 31 December 2013 (2012: HK 0.25 cent per share). Subject to the approval by the shareholders at the forthcoming Annual General Meeting of the Company, the final dividend will be distributed on or about 30 June 2014 to shareholders whose names appear on the register of members of the Company on 12 June 2014.

The amount of final dividend recommended was calculated based on the number of ordinary shares in issue at the date of approval of the consolidated financial statements. These financial statements do not reflect the final dividend payable.

BUSINESS REVIEW

QSR business

Industry review

During the year under review, the slowdown of China's economy, adverse weather, reported avian flu cases and the austerity campaign launched by PRC government had adversely impacted the catering industry. According to the National Bureau of Statistics of the PRC, the revenue of the catering industry in China in 2013 was RMB2.53 trillion, a year-on-year growth of 9%, the lowest in the last decade. "Three Highs," namely high food costs, high labour costs and high rental costs, were ongoing challenges faced by all QSR players. All these factors combined indicate that 2013 was a tough year.

Business review

In 2013, our sales revenue grew by 7.1% to HK$2,110.7 million (2012: HK$1,971.3 million), mainly attributable to additional sales brought about by the new stores opened in the previous year. We adopted a prudent approach to the expansion of our store network in 2013. Only store proposals that met our stringent internal requirements would be approved. Certain stores were closed for reasons either failing to meet either our internal profitability assessment or the requirement of our strategy to reposition the image of our ice-cream stores. In executing the store opening strategy for Dairy Queen, new stores will have a distinctive shop front, eye-catching signage and a young and trendy seating area. As a result, we opened 35 net new stores (2012: 88 net new stores) in existing markets and selected regions in 2013. These 35 stores included 34 Yoshinoya restaurants and one Dairy Queen store. We had 440 stores in operation as at 31 December 2013.

	As at 31 December	
	2013	2012
Yoshinoya		
Beijing-Tianjin-Hebei metropolitan region	**223**	199
Liaoning	**61**	55
Jilin	**2**	2
Heilongjiang	**9**	6
Inner Mongolia	**9**	8
	304	270
Dairy Queen		
Beijing-Tianjin-Hebei metropolitan region	**109**	109
Liaoning	**19**	20
Heilongjiang	**2**	1
Inner Mongolia	**6**	5
	136	135
Total	**440**	405

BUSINESS REVIEW *(continued)*

QSR business *(continued)*

Business review (continued)

The challenging business environment has affected market sentiment, including people's desire to go out to shop and dine in 2013 and resulted in a decrease in the traffic count of our shops. Although the management has proactively taken various measures and steps to simulate sales, including offering innovative and quality new menu items, strengthening public perception of our food safety and expanding our delivery services to cover bigger geographical areas, a decrease of 8.1% (2012: an increase of 7.0%) in same store sales was recorded.

	Percentage increase in same stores sales	
	2013	2012
Overall	**–8.1%**	7.0%
By business		
Yoshinoya	**–8.3%**	8.0%
Dairy Queen	**–5.3%**	0.6%

In 2013, the Beijing-Tianjin-Hebei metropolitan region continued to be the QSR Group's largest market in terms of revenue, with the sales revenue of Yoshinoya products accounting for roughly 90% of QSR sales.

	2013		2012	
	HK$'000	**% of sales**	HK$'000	% of sales
a. By region				
Beijing-Tianjin-Hebei metropolitan region	**1,582,526**	**75.0%**	1,505,336	76.4%
Northeast China [(1)]	**528,138**	**25.0%**	465,985	23.6%
	2,110,664	**100.0%**	1,971,321	100.0%

(1) Including Liaoning, Jilin and Heilongjiang provinces and Inner Mongolia.

	2013		2012	
	HK$'000	**% of sales**	HK$'000	% of sales
b. By business				
Yoshinoya	**1,901,668**	**90.1%**	1,770,262	89.8%
Dairy Queen	**208,996**	**9.9%**	201,059	10.2%
	2,110,664	**100.0%**	1,971,321	100.0%

While the company would not compromise on the quality and safety of the food products to its customer, the effective bulk procurement strategy, which emphasizes purchases of quality food ingredients at the right time, and product mix optimization program undertaken by the management enabled us to record a decrease in the cost of sales percentages, and hence an increase in gross profit margin, in the year under review. Gross profit margin in 2013 was 61.7%, 1.5% up from that of 60.2% in 2012.

BUSINESS REVIEW *(continued)*

QSR business *(continued)*

Business review (continued)

	2013	2012
Gross profit margin	**61.7%**	60.2%

Escalation of operational costs, in particular, labor costs and rental costs, are constant challenges encountered by each and every QSR player in the PRC. The slower growth in sales in 2013 caused by the difficult operating environment and the dilution effect of new stores have resulted in increases in operating expenses as expressed as percentages of sales when compared to those of last year. It is believed, however that the increases in these percentages will become mild after the economy has recovered from the current trough.

With the working force supply for the QSR industry always behind the demand, the salaries and wages of general staff are increasing more than 10% per year. Apart from ensuring that the salary level offered is competitive, the company provides staff with both on-the-job and classroom training. We believe the costs incurred in the provision of training and the operational staff duty management enables the company to maintain its high operational and service standards and at the same time retain staff with high potential.

It remains our strategy to maintain a long-term relationship with key landlords and to secure long term store leases running from five to ten years so as to minimize the impact of the rising rental costs brought about by urbanization. The rental cost as percentage of sales for the year increased by 0.9%, when compared to last year, which was mainly attributable to the costs incurred by the new outlets in our store network and the slower growth in sales revenue in 2013.

In 2013, additional advertising and promotional expenses were aimed at drawing the attention of our customers to our new products and the "Sunshine Kitchen" concept countered the aggressive advertising and promotional activities of our peers amid the sluggish economy, adverse weather and threat of avian influenza in China.

	2013		2012	
	HK$'000	**% of sales**	HK$'000	% of sales
Labor costs	**259,322**	**12.3%**	207,440	10.5%
Rental expense	**291,119**	**13.8%**	253,563	12.9%
Depreciation and amortization	**120,961**	**5.7%**	93,797	4.8%
Other operation expenses	**378,771**	**18.0%**	297,964	15.1%
Total selling and distribution costs	**1,050,173**	**49.8%**	852,764	43.3%

To maintain the quality and performance of our stores, costs have been incurred and provisions and write-offs were made in the year under review for certain stores that did not meet internal profitability requirements and were either subsequently closed or in the process of closure.

BUSINESS REVIEW *(continued)*

QSR business *(continued)*

Business review (continued)

Overall, the Group was able to increase its revenue in 2013 by adding new stores to its store network and improve its gross profit margin by adopting stringent cost management and flexible promotional strategies. However, the challenges such as the sluggish economy, the reported avian flu cases and the adverse weather conditions in the Northern China have resulted in a negative growth in the Group's same stores sales in 2013 and lengthened the period required by new stores to achieve their mature sales. Hence, the increase in gross profit in the year under review could only partly offset the increase in operational costs caused by new stores, the escalation of operational costs in the PRC environment, additional advertising and promotional expenses and provisions and write-off for stores closed during the year. As a result, the Group reported a decrease in net profit when compared to 2012.

Edible oils business (Discontinued operation)

To better enable the Company to focus its resources on the QSR business and for reasons set out in the Company's circular dated 20 May 2013, the independent shareholders in an extraordinary general meeting held on 6 June 2013 approved the proposal to dispose Hop Hing Oil Group Limited (formerly known as Oleo Chartering Inc.) and its subsidiaries (collectively, the "Edible Oils Group") to the majority shareholders of the Company at a consideration of HK$400 million (subject to adjustments). The disposal was completed on 28 June 2013.

Up to the date of disposal, the Group's edible oils business continued its strategy of providing its customers with quality and healthy edible oil products. While the Hong Kong edible oils business segment was profitable during that period, the China edible oils business segment had yet to deliver a profit. During that period, a provision of HK$11.7 million was made for a probable settlement amount in respect of protective assessments issued by the Hong Kong Inland Revenue Department to certain joint-ventures and subsidiaries of the Edible Oils Group.

FINANCIAL REVIEW

Equity

The number of issued shares of HK$0.10 each of the Company as at 31 December 2013 was 10,006,288,386 (31 December 2012: 9,916,871,030). At 1 January 2013, the Company had outstanding 91,414,545 units of warrants carrying rights to subscribe for an aggregate of 91,414,545 new shares of HK$0.10 each at an initial subscription price of HK$0.20 per share. During the year under review, 89,417,356 units of the warrants of the Company were exercised for subscribing 89,417,356 shares of HK$0.10 each at a price of HK$0.20 per share. The subscription rights attaching to the outstanding warrants in accordance with the terms and conditions of the instrument dated 3 June 2009 were expired at 4:00 p.m. on 31 May 2013.

As at 1 January 2013, the Company had 29,604,000 outstanding share options. During the year, 1,884,480 share options were lapsed. Details of the share options are set out in note 32 to the financial statements.

Liquidity and gearing

As at 31 December 2013, the Group's total bank borrowing was bank loan of HK$26.9 million (31 December 2012: HK$149.2 million), which was PRC bank loan borrowed by a PRC subsidiary of the Group and secured by the pledge of certain time deposits and was 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 31 December 2013 was 6.4% (31 December 2012: 20.9%). The decrease in gearing ratio was mainly attributable to the repayment of certain interest bearing bank loans and the decrease in the bank loans resulted from the disposal of the Group's edible oils business during the year.

FINANCIAL REVIEW *(continued)*

Liquidity and gearing *(continued)*

As at 31 December 2013, the Group recorded a net cash position of HK$244.3 million (2012: HK$90.8 million) (being cash and cash equivalents and pledged bank deposits less interest-bearing bank loans). The increase in net cash position of the Group was mainly due to the receipt of sales consideration from and the decrease in bank loans resulted from the disposal of the edible oil business during the year.

The cash flow movements of the QSR business in the year under review are summarised below:

	For the year ended 31 December	
	2013*	2012
	HK$'000	HK$'000
Net cash inflow from operation before adjusting for the other cash flows items below	**198,253**	225,296
Purchases of items of property, plant and equipment	**(159,303)**	(163,476)
Interest payments and net movement of bank loans	**(1,768)**	(13,435)
Other cash flow items		
Fund movements with companies in the discontinued operation	**5,914**	(53,277)
Receipt from the exercise of warrants	**17,839**	–
Receipt from the disposal of subsidiaries	**394,613**	–
Dividends paid	**(305,192)**	–
Dividends paid to the former shareholders of a subsidiary	**(57,333)**	(147,963)
Net increase/(decrease) in cash and bank balances	**93,023**	(152,855)

* Included the cashflow of Hop Hing Group Holdings Limited

The Group's finance costs from the continuing operations for the year was HK$2.4 million (2012: HK$2.6 million (re-presented)).

The Group's funding policy is to finance the business operations with internally generated cash and bank facilities. The Group's bank borrowings are basically 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 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 continuing operations of the Group in the year under review was HK$359.3 million (2012: HK$294.4 million (re-presented)). As at 31 December 2013, the Group had 9,242 full time and temporary employees (2012: 8,444).

Subsequent to 31 December 2013, the annual remuneration of Mr. Wong Kwok Ying, an executive director of the Company, was revised to HK$1,729,560 with discretionary bonuses payable according to the terms of the relevant bonus entitlement scheme of the Company.

REMUNERATION POLICIES *(continued)*

Save for the remuneration package of the above executive director of the Company which was determined by the remuneration committee of the Company after taking into account his qualification and experience, all other directors' remuneration were determined by the board of directors (the "Board") of the Company after considering the recommendations of the remuneration committee of the Company.

OPERATING SEGMENT INFORMATION

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

CONTINGENT LIABILITIES

Details of the contingent liabilities are set out in note 38 to the financial statements.

PLEDGE OF ASSETS

Details of the pledge of assets are set out in note 22 to the financial statements.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND AFFILIATED COMPANIES

On 25 April 2013, the Company entered into an agreement with Harvest Trinity Limited, a company incorporated in the British Virgin Islands and wholly-owned by a substantial shareholder of the Company and together with its associates, pursuant to which the Company agreed to sell its entire equity interest in Hop Hing Oil Group Limited (formerly known as Oleo Chartering Inc.) and its subsidiaries. The disposal was completed on 28 June 2013. Details of the disposal are set out in notes 12 and 34 to the financial statements.

Save as disclosed above, the Group did not make any other material acquisition or disposal of subsidiaries or affiliated companies during the year under review.

OUTLOOK

The impact of the relatively sluggish economy in China, adverse weather in our franchised region and the customers' lack of confidence in the QSR industry could still be felt in the beginning of 2014. We however have observed that the economy is recovering in a slow pace and noted the determination of the Chinese government to improve the air quality in the Northern China. The urbanization policy being implemented by the Chinese government should benefit the local consumer markets, including the QSR industry, in the second to third tier cities. Hence, we are cautiously optimistic about the medium to long term economic growth of the QSR industry in Mainland China.

We are moving to position ourselves as an "Oriental Cuisine Specialist". The "value meal" product line that we introduced in 2013 has been widening our customer portfolio to cover younger segments who are looking for value for money products. At the same time, our well-received "stone pot" products enable us to attract groups who prefer to enjoy delicious dinner in a cozy environment. We shall continue with our research and product development to introduce innovative new products to satisfy the taste buds of our devoted fans as we entice new customers. Our newly launched website ordering system has complimented to our telephone delivery service with an aim to cover a wide range of customers who prefer ordering through computers, handheld devices or calling in our delivery center which enable us to broaden our customer base. With our enriched product lines and extended delivery services, we also strive to extend our service hours in order to increase the Group's turnover. As for our ice-cream business, we have started the exercise of repositioning the brand image of Dairy Queen by building more new stores with a distinctive shop front, eye-catching signage and a young and trendy seating area to attract younger crowds.

OUTLOOK *(continued)*

Our recent market study has revealed that our customers have reacted positively to the "Sunshine Kitchen" concept demonstrated in our showcase store built in 2013. In building our upcoming new stores and renovating existing stores, we shall evaluate the situation and condition of each individual outlet and appropriately adapt the "Sunshine Kitchen" concept to reinforce the perception of our food safety, enhance our customers' dining experience and improve our operational efficiency. Upon implementation of our new business information system later this year, we shall be able to quickly analyze our sales and operation information and formulate our responses to the needs of customers and improve our system efficiency based on empirical data.

We are confident that we are better equipped to meet the challenges lying ahead and have laid down a firm foundation for achieving steady and sustainable long term future growth.

CLOSURE OF REGISTER OF MEMBERS

In order to determine the shareholders who are entitled to attend the Annual General Meeting, the register of members of the Company will be closed from 3 June 2014 to 5 June 2014 (both days inclusive), during which period no share transfers will be registered.

In addition, in order to determine the shareholders who are entitled to receive the final dividend for the year ended 31 December 2013, the register of members of the Company will be closed from 11 June 2014 to 12 June 2014 (both days inclusive), during which period no share transfers will be registered. The final dividend will be distributed on or about 30 June 2014 to shareholders whose names appear on the register of members of the Company on 12 June 2014.

In order to qualify for attending and voting at the forthcoming Annual General Meeting, and the entitlement for the final dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Branch Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 30 May 2014 and 10 June 2014 respectively.

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 year.

By Order of the Board

HUNG MING KEI, MARVIN
Chief Executive Officer
Hong Kong
28 March 2014

Over **130**

DAIRY QUEEN STORES

in the franchise region


DQ Dairy Queen
BLIZZARD
BLIZZARD

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining a high standard of corporate governance practices and procedures. The Company complied with the code provisions ("CP") of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") during the financial year ended 31 December 2013.

The principles as set out in the CG Code have been applied in our corporate governance practice. To ensure strict compliance with the latest CG Code, the Board will review and update regularly the corporate governance policies and practices of the Company; review and monitor the continuous training of directors and senior management; and review and monitor the compliance and disclosure of legal and regulating requirements.

BUSINESS MODEL AND STRATEGY

The Board leads the Group's development of business model and strategy, and the management of the Company manages the implementation of strategy and business, follow up on the implementation status and report back to the Board from time to time. Details of the Group's business and financial review in the year 2013 are set out in the "Management Discussion and Analysis" section in this Annual Report.

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 "relevant employees" as defined in the CG Code.

Based on specific enquiry of the Company's directors, the directors confirmed that they complied with the required standards in the Model Code adopted by the Company throughout the financial year ended 31 December 2013.

BOARD OF DIRECTORS

Up to the date of publication of this Annual Report, the Board comprised ten directors, including two non-executive directors, being Mr. Hung Hak Hip, Peter (Chairman) and Ms. Lam Fung Ming, Tammy; six independent non-executive directors, being Dr. Hon. Wong Yu Hong, Philip, *GBS*, Mr. Sze Tsai To, Robert, Mr. Cheung Wing Yui, Edward, *BBS*, Mr. Seto Gin Chung, John, Hon. Shek Lai Him, Abraham, *GBS, JP* and Mr. Siu Wai Keung; and two executive directors, being Mr. Hung Ming Kei, Marvin and Mr. Wong Kwok Ying. Biographical details of these directors which include relationship among themselves are set out under "Directors' Biographies" on pages 35 to 41 of this Annual Report.

BOARD OF DIRECTORS *(continued)*

The Board adopted a board diversity policy (the "Board Diversity Policy") on 30 August 2013. The Company recognizes the importance and the benefits of having a diverse Board that fits its own business model and specific needs in order to achieve its corporate goals and strategies. The Company also sees diversity at the Board level as an essential element in maintaining a competitive advantage.

The Company aims to ensure that Board appointments will be made on the basis of a range of diversity factors including but not limited to age, gender, culture and educational background, professional experience, skill and knowledge. Selection of candidates to join the Board will be in part dependent on the pool of available candidates with the necessary skills, knowledge and experience. The ultimate decision will be based on merit and the contribution the chosen candidate will bring to the Board, having regard for the benefits of diversity on the Board.

The Board accepts that it is ultimately accountable and responsible for the performance and affairs of the Company. Although the Board bears overall responsibility for the Company, the management of the Company (including the executive directors) is the custodian and administrator of the day-to-day performance of the Company.

