Building the foundation for long-term **Prosperity**

ANNUAL REPORT
2014

HOP HING GROUP HOLDINGS LIMITED
(Incorporated in the Cayman Islands with limited liability)
Stock Code: 47


y Queen
吉野家 YOS

CONTENTS

Corporate Information

DIRECTORS

Hung Hak Hip, Peter* *(Chairman)*
Seto Gin Chung, John** *(Vice Chairman)*
Hung Ming Kei, Marvin *(Chief Executive Officer)*
Wong Yu Hong, Philip**
Sze Tsai To, Robert**
Cheung Wing Yui, Edward **
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
Seto Gin Chung, John
Cheung Wing Yui, Edward

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)*
Seto Gin Chung, John
Hung Ming Kei, Marvin
Wong Yu Hong, Philip
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
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
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

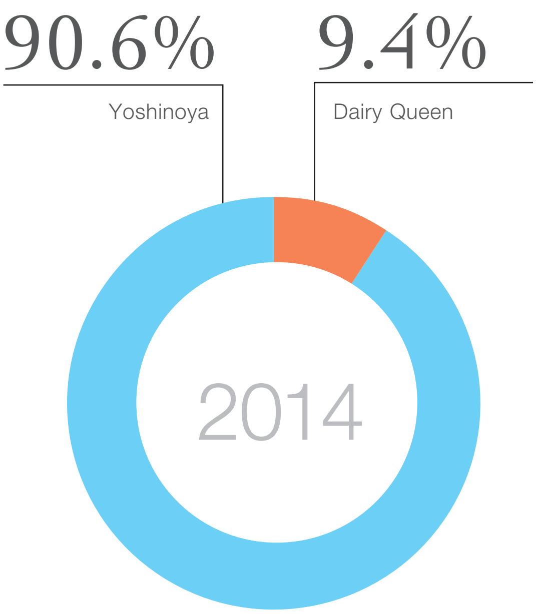
STOCK CODE

47

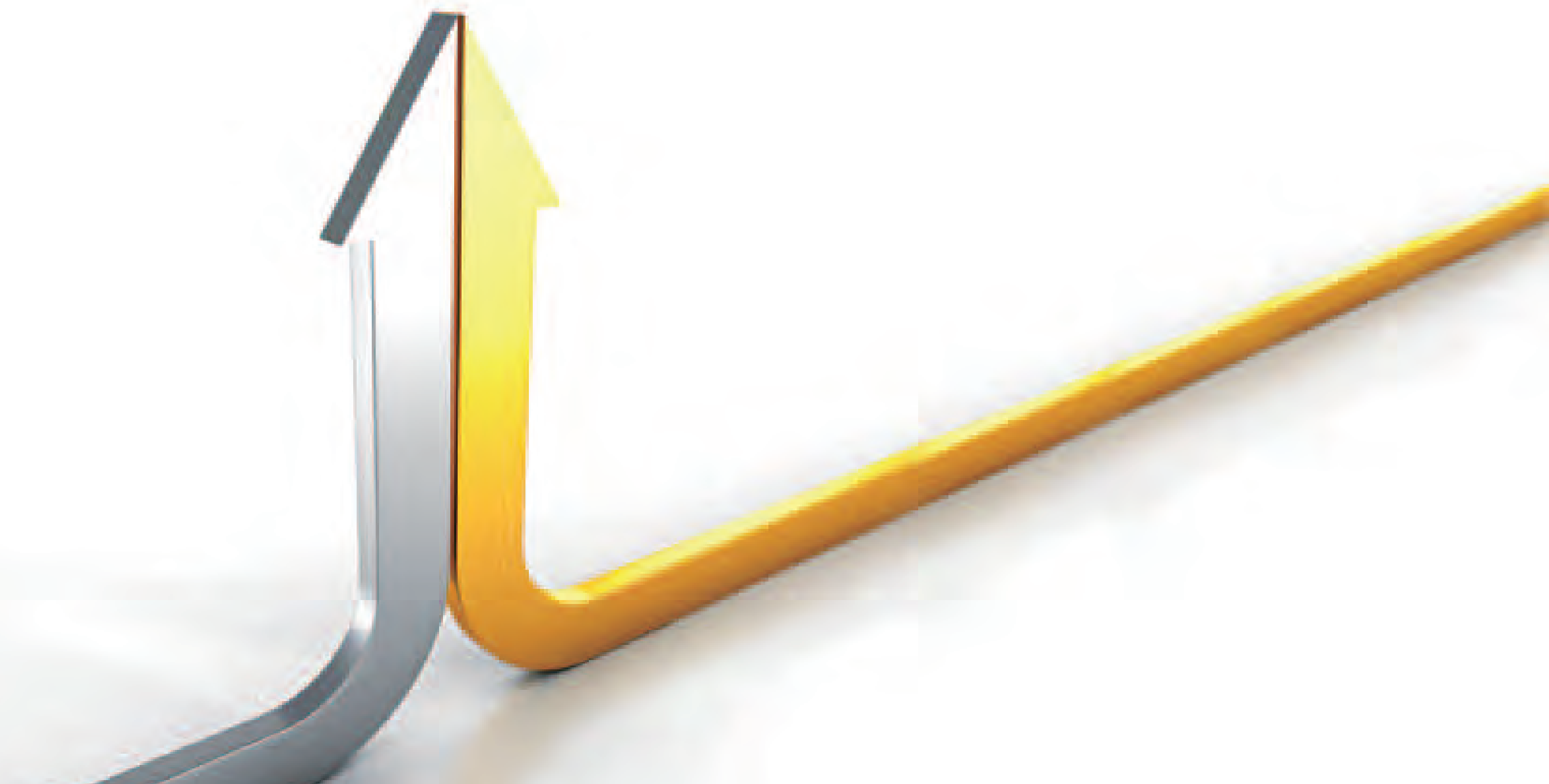
Financial Highlights

Turnover for the year ended 31 December 2014 was HK$2,158 million, grew by 2.2% compared to HK$2,111 million for the last year.