The Company has received a written annual confirmation of independence from each of the independent non-executive directors and considers them to be independent under Rule 3.13 of the Listing Rules.

The Board will meet at least four times a year and on other occasions when a Board decision is required on major issues. Directors may participate in meeting via telephone or video-conferencing link. Board consents are given by vote at board meetings and supplemented via circulation of written resolutions between board meetings.

During the year, there were seven full board meetings (including those with voting by communication) and eight full board circulations. Individual attendance records for full board meetings of the Company are set out on page 29 of this Annual Report.

Directors understand their respective responsibilities as a director and the conduct and business activities of the Company. To this end, the Company is responsible for arranging and funding appropriate training and activities to all directors as and when necessary. All directors have provided their training records for the year under review to the company secretary. A summary of training received by directors during the year according to the records provided by our directors is as follows:

Corporate Governance Report

SUMMARY OF DIRECTORS' TRAINING RECORDS IN 2013

Name of Director	Training activities including in-house activities/meetings, seminars/talks held by professions/organizations and/or reading materials on relevant topics
Non-executive Directors	
Hung Hak Hip, Peter	✓
Lam Fung Ming, Tammy	✓
Independent Non-executive Directors	
Wong Yu Hong, Philip	✓
Sze Tsai To, Robert	✓
Cheung Wing Yui, Edward	✓
Seto Gin Chung, John	✓
Shek Lai Him, Abraham	✓
Siu Wai Keung	✓
Executive Directors	
Hung Ming Kei, Marvin	✓
Wong Kwok Ying	✓

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The roles of the Chairman and Chief Executive Officer are separated and not performed by the same individual.

The Chairman's principal responsibility is to ensure effective running of the Board, enabling the Board as a whole to play a full and constructive part in the development and determination of the Group's business model, strategies and overall commercial objectives. The Chief Executive Officer is responsible for the overall day-to-day management of the Group's businesses and achieving the business model, strategies and commercial objectives agreed by the Board.

The Chairman of the Company is Mr. Hung Hak Hip, Peter and the Chief Executive Officer is Mr. Hung Ming Kei, Marvin.

NON-EXECUTIVE DIRECTORS' TERM OF OFFICE

The non-executive directors of the Company are appointed for specific terms, subject to retirement and re-election in accordance with the provisions of the amended and restated memorandum and articles of association of the Company.

DIRECTORS' EMOLUMENTS

Details of the emoluments of the directors on a named basis are set out in note 8 to the financial statements.

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. For details of the role and function of the committee, please refer to its terms of reference which aligns with the CP of the CG Code and have been posted on the websites of Hong Kong Exchange and Clearing Limited ("HKEx") and the Company.

As at 31 December 2013, the remuneration committee comprised Mr. Cheung Wing Yui, Edward, *BBS* (chairman of the committee), Mr. Sze Tsai To, Robert and Hon. Shek Lai Him, Abraham, *GBS, 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. Individual attendance records for the remuneration committee meetings are set out on page 29 of this Annual Report.

During the year and up to the date of this Annual Report, the works of the committee included (i) review and approval of remuneration proposal in relation to an executive director; (ii) making recommendation to the Board on the fee of the non-executive directors; (iii) making recommendation to the Board on the remuneration of the chief executive officer of the Group; and (iv) making recommendation to the Board on the re-designation of an executive director to non-executive director.

The directors' fees are subject to shareholders' approval at general meetings. Other emoluments are reviewed by the remuneration committee with reference to the directors' duties, responsibilities and performance and the results of the Group. Information relating to the remuneration of each director for 2013 is set out in note 8 to the financial statements.

NOMINATION COMMITTEE

The Company has established a nomination committee with a particular responsibility to review the Board's structure, size and composition and to make recommendation to the Board on the selection, appointment and re-appointment of directors of the Company having given adequate consideration to the Board Diversity Policy. For details of the role and function of the committee, please refer to its terms of reference, as revised on 30 August 2013 for meeting with the Board Diversity Policy, which aligns with the CP of the CG Code and have been posted on the websites of HKEx and the Company.

As at 31 December 2013, the nomination committee comprised 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, *GBS, JP*, all of them are independent non-executive directors of the Company. Individual attendance records for the nomination committee meetings are set out on page 29 of this Annual Report.

During the year, the works of the committee included (i) reviewing the Board structure, size and composition; (ii) assessing the independence of independent non-executive directors; and (iii) making recommendation to the Board on re-appointment of directors.

AUDIT COMMITTEE

The Company has established an audit committee with terms of reference aligned with the CP of the CG Code for the purpose of reviewing and providing supervision over the Group's financial reporting process and internal controls. For details of the role and function of the committee, please refer to its terms of reference which aligns with the CP of the CG Code and have also been posted on the websites of HKEx and the Company.

As at 31 December 2013, the audit committee comprised Mr. Sze Tsai To, Robert (chairman of the committee), Mr. Cheung Wing Yui, Edward, *BBS* 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. Individual attendance records for audit committee meetings are set out on page 29 of this Annual Report.

In 2013, the works of the audit committee included (i) reviewing with the management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including review of the Group's audited accounts for the year ended 31 December 2012; (ii) reviewing the audit plan of the Group for 2013; (iii) making recommendation to the Board on reappointment of external auditors; and (iv) reviewing interim report for the six months ended 30 June 2013. Subsequent to the year end, the audit committee of the Company reviewed the Group's financial statements for the year ended 31 December 2013.

AUDITORS' REMUNERATION

During 2013, the fees payable to Ernst & Young, the Company's external auditors, for the Group's audit services amounted to HK$2,265,000. Ernst & Young also provided the Group with non-audit services, including review of the interim report at a fee of HK$940,000.

FINANCIAL REPORTING

The directors acknowledge their responsibility to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group. As at 31 December 2013, the directors did not aware of any material uncertainties relating to events or conditions which might cast significant doubt upon the Company's ability to continue as a going concern. Accordingly, the financial statements of the Company for the year ended 31 December 2013 were prepared on a going concern basis.

The responsibilities of the external auditors with respect to financial reporting are set out in the Independent Auditors' Report included in this Annual Report.

INTERNAL CONTROL

The Board is responsible for the Group's system of internal control that is designed to facilitate effective and efficient operations and to ensure the quality of internal and external reporting and compliance with applicable laws and regulations. In devising internal controls, the Group has regard to the nature and extent of the risk, the likelihood of it crystallizing and the cost of controls. A system of internal control is designed to manage, but not eliminate, the risk of failure to achieve business objectives and can only provide reasonable and not absolute, assurance against the risk of material misstatement, fraud or losses.

The Board, with the assistance of its audit committee, assesses the effectiveness of internal control of the Group by considering reviews performed by the management, the independent auditors and the internal assessment report outsourced and performed by a firm of qualified accountants. Such reviews during the financial year ended 31 December 2013 did not reveal any significant defects.

The aforesaid is an ongoing process for identifying, evaluating and managing of significant business, financial, compliance and operational risks specific to the Group. Relevant recommendations made by the audit committee, the independent auditors and the external accountants who perform reviews at least annually would be implemented, if appropriate, as soon as possible by the Group to further enhance its internal control policies, procedures and practices.

SHAREHOLDERS' RIGHTS

Convening an extraordinary general meeting and putting forward proposals at general meetings

Pursuant to Article 64 of the Company's Memorandum and Articles of Association, one or more shareholders holding not less than one-tenth of the paid up capital of the Company shall have the right to deposit a written requisition to the Board, or the secretary of the Board, specifying the requested business to be considered and, if the Board thinks fit, the Board will proceed to convene an extraordinary general meeting ("EGM") for the business specified in such requisition. If within 21 days of such deposit of written requisition, the Board fails to proceed to convene such EGM, the requesting shareholder(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by him (them) as a result of the failure of the Board shall be reimbursed to him (them) by the Company.

Procedures for shareholders to propose a person for election as a director

Pursuant to Article 113 of the Company's Memorandum and Articles of Association, shareholder may lodge a notice in writing of the intention to propose a person for election as a Director and a notice in writing by that person of his willingness to be elected at the Company's Head Office or at the Company's Registered Office provided that the period for lodgment of the notices required will commence no earlier than the day after the dispatch of the notice of general meeting appointed for such election and end no later than 7 days prior to the date of such general meeting and where such period shall be at least 7 days.

Shareholder should note that election of a Director of the Company is subject to other relevant parts of the Company's Memorandum and Articles of Association, the Listing Rules, and applicable laws in Cayman Islands and Hong Kong.

Head Office	:	Flat A, 2/F Hop Hing building, 9 Ping Tong Street East, Tong Yan San Tsuen, Yuen Long, New Territories, Hong Kong
Registered Office	:	Clifton House, 75 Fort Street, P.O. Box 1350 GT, Grand Cayman, KY1-1108, Cayman Islands

SHAREHOLDERS' RIGHTS *(continued)*

Sending enquiries to the Board

Shareholders may raise their enquires with the Board at the general meetings of the Company or may at any time send their written enquires to the Board by delivering it to the company secretary of the Company whose contact details are as follows:

Hop Hing Group Holdings Limited
Flat A, 2/F Hop Hing building
9 Ping Tong Street East, Tong Yan San Tsuen
Yuen Long, New Territories
Hong Kong
Tel: 852-2785 2681
Fax: 852-2786 2155
Email: ir@hophing.com

CONSTITUTIONAL DOCUMENTS

There was no change to the Company's Memorandum and Articles of Association during the year 2013. A copy of the consolidated version of the Memorandum and Articles of Association has been posted on the websites of HKEx and the Company.

COMMUNICATION WITH SHAREHOLDERS

The Board makes its endeavour to maintain an ongoing and transparent communication with all shareholders and, in particular, will communicate with shareholders in general meetings and encourage their participation. The Company will also communicate with its shareholders by various other means, such as publication of annual and interim reports, announcements, circulars and additional information on the Group's business activities and development on the Company's website: http://www.hophing.com. A shareholders' communication policy of the Company has been established and posted on the Company's website.

DIRECTORS'/COMMITTEE MEMBERS' ATTENDANCE IN 2013

	Meetings attended/eligible to attend				
Name of Director	**Full Board**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**	**General Meetings#**
Non-executive Directors					
Hung Hak Hip, Peter *(Chairman of the Board and of the nomination committee)*	7/7	2/2	1/1	1/1	2/2
Lee Pak Wing*	3/3	N/A	N/A	N/A	N/A
Lam Fung Ming, Tammy**	7/7	N/A	N/A	N/A	2/2
Independent Non-executive Directors					
Wong Yu Hong, Philip	6/7	N/A	N/A	1/1	2/2
Sze Tsai To, Robert *(Chairman of the audit committee)*	7/7	2/2	1/1	N/A	2/2
Cheung Wing Yui, Edward *(Chairman of the remuneration committee)*	7/7	2/2	1/1	N/A	2/2
Seto Gin Chung, John	7/7	2/2	N/A	1/1	2/2
Shek Lai Him, Abraham	7/7	N/A	1/1	1/1	2/2
Siu Wai Keung	7/7	N/A	N/A	N/A	2/2
Executive Directors					
Hung Ming Kei, Marvin *(Chief Executive Officer)*	7/7	N/A	N/A	1/1	2/2
Wong Kwok Ying	7/7	N/A	N/A	N/A	2/2

* Mr. Lee Pak Wing resigned on 20 May 2013

** Ms. Lam Fung Ming, Tammy was re-designated from an executive director of the Company to a non-executive director on 28 June 2013

\# 2013 annual general meeting and an extraordinary general meeting of the Company were held on 6 June 2013


中国烹饪协会
荣誉证书
2012年度先进会员企业与个人表彰
优质服务先进企业
北京吉野家快餐有限公司


荣誉证书
合兴集团控股有限公司:
为感谢贵公司向北京青少年发展基金会捐款
100万元整，支持四川雅安灾后重建工作
特颁此证，以资纪念。


50
2012年度
北京餐饮企业(集团)
50 强


模范职工之家
中华全国总工会
二〇一三年八月


北京吉野家快餐有限公司
2012年度中国餐饮百强企业
中国烹饪协会

Report of the Directors

The directors present their report and the audited financial statements of the Company and the Group for the year ended 31 December 2013.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Following the disposal (the "Disposal") of the entire share capital of Hop Hing Oil Group Limited (formerly known as Oleo Chartering Inc.) the holding company of a group of companies principally engaged in edible oils business, on 28 June 2013, the subsidiaries of the Group are principally engaged in the operation of quick service restaurant chain business ("QSR Business"), primarily selling rice bowl under the brand name Yoshinoya (吉野家) and ice-cream under brand name Dairy Queen (冰雪皇后), in Northern China.

PRINCIPAL PLACE OF BUSINESS

The address of the principal place of business of the Company in Hong Kong has been changed to Flat A, 2/F, Hop Hing Building, 9 Ping Tong Street East, Tong Yan San Tsuen, Yuen Long, New Territories, Hong Kong, effective 28 June 2013.

RESULTS AND DIVIDENDS

The Group's profits for the year ended 31 December 2013 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 51 to 118.

The Company has declared a special dividend of HK2.80 cents per share (2012: Nil) which was paid upon completion of the disposal of edible oils business on 28 June 2013. Subsequent to the end of the reporting period, on 28 March 2014, the directors recommended the payment of a final dividend of HK0.25 cent per ordinary share for the year ended 31 December 2013 (2012: HK0.25 cent per share). The proposed final dividend is subject to the approval of the Company's shareholders at the forthcoming annual general meeting ("AGM") to be held on 5 June 2014. These financial statements do not reflect the final dividend payable.

SUMMARY FINANCIAL INFORMATION

A summary of the results and of the assets and liabilities of the Group for the last five financial years, is set out on pages 119 to 120. This summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 15 to the financial statements.

SHARE CAPITAL, SHARE OPTIONS AND WARRANTS, AND RESERVES

Details of the movements in the Company's share capital, share options and warrants during the year, together with the reasons therefor, are set out in notes 30 and 32 to the financial statements. The movements in the reserves of the Company and the Group during the year are set out in note 33(b) to the financial statements and in the consolidated statement of changes in equity, respectively.

Details of the reserves of the Company are set out in note 33(b) to the financial statements.

PURCHASE, SALE OR REDEMPTION OF OWN LISTED SECURITIES

There were no purchases, sales or redemptions by the Company or any of its subsidiaries of the listed securities of the Company during the year.

BORROWINGS

Particulars of the borrowings of the Group at 31 December 2013 are set out in note 25 to the financial statements.

DIRECTORS

The directors of the Company during the year and up to the date of this report were:

Hung Hak Hip, Peter* *(Chairman)*	
Hung Ming Kei, Marvin *(Chief Executive Officer)*	
Wong Yu Hong, Philip**	
Sze Tsai To, Robert**	
Cheung Wing Yui, Edward **	
Seto Gin Chung, John**	
Shek Lai Him, Abraham**	
Siu Wai Keung**	
Lee Pak Wing*	(resigned on 20 May 2013)
Lam Fung Ming, Tammy*	(re-designated from an executive director to a non-executive director on 28 June 2013)
Wong Kwok Ying	

* Non-executive directors
** Independent non-executive directors

All directors are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provisions of the Company's amended and restated memorandum and articles of association. At the AGM, Mr. Hung Ming Kei, Marvin, Mr. Cheung Wing Yui, Edward, *BBS*, Hon. Shek Lai Him, Abraham, *GBS, JP* and Lam Fung Ming, Tammy, will retire and, being eligible, offer themselves for re-election.

Pursuant to Rule 3.13 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company has received a written annual confirmation of independence from each of the independent non-executive directors confirming that they had met the independence guidelines set out in Rule 3.13 during the year ended 31 December 2013, and as such the Company considered them to be independent.

CHANGE OF INFORMATION ON DIRECTORS

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

(a) **Mr. Hung Hak Hip, Peter's** annual director's fee for the year ended 31 December 2013 was changed from HK$990,000 to HK$330,000 with effect from 28 June 2013;

(b) **Mr. Cheung Wing Yui, Edward,** *BBS*, has been awarded the Bronze Bauhinia Star from the Hong Kong Special Administrative Region Government which was announced in the 2013 Honours List in the gazette on 1 July 2013;

(c) **Mr. Sze Tsai To, Robert** retired as an independent non-executive director of QPL International Holdings Limited, a company listed on The Stock Exchange of Hong Kong Limited, upon conclusion of its annual general meeting on 23 September 2013 as Mr. Sze did not offer himself for re-election;

(d) **Hon. Shek Lai Him, Abraham,** *GBS, JP*, was appointed as an independent non-executive director of Cosmopolitan International Holdings Limited with effect from 18 December 2013 and ceased to be an independent non-executive director of Titan Petrochemicals Group Limited on 27 February 2014 (both companies are listed on The Stock Exchange of Hong Kong Limited);

(e) **Mr. Siu Wai Keung** was appointed as an independent non-executive director of China Huishan Dairy Holdings Company Limited, a company listed on The Stock Exchange of Hong Kong Limited, on 5 September 2013 and ceased to be an independent non-executive director of Hua Xia Bank Co., Limited, a company listed on the Shanghai Stock Exchange, on 27 February 2014; and

(f) **Mr. Wong Kwok Ying's** annual remuneration has been revised to HK$1,729,560 with discretionary bonuses payable according to the terms of the relevant bonus entitlement scheme of the Company, effective from 1 January 2014.

DIRECTORS' BIOGRAPHIES

(a) Non-executive directors

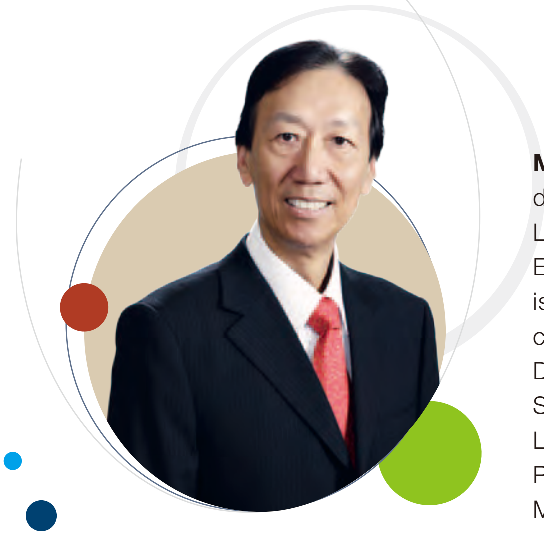
Mr. Hung Hak Hip, Peter, aged 69, the non-executive Chairman, is a chartered accountant and worked in the Hong Kong securities industry before joining the Group in 1975. Mr. Hung is an uncle of Mr. Hung Ming Kei, Marvin, an executive director and the Chief Executive Officer of the Company. By virtue of the Securities and Futures Ordinance, Mr. Hung is a substantial shareholder of the Company as disclosed in the section under "Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares and Underlying Shares".

Dr. Hon. Wong Yu Hong, Philip, *GBS, JD, PhD*, aged 75, appointed a director of the Group in 1989, is a prominent businessman and Life Honorary Chairman of The Chinese General Chamber of Commerce. Dr. Wong received the Gold Bauhinia Star Award from the Hong Kong Special Administrative Region ("HKSAR") Government in 2003 and the Courvoisier Awards for Business Excellency from the then Chief Justice of Hong Kong, Sir Denys Roberts, in 1986. He is a non-executive director of Asia Financial Holdings Limited which is a Hong Kong listed company. He was also the non-executive chairman of Qin Jia Yuan Media Services Company Limited up to 21 March 2012.

DIRECTORS' BIOGRAPHIES *(continued)*

(a) Non-executive directors *(continued)*

Mr. Sze Tsai To, Robert, aged 73, was appointed a director of the Group on 1 June 2000. Mr. Sze is a fellow of the Institute of Chartered Accountants in England and Wales and the Hong Kong Institute of Certified Public Accountants and was a partner in an international firm of accountants with which he practiced for over 20 years. He is also a non-executive director of a number of Hong Kong listed companies.



Mr. Cheung Wing Yui, Edward, *BBS*, aged 64, appointed a director of the Group in 1989, is a consultant of Woo, Kwan, Lee & Lo, solicitors. Mr. Cheung is also a qualified solicitor in England and Singapore and a member of CPA Australia. He is a non-executive director of a number of Hong Kong listed companies including Tai Sang Land Development Limited, Tianjin Development Holdings Limited, Sunevision Holdings Limited, SRE Group Limited and SmarTone Telecommunications Holdings Limited. He is also an independent non-executive director of Agile Property Holdings Limited which is a Hong Kong listed company. Mr. Cheung was awarded the Bronze Bauhinia Star in 2013.

DIRECTORS' BIOGRAPHIES *(continued)*

(a) Non-executive directors *(continued)*

Mr. Seto Gin Chung, John, aged 65, appointed a director of the Group on 25 April 2006, is a director of Pacific Eagle Asset Management Limited since January 2006. He is an independent non-executive director of China Everbright Limited and Kowloon Development Company Limited. He was the Chief Executive Officer of HSBC Broking Services (Asia) Limited from 1982 to 2001. He was a non-executive director of Hong Kong Exchanges and Clearing Limited from 2000 to 2003, a council member of the Stock Exchange from 1994 to 2000 and was the first vice chairman of the Stock Exchange from 1997 to 2000. He had been a non-executive director of Sateri Holdings Limited, which became a listed company on the Stock Exchange on 8 December 2010, for the period from 28 October 2010 until the conclusion of the annual general meeting on 21 May 2013. He holds a Master of Business Administration degree from New York University, USA and has over 30 years of experience in the securities and futures industry.

Report of the Directors

DIRECTORS' BIOGRAPHIES *(continued)*

(a) Non-executive directors *(continued)*

Hon. Shek Lai Him, Abraham, *GBS, JP*, aged 68, was appointed a director of the Group on 1 January 2007. Mr. Shek graduated from the University of Sydney, Australia with a Bachelor of Arts degree. He has been a member of the Legislative Council for the HKSAR representing real estate and construction functional constituency since 2000. Currently, Mr. Shek is a member of the Court of The Hong Kong University of Science & Technology and a member of the Court and Council of The University of Hong Kong. He is a director of The Hong Kong Mortgage Corporation Limited, Macau Horse Racing Company, Limited and Macau Jockey Club and the vice chairman of Independent Police Complaints Council. He is an independent non-executive director of Jetstar Hong Kong Airways Limited. Mr. Shek was appointed as a Justice of the Peace in 1995 and awarded the Silver Bauhinia Star in 2007. Mr. Shek also received the Gold Bauhinia Star Award from the HKSAR Government in July 2013. He is an independent non-executive director of a number of Hong Kong listed companies including NWS Holdings Limited, Midas International Holdings Limited, Paliburg Holdings Limited, Lifestyle International Holdings Limited, Chuang's Consortium International Limited, ITC Corporation Limited, Country Garden Holdings Company Limited, MTR Corporation Limited, Hsin Chong Construction Group Limited, SJM Holdings Limited, Dorsett Hospitality International Limited, China Resources Cement Holdings Limited, Lai Fung Holdings Limited and Cosmopolitan International Holdings Limited. Mr. Shek is the chairman and an independent non-executive director of Chuang's China Investments Limited. He is also the vice chairman and an independent non-executive director of ITC Properties Group Limited. Mr. Shek was an independent non-executive director of Titan Petrochemicals Group Limited (a company listed on the Main Board of the Stock Exchange) until 26 February 2014. Mr. Shek is also an independent non-executive director of Eagle Asset Management (CP) Limited, the manager of Champion Real Estate Investment Trust and an independent non-executive director of Regal Portfolio Management Limited, the manager of Regal Real Estate Investment Trust.

DIRECTORS' BIOGRAPHIES *(continued)*

(a) Non-executive directors *(continued)*

Mr. Siu Wai Keung, aged 59, was appointed a director of the Group on 1 September 2012. Mr. Siu is currently an independent non-executive director of CITIC Pacific Limited, China Communications Services Corporation Limited, Shunfeng Photovoltaic International Limited and China Huishan Dairy Holdings Company Limited (companies are listed on the Main Board of the Stock Exchange), GuocoLand Limited (a company listed on the Singapore Stock Exchange) and Beijing Hualian Hypermarket Company Limited (a company listed on the Shanghai Stock Exchange). Mr. Siu was also an independent non-executive director of Hua Xia Bank Co., Limited (a company listed on the Shanghai Stock Exchange) until 26 February 2014. Mr. Siu graduated from the University of Sheffield, United Kingdom, with a Bachelor of Arts degree in Accounting and Economics in 1979. He first joined the Manchester office of KPMG in the United Kingdom in 1979 and was subsequently transferred to KPMG Hong Kong in 1986. In 1993, Mr. Siu became a partner of KPMG Hong Kong. Mr. Siu had been with KPMG for almost 30 years and has extensive experience in providing services to both foreign and domestic Chinese companies. He also has in-depth knowledge in advising on foreign direct investment in the People's Republic of China, Prior to his retirement in March 2010, Mr. Siu was the Senior Partner of the Beijing Office of KPMG as well as a Senior Partner of the Northern Region of KPMG China. Mr. Siu is a fellow member of the Institute of Chartered Accountants in England and Wales and of the Hong Kong Institute of Certified Public Accountants.

DIRECTORS' BIOGRAPHIES *(continued)*

(a) Non-executive directors *(continued)*

Ms. Lam Fung Ming, Tammy, aged 50, joined the Group in 1990 and was appointed an executive director of the Group on 1 November 2004, and re-designated as a non-executive director on 28 June 2013. Prior to the re-designation, Ms. Lam was the Chief Operating Officer of the Group responsible for the sales activities, manufacturing, quality assurance and product development of the Group's edible oils business. Ms. Lam holds a Bachelor of Science degree in Food Science and Technology and a Higher Diploma in Chemical Technology from the Hong Kong Polytechnic University. She has over 20 years' experience in the oil and food industry. Currently, she is a director and an employee of the edible oils group which is indirectly controlled by controlling shareholders of the Company.

DIRECTORS' BIOGRAPHIES *(continued)*

(b) Executive directors

Mr. Hung Ming Kei, Marvin, aged 43, is the Chief Executive Officer of the Group with overall responsibility for the business of the Group. He was appointed an executive director and the Chief Executive Officer of the Group on 12 March 2012. Mr. Hung holds a Bachelor's degree in Science majoring in Accounting from the University of Southern California in the United States of America in 1992 and a Master's degree in Business Administration from China Europe International Business School. Mr. Hung has over 20 years of experience in business management and quick service restaurant operations. Mr. Hung is a nephew of Mr. Hung Hak Hip, Peter. By virtue of the Securities and Futures Ordinance, Mr. Hung is a substantial shareholder of the Company as disclosed in the section under "Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares and Underlying Shares".

Mr. Wong Kwok Ying, aged 54, is the Group Comptroller and the Company Secretary of the Group and was appointed a director of the Group on 10 January 2000. Mr. Wong is a fellow member of the Hong Kong Institute of Certified Public Accountants and a certified public accountant (practising) in Hong Kong. He has over 30 years' finance, accounting and audit experience. Prior to joining the Group in 1990, he worked with one of the international accounting firms in Hong Kong.

DIRECTORS' EMOLUMENTS

Details of the emoluments of the directors on a named basis are set out in note 8 to the financial statements.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Other than the transactions disclosed under the headings "Connected Transaction" and "Continuing Connected Transactions", none of the directors had a significant interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

INTERESTS IN COMPETING BUSINESS

None of the directors of the Company had interests in other business, which competes or is likely to compete, either directly or indirectly, with the Group's business.

DIRECTORS' SERVICE CONTRACTS

None of the directors proposed for re-election at the AGM was a party to any service contract with the Company which is not determinable by the Company within one year without payment other than statutory compensation.

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

As at 31 December 2013, 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 pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code"), were as follows:

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	–	2,011,168	4,092,411,047 notes(i) to (iv)	–	4,094,422,215	40.918%
Hung Ming Kei, Marvin	104,163	–	3,412,399,373 note(v)	219,228,648 notes(vi)	3,631,732,184	36.294%
Wong Yu Hong, Philip	2,454,678	–	–	–	2,454,678	0.025%
Sze Tsai To, Robert	2,454,678	–	–	–	2,454,678	0.025%
Cheung Wing Yui, Edward	3,027,798	–	–	–	3,027,798	0.030%
Seto Gin Chung, John	500,847	–	–	–	500,847	0.005%
Shek Lai Him, Abraham	–	–	–	–	–	–
Siu Wai Keung	7,400,000	–	–	–	7,400,000	0.074%
Lam Fung Ming, Tammy	–	–	–	–	–	–
Wong Kwok Ying	–	–	–	–	–	–

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

Interests in ordinary shares of the Company *(continued)*

Notes:

(i) 3,412,399,373 shares were beneficially owned by a discretionary trust, the trustee of which is beneficially owned by Mr. Hung Hak Hip, Peter and his spouse. Out of the 3,412,399,373 shares, Mr. Hung Ming Kei, Marvin was also deemed to be interested in 199,642,838 shares by virtue of indirectly controlling more than one-third of the voting power at general meetings of the registered holder of such shares. Such shares were duplicated between Mr. Hung Hak Hip, Peter and Mr. Hung Ming Kei, Marvin.

(ii) 166,787,730 shares were beneficially owned by a family discretionary trust, the trustee of which is beneficially owned by Mr. Hung Hak Hip, Peter.

(iii) 438,457,296 shares were beneficially owned by two discretionary trusts, the trustee of them is beneficially owned by Mr. Hung Hak Hip, Peter. Each of such discretionary trusts held 219,228,648 shares in the Company.

(iv) 74,766,648 shares held by Mr. Hung Hak Hip, Peter through a controlled corporation.

(v) 3,412,399,373 shares were beneficially owned by a discretionary trust, the trustee of which is beneficially owned by Mr. Hung Ming Kei, Marvin. Out of the 3,412,399,373 shares, Mr. Hung Hak Hip, Peter was also deemed to be interested in 199,642,838 shares by virtue of indirectly controlling more than one-third of the voting power at general meetings of the registered holder of such shares. Such shares were duplicated between Mr. Hung Hak Hip, Peter and Mr. Hung Ming Kei, Marvin.

(vi) 219,228,648 shares were beneficially owned by a discretionary trust which discretionary beneficiaries included a company owned by Mr. Hung Ming Kei, Marvin. Mr. Hung Hak Hip, Peter was also deemed to be interested in 219,228,648 shares by virtue of being one of the beneficiaries of such discretionary trust and also the beneficial owner of the trustee of such discretionary trust (a discretionary trust mentioned in Note (iii) above) for the purpose of Part XV of the SFO. Such shares represented the same interests and were therefore duplicated between Mr. Hung Hak Hip, Peter and Mr. Hung Ming Kei, Marvin.

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 31 December 2013, 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

Details of the Company's share option scheme are disclosed in note 32 to the financial statements.

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" above and "Share Options" in note 32 to the financial statements, at no time during the year 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 31 December 2013, 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	Percentage of the Company's issued share Capital
True Force Ventures Limited	(i)	1,408,783,784	14.08%
Earn Field International Limited	(ii)	1,408,783,784	14.08%
H H Hung (2008) Limited	(iii)	3,412,399,373	34.10%
Ever Intellect Limited	(iv)	605,245,026	6.05%
Hung Hak Hip, Peter	(v)	4,094,422,215	40.92%
Hung Diana Wan Ling	(vi)	4,094,422,215	40.92%
Winner Planet Limited	(vii)	1,625,526,805	16.25%
Creative Mount Limited	(viii)	1,587,229,730	15.86%
North China Fast Food (2008) Limited	(ix)	3,412,399,373	34.10%
Ample Great Ventures Limited	(x)	3,412,399,373	34.10%
Hung Ming Kei, Marvin	(xi)	3,631,732,184	36.30%
Arisaig Asia Consumer Fund Limited	(xii)	981,288,000	9.81%
Arisaig Partners (Mauritius) Limited	(xiii)	981,288,000	9.81%
Cooper Lindsay William Ernest	(xiv)	981,288,000	9.81%

Notes:

(i) The registered holder of the shares disclosed above.

(ii) The registered holder of the shares disclosed above.

(iii) H H Hung (2008) Limited directly controls more than one-third of the voting power at general meetings of Predominance Limited. Predominance Limited is deemed to be interested in the shares mentioned in notes (i)-(ii), and 594,831,805 shares held by certain shareholders of the company.

(iv) Ever Intellect Limited indirectly holds the entire issued share capital of certain registered shareholders.

(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) 3,412,399,373 shares held through H H Hung (2008) Limited mentioned in note (iii) above;

(b) 605,245,026 shares held through Ever Intellect Limited mentioned in note (iv) above;

(c) 74,766,648 shares held through a controlled corporation; and

(d) 2,011,168 shares held through Mr. Hung Hak Hip, Peter's spouse.

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)*

(vi) Mrs. Hung Diana Wan Ling is the wife of Mr. Hung Hak Hip, Peter and is deemed to be interested in the shares mentioned in note (v) above.

(vii) The registered holder of the shares disclosed above.

(viii) The registered holder of the shares disclosed above.

(ix) North China Fast Food (2008) Limited indirectly controls more than one-third of the voting power at general meetings of certain registered shareholders including Winner Planet Limited, Creative Mount Limited and Predominance Fortune Limited. The company is deemed to be interested in the shares mentioned in notes (vii) and (viii) above and 199,642,838 shares held by Predominance Fortune Limited.

(x) Ample Great Ventures Limited is the sole shareholder of North China Fast Food (2008) Limited which is deemed to be interested in shares mentioned in notes (ix) above.

(xi) Mr. Hung Ming Kei Marvin holds the entire issued share capital of Ample Great Ventures Limited and is deemed to be interested in the shares mentioned in note (ix) above. He is also directly and beneficially owned 104,163 shares. In addition, Mr. Hung Ming Kei, Marvin is deemed to be interested in 219,228,648 shares beneficially owned by a discretionary trust whose discretionary beneficiaries included a company owned by him.

(xii) The registered holder of the shares disclosed above.

(xiii) Arisaig Partners (Mauritius) Limited is the fund manager of Arisaig Asia Consumer Fund Limited and is deemed to be interested in the shares mentioned in note (xii) above.

(xiv) Mr. Cooper Lindsay William Ernest indirectly holds one-third of the voting power at general meetings of Arisaig Partners (Mauritius) Limited and is deemed to be interested in the shares mentioned in note (xii) above.

Save as disclosed above, as at 31 December 2013, 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.

CONNECTED TRANSACTION

Completion of the Disposal of Hop Hing Oil Group Limited (formerly known as Oleo Chartering Inc.)

On 25 April 2013, the Company and Harvest Trinity Limited (the "Purchaser") entered into a conditional agreement (the "Agreement") pursuant to which the Purchaser agreed to purchase from the Company the entire issued share capital of Hop Hing Oil Group Limited (the holding company of a group of companies principally engaged in edible oils business) at a cash consideration of HK$400 million (subject to adjustment). The Disposal was completed on 28 June 2013. As the Purchaser was an associate of the substantial shareholder of the Company, the entering into the Agreement constituted a connected transaction under the Listing Rules.

Details of the Disposal were set out in the announcement dated 25 April 2013 and the circular dated 20 May 2013 of the Company.

CONTINUING CONNECTED TRANSACTIONS

(i) Tenancy Agreements

On 21 September 2009, Hop Hing Oil Factory Limited ("HHOF"), the then indirect wholly-owned subsidiary of the Company, entered into two tenancy agreements (the "Old Tenancy Agreements"), as the tenant, with Wytak Limited ("Wytak"), as the landlord, for renting certain premises from Wytak for the period from 1 August 2009 to 31 July 2012.

Upon the expiry of the Old Tenancy Agreements and on 28 September 2012, the tenant and the landlord entered into two tenancy agreements (the "New Tenancy Agreements") for renting certain premises for two years commencing on 1 August 2012 to 31 July 2014.

At the time entering into the above tenancy agreements, as Mr. Hung Hak Hip, Peter, a non-executive director of the Company, together with his spouse, held the entire issued share capital of the trustee of a discretionary trust which indirectly held 51.8% interest of the landlord. The landlord was therefore a connected person and an associate of Mr. Hung Hak Hip, Peter and the entering into the Old Tenancy Agreements and the New Tenancy Agreements constituted continuing connected transactions under the Listing Rules.