TURNOVER

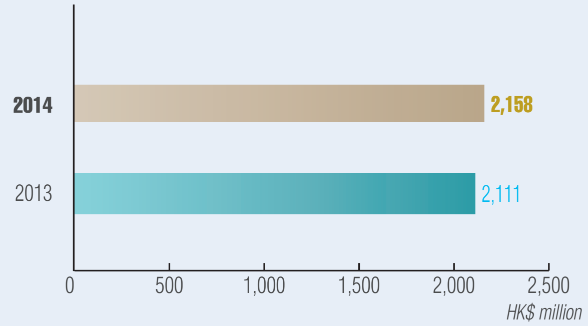


2014
growth up to
2.2%

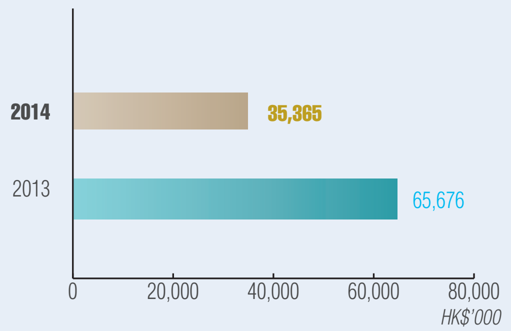


Financial Highlights

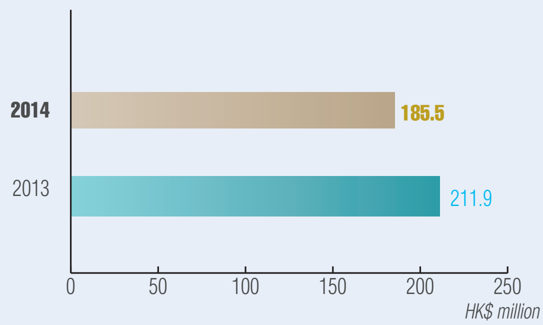
TURNOVER



PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS

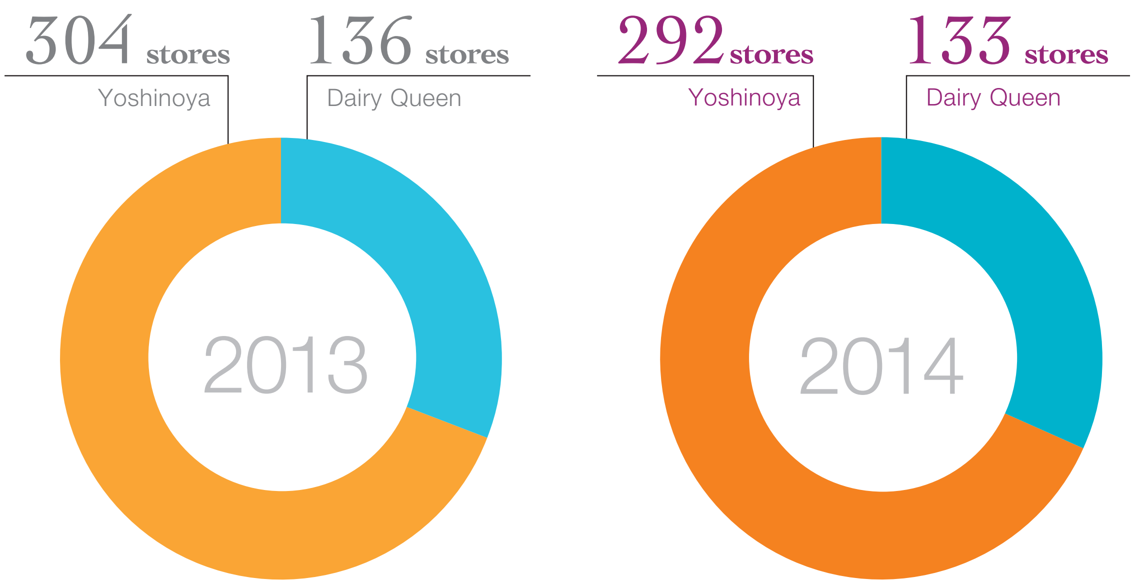


EBITDA



NUMBER OF STORES

As at 31 December



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

292
YOSHINOYA Stores

133
DQ Stores

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

Chairman's Statement

In 2014, China's economy continued to experience a slowdown in growth. The various food safety issues in the country during the year under review have brought the food safety of quick service restaurants into the spotlight again. In addition, the PRC government's austerity campaign to curb lavish spending and entertainment has resulted in fierce competition in the mid-price-to-low-end catering market segments. All of these factors have combined to accelerate consolidation within the catering industry. Operating in a difficult business environment, our management has needed to be prudent and patient in executing our strategies and expansion plans.

In the year under review, we have continued our efforts to improve our sales revenue, including introducing new products, such as spicy vegetable pork bowls, chicken with wine cooked in Chinese style, stone pots in different styles, offering complete dinner sets including drinks and desserts and offering value meal items during off-peak hours. At the same time, in today's internet era, we cannot afford to overlook the impact of the change in spending patterns brought about by the increasing reach of the internet. To capture this trend, we have placed more advertisements online to attract internet users, and successfully implemented an internet ordering system for its first full year which helped complement our delivery services. As a collateral benefit, we have managed to build slightly smaller stores in the selected areas during the past year, which could in turn reduce our capital outlay for each new store.

During the year under review, we were prudent in the expansion of our store network. During 2014, 30 new stores were opened in various cities in Northern China. The Yoshinoya new stores were designed to convey a feeling of being at home while the Dairy Queen stores were built with the aim to reinforce ourselves as a fashionable, trendy ice-cream expert. At the same time we closed 45 stores which failed to meet either our internal profitability assessment or the business of which has been adversely affected by the massive redevelopment of areas around them. This reorganization of our store network should improve the quality of our network and enable us to build a more solid foundation for our future growth. As at the end of 2014, we had a total of 425 stores in operation.

In difficult times, a solid business foundation and efficient operations are the keys to success. In 2014, although the QSR industry was under the pressure of "four highs-one low", the management was able to deliver a stable performance in gross margin and selling and distribution expenses expressed as percentages of sales. The return of faster economic growth and further strengthening of cost control measures by the management should further help in reducing the general and administrative expense percentages down the road.

Chairman's Statement

Food safety has always been a top priority of our Group. We purchase from reliable suppliers who care as much about food safety as we do. In addition, we conduct a review of our internal control system on food safety on a regular basis. Our "Sunshine Kitchen" concept also helps our customers to better understand how much we care about our products and their health.

It is believed that it may take some time before China's economy reaches the high growth rates of recent years, customers' confidence on quick service foods returns and the industry has found its way to cope with the Chinese government's austerity campaign. We however expect that, after the current trough, the catering industry in the Northern China will benefit from the release of economic and purchasing power brought by the unification of Beijing, Tianjin and Hebei metropolitan regions. The management has been undertaking various measures with an aim to build a solid foundation for the Group's future steady growth. Last but not least, we would seek and evaluate any opportunity that may maximize the value of our company and shareholders' returns.