Following the completion of Disposal of the Edible Oils Group on 28 June 2013, HHOF was no longer a subsidiary of the Company and the renting of the premises from Wytak by HHOF was no longer a continuing connected transaction of the Company thereafter.

The aggregate rent paid under the New Tenancy Agreements by the Group in the period from 1 January 2013 to 28 June 2013 was HK$4,345,000, which did not exceed the annual threshold under the Listing Rules.

Details of the transactions contemplated by the Old Tenancy Agreements and the New Tenancy Agreements were set out in the announcements dated 21 September 2009 and 28 September 2012 of the Company respectively.

(ii) Sales Agreement

Panyu Hop Hing Oils & Fats Co. Ltd. ("Panyu Hop Hing"), the then indirect wholly-owned subsidiary of the Company, entered into a sales agreement (the "Sales Agreement") with Shenzhen You Rong Retail Co. Ltd. ("Shenzhen You Rong") on 24 November 2010 for the sale of various edible oil products manufactured by the Group to Shenzhen You Rong in the three financial years ended 31 December 2013.

The maximum aggregate annual value of the sales by Panyu Hop Hing to Shenzhen You Rong under the Sales Agreement for each of the three financial years ended 31 December 2013 was estimated not to exceed RMB7,200,000 (equivalent to approximately HK$8,899,876 at the then exchange rate).

At the time entering into the above Sales Agreement, as Shenzhen You Rong was an associate of the substantial shareholder of the Company, the entering into the Sales Agreement and all transactions contemplated thereunder constituted continuing connected transactions of the Company under the Listing Rules.

Following the completion of Disposal of the Edible Oils Group on 28 June 2013, Panyu Hop Hing was no longer a subsidiary of the Company and the sale of edible oil products under the Sales Agreement was no longer a continuing connected transaction of the Company thereafter.

CONTINUING CONNECTED TRANSACTIONS *(continued)*

(ii) **Sales Agreement** *(continued)*

The aggregate sales value by Panyu Hop Hing to Shenzhen You Rong under the Sales Agreement for the period from 1 January 2013 to 28 June 2013 was approximately HK$987,000.

Details of the Sales Agreement were set out in the announcement dated 24 November 2010.

Listing Rules Implications

In respect of the (i) New Tenancy Agreements and (ii) Sales Agreement which constituted continuing connected transactions prior to the disposal of the Edible Oils Group, the Company has fully complied with the reporting requirements under Rules 14A.45 to 14A.47 of the Listing Rules and annual review requirements under Rules 14A.37 and 14A.38 of the Listing Rules.

Independent shareholders' approval of these transactions is not required as the threshold stipulated under Rule 14A.34 of the Listing Rules has not been exceeded at any relevant time. The independent non-executive directors have reviewed and confirmed that the above continuing connected transactions in the period from 1 January 2013 to 28 June 2013 had been entered into (i) in the ordinary and usual course of business of the Company; (ii) on normal commercial terms; and (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company has also received a letter from Ernst & Young, the Company's auditors, reporting on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 Assurance Engagements Other Than Audits or Reviews of Historical Financial Information and with reference to Practice Note 740 Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules issued by the Hong Kong Institute of Certified Public Accountants. Ernst & Young have issued their unqualified letter containing the following findings and conclusions in respect of the continuing connected transactions disclosed above by the Group in accordance with Rule 14A.38 of the Listing Rules:

(i) the transactions had received the approval of the Board of the Company;

(ii) the transactions involving the provision of goods by the Group were in accordance with the pricing policies of the Company;

(iii) the transactions had been entered into in accordance with the New Tenancy Agreements and the Sales Agreement governing the transactions; and

(iv) the transactions had not exceeded the annual caps disclosed in the announcements dated 24 November 2010 and 28 September 2012 of the Company respectively.

Save for the Connected Transaction and Continuing Connected Transactions disclosed above and certain connected transactions which are exempted from the reporting, annual review, announcement and independent shareholders' approval requirements under Rules 14A.33(3) and 14A.65(4) of the Listing Rules, during the year, there were no other transactions which, in the opinion of the directors, constituted connected transactions or continuing connected transactions that were subject to the reporting requirements under the Listing Rules. The above Connected Transaction and Continuing Connected Transactions were also reported under the related party transactions in accordance with the Hong Kong Financial Reporting Standards in this Annual Report.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales and purchases attributable to the Group's five largest customers and suppliers both accounted for less than 30% of the total sales and purchases for the year.

To the best knowledge of the directors, neither the directors, their associates, nor any shareholders who own more than 5% of the Company's issued share capital, had any beneficial interest in the Group's five largest customers and five largest suppliers during the year.

RETIREMENT BENEFITS SCHEMES

The Group operates defined contribution retirement benefits schemes, namely the Mandatory Provident Fund Scheme (the "MPF Scheme") for the employees of the QSR business who are eligible to participate and operated a scheme registered under the Occupational Retirement Schemes Ordinance which had been exempted under the MPF Schemes Ordinance (the "Exempted Scheme") for the employees of the Edible Oils Group who are eligible to participate. Contributions are made based on a percentage of the employees' salaries and charged to the income statement as they become payable in accordance with the rules of the respective schemes.

The assets of the respective schemes are held separately from those of the Group in independently administered funds. In accordance with the MPF Schemes Ordinance, when an employee leaves the Exempted Scheme prior to his/her interest in the employer contributions vesting fully, the ongoing contributions payable by the Group may be reduced by the relevant amount of forfeited contributions. For the MPF Scheme, the employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local government. These subsidiaries are required to contribute a specified percentage of its payroll costs to the central pension scheme.

For the year ended 31 December 2013, the total scheme contributions made by the Group amounted to approximately HK$81,915,000 and no forfeited contributions were applied to reduce employer's contributions. As at 31 December 2013, there was no forfeited contribution available to reduce future contributions to the Exempted Scheme.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's amended and restated articles of association or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

AUDITORS

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

HUNG HAK HIP, PETER
Chairman
Hong Kong
28 March 2014

Independent Auditors' Report

EY 安永

To the shareholders of Hop Hing Group Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Hop Hing Group Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 51 to 118, which comprise the consolidated and company statements of financial position as at 31 December 2013, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditors' Report

To the shareholders of Hop Hing Group Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2013, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

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

28 March 2014

Consolidated Income Statement

Year ended 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000 (Re-presented)
CONTINUING OPERATIONS			
TURNOVER	5	**2,110,664**	1,971,321
Direct cost of stocks sold		**(808,682)**	(784,542)
Other income and gains, net	5	**9,399**	7,731
Selling and distribution expenses		**(1,050,173)**	(852,764)
General and administrative expenses		**(174,306)**	(136,740)
Other expenses		**–**	(1,544)
PROFIT FROM OPERATING ACTIVITIES FROM CONTINUING OPERATIONS	6	**86,902**	203,462
Finance costs	7	**(2,441)**	(2,648)
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS		**84,461**	200,814
Income tax expense	10	**(18,785)**	(56,255)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**65,676**	144,559
DISCONTINUED OPERATION			
Loss for the year from a discontinued operation	12	**(51,696)**	(364)
PROFIT FOR THE YEAR		**13,980**	144,195
ATTRIBUTABLE TO:			
Equity holders of the Company	11	**13,980**	129,834
Non-controlling interests		**–**	14,361
		13,980	144,195
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	14		
Basic			
– For profit for the year		**HK0.14 cent**	HK4.39 cents
– For profit from continuing operations		**HK0.66 cent**	HK4.40 cents
Diluted			
– For profit for the year		**HK0.14 cent**	HK1.30 cents
– For profit from continuing operations		**HK0.66 cent**	HK1.30 cents

Details of the dividends are disclosed in note 13 to the financial statements.

Consolidated Statement of Comprehensive Income

Year ended 31 December 2013

	2013 HK$'000	2012 HK$'000
PROFIT FOR THE YEAR	**13,980**	144,195
OTHER COMPREHENSIVE INCOME/(EXPENSES)		
Other comprehensive income/(expenses) that have been reclassified or may be subsequently reclassified to profit or loss:		
Release of exchange fluctuation reserve upon disposal of subsidiaries	**(33,137)**	(2,039)
Release of exchange fluctuation reserve upon de-registration of a subsidiary	**–**	(133)
Exchange differences on translation of foreign operations	**9,322**	5,482
OTHER COMPREHENSIVE INCOME/(EXPENSES) FOR THE YEAR	**(23,815)**	3,310
TOTAL COMPREHENSIVE INCOME/(EXPENSES) FOR THE YEAR	**(9,835)**	147,505
ATTRIBUTABLE TO:		
Equity holders of the Company	**(9,835)**	134,143
Non-controlling interests	**–**	13,362
	(9,835)	147,505

Consolidated Statement of Financial Position

31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	15	**301,148**	461,635
Prepaid land lease payments	16	**–**	26,889
Trademarks	17	**–**	125,299
Deferred tax assets	26	**11,047**	1,340
Prepayment and rental deposits	27	**50,820**	41,105
Total non-current assets		**363,015**	656,268
CURRENT ASSETS			
Stocks	20	**111,530**	240,795
Accounts receivable	21	**8,098**	147,808
Prepayments, deposits and other receivables	27	**61,791**	90,234
Tax recoverable		**14,690**	2,003
Pledged bank deposits	22	**44,872**	47,964
Cash and cash equivalents	28	**226,302**	192,091
Total current assets		**467,283**	720,895
CURRENT LIABILITIES			
Accounts payable	23	**131,514**	181,305
Bills payable	24	**–**	14,046
Other payables and accrued charges	29	**242,735**	305,572
Interest-bearing bank loans	25	**26,923**	149,239
Tax payable		**–**	4,554
Total current liabilities		**401,172**	654,716
NET CURRENT ASSETS		**66,111**	66,179
TOTAL ASSETS LESS CURRENT LIABILITIES		**429,126**	722,447
NON-CURRENT LIABILITIES			
Deferred tax liabilities	26	**11,461**	7,400
NET ASSETS		**417,665**	715,047

Consolidated Statement of Financial Position (continued)

31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
EQUITY			
Equity attributable to equity holders of the Company			
Issued share capital	30	**1,000,629**	991,687
Reserves	33(a)	**(582,964)**	(276,834)
		417,665	714,853
Non-controlling interests		**–**	194
Total equity		**417,665**	715,047

HUNG HAK HIP, PETER
CHAIRMAN

HUNG MING KEI, MARVIN
CHIEF EXECUTIVE OFFICER

Consolidated Statement of Changes in Equity

Year ended 31 December 2013

	Attributable to equity holders of the Company											
	Issued share capital HK$'000	Share premium account* HK$'000	Merger reserve*# 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* HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2013	**991,687**	**4,035,794**	**(4,857,319)**	**6,062**	**48,347**	**2,080**	**15,157**	**374,569**	**98,476**	**714,853**	**194**	**715,047**
Profit for the year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**13,980**	**13,980**	**-**	**13,980**
Other comprehensive income for the year:												
Release of exchange fluctuation reserve upon disposal of subsidiaries	**-**	**-**	**-**	**-**	**(33,137)**	**-**	**-**	**-**	**-**	**(33,137)**	**-**	**(33,137)**
Exchange differences on translation of foreign operations	**-**	**-**	**-**	**-**	**9,322**	**-**	**-**	**-**	**-**	**9,322**	**-**	**9,322**
Total comprehensive income/(expense) for the year	**-**	**-**	**-**	**-**	**(23,815)**	**-**	**-**	**-**	**13,980**	**(9,835)**	**-**	**(9,835)**
Issue of shares upon exercise of warrants (note 30)	**8,942**	**8,942**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**17,884**	**-**	**17,884**
Share issue expenses (note 30)	**-**	**(45)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(45)**	**-**	**(45)**
Transfer of share option reserve upon the lapse of share options	**-**	**-**	**-**	**(601)**	**-**	**-**	**-**	**-**	**601**	**-**	**-**	**-**
Disposal of subsidiaries	**-**	**-**	**-**	**-**	**-**	**(2,080)**	**-**	**-**	**2,080**	**-**	**(194)**	**(194)**
Final dividend for 2012 (note 13)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(25,016)**	**-**	**(25,016)**	**-**	**(25,016)**
Special dividend for 2013 (note 13)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(280,176)**	**-**	**(280,176)**	**-**	**(280,176)**
Transfer from retained profits	**-**	**-**	**-**	**-**	**-**	**-**	**1,282**	**-**	**(1,282)**	**-**	**-**	**-**
At 31 December 2013	**1,000,629**	**4,044,691**	**(4,857,319)**	**5,461**	**24,532**	**-**	**16,439**	**69,377**	**113,855**	**417,665**	**-**	**417,665**

Consolidated Statement of Changes in Equity (continued)

Year ended 31 December 2013

	Attributable to equity holders of the Company												
	Issued share capital HK$'000	Share premium account* HK$'000	Perpetual subordinated convertible securities ("PSCS")* HK$'000 (note 31)	Merger reserve*# HK$'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 2012	51,566	11,513	–	3,479	6,645	44,038	2,080	15,157	439,334	(5,285)	568,527	73,586	642,113
Profit for the year	–	–	–	–	–	–	–	–	–	129,834	129,834	14,361	144,195
Other comprehensive income for the year:													
Release of exchange fluctuation reserve upon disposal of a subsidiary	–	–	–	–	–	(1,040)	–	–	–	–	(1,040)	(999)	(2,039)
Release of exchange fluctuation reserve upon de-registration of a subsidiary	–	–	–	–	–	(133)	–	–	–	–	(133)	–	(133)
Exchange differences on translation of foreign operations	–	–	–	–	–	5,482	–	–	–	–	5,482	–	5,482
Total comprehensive income for the year	–	–	–	–	–	4,309	–	–	–	129,834	134,143	13,362	147,505
Issue of shares upon exercise of warrants (note 30)	599	599	–	–	–	–	–	–	–	–	1,198	–	1,198
Exercise of share options (note 30)	333	1,489	–	–	(657)	–	–	–	–	–	1,165	–	1,165
Equity-settled share option arrangements (note 32)	–	–	–	–	74	–	–	–	–	–	74	–	74
Disposal of a subsidiary	–	–	–	–	–	–	–	–	1,690	–	1,690	(3,982)	(2,292)
De-registration of a subsidiary	–	–	–	–	–	–	–	–	(97)	–	(97)	–	(97)
Issuance of the PSCS (note 31)	–	–	4,964,232	–	–	–	–	–	–	–	4,964,232	–	4,964,232
PSCS issue expenses	–	–	(2,850)	–	–	–	–	–	–	–	(2,850)	–	(2,850)
Conversion of the PSCS (note 30)	939,189	4,022,193	(4,961,382)	–	–	–	–	–	–	–	–	–	–
PSCS distribution (note 31)	–	–	–	–	–	–	–	–	(66,358)	–	(66,358)	–	(66,358)
Dividend declared by a subsidiary paid to its former owners	–	–	–	–	–	–	–	–	–	(26,073)	(26,073)	(23,727)	(49,800)
Business combination under common control	–	–	–	(4,860,798)	–	–	–	–	–	–	(4,860,798)	(59,045)	(4,919,843)
At 31 December 2012	991,687	4,035,794	–	(4,857,319)	6,062	48,347	2,080	15,157	374,569	98,476	714,853	194	715,047

* These reserve accounts comprise the reserves in debit balance of HK$582,964,000 (2012: HK$276,834,000) in the consolidated statement of financial position.

Merger reserve represents the excess of investment cost in a subsidiary, Hop Hing Fast Food Group Holdings Limited ("Hop Hing Fast Food") of HK$4,919,843,000 (being the total consideration of HK$4,964,232,000 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 arose from an acquisition in 2012.

In accordance with the Company Law of the People's Republic of China (the "PRC"), the Company's subsidiaries registered in the PRC are required to appropriate 10% of the annual statutory net profit after tax (after offsetting any prior year' losses) to the statutory reserve fund. When the balance of the statutory reserve fund reaches 50% of each entity's registered capital, any further appropriation is optional. The statutory reserve fund can be utilised to offset prior year' losses or to increase the registered capital. However, such balance of the statutory reserve fund must be maintained at a minimum of 50% of the registered capital after such usages.

Consolidated Statement of Cash Flows

Year ended 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000 (Re-presented)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax			
From continuing operations		**84,461**	200,814
From the discontinued operation		**(39,832)**	2,922
Adjustments for:			
Interest income	5, 12	**(3,077)**	(3,742)
Finance costs	7, 12	**4,509**	9,919
Depreciation	15	**133,079**	113,822
Amortisation of prepaid land lease payments	16	**367**	722
Impairment of accounts receivable	21	**1,312**	57
Impairment of items of property, plant and equipment	6	**3,034**	–
Loss/(gain) on disposal of items of property, plant and equipment, net		**5,325**	(4,226)
Loss on disposal of subsidiaries	34	**46,309**	711
Gain on de-registration of a subsidiary		**–**	(230)
Equity-settled share option expense	32	**–**	74
		235,487	320,843
Decrease/(increase) in stocks		**8,221**	(17,943)
Increase in accounts receivable		**(10,165)**	(27,701)
Increase in prepayments, deposits and other receivables		**(2,920)**	(38,329)
Decrease in amounts due from related companies		**–**	185
Increase/(decrease) in accounts payable		**(7,565)**	7,350
Decrease in bills payable		**(14,046)**	(12,189)
Increase in other payables and accrued charges		**30,446**	42,938
Decrease in amounts due to related companies		**–**	(7,095)
Cash generated from operations		**239,458**	268,059
Interest received		**3,077**	3,742
Hong Kong profits tax paid		**(7,908)**	(7,212)
Overseas tax paid		**(34,248)**	(63,860)
Net cash flows from operating activities		**200,379**	200,729
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(160,098)**	(173,439)
Proceeds from disposal of items of property, plant and equipment		**–**	12,933
Increase in trademarks		**(5)**	(989)
Decrease/(increase) in time deposits with original maturity of more than three months when acquired	28	**(5,385)**	57,901
Increase in time deposits with original maturity of less than or equal to three months when acquired	28	**(27,179)**	–
Disposal of subsidiaries	34	**361,700**	(5,547)
Net cash flows from/(used in) investing activities		**169,033**	(109,141)

Consolidated Statement of Cash Flows (continued)

Year ended 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000 (Re-presented)
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid		**(4,509)**	(9,919)
Dividends paid		**(305,192)**	–
Issue of shares, net of expenses		**17,839**	2,363
PSCS issue expense		**–**	(2,850)
PSCS distribution		**–**	(66,358)
Decrease/(increase) in pledged bank deposits		**3,092**	(3,057)
Repayment of bank and other loans		**(21,689)**	(79,527)
Dividends paid to the former owners of a subsidiary		**(57,333)**	(147,963)
Net cash flows used in financing activities		**(367,792)**	(307,311)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**1,620**	(215,723)
Cash and cash equivalents at beginning of year		**182,091**	397,560
Effect of foreign exchange rates changes, net		**27**	254
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		**183,738**	182,091
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents as stated in the consolidated statement of financial position		**226,302**	192,091
Less: Time deposits with original maturity of less than or equal to three months when acquired	28	**(27,179)**	–
Less: Time deposits with original maturity of more than three months when acquired	28	**(15,385)**	(10,000)
Cash and cash equivalents as stated in the consolidated statement of cash flows		**183,738**	182,091

Statement of Financial Position

31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
NON-CURRENT ASSETS			
Investments in subsidiaries	18	**5,022,280**	5,348,663
Deferred tax assets	26	**–**	885
Total non-current assets		**5,022,280**	5,349,548
CURRENT ASSETS			
Due from a subsidiary	18	**15,000**	10,000
Prepayments and other receivables		**806**	780
Cash and cash equivalents		**379**	292
Total current assets		**16,185**	11,072
CURRENT LIABILITIES			
Other payables and accrued charges		**3,002**	4,479
Total current liabilities		**3,002**	4,479
NET CURRENT ASSETS		**13,183**	6,593
NET ASSETS		**5,035,463**	5,356,141
EQUITY			
Issued share capital	30	**1,000,629**	991,687
Reserves	33(b)	**4,034,834**	4,364,454
Total equity		**5,035,463**	5,356,141

HUNG HAK HIP, PETER
CHAIRMAN

HUNG MING KEI, MARVIN
CHIEF EXECUTIVE OFFICER

Notes to Financial Statements

31 December 2013

1. CORPORATE INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands on 1 August 2007. The registered office address of the Company is Clifton House, 75 Fort Street, P.O. Box 1350 GT, Grand Cayman, KY1-1108, Cayman Islands. The principal place of business of the Company is located at Flat A, 2/F., Hop Hing Building, 9 Ping Tong Street East, Tong Yan San Tsuen, Yuen Long, New Territories, Hong Kong.

The principal activity of the Company is investment holding. During the year, the Company disposed of certain subsidiaries whose principal activities included the extraction, refining, blending, bottling, packaging and distribution of edible oils and the provision of ancillary activities. Details of the disposal are set out in notes 12 and 34 to the financial statements. Apart from the above, there was no significant change in the principal activities of the subsidiaries of the Company during the year, which consisted the operation of quick service restaurants ("QSR") business under the brand names of Yoshinoya and Dairy Queen in the Northern China.

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 QSR in their franchised regions in 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. Details of the Acquisition were set out in the Company's announcements made on 1 December 2011 and 12 March 2012 and circular dated 30 December 2011.

Prior to the Acquisition, Hop Hing Fast Food has undergone a group reorganisation (the "Reorganisation") to rationalise its group structure for the purpose of the Acquisition. Details of the Reorganisation were set out in the Company's circular dated 30 December 2011.

The Acquisition was completed on 12 March 2012 with the total consideration being satisfied by an issue of the PSCS by the Company to companies as directed by Queen Board. Details of the PSCS are set out in note 31.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for certain land and buildings, classified as property, plant and equipment, which were carried at 1993 valuation. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

2.1 BASIS OF PREPARATION *(continued)*

Merger accounting for business combination under common control

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 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 consolidated income statements, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2012 include the results and cash flows of all companies comprising the Group from the earliest date presented or since the dates when the subsidiaries first came under common control of the substantial shareholder, where this is a shorter period. The consolidated statements of financial position of the Group as at 1 January 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.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries and the Group's share of the financial statements of the Group's joint ventures for the year ended 31 December 2013. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. Apart from the merger accounting applied for the Acquisition, the results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit and loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interest, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, incomes, expenses and cash flows relating to the transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries below. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

Notes to Financial Statements

31 December 2013

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Government Loans*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*
HKFRS 10	*Consolidated Financial Statements*
HKFRS 11	*Joint Arrangements*
HKFRS 12	*Disclosure of Interests in Other Entities*
HKFRS 10, HKFRS 11 and HKFRS 12 Amendments	Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 – *Transition Guidance*
HKFRS 13	*Fair Value Measurement*
HKAS 1 Amendments	Amendments to HKAS 1 *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*
HKAS 19 (2011)	*Employee Benefits*
HKAS 27 (2011)	*Separate Financial Statements*
HKAS 28 (2011)	*Investments in Associates and Joint Ventures*
HK(IFRIC)-Int 20	*Stripping Costs in the Production Phase of a Surface Mine*
Annual Improvements 2009-2011 Cycle	Amendments to a number of HKFRSs issued in June 2012

Other than as further explained below regarding the impact of HKFRS 10, HKFRS 11, HKFRS 13 and HKAS 1 Amendments, the adoption of the new and revised HKFRSs has had no significant financial effect on these financial statements.

The principal effects of adopting these new and revised HKFRSs are as follows:

(a) HKFRS 10 replaces the portion of HKAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements and addresses the issues in HK(SIC)-Int 12 *Consolidation – Special Purpose Entities*. It establishes a single control model used for determining which entities are consolidated. To meet the definition of control in HKFRS 10, an investor must have (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. The changes introduced by HKFRS 10 require management of the Group to exercise significant judgement to determine which entities are controlled.

As a result of the application of HKFRS 10, the Group has changed the accounting policy with respect to determining which investees are controlled by the Group.

The application of HKFRS 10 does not change any of the consolidation conclusions of the Group in respect of its involvement with investees as at 1 January 2013.

Notes to Financial Statements

31 December 2013

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(continued)*

(b) HKFRS 11 replaces HKAS 31 *Interests in Joint Ventures* and HK(SIC)-Int 13 *Jointly Controlled Entities – Non-Monetary Contributions by Venturers*. It describes the accounting for joint arrangements with joint control. It addresses only two forms of joint arrangements, i.e., joint operations and joint ventures, and removes the option to account for joint ventures using proportionate consolidation. The classification of joint arrangements under HKFRS 11 depends on the parties' rights and obligations arising from the arrangements. A joint operation is a joint arrangement whereby the joint operators have rights to the assets and obligations for the liabilities of the arrangement and is accounted for on a line-by-line basis to the extent of the joint operators' rights and obligations in the joint operation. A joint venture is a joint arrangement whereby the joint venturers have rights to the net assets of the arrangement and is required to be accounted for using the equity method in accordance with HKAS 28 (2011).

However, having considered the discontinued operation presentation of the disposal of the Group's joint ventures as part of the Group's disposal of edible oils business during current year (notes 12 and 34), and the impact on the consolidated statement of financial position of the Group as at 1 January 2012, the directors considered the adoption of equity accounting of its joint ventures under HKFRS 11 has no material impact to the Group's financial statements. Accordingly, no equity accounting is applied to account for the Group's joint ventures before the disposal as set out in notes 12 and 34.

(c) HKFRS 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The standard does not change the circumstances in which the Group is required to use fair value, but rather provides guidance on how fair value should be applied where its use is already required or permitted under other HKFRSs. HKFRS 13 is applied prospectively and the adoption has had no material impact on the Group's fair value measurements. As a result of the guidance in HKFRS 13, the policies for measuring fair value have been amended. The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position and statement of financial position approximate their respective fair values.

(d) The HKAS 1 Amendments change the grouping of items presented in other comprehensive income ("OCI"). Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) are presented separately from items which will never be reclassified (for example, the revaluation of land and buildings). The amendments have affected the presentation only and have had no impact on the financial position or performance of the Group.

Notes to Financial Statements

31 December 2013

2.3 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 financial statements.

HKFRS 9	*Financial Instruments*[4]
HKFRS 9, HKFRS 7 and HKAS 39 Amendments	*Hedge Accounting and amendments to HKFRS 9, HKFRS 7 and HKAS 39*[4]
HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) – *Investment Entities*[1]
HKFRS 14	*Regulatory Deferral Accounts*[3]
HKAS 19 Amendments	Amendments to HKAS 19 *Employee Benefits – Defined Benefit Plans: Employee Contributions*[2]
HKAS 32 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*[1]
HKAS 36 Amendments	Amendments to HKAS 36 *Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets*[1]
HKAS 39 Amendments	Amendments to HKAS 39 *Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting*[1]
HK(IFRIC)-Int 21	*Levies*[1]
Annual improvements 2010-2012 Cycle	Amendments to a number of HKFRSs issued in January 2014[2]
Annual improvements 2011-2013 Cycle	Amendments to a number of HKFRSs issued in January 2014[2]

1 Effective for annual periods beginning on or after 1 January 2014
2 Effective for annual periods beginning on or after 1 July 2014
3 Effective for annual periods beginning on or after 1 January 2016
4 No mandatory effective date yet determined but is available for adoption

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application but is not yet in position to state whether these new and revised HKFRSs would have any significant impact on its results of operations and financial position.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Subsidiaries *(continued)*

(c) the Group's voting rights and potential voting rights.

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's investments in subsidiaries are stated at cost less any impairment losses.

Investments in joint ventures

A jointly venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

As explained in note 2.2(b) above, no equity accounting is applied to account for the Group's joint ventures. The Group's investments in its joint ventures are accounted for by the proportionate consolidation method, which involves recognising its share of the joint ventures' assets, liabilities, income and expenses with similar items in the consolidated financial statements on a line-by-line basis. Unrealised gains and losses resulting from transactions between the Group and its joint ventures are eliminated to the extent of the Group's investments in the joint ventures, except where unrealised losses provide evidence of an impairment of the asset transferred. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

Business combinations under common control

As explained in note 2.1 above, the acquisition of subsidiaries under common control has been accounted for using the merger method of accounting.

Under the merger method of accounting, the net assets of the combining entities or businesses are combined using their existing book values from the controlling parties' perspective. No amount is recognised in respect of goodwill or excess of the acquirers' interest in the net fair value of acquirees' identifiable assets, liabilities and contingent liabilities over the cost of investment at the time of common control combination. The consolidated income statement includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under common control, where this is a shorter period, regardless of the date of the common control combination.

Business combinations not under common control

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measures the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to proportionate share of net assets in the events of liquidation either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

Notes to Financial Statements

31 December 2013

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Business combinations not under common control *(continued)*

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of HKAS 39 is measured at fair value with changes in fair value either recognised in profit or loss or as a change to other comprehensive income. If the contingent consideration not within the scope of HKAS 39, it is measured in accordance with the appropriate HKFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets of the subsidiary acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the disposed operation and the portion of the cash-generating unit retained.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than stocks, deferred tax assets and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Notes to Financial Statements

31 December 2013

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of non-financial assets *(continued)*

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the income statement in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

- (i) the entity and the Group are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Group are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- (vi) the entity is controlled or jointly controlled by a person identified in (a); and
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost or valuation less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

The transitional provision set out in paragraph 80A of HKAS 16 *Property, Plant and Equipment* issued by the HKICPA has been adopted for certain properties which are stated at valuation. As a result, those assets stated at revalued amounts based on revaluations which were reflected in the financial statements for the year ended 31 December 1993 have not been revalued by class at the end of the reporting period.

Depreciation is calculated on the straight-line basis to write off the cost or valuation of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold land	Over the remaining terms of the leases
Buildings	2% to 2.5% or over the terms of the leases, if shorter
Barges, oil plants and machinery, motor vehicles and other equipment	5% to 33.33%
Furniture and fixtures	20% to 33.33%
Leasehold improvements	33.3% or over the shorter of the lease terms, if shorter

Where parts of an item of property, plant and equipment have different useful lives, the cost or valuation of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset. On disposal of a revalued asset, the relevant portion of the other properties revaluation reserve realised in respect of previous valuations is transferred to retained profits/(accumulated losses) as a movement in reserves.

Trademarks

Trademarks with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level, and are not amortised. The useful life of a trademark with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the income statement on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to the income statement on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as loans and receivables. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in the income statement. The loss arising from impairment is recognised in the income statement.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of financial assets *(continued)*

Financial assets carried at amortised cost (continued)

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to the income statement.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include accounts payable, bills payable, other payables, accrued charges and interest-bearing bank loans.

Subsequent measurement

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the income statement.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the income statement.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

Notes to Financial Statements

31 December 2013

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income tax *(continued)*

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the cost which it is intended to compensate, are expensed.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(i) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(ii) from the provision of management, marketing, bottling, packaging and testing services, in the period in which the services are rendered;

(iii) from the sale of food and beverage products from fast food restaurants and ice-cream shops at the point of sale to customers;

(iv) rental income, on a time proportion basis over the lease terms;

(v) royalties, in the period in which the related products are sold; and

(vi) interest income, on an accrual basis using the effective interest rate method by applying the rate that discounts the estimated future cash receipts over the expected life of the financial instrument to the net carrying amount of the financial asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Employee benefits

Share-based payments

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial option pricing model, further details of which are given in note 32 to the financial statements.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled in employee benefit expense. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the income statement for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Paid leave carried forward

The Group provides paid annual leave to its employees under their employment contracts on a calendar year basis. Under certain circumstances, such leave which remains untaken as at the end of the reporting period is permitted to be carried forward and utilised by the respective employees in the following year. An accrual is made at the end of the reporting period for the expected future cost of such paid leave earned during the year by the employees and carried forward.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Employee benefits *(continued)*

Retirement benefits schemes

The Group operates defined contribution retirement benefits schemes, namely, the Mandatory Provident Fund Scheme (the "MPF Scheme") and a scheme registered under the Occupational Retirement Schemes Ordinance which has been exempted under the MPF Schemes Ordinance (the "Exempted Scheme") for those employees who are eligible to participate. Contributions are made based on a percentage of the employees' salaries and are charged to the income statement as they become payable in accordance with the rules of the respective schemes. The assets of the respective schemes are held separately from those of the Group in independently administered funds. In accordance with the MPF Schemes Ordinance, when an employee leaves the Exempted Scheme prior to his/her interest in the employer contributions vesting fully, the ongoing contributions payable by the Group may be reduced by the relevant amount of forfeited contributions. For the MPF Scheme, the employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local government. These subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to the income statement as they become payable in accordance with the rules of the central pension scheme.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short-term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the statements of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the income statement.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of certain overseas subsidiaries and a joint venture are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates prevailing at the end of the reporting period and their income statements are translated into Hong Kong dollars at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the income statement.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosure, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

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3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

Judgements *(continued)*

Impairment of assets

In determining whether an asset is impaired or whether the event previously causing the impairment no longer exists, the Group has to exercise judgement in the area of asset impairment, particularly in assessing: (1) whether an event has occurred that may affect the asset value, or such an event affecting the asset value has not been in existence; (2) whether the carrying value of an asset can be supported by the net present value of future cash flows, which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in preparing cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management to determine the level of impairment, including the discount rates or the growth rate assumptions in cash flow projections, could have a material effect on the net present value used in the impairment test.

Estimation uncertainty

The key assumption concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Useful lives and residual values of items of property, plant and equipment

In determining the useful lives and residual values of item of property, plant and equipment, the Group has to consider various factors, such as obsolescence arising from changes or improvements in the production and provision of services, or from a change in the market demand for the product or service output of the asset, expected usage of the asset, expect physical wear and tear, care and maintenance of the asset, and legal or similar limits on the use of the asset. The estimation of the useful life of the asset is based on the experience of the Group with similar assets that are used in a similar way. Additional depreciation is made if the estimated useful lives and/or residual values of items of property, plant and equipment are shorter than previous estimation. Useful lives and residual values are reviewed at the end of each reporting period based on changes in circumstances.

Deferred tax assets

Deferred tax assets are recognised for deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and unused tax losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets at 31 December 2013 was HK$11,047,000 (2012: HK$1,340,000). Further details are contained in note 26 to the financial statements.

4. OPERATING SEGMENT INFORMATION

The Group's primary operating segment is QSR business after the disposal of the edible oils business ("the Disposal") in the current year. Further details of the Disposal are set out in notes 12 and 34 to the financial statements. Since the QSR business is the only continuing operating segment of the Group, no further analysis thereof is presented.

In addition, the QSR business' revenue and non-current assets, other than deferred tax assets, are predominantly attributable to a single geographical region, which is the PRC. Therefore, no analysis by geographical regions are presented.

5. TURNOVER AND OTHER INCOME AND GAINS, NET

Turnover represents the net invoiced value of goods sold during the year.

An analysis of turnover and other income and gains, net, from continuing operations is as follows:

	Group	
	2013	2012
	HK$'000	HK$'000
		(Re-presented)
Turnover		
Sales	**2,110,664**	1,971,321
Other income and gains, net		
Bank interest income	**2,991**	2,461
Foreign exchange differences, net	**3,675**	381
Gain on disposal of items of property, plant and equipment	**–**	234
Compensation	**1,213**	1,277
Others	**1,520**	3,378
	9,399	7,731

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6. PROFIT FROM OPERATING ACTIVITIES FROM CONTINUING OPERATIONS

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

	2013 HK$'000	2012 HK$'000 (Re-presented)
Foreign exchange differences, net	**(3,675)**	(381)
Direct cost of stocks sold	**808,682**	784,542
Loss/(gain) on disposal of items of property, plant and equipment, net	**5,325**	(234)
Employee benefit expenses (including directors' emoluments in note 8):		
Wages and salaries	**277,340**	231,204
Equity-settled share option expense	**–**	74
Pension scheme contributions	**81,915**	63,132
	359,255	294,410
Depreciation	**124,979**	97,684
Impairment of items of property, plant and equipment	**3,034**	–
Lease payments under operating leases in respect of land and buildings		
– Minimum lease payments	**269,797**	225,895
– Contingent rents	**38,333**	39,526
Auditors' remuneration	**2,265**	2,188
Legal and professional fees incurred for the Acquisition *	**–**	1,544

Notes:

* Legal and professional fees incurred for the Acquisition are included in "Other expenses" in the consolidated income statement.