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
20 March 2015

YOSHINOYA

2.8% Sales

Growth in the review period


Dairy Queen

Management Discussion and Analysis

OVERALL PERFORMANCE

For the year ended 31 December 2014, the turnover of the Group's Quick Service Restaurant ("QSR") business increased by 2.2% to HK$2,157.9 million (2013: HK$2,110.7 million). Earnings before interest, taxation and depreciation and amortisation ("EBITDA") for the year amounted to HK$185.5 million, declining by 12.5% when compared to HK$211.9 million for the preceding year. Profit attributable to the equity holders of the Company totaled HK$35.4 million, compared to HK$14.0 million for the year ended 31 December 2013, which included a loss of HK$51.7 million from the discontinued operation.

Basic and diluted earnings per share for the year were HK0.35 cent and HK0.35 cent respectively (2013: HK0.14 cent and HK0.14 cent respectively). The basic and diluted earnings per share for the year from the continuing operations were HK0.35 cent and HK0.35 cent respectively (2013: HK0.66 cent and HK0.66 cent respectively).

DIVIDENDS

The Directors recommend the payment of a final dividend of HK0.25 cent per share for the year ended 31 December 2014 (2013: HK0.25 cent per share). On 28 June 2013, the Company paid a special dividend of HK2.80 cents per share upon completion of the disposal of the Group's edible oil business. Subject to the approval by the shareholders at the forthcoming Annual General Meeting of the Company, the final dividend will be distributed on 30 June 2015 to shareholders whose names appear on the register of members of the Company as at 8 June 2015.

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

Industry review

2014 was a challenging year for the catering industry as a whole in China. The weak economy and ongoing campaign by the State Council to combat corruption directly affected sentiment towards dining and spending on entertainment. For the catering industry, such sentiment was further weakened by concerns over the food safety of quick service restaurants. The change in business environment consequently forced certain high-end caterers to move downstream to compete in the mid-price and low-end catering segments, which resulted in fierce competition across the entire catering industry. Together with the "four highs and one low", namely, high raw material, labour, rental and utility costs leading to low profitability; consolidation of the market and reformation of the catering industry is inevitably taking place. Many caterers subsequently devoted considerable effort towards revising their business models to ensure survivability amid such challenging conditions, as well as prepare to maximise on returns once an upswing emerges.

Management Discussion and Analysis

Business review

In 2014, our sales revenue rose by 2.2% to HK$2,157.9 million (2013: HK$2,110.7 million) mainly attributable to growth in same store sales and additional sales generated by new stores opened in the preceding year. During the review year, we adopted a prudent approach towards new store opening, establishing 30 new stores (2013: 60 new stores) that fulfilled our stringent internal requirements. To operate in such challenging conditions, added effort was placed on improving the quality and growth potential of all existing stores. Provisions and write-offs were made in the review year covering stores that failed to meet either internal profitability requirements or, owing to massive redevelopment of areas surrounding certain stores, had impaired the business opportunities and growth potential of such stores. The closures have, however, enabled us to direct greater focus on profit-making stores and nurture newly-built stores that have high business potential. A total of 45 stores (2013: 25 stores) were closed in 2014, representing a net closure of 15 stores (2013: net opening of 35 stores). As at 31 December 2014, 425 stores (2013: 440 stores) were in operation.

	As at 31 December	
	2014	2013
Yoshinoya		
Beijing-Tianjin-Hebei metropolitan region	**206**	223
Liaoning	**67**	61
Inner Mongolia	**10**	9
Heilongjiang	**8**	9
Jilin	**1**	2
	292	304
Dairy Queen		
Beijing-Tianjin-Hebei metropolitan region	**103**	109
Liaoning	**20**	19
Inner Mongolia	**6**	6
Heilongjiang	**3**	2
Jilin	**1**	–
	133	136
Total	**425**	440

Management Discussion and Analysis

BUSINESS REVIEW *(continued)*

Business review *(continued)*

Our business strategy has continued to focus on food safety and enhancing the quality of our products in order to reinforce our image as a rice expert. Correspondingly, innovative new products, including spicy vegetable pork bowls and chicken with wine cooked in Chinese style, were introduced during the review year. Our delivery services, including accepting orders by phone and over the internet, have helped us to capture customers who prefer to stay at their workplace or at home. All of these initiatives have resulted in a modest 1.5% rise (2013: decrease of 8.3%) in the same store sales of our Yoshinoya restaurants, despite operating under challenging business conditions.

Being a kind of desserts, ice-cream products are more sensitive to the ups and downs of the economy. To sway the public towards Dairy Queen's offerings, the use of distinctive shop fronts, eye-catching signage and the adoption of a young and trendy image have been implemented, combined with several new products. Consequently, the decline in same stores sales has lessened when compared with the previous year.