** At 31 December 2013, the Group had no forfeited contributions available to reduce its future contributions to the pension schemes in future years (2012: Nil).

7. FINANCE COSTS

An analysis of finance costs from continuing operations is as follows:

	Group	
	2013	2012
	HK$'000	HK$'000
		(Re-presented)
Interest on bank loans wholly repayable within five years	**1,812**	2,271
Others	**629**	377
	2,441	2,648

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8. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

Directors' and chief executives' emoluments for the year, disclosed pursuant to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and Section 161 of the Hong Kong Companies Ordinance, are as follows:

	2013					
	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary/ performance related bonuses HK$'000	Equity-settled share option benefits HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
(a) Independent non-executive directors						
Sze Tsai To, Robert	275	–	–	–	–	275
Wong Yu Hong, Philip	220	–	–	–	–	220
Cheung Wing Yui, Edward	220	–	–	–	–	220
Seto Gin Chung, John	220	–	–	–	–	220
Shek Lai Him, Abraham	220	–	–	–	–	220
Siu Wai Keung	220	–	–	–	–	220
	1,375	–	–	–	–	1,375
(b) Executive directors and non-executive directors						
Executive directors:						
Hung Ming Kei, Marvin	2,000	3,210	–	–	–	5,210
Wong Kwok Ying	–	2,376	–	–	190	2,566
Lam Fung Ming, Tammy*	–	634	–	–	51	685
	2,000	6,220	–	–	241	8,461
Non-executive directors:						
Hung Hak Hip, Peter	652	–	–	–	–	652
Lee Pak Wing#	11	–	–	–	–	11
Lam Fung Ming, Tammy*	15	–	–	–	–	15
	678	–	–	–	–	678

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8. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS *(continued)*

	2012					
	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary/ performance related bonuses HK$'000	Equity-settled share option benefits HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
(a) Independent non-executive directors						
Sze Tsai To, Robert	275	–	–	–	–	275
Wong Yu Hong, Philip	220	–	–	–	–	220
Cheung Wing Yui, Edward	220	–	–	–	–	220
Seto Gin Chung, John	220	–	–	–	–	220
Shek Lai Him, Abraham	220	–	–	–	–	220
Siu Wai Keung	73	–	–	–	–	73
	1,228	–	–	–	–	1,228
(b) Executive directors and non-executive directors						
Executive directors:						
Hung Ming Kei, Marvin^	1,612	2,329	–	–	–	3,941
Wong Kwok Ying	–	2,273	483	–	182	2,938
Lam Fung Ming, Tammy	–	1,213	251	–	97	1,561
	1,612	5,815	734	–	279	8,440
Non-executive directors:						
Hung Hak Hip, Peter	990	–	–	–	–	990
Hung Chiu Yee	30	–	–	–	–	30
Lee Pak Wing	30	–	–	–	–	30
	1,050	–	–	–	–	1,050

^ The emolument of Mr. Hung Ming Kei, Marvin ("Marvin Hung") disclosed above represented Marvin Hung's emolument after his appointment as an executive director and the Chief Executive Officer of the Company on 12 March 2012.

* Ms. Lam Fung Ming, Tammy, has been re-designated from an executive director to a non-executive director of the Company since 28 June 2013.

\# Mr. Lee Pak Wing ("Patrick Lee") resigned from the directorship of the Company on 20 May 2013. The emolument disclosed above represented Patrick Lee's director's fee up to 19 May 2013.

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8. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS *(continued)*

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year.

As at the end of the reporting period, certain directors held share options of the Company, further details of which are set out in note 32 to the financial statements. The fair value of such options, which is being recognised in the income statement over the vesting period, was determined as at the date of grant and the amounts included in the financial statements are included in the above directors' and chief executive's remuneration disclosures.

9. FIVE HIGHEST PAID EMPLOYEES

The aggregate emoluments of the five highest paid employees, including two (2012: three) directors whose emoluments are set out in note 8 above, for the year are as follows:

	Group	
	2013	2012
	HK$'000	HK$'000
Salaries, allowances and other emoluments	**12,872**	9,890
Discretionary/performance related bonuses	**1,375**	2,732
Pension scheme contributions	**392**	368
	14,639	12,990

The above emoluments are analysed as follows:

	Number of employees	
	2013	2012
HK$1,500,001 to HK$2,000,000	**2**	2
HK$2,000,001 to HK$2,500,000	**–**	1
HK$2,500,001 to HK$3,000,000	**1**	1
HK$3,000,001 to HK$3,500,000	**1**	–
HK$3,500,001 to HK$4,000,000	**–**	1
HK$5,000,000 to HK$5,500,000	**1**	–
	5	5

10. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2012: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. 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 year was 25% on their taxable profits. One of the subsidiaries engaged in agricultural business is entitled to exemptions from the standard income tax rate for a fixed term of one year in 2013.

10. INCOME TAX *(continued)*

The major components of the income tax expense for the year from continuing operations are as follows:

	2013 HK$'000	2012 HK$'000 (Re-presented)
Group:		
Current – Hong Kong		
Charge for the year	**954**	2,142
Underprovision in prior years	**–**	213
	954	2,355
Current – Elsewhere		
Charge for the year	**23,194**	54,589
Underprovision/(overprovision) in prior years	**(471)**	1,705
	22,723	56,294
Deferred (note 26)	**(4,892)**	(2,394)
Total income tax charge for the year	**18,785**	56,255

A reconciliation of the tax expense applicable to profit before tax from continuing operations at the statutory rates, ranging from 16.5% to 25%, for the countries/jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense from continuing operations at the effective tax rates is as follows:

	Group	
	2013 HK$'000	2012 HK$'000 (Re-presented)
Profit before tax from continuing operations	**84,461**	200,814
Tax at the applicable tax rate	**13,936**	33,134
Effect of different tax rates in other jurisdictions	**4,547**	14,090
Income not subject to tax	**(6,382)**	(26)
Expenses not deductible for tax	**1,004**	5,776
Underprovision/(overprovision) in respect of prior years	**(471)**	1,918
Effect of withholding tax on the distributable profits of the Group's PRC subsidiaries	**5,150**	1,380
Tax losses not recognised	**1,001**	–
Others	**–**	(17)
Tax charge at the Group's effective rate	**18,785**	56,255

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11. PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The consolidated profit attributable to equity holders of the Company for the year ended 31 December 2013 includes a loss of HK$33,325,000 (2012: profit of HK$3,346,000) which has been dealt with in the financial statements of the Company (note 33(b)).

12. DISCONTINUED OPERATION

On 25 April 2013, the Company entered into an agreement with Harvest Trinity Limited, a company incorporated in the British Virgin Islands and wholly-owned by a substantial shareholder of the Company and its associates, pursuant to which the Company agreed to sell its entire equity interest in Hop Hing Oil Group Limited (formerly known as Oleo Chartering Inc.) and its subsidiaries (collectively, the "Edible Oils Group"), which are principally engaged in the purchasing, extracting, refining, blending, marketing and distribution of edible oils and fats for consumption by households and restaurants in Hong Kong, Macau, the PRC and overseas countries (the "Edible Oils Business") at a total consideration of HK$400 million (subject to adjustment). Details of the Disposal are set out in the Company's circular dated 20 May 2013. The Disposal was completed on 28 June 2013.

The results of the Edible Oils Group for the period from 1 January 2013 to 28 June 2013 (i.e. date of completion of the Disposal) and year ended 31 December 2012 are presented below:

	Note	**2013** **HK$'000**	2012 HK$'000
Turnover		**438,283**	907,065
Direct cost of stocks sold and services provided		**(320,520)**	(690,675)
Interest income		**86**	1,281
Other income and gains/(loss), net		**(222)**	4,777
Other production and services costs		**(32,270)**	(56,887)
Selling and distribution expenses		**(53,330)**	(109,398)
General and administrative expenses		**(23,482)**	(42,848)
Profit from operating activities		**8,545**	13,315
Finance costs		**(2,068)**	(9,682)
Profit before tax from the discontinued operation		**6,477**	3,633
Income tax expense		**(11,864)**	(3,286)
Profit/(loss) for the year before loss on disposal of subsidiaries		**(5,387)**	347
Loss on disposal of subsidiaries	34	**(46,309)**	(711)
Loss for the year from the discontinued operation		**(51,696)**	(364)

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12. DISCONTINUED OPERATION *(continued)*

The net cash flows incurred by the Edible Oils Group are as follows:

	2013 **HK$'000**	2012 HK$'000
Operating activities	**(8,751)**	(34,685)
Investing activities	**(800)**	(3,566)
Financing activities	**(19,419)**	(37,729)
Effect of foreign exchange rates changes, net	**571**	700
Net cash flows	**(28,399)**	(75,280)
Loss per share:		
Basic, from the discontinued operation	**HK(0.52) cent**	HK(0.01) cent
Diluted, from the discontinued operation *	**HK(0.52) cent**	HK(0.01) cent

* No adjustment had been made to the basic loss per share amount presented in respect of a dilution as the warrants, share options and PSCS outstanding had an anti-dilutive effect on the basic loss per share presented.

The calculations of basic and diluted losses per share from the discontinued operation are based on:

	2013 **HK$'000**	2012 HK$'000
Loss attributable to equity holders of the Company from the discontinued operation	**(51,696)**	(364)

	Number of shares	
	2013	2012
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation (note 14)	**9,971,284,644**	2,957,694,053

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13. DIVIDENDS

	2013 HK$'000	2012 HK$'000
Dividends paid during the year:		
Final 2012 dividend – HK0.25 cent per ordinary share	**25,016**	–
Special 2013 dividend – HK2.8 cents per ordinary share	**280,176**	–
	305,192	–
Proposed final dividend:		
HK0.25 cent (2012: HK0.25 cent) per ordinary share	**25,016**	24,794

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting. These financial statements do not reflect the final dividend payable.

14. 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 year attributable to equity holders of the Company of HK$13,980,000 (2012: HK$129,834,000), and the weighted average number of 9,971,284,644 (2012: 2,957,694,053) ordinary shares in issue during the year.

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the consolidated profit for the year attributable to equity holders of the Company of HK$13,980,000 (2012: HK$129,834,000) and the weighted average number of 9,986,268,833 (2012: 9,997,720,920) ordinary shares in issue after adjusting for the effect of all dilutive potential ordinary shares of 14,984,189 (2012: 7,040,026,867) for the year ended 31 December 2013 calculated as follows:

	2013 HK$'000	2012 HK$'000
Consolidated profit/(loss) attributable to equity holders of the Company:		
From continuing operations	**65,676**	130,198
From a discontinued operation	**(51,696)**	(364)
	13,980	129,834

	Number of shares	
	2013	2012
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**9,971,284,644**	2,957,694,053
Effect of dilution – weighted average number of ordinary shares:		
Warrants	**14,984,189**	52,625,532
Share options *	**–**	7,634,683
PSCS	**–**	6,979,766,652
	9,986,268,833	9,997,720,920

* The outstanding share options of the Company have not been included in the computation of diluted earnings per share as they did not have dilutive effect on the Company's earnings per share during the year ended 31 December 2013 because the exercise prices of these options were higher than the average market prices of the Company's shares during the year.

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15. PROPERTY, PLANT AND EQUIPMENT

Group

	Leasehold land and buildings HK$'000	Barge, plant and machinery, motor vehicles and other equipment HK$'000	Furniture, fixtures and leasehold improvements HK$'000	Total HK$'000
31 December 2013				
Cost or valuation:				
At 1 January 2013	257,477	648,311	348,739	1,254,527
Additions	–	74,944	85,154	160,098
Disposals	–	(16,280)	(20,464)	(36,744)
Disposal of subsidiaries (note 34)	(259,404)	(354,653)	–	(614,057)
Exchange realignment	1,927	10,679	10,020	22,626
At 31 December 2013	–	363,001	423,449	786,450
Accumulated depreciation and impairment:				
At 1 January 2013	123,931	448,952	220,009	792,892
Provided during the year	1,951	52,484	78,644	133,079
Disposals	–	(14,318)	(17,101)	(31,419)
Disposal of subsidiaries (note 34)	(126,535)	(299,374)	–	(425,909)
Provision for impairment	–	–	3,034	3,034
Exchange realignment	653	6,305	6,667	13,625
At 31 December 2013	–	194,049	291,253	485,302
Net book value:				
At 31 December 2013	–	168,952	132,196	301,148

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15. PROPERTY, PLANT AND EQUIPMENT *(continued)*

Group

	Leasehold land and buildings HK$'000	Barge, plant and machinery, motor vehicles and other equipment HK$'000	Furniture, fixtures and leasehold improvements HK$'000	Total HK$'000
31 December 2012				
Cost or valuation:				
At 1 January 2012	262,363	598,368	242,546	1,103,277
Additions	–	66,211	107,228	173,439
Disposals	(6,787)	(21,986)	(5,214)	(33,987)
Exchange realignment	1,901	5,718	4,179	11,798
At 31 December 2012	257,477	648,311	348,739	1,254,527
Accumulated depreciation and impairment:				
At 1 January 2012	121,959	414,473	161,056	697,488
Provided during the year	3,930	49,160	60,732	113,822
Disposals	(2,601)	(18,253)	(4,426)	(25,280)
Exchange realignment	643	3,572	2,647	6,862
At 31 December 2012	123,931	448,952	220,009	792,892
Net book value:				
At 31 December 2012	133,546	199,359	128,730	461,635

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15. PROPERTY, PLANT AND EQUIPMENT *(continued)*

The leasehold land and buildings included above are held on the following lease terms:

	Hong Kong, professional valuation at 31 December 1993 less accumulated depreciation and impairment losses HK$'000	Elsewhere, at cost less accumulated depreciation HK$'000	Total HK$'000
31 December 2013			
Medium-term leases	–	–	–
31 December 2012			
Medium-term leases	8,536	125,010	133,546

As at 31 December 2012, had the Group's land and buildings been carried at cost less accumulated depreciation, they would have been included in the financial statements at approximately HK$127,348,000.

As at 31 December 2012, certain leasehold land and buildings and certain plant and machinery of the Group with a net carrying value of approximately HK$12,617,000 were pledged to secure general banking facilities granted to the Group (note 25(b)(i)).

16. PREPAID LAND LEASE PAYMENTS

	Group	
	2013 HK$'000	2012 HK$'000
Carrying amount at 1 January	**27,619**	27,999
Recognised during the year	**(367)**	(722)
Disposal of the subsidiaries (including current portion of prepaid land lease payments of HK$739,000)	**(27,599)**	–
Exchange realignment	**347**	342
Carrying amount at 31 December	**–**	27,619
Current portion included in prepayments, deposits and other receivables	**–**	(730)
Non-current portion	**–**	26,889

Prepaid land lease payments represented payments for land use rights held under medium-term leases in Mainland China.

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17. TRADEMARKS

	Group	
	2013	2012
	HK$'000	HK$'000
Cost:		
At 1 January	**125,299**	124,310
Additions	**5**	989
Disposal of subsidiaries (note 34)	**(125,304)**	–
At 31 December	**–**	125,299

Savills Valuation and Professional Services Limited, a firm of independent professionally qualified valuers, has confirmed, in its valuation of the Group's trademarks, that the fair value of the trademarks as at 31 December 2012 exceeded the carrying value on the same date. Based on that, the directors considered that no impairment provision was necessary.

18. INVESTMENTS IN SUBSIDIARIES

	Company	
	2013	2012
	HK$'000	HK$'000
Unlisted shares, at cost	**4,919,843**	5,351,656
Amounts due from subsidiaries	**117,437**	84,240
Amounts due to subsidiaries	**–**	(77,233)
	5,037,280	5,358,663

Except for an amount of HK$15,000,000 (2012: HK$10,000,000) due from a subsidiary as at 31 December 2013 which is repayable within 12 months, balances with subsidiaries are unsecured, interest-free and are not expected to be repaid in the next 12 months.

Particulars of the principal subsidiaries as at 31 December 2013 are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued/ registered and fully paid share capital	Percentage of equity attributable to the Company	Principal activities
Hop Hing Fast Food Group Holdings Limited	British Virgin Islands	US$46,509	100	Investment holding
Beijing Nanhe Hua Nong Agricultural Company Limited*	People's Republic of China/ Mainland China	RMB2,000,000	100	Agricultural operation

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18. INVESTMENTS IN SUBSIDIARIES *(continued)*

Particulars of the principal subsidiaries as at 31 December 2013 are as follows: *(continued)*

Name	Place of incorporation/ registration and operations	Nominal value of issued/ registered and fully paid share capital	Percentage of equity attributable to the Company	Principal activities
Beijing Yoshinoya Fast Food Company Limited*	People's Republic of China/ Mainland China	RMB18,770,000	100	Fast food restaurant operation
Champ Base Investments Limited	Hong Kong	HK$1	100	Provision of management services
Dalian Hexing Fast Food Company Limited*	People's Republic of China/ Mainland China	US$800,000	100	Fast food restaurant operation
Excel Leader Group Limited	Hong Kong	HK$1	100	Investment holding
Harbin Hop Hing Catering Management Limited*	People's Republic of China/ Mainland China	RMB2,000,000	100	Fast food restaurant operation
Hawick Limited	Hong Kong	HK$1,000,000	100	Investment holding
Hop Hing Fast Food Limited	Hong Kong	HK$7,000,000	100	Provision of management services
Hop Hing Franchise Limited	Hong Kong	HK$1	100	Provision of management services
HuHeHaoTe Hop Hing Catering Management Company Limited*	People's Republic of China/ Mainland China	RMB500,000	100	Fast food restaurant operation
Liaoning Hop Hing Fast Food Company Limited*	People's Republic of China/ Mainland China	HK$9,100,000	100	Fast food restaurant operation

* Registered as wholly-foreign-owned enterprises under the PRC law

18. INVESTMENTS IN SUBSIDIARIES *(continued)*

Except for Hop Hing Fast Food Group Holdings Limited, all the above principal subsidiaries are indirectly held by the Company.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

19. INVESTMENTS IN JOINT VENTURES

Particulars of the Group's joint ventures as at 31 December 2012 were as follows:

Name	Particulars of issued shares held	Place of incorporation/ operations	Percentage of Ownership interest	Percentage of Voting power	Percentage of Profit sharing	Principal activities
Evergreen Oils & Fats Limited	Ordinary shares of HK$1 each	Cayman Islands/ Hong Kong	50	50	50	Inactive
Hop Hing Oils and Fats Limited	Ordinary shares of HK$1 each	Hong Kong	50	50	50	Inactive
Lam Soon Oils and Fats Limited	Ordinary shares of HK$1 each	Hong Kong	50	50	50	Inactive
Landex Investments Limited	Ordinary shares of HK$1 each	Hong Kong	50	50	50	Inactive
Evergreen Oils & Fats (Macau) Limited	Ordinary shares of MOP30,000 in total	Macau	50	50	50	Inactive

These investments in joint ventures were indirectly held by the Company.

The following table illustrates the summarised financial information of the Group's joint ventures:

Share of the joint ventures' assets and liabilities:

	2013 HK$'000	2012 HK$'000
Current assets	–	56,177
Current liabilities	–	(3,141)
Net assets	–	53,036

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19. INVESTMENTS IN JOINT VENTURES *(continued)*

Share of the joint ventures' results for the period from 1 January 2013 to 28 June 2013 (i.e. date of completion of the Disposal) and year ended 31 December 2012:

	2013 HK$'000	2012 HK$'000
Turnover	**–**	86,269
Costs and expenses	**(71)**	(88,395)
Loss before tax	**(71)**	(2,126)
Income tax credit/(expense)	**(9,250)**	158
Loss after tax	**(9,321)**	(1,968)

The results of the joint ventures are included in the results of the Edible Oils Group under discontinued operation (note 12). During the year, the Group disposed of its entire equity interests in the above joint ventures as part of the Disposal. For details of the Disposal, please refer to note 34 to the financial statements.

20. STOCKS

	Group	
	2013 HK$'000	2012 HK$'000
Finished goods	**–**	25,940
Raw materials	**101,035**	197,522
Consumables	**10,495**	17,333
	111,530	240,795

At 31 December 2012, certain of the Group's stocks with a carrying amount of HK$97,483,000 were pledged to secure general banking facilities granted to the Group (note 25(b)(ii)).

21. ACCOUNTS RECEIVABLE

	Group	
	2013 HK$'000	2012 HK$'000
Accounts receivable	**8,098**	163,026
Impairment	**–**	(15,218)
	8,098	147,808

The Group's QSR products are mainly sold on a cash basis. Accounts receivable of the Group's QSR business were mainly due from shopping malls for whom there was no recent history of default. The overdue balances, if any, are reviewed regularly by senior management.

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21. ACCOUNTS RECEIVABLE *(continued)*

The Group's edible oil products were sold either on a cash on delivery basis, or on an open account basis with credit terms ranging from 7 to 70 days. The maximum credit limit and overdue balances of each customer were 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 balances. Accounts receivable are non-interest-bearing.

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

	Group	
	2013	2012
	HK$'000	HK$'000
Current (neither past due nor impaired)	**8,098**	126,463
Within 60 days past due	**–**	15,865
Over 60 days past due	**–**	5,480
	8,098	147,808

As at 31 December 2012, included in the Group's accounts receivable were amounts totalling HK$24,609,000 due from the Group's joint ventures which were repayable on credit terms comparable to those offered to other unrelated customers of the Group.

Certain of the accounts receivable as at 31 December 2012 were factored to a bank in exchange for cash and the related bank loans which have been included as "Interest-bearing bank loans" on the face of the consolidated statement of financial position (note 25).

At 31 December 2012, certain of the Group's accounts receivable with a carrying amount of HK$4,278,000 were pledged to secure general banking facilities granted to the Group (note 25(b)(iii)).

The movements in the impairment of accounts receivable are as follows:

	Group	
	2013	2012
	HK$'000	HK$'000
At 1 January	**15,218**	15,066
Exchange realignment	**173**	169
Impairment losses recognised	**1,312**	57
Uncollectible amounts written off	**(964)**	(74)
Disposal of subsidiaries (note 34)	**(15,739)**	–
At 31 December	**–**	15,218

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21. ACCOUNTS RECEIVABLE *(continued)*

Included in the above impairment of accounts receivable were provisions made for individually impaired accounts receivable which were expected not to be recoverable.

Receivables that were neither past due nor impaired relate to a number of diversified customers for whom there was no recent history of default.

As at 31 December 2012, receivables that were past due but not impaired relate to a number of independent customers that had good track records with the Group. Based on past experience, the directors of the Company were of the opinion that no impairment was necessary in respect of these balances as there had not been a significant change in credit quality and the balances were still considered fully recoverable.

22. PLEDGED BANK DEPOSITS

The deposits were pledged to banks to secure certain bills payable (note 24) and bank loans (note 25(a)) of the Group.

23. ACCOUNTS PAYABLE

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

	Group	
	2013 HK$'000	2012 HK$'000
Current and less than 60 days	**118,741**	175,816
Over 60 days	**12,773**	5,489
	131,514	181,305

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

24. BILLS PAYABLE

As at 31 December 2012, certain bills payable were secured by bank deposits of HK$4,214,000 of the Group (note 22).

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25. INTEREST-BEARING BANK LOANS

Group

	2013			2012		
	Effective interest rate per annum %	**Maturity**	**HK$'000**	Effective interest rate per annum %	Maturity	HK$'000
Current (repayable within one year or on demand)						
Bank loans – unsecured	**–**	**–**	**–**	2.2	2013	85,952
Bank loans on factored accounts receivable – unsecured (note 21)	**–**	**–**	**–**	1.6	2013	29,037
Bank loans – secured (note a)	**6.6**	**2014**	**26,923**	6.2	2013	34,250
			26,923			149,239

Notes:

(a) Certain of the Group's bank loans as at 31 December 2013 are secured by the pledge of certain of the Group's time deposits amounting to HK$44,872,000 (2012: HK$43,750,000).

(b) Certain of the Group's bank loans as at 31 December 2012 were secured by:

- (i) legal charge over certain of the Group's leasehold land and buildings and plant and machinery, which had aggregate carrying value of approximately HK$12,617,000;
- (ii) floating charges over certain of the Group's stocks amounting to HK$97,483,000; and
- (iii) floating charges over certain of the Group's accounts receivable amounting to HK$4,278,000.

(c) Fixed interest rate bank loan of HK$26,923,000 as at 31 December 2013 (2012: HK$26,250,000) is denominated in Renminbi. All other bank loans as at 31 December 2012 were denominated in Hong Kong dollars and with floating interest rates.

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26. DEFERRED TAX

The movements in deferred tax liabilities and assets during the year were as follows:

Deferred tax liabilities

Group

	Accelerated tax depreciation HK$'000	Revaluation of properties HK$'000	Withholding taxes HK$'000	Total HK$'000
At 1 January 2012	1,537	412	10,969	12,918
Credited to the income statement during the year from continuing operations (note 10)	–	–	(1,520)	(1,520)
Credited to the income statement during the year from discontinued operation	(860)	–	–	(860)
Withholding tax paid on repatriation of earnings from PRC subsidiaries	–	–	(2,967)	(2,967)
Exchange realignment	–	–	(171)	(171)
At 31 December 2012 and 1 January 2013	677	412	6,311	7,400
Charged to the income statement during the year from continuing operations (note 10)	**–**	**–**	**5,150**	**5,150**
Charged to the income statement during the year from discontinued operation	**437**	**–**	**–**	**437**
Disposal of subsidiaries (note 34)	**(1,114)**	**(412)**	**–**	**(1,526)**
At 31 December 2013	**–**	**–**	**11,461**	**11,461**

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26. DEFERRED TAX *(continued)*

Deferred tax assets

Group

	Temporary difference of provisions and accruals HK$'000	Loss available for offsetting against future taxable profits HK$'000	Total HK$'000
At 1 January 2012	–	476	476
Credited to the income statement during the year from continuing operations (note 10)	–	874	874
Charged to the income statement during the year from discontinued operation	–	(10)	(10)
At 31 December 2012 and 1 January 2013	–	1,340	1,340
Credited/(charged) to the income statement during the year from continuing operations (note 10)	**10,927**	**(885)**	**10,042**
Credited to the income statement during the year from discontinued operation	**–**	**438**	**438**
Disposal of subsidiaries (note 34)	**–**	**(893)**	**(893)**
Exchange realignment	**120**	**–**	**120**
At 31 December 2013	**11,047**	**–**	**11,047**

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rates are 5% and 10%. The Group is therefore liable to withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

The Company's deferred tax assets of approximately HK$885,000 have been recognised in respect of tax losses of HK$5,361,000 on the expected future profit streams for the year ended 31 December 2012. At 31 December 2013, the Company had tax losses of HK$11,428,000 arising in Hong Kong that were available indefinitely for offsetting against future taxable profits of the Company. Deferred tax assets have not been recognised as it is not considered probable that taxable profits will be available. Deferred tax assets of HK$885,000 were charged (2012: HK$874,000 were credited) to the income statement during the year.

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27. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group	
	2013	2012
	HK$'000	HK$'000
Prepayments	**47,131**	47,857
Deposits	**50,915**	49,777
Other receivables	**14,565**	33,705
	112,611	131,339
Current portion included in prepayments, deposits and other receivables	**(61,791)**	(90,234)
Non-current portion: rental deposits	**50,820**	41,105

The balances of deposits and other receivables were neither past due nor impaired. Financial assets included in the above balances relate to receivables for which there was no recent history of default.

28. CASH AND CASH EQUIVALENTS

	Group	
	2013	2012
	HK$'000	HK$'000
Cash and bank balances	**183,738**	182,091
Non-pledged time deposits with original maturity of less than or equal to three months when acquired	**27,179**	–
Non-pledged time deposits with original maturity of more than three months when acquired	**15,385**	10,000
	226,302	192,091

Cash and cash equivalents are denominated in:

	Group	
	2013	2012
	HK$'000	HK$'000
HK$	**4,222**	28,917
RMB	**221,657**	156,656
Macanese Pataca ("MOP")	**–**	5,495
United States dollar	**422**	1,014
Others	**1**	9
	226,302	192,091

28. CASH AND CASH EQUIVALENTS *(continued)*

RMB is not freely convertible into other currencies. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and twelve months depending on the cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

29. OTHER PAYABLES AND ACCRUED CHARGES

	Group	
	2013	2012
	HK$'000	HK$'000
Other payables	**67,793**	81,158
Dividend payable to the former shareholders of a subsidiary	**–**	57,333
Accrued charges	**174,942**	167,081
Total	**242,735**	305,572

Other payables are non-interest-bearing and have average payment terms of one to three months.

30. SHARE CAPITAL

	2013	2012
	HK$'000	HK$'000
Authorised:		
14,800,000,000 (2012: 14,800,000,000) ordinary shares of HK$0.10 each	**1,480,000**	1,480,000
Issued and fully paid:		
10,006,288,386 (2012: 9,916,871,030) ordinary shares of HK$0.10 each	**1,000,629**	991,687

Notes to Financial Statements

31 December 2013

30. SHARE CAPITAL *(continued)*

A summary of the movements in the Company's issued ordinary share capital during the year is as follows:

	Notes	Number of shares in issue	Issued share capital HK$'000	Share premium account HK$'000	Total HK$'000
Issued:					
At 1 January 2012		515,661,188	51,566	11,513	63,079
Issue of shares upon exercise of warrants	(a)	5,988,350	599	599	1,198
Issue of shares upon exercise of share options	(b)	3,329,600	333	1,489	1,822
Conversion of PSCS (note 31)		9,391,891,892	939,189	4,022,193	4,961,382
At 31 December 2012 and 1 January 2013		9,916,871,030	991,687	4,035,794	5,027,481
Issue of shares upon exercise of warrants	(c)	**89,417,356**	**8,942**	**8,942**	**17,884**
Share issue expenses		**–**	**–**	**(45)**	**(45)**
At 31 December 2013		**10,006,288,386**	**1,000,629**	**4,044,691**	**5,045,320**

Notes:

(a) During the year ended 31 December 2012, 5,988,350 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$1,198,000.

(b) During the year ended 31 December 2012, the subscription rights attaching to 3,329,600 share options were exercised at the subscription price of HK$0.35 per share (note 32), resulting in the issue of 3,329,600 shares of HK$0.1 each for a total cash consideration, before expenses, of approximately HK$1,165,000. An amount of approximately HK$657,000 was transferred from the share option reserve to share premium account upon exercise of share options.

(c) During the year ended 31 December 2013, 89,417,356 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$17,884,000.

Share options

Details of the Company's share option scheme and the share options issued under the scheme are included in note 32 to the financial statements.

30. SHARE CAPITAL *(continued)*

Warrants

During the year ended 31 December 2012, 5,988,350 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, of approximately HK$1,198,000. As at 31 December 2012, the Company had 91,414,545 warrants outstanding.

During the year ended 31 December 2013, 89,417,356 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, of approximately HK$17,884,000. All the 1,997,189 warrants outstanding were expired on 31 May 2013.

31. 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 had no maturity date and the Company had 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 was determined by reference to a valuation report on the PSCS prepared by an independent firm of valuers.

These PSCS constituted direct, unsecured and subordinated obligations of the Company and ranked pari passu without any preference or priority among themselves.

These PSCS conferred 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 31 March, 30 June, 30 September and 31 December each year, subject to the terms and conditions of the PSCS. However, the Company might at its sole discretion, elect to defer a distribution pursuant to the terms of the PSCS.

During the year ended 31 December 2012, all PSCS holders exercised their conversion rights to convert all of their PSCS into an aggregate 9,391,891,892 ordinary shares of the Company. The PSCS distribution of HK$66,358,000 for the period up to the date of conversion of the PSCS was paid by the Company on 28 September 2012.

32. SHARE OPTIONS

On 12 March 2008, the Company adopted a share option scheme (the "Share Option Scheme") which became effective on 25 April 2008.

The main purpose of the Share Option Scheme is to attract, retain and reward the participants and to provide the participants with a performance incentive for continued and improved services with the Group. The participants of the Share Option Scheme include any full-time employee and any director of the Group, and any person approved by the board of directors or shareholders of the Company. The Share Option Scheme became effective on 25 April 2008 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum aggregate number of shares of HK$0.10 each in the Company which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other schemes of the Company must not exceed in aggregate 10% of the shares in issue from time to time (the "Overall Scheme Limit"). No options may be granted under any scheme of the Company if such grant will result in the Overall Scheme Limit being exceeded.

The total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other scheme must not in aggregate exceed 10% of the shares in issue as at the effective date of the Share Option Scheme (the "Scheme Mandate Limit"). Options lapsed in accordance with the terms of the Share Option Scheme shall not be counted for the purpose of calculating the Scheme Mandate Limit.

Subject to the Overall Scheme Limit, the Company may seek approval from its shareholders in a general meeting for refreshing the Scheme Mandate Limit. However, the total number of shares which may be issued upon exercise of all options to be granted under the refreshed limit must not exceed 10% of the shares in issue as at the date of approval of the shareholders of the Company of the refreshing of the Scheme Mandate Limit.

The total number of shares issued and to be issued upon exercise of the options granted to each participant (including exercised, cancelled and outstanding options) in any 12-month period must not exceed 1% of the shares of the Company in issue.

The period within which the options may be exercised in accordance with the terms of the Share Option Scheme, shall: (i) be determined by the directors; (ii) commence on the expiration of 12 months (or such shorter period as may be determined by the directors) from the date of offer of options; and (iii) in any event not less than 3 years or more than 10 years from the date on which it commences.

The offer of a grant of options must be accepted within 21 days from the date of the offer. The exercise price of an option to subscribe for shares granted pursuant to the Share Option Scheme shall not be less than the higher of: (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date on which an offer is made to a participant, which must be a business day; and (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the date on which an offer is made.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

Notes to Financial Statements

31 December 2013

32. SHARE OPTIONS *(continued)*

The following share options under the Share Option Scheme of the Company were outstanding during the year and as at 31 December 2013:

	Number of share options							Price of the Company's shares			
Name or category of participant	At 1 January 2013	Granted during the year	Lapsed during the year	Exercised during the year	At 31 December 2013	Date of grant (Note 2)	Exercise period	Exercise price (Note 3) HK$ per share	At date of grant (Note 4) HK$ per share	Immediately before the exercise date 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
Lam Fung Ming, Tammy	2,464,000	–	(936,680)	–	1,527,320	27 April 2009	Commencement subject to Note 1 below and up to 26 April 2019 (Note 1a)	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
	24,640,000	–	(936,680)	–	23,703,320						
Ex-Director (Note 5)	2,464,000	–	–	–	2,464,000	27 April 2009	27 April 2010 to 26 April 2019	0.35	0.35	N/A	N/A
Ex-Employees	2,500,000	–	(947,800)	–	1,552,200	27 April 2009	Commencement subject to Note 1 below and up to 27 June 2014 (Note 1b)	0.35	0.35	N/A	N/A
	29,604,000	–	(1,884,480)	–	27,719,520						

Notes to Financial Statements

31 December 2013

32. SHARE OPTIONS *(continued)*

Notes:

(1) Having considered the participants' achievement of performance targets, the Board had notified the participants the details of vesting of share options including the number of share options being vested and the date of commencement of the exercise period of the vested share options in accordance with the Share Option Scheme.

(a) Upon re-designation of Lam Fung Ming, Tammy as non-executive director of the Company on 28 June 2013 and pursuant to the Share Option Scheme, the Board endorsed that the exercise period of her vested share option shall be up to 26 April 2019 and all unvested share options previously granted to her were lapsed on 28 June 2013.

(b) Upon completion of the Disposal on 28 June 2013, employees who were previously employed by the Edible Oils Group were no longer employees of the Group. Pursuant to the Share Option Scheme, the Board endorsed that the exercise period of the vested share options of these ex-employees of the Group shall be up to 27 June 2014 and all unvested share options previously granted to them were lapsed on 28 June 2013.

(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) Patrick Lee resigned as a non-executive director of the Company on 20 May 2013. In accordance with the Share Option Scheme, share options granted to Patrick Lee shall remain effective until the end of the exercise period.

The fair value of the share options granted in the year ended 31 December 2009 was HK$6,718,000 (HK$0.197 each). With reference to the vesting period, the Company recognised all share option expenses in prior years (2012: HK$74,000).

The 3,329,600 share options exercised during the year ended 31 December 2012 resulted in the issue of 3,329,600 ordinary shares of the Company and new share capital of approximately HK$333,000 and share premium of approximately HK$1,489,000 (before issue expenses), as further detailed in note 30 to the financial statement.

As at 31 December 2013, the Company had 27,719,520 share options outstanding under the Share Option Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 27,719,520 additional ordinary shares of the Company and additional share capital of HK$2,771,952 and share premium of HK$6,929,880 (before issue expenses).

No options were granted or exercised during the year.

Notes to Financial Statements

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33. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity.

(b) Company

	Share premium account HK$'000	PSCS HK$'000	Share option reserve HK$'000	Contributed surplus HK$'000	Retained profits/ (accumulated losses) HK$'000	Total HK$'000
At 1 January 2012	11,513	–	6,645	388,224	(2,614)	403,768
Profit and total comprehensive income for the year	–	–	–	–	3,346	3,346
Issue of shares upon exercise of warrants (note 30)	599	–	–	–	–	599
Exercise of share options (note 30)	1,489	–	(657)	–	–	832
Issuance of PSCS (note 31)	–	4,964,232	–	–	–	4,964,232
PSCS issue expenses	–	(2,850)	–	–	–	(2,850)
Conversion of PSCS (note 30)	4,022,193	(4,961,382)	–	–	–	(939,189)
PSCS distribution (note 31)	–	–	–	(66,358)	–	(66,358)
Equity-settled share option arrangements (note 32)	–	–	74	–	–	74
At 31 December 2012 and 1 January 2013	4,035,794	–	6,062	321,866	732	4,364,454
Loss and total comprehensive expense for the year	**-**	**-**	**-**	**-**	**(33,325)**	**(33,325)**
Issue of shares upon exercise of warrants (note 30)	**8,942**	**-**	**-**	**-**	**-**	**8,942**
Share issue expenses	**(45)**	**-**	**-**	**-**	**-**	**(45)**
Transfer of share option reserve upon the lapse of share options	**-**	**-**	**(601)**	**-**	**601**	**-**
Final 2012 dividend (note 13)	**-**	**-**	**-**	**(25,016)**	**-**	**(25,016)**
Special 2013 dividend (note 13)	**-**	**-**	**-**	**(280,176)**	**-**	**(280,176)**
At 31 December 2013	**4,044,691**	**-**	**5,461**	**16,674**	**(31,992)**	**4,034,834**

The Company's contributed surplus represents the difference between the nominal value of shares of HK$0.10 each of the Company allotted under a reorganisation whereby Hop Hing Holdings Limited ("HHHL"), the then ultimate holding company of the Group, became a wholly-owned subsidiary of the Company, and the consolidated shareholders' equity of HHHL and its subsidiaries as at 25 April 2008, the date on which this reorganisation became effective. Details of this reorganisation were set out in HHHL's scheme document dated 14 March 2008.

Notes to Financial Statements

31 December 2013

33. RESERVES *(continued)*

(b) Company *(continued)*

The share option reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payments transactions in note 2.4 to the financial statements. The amount will either be transferred to the share premium account when the related options are exercised, or be transferred to retained profits should the related options expire or be forfeited.

Pursuant to the Companies Law of the Cayman Islands, the net amount of reserves distributable to shareholders of the Company as at 31 December 2013 amounted to HK$4,029,373,000 (2012: HK$4,358,392,000), the distribution of which is subject to the condition that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

34. DISPOSAL OF SUBSIDIARIES

On 9 February 2012, the Group entered into a sale and purchase agreement with Hin Keung International Limited, an independent third party, to dispose of 100% equity interests in Hong Kong Pinghu Oil Factory Limited (formerly named as Hong Kong Hop Hing Oil Refinery (Pinghu) Limited) and its subsidiary for a cash consideration of HK$6,678,000. The disposal was completed during the year ended 31 December 2012.

Notes to Financial Statements

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34. DISPOSAL OF SUBSIDIARIES *(continued)*

On 25 April 2013, the Company entered into a sale and purchase agreement to dispose of its entire equity interests in the Edible Oils Group for a total consideration of HK$400 million (subject to adjustment of the profit or loss of the Edible Oils Group from 1 January 2013 to the date of completion of the Disposal). Details of the Disposal are set out in the Company's circular dated 20 May 2013. The Disposal was completed on 28 June 2013.

	2013 **HK$'000**	2012 HK$'000
Net assets of the subsidiaries disposed of:		
Property, plant and equipment	**188,148**	–
Prepaid land lease payments	**26,860**	–
Trademarks	**125,304**	–
Deferred tax assets	**893**	–
Stocks	**121,044**	–
Accounts receivable	**148,390**	9
Prepayments, deposits and other receivables	**21,657**	721
Tax recoverable	**1,408**	–
Cash and cash equivalents	**28,742**	12,225
Accounts payable	**(42,226)**	–
Other payables and accrued charges	**(35,950)**	(1,235)
Interest-bearing bank loans	**(100,627)**	–
Tax payable	**(12,035)**	–
Deferred tax liabilities	**(1,526)**	–
Non-controlling interests	**(194)**	(4,981)
Capital and other reserves	**–**	1,690
	469,888	8,429
Release of exchange fluctuation reserve	**(33,137)**	(1,040)
Transaction costs directly attributable to the disposal of the subsidiaries	**4,171**	–
Loss on disposal of the subsidiaries	**(46,309)**	(711)
	394,613	6,678
Satisfied by:		
Cash	**394,613**	6,678

Notes to Financial Statements

31 December 2013

34. DISPOSAL OF SUBSIDIARIES *(continued)*

An analysis of the net inflow/(outflow) of cash and cash equivalents in respect of the disposal of the subsidiaries is as follows:

	2013 **HK$'000**	2012 HK$'000
Cash consideration	**394,613**	6,678
Cash and cash equivalents disposal of	**(28,742)**	(12,225)
Less: Transaction costs directly attributable to the disposal of the subsidiaries	**(4,171)**	–
Net inflow/(outflow) of cash and cash equivalents in respect of the disposal of the subsidiaries	**361,700**	(5,547)

35. OPERATING LEASE ARRANGEMENTS

The Group leases certain of its shops, office premises, plant and warehouse under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to twenty years.

At the end of the reporting period, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2013 **HK$'000**	2012 HK$'000
Within one year	**278,669**	265,360
In the second to fifth years, inclusive	**928,906**	845,616
Beyond five years	**608,031**	713,143
	1,815,606	1,824,119

In addition, the operating lease rentals for certain shops are based on the higher of a fixed rental and contingent rent based on sales of these shops pursuant to the terms and conditions as set out in the respective rental agreements. As the future sales of these shops could not be accurately determined, the relevant contingent rent has not been included above and only minimum lease commitments have been included in the above table.

The Company had no significant operating lease arrangements at the end of the reporting period (2012: Nil).

36. CAPITAL COMMITMENTS

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

	Group	
	2013	2012
	HK$'000	HK$'000
Property, plant and equipment:		
Contracted, but not provided for	**1,625**	5,746

The Company had no significant capital commitments at the end of the reporting period (2012: Nil).

37. OUTSTANDING COMMITMENT

Outstanding commitment as at the end of the reporting period was as follows:

	Group	
	2013	2012
	HK$'000	HK$'000
Irrecoverable letter of credit	**–**	20,423

The Company had no significant outstanding commitments at the end of the reporting period (2012: Nil).

38. CONTINGENT LIABILITIES

Group

During the years ended 31 December 2010, 2011, 2012 and 2013, the Hong Kong Inland Revenue Department (the "IRD") issued protective assessments for the years of assessment 2003/2004, 2004/2005, 2005/2006 and 2006/2007 to certain joint ventures and subsidiaries of the Edible Oils Group, in respect of which tax reserve certificates totalled to HK$24,100,000 and HK$1,500,000 were purchased by the joint ventures and the subsidiaries of the Edible Oils Group, respectively. The joint ventures and the subsidiaries of the Edible Oils Group have lodged objections with the IRD against these assessments.

Taking into account of the development of the objections, the resources that would be required to pursue the case further and the advice of the tax consultant of the joint ventures and the Edible Oils Group, a total provision of HK$11.7 million was made in the financial statements of the Edible Oils Group for the period from 1 January 2013 to 28 June 2013 for the probable settlement amounts of this tax case pursuant to the latest settlement communication with the IRD.

Subsequent to 31 December 2013, the IRD has agreed the above compromise settlement amounts and issued the revised assessments for the years of assessment 2003/2004, 2004/2005, 2005/2006 and 2006/2007 to certain joint-ventures and subsidiaries of the Edible Oils Group accordingly.

Pursuant to the agreement entered into between the Company and Harvest Trinity Limited for the Disposal, the Company undertook to indemnity Harvest Trinity Limited from further tax liabilities, including the aforesaid protective assessments, relating to periods prior to the date of completion of the Disposal. In the opinion of the management, adequate tax provision has been made by the Edible Oils Group before the date of completion of the Disposal.

Notes to Financial Statements

31 December 2013

38. CONTINGENT LIABILITIES *(continued)*

Company

As at 31 December 2013, the contingent liabilities of the Company in respect of guarantees given to a bank to secure banking facilities utilised by subsidiaries amounted to nil (2012: HK$123,334,000).

39. RELATED PARTY TRANSACTIONS

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

	Notes	**2013 HK$'000**	2012 HK$'000
Transactions with joint ventures*:			
Sales of edible oil products	(i)	**–**	8,795
Purchases of edible oil products	(i)	**–**	91,527
Production and oil refinement income	(ii)	**–**	14,079
Property rental income	(iii)	**–**	86
Management fee income	(iv)	**–**	692
Purchases of items of property, plant and equipment	(v)	**–**	2,395
Transactions with companies associated with the controlling shareholder of the Company and/or a non-executive director of the Company:			
Continuing connected transactions:			
Sales of edible oil products	(i)	**987**	3,663
Rental expenses	(vi)	**4,345**	5,216

* The Group has proportionately consolidated 50% of its transactions with its then joint ventures in the results of the Edible Oils Group which are set out in note 12 and included in "Loss for the year from a discontinued operation" in the consolidated income statement.

Notes:

(i) The sales and purchases of edible oil products were based on mutually agreed terms.

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

(iii) The property rental income related to the 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.

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

(v) The items of property, plant and equipment were purchased at the carrying amount of the relevant assets.

Notes to Financial Statements

31 December 2013

39. RELATED PARTY TRANSACTIONS *(continued)*

(a) *(continued)*

Notes: *(continued)*

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

The transactions with companies associated with the controlling shareholders of the Company and/or a non-executive director of the Company as set out above constituted continuing connected transactions as defined in Chapter 14A of the Listing Rules, except for those transacted by the subsidiaries under QSR business prior to the Acquisition. Further details of the continuing connected transactions that are subject to the reporting requirement under the Listing Rules are included in the report of the directors under the heading of “Continuing Connected Transactions”.

(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 31). 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.

(c) On 25 April 2013, the Company and Harvest Trinity Limited, a company controlled by a substantial shareholder of the Company, entered into an agreement pursuant to which the Company has agreed to sell the entire issued share capital of Hop Hing Oil Group Limited (formerly known as Oleo Chartering Inc.) for a consideration of HK$400 million (subject to adjustment). Details of the Disposal were set out in the Company’s announcement made on 25 April 2013 and circular dated 20 May 2013. Further details of which are given in notes 12 and 34 to the financial statements.

(d) Outstanding balances with related parties:

Details of the dividend payable of a subsidiary as at 31 December 2012 to its former shareholders associated with certain directors of the Company are disclosed in note 29 to the financial statements.

(e) Compensation of key management personnel of the Group:

	2013 **HK$’000**	2012 HK$’000
Short-term employee benefits	**8,220**	8,161
Post-employment benefits	**241**	279
Total compensation paid to key management personnel	**8,461**	8,440

Further details of directors’ emoluments are included in note 8 to the financial statements.

Notes to Financial Statements

31 December 2013

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank loans, and cash and short-term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as accounts receivable, other receivables, accounts payable, other payables and accrued charges, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk, liquidity risk and commodity price risk. The board of directors reviews and agrees policies for managing each of these risks, which are summarised below.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's bank loans carrying floating interest rates. The Group monitors its interest rate exposure closely and considers taking measures to reduce significant interest rate exposure, if necessary.

Foreign currency risk

The Group operates mainly in Hong Kong and Mainland China and its monetary assets, liabilities and transactions are principally denominated in Hong Kong dollars, Renminbi or United States dollars.

The management monitors the Group's foreign exchange exposure and will consider hedging significant foreign currency exposure when the need arises.

Given that the Hong Kong dollar is pegged to the United States dollar, the Group does not have a foreign currency hedging policy on it. The translation differences arising from fluctuation in the exchange rate of Renminbi are reflected in the Group's equity and profit after tax, where appropriate.

The following table demonstrates the sensitivity at the end of the reporting period to reasonably possible change in the Renminbi exchange rate, with all other variables held constant, of the Group's equity and profit after tax.

	Increase/ (decrease) in RMB rate %	Increase/ (decrease) in the Group's equity HK$'000	Increase/ (decrease) in the Group's profit after tax HK$'000
2013			
If Hong Kong dollars weakens against RMB	**5**	**15,102**	**3,981**
If Hong Kong dollars strengthens against RMB	**(5)**	**(15,102)**	**(3,981)**
2012			
If Hong Kong dollars weakens against RMB	5	20,583	1,803
If Hong Kong dollars strengthens against RMB	(5)	(20,583)	(1,803)

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Credit risk

It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis. With such policies in place, the Group has been able to maintain its bad debts at a reasonable level. Concentrations of credit risk are managed by customer/counterparty and by geographical region. There are no significant concentrations of credit risk within the Group as the customer bases of the Group's accounts receivable are widely diversified to a large number of customers.

Further quantitative data in respect of the Group's exposure to credit risk arising from accounts receivable are disclosed in note 21 to the financial statements.

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g. accounts receivable) and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans to meet its working capital and capital expenditure requirements.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, was less than one year.

Commodity price risk

The major raw materials used in the production of the Group's products include beef, chicken meat and pork. The Group is exposed to fluctuations in the prices of these raw materials which are subject to global as well as regional supply and demand and other factors. Fluctuations in the prices of raw materials could adversely affect the Group's financial performance. The Group did not enter into any commodity derivative instruments to hedge the potential commodity price changes during the years ended 31 December 2013 and 2012.

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2013 and 2012.

Notes to Financial Statements

31 December 2013

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Capital management *(continued)*

The Group monitors capital using a gearing ratio, which is expressed as a percentage of interest-bearing bank loans over equity attributable to equity holders of the Company. The gearing ratios as at the end of the reporting periods were as follows:

	Group	
	2013 **HK$'000**	2012 HK$'000
Interest-bearing bank loans	**26,923**	149,239
Equity attributable to equity holders of the Company	**417,665**	714,853
Gearing ratio	**6%**	21%

41. COMPARATIVE AMOUNTS

The comparative income statement has been re-presented as if the operation discontinued during the current year had been discontinued at the beginning of the comparative period (note 12).

42. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 28 March 2014.

Five Year Financial Summary

A summary of the published results and of the assets and liabilities of the Group for the last five financial years is set out below.

	Year ended 31 December				
	2013 **HK$'000**	2012 HK$'000 (Re-presented)	2011 HK$'000 (Re-presented)	2010 HK$'000 (Re-presented)	2009 HK$'000 (Re-presented)
RESULTS					
CONTINUING OPERATIONS					
Turnover	**2,110,664**	1,971,321	1,644,742	1,234,212	955,925
Profit from operating activities from continuing operations	**86,902**	203,462	198,893	173,468	112,013
Finance costs	**(2,441)**	(2,648)	(1,682)	(1,577)	(217)
Profit before tax from continuing operations	**84,461**	200,814	197,211	171,891	111,796
Income tax expense	**(18,785)**	(56,255)	(56,109)	(53,920)	(36,036)
Profit for the year from continuing operations	**65,676**	144,559	141,102	117,971	75,760
DISCONTINUED OPERATION					
Profit/(loss) for the year from a discontinued operation	**(51,696)**	(364)	15,219	9,001	19,900
Profit for the year	**13,980**	144,195	156,321	126,972	95,660
Attributable to:					
Equity holders of the Company	**13,980**	129,834	75,348	61,253	49,398
Non-controlling interests	**–**	14,361	80,973	65,719	46,262
	13,980	144,195	156,321	126,972	95,660

Five Year Financial Summary

	As at 31 December				
	2013	2012	2011	2010	2009
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
ASSETS					
Property, plant and equipment	**301,148**	461,635	405,789	397,684	374,608
Prepaid land lease payments	**–**	26,889	27,268	27,017	26,784
Trademarks	**–**	125,299	124,310	124,274	124,162
Investments in associates	**–**	–	–	–	(1,381)
Deferred tax assets	**11,047**	1,340	476	989	2,033
Prepayment and rental deposits	**50,820**	41,105	32,629	25,860	19,937
Current assets	**467,283**	720,895	915,140	757,815	638,230
TOTAL ASSETS	**830,298**	1,377,163	1,505,612	1,333,639	1,184,373
LIABILITIES					
Current liabilities	**401,172**	654,716	850,581	603,023	503,896
Deferred tax liabilities	**11,461**	7,400	12,918	20,263	11,286
TOTAL LIABILITIES	**412,633**	662,116	863,499	623,286	515,182
NET ASSETS	**417,665**	715,047	642,113	710,353	669,191