	Percentage increase in same stores sales	
	2014	2013
Overall	**1.1%**	–8.1%
By business		
Yoshinoya	**1.5%**	–8.3%
Dairy Queen	**–3.2%**	–5.3%

In 2014, the Beijing-Tianjin-Hebei metropolitan region continued to be the Group's largest market in terms of revenue, with sales revenue from Yoshinoya products accounting for roughly 90.6% of the Group's sales.

	2014		2013	
	HK$'000	**% of sales**	HK$'000	% of sales
a. By region				
Beijing-Tianjin-Hebei metropolitan region	**1,608,997**	**74.6%**	1,582,526	75.0%
Northeast China (1)	**548,876**	**25.4%**	528,138	25.0%
	2,157,873	**100.0%**	2,110,664	100.0%

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

	2014		2013	
	HK$'000	**% of sales**	HK$'000	% of sales
b. By business				
Yoshinoya	**1,955,226**	**90.6 %**	1,901,668	90.1%
Dairy Queen	**202,647**	**9.4 %**	208,996	9.9%
	2,157,873	**100.0%**	2,110,664	100.0%

BUSINESS REVIEW *(continued)*

Business review *(continued)*

The effective bulk procurement strategy implemented by the management, which emphasises purchases of quality food ingredients in a timely manner, complemented by flexible promotional programs have successfully mitigated the impact of the surge in raw material costs – particularly the cost of beef – on the cost of goods sold. The gross profit margin stood at a level similar to the preceding financial period at 62.1% (2013: 61.7%) while the gross profit recorded an increase of 2.9% compared to last year.

	2014	2013
Gross profit margin	**62.1%**	61.7%

Despite an annual increase of more than 10% on salaries and wages of staff, and the escalation of rental costs experienced by the market, the percentages of expenses over sales have remained relatively stable. Such stability has highlighted the management's success in controlling selling and distribution costs and enhancing the efficiency of the Group's stores.

	2014		2013	
	HK$'000	**% of sales**	HK$'000	% of sales
Labour costs	**270,564**	**12.5%**	259,322	12.3%
Rental expenses	**300,551**	**13.9%**	291,119	13.8%
Depreciation	**126,747**	**5.9%**	120,961	5.7%
Other operation expenses	**383,133**	**17.8%**	378,771	18.0%
Total selling and distribution costs	**1,080,995**	**50.1%**	1,050,173	49.8%

While selling and distribution expenses are to a certain extent variable costs, general and administrative expenses are not business-volume dependent. Operating in a difficult business environment, apart from adjusting salaries and wages to ensure their competitiveness, the Group has also implemented incentive and bonus programs to motivate staff to achieve pre-set targets. In respect of the rental cost component of general and administrative expenses, the cost of rent for the new head office in Beijing was also included, having been occupied by the Group since the last quarter of 2013. This cost is significantly higher than that of the previous office which had been rented by the QSR business for nine years.

Overall, the Group has been able to record a modest rise in turnover and gross profit, and maintained a relatively stable store EBITDA of approximately 18%. The decline in profit from the continuing operations of the Group was mainly due to the increase in labour and rental costs, write-off costs associated with store closures, and provisions within general and administrative expenses. The management trusts that further strengthening of cost control procedures will help to minimise the impact of labour and rental costs on the performance of the Group in the future.

BUSINESS REVIEW *(continued)*

Business review *(continued)*

Operating amid highly challenging conditions, the QSR Business has had to endure pressure on its profitability over the past two years. The cost of investment in subsidiaries engaged in the QSR Business has been adjusted to reflect its estimated net realisable value as at 31 December 2014. An impairment of HK$1,473 million, which does not have any impact on the consolidated accounts of the Group for the year ended 31 December 2014, has been reflected in the books of the Company.

FINANCIAL REVIEW

Equity

The number of issued shares of HK$0.10 each of the Company as at 31 December 2014 was 10,006,288,386 (2013: 10,006,288,386).

As at 1 January 2014, the Company had 27,719,520 outstanding share options. During the year, 1,552,200 share options were lapsed.

Liquidity and gearing

As at 31 December 2014, the Group's bank borrowing was a bank loan of HK$30.0 million (2013: HK$26.9 million), which was unsecured HK bank loan borrowed by the Company 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 2014 was 7.1% (2013: 6.4%).

The Group's finance costs from the continuing operations for the year was HK$1.4 million (2013: HK$2.4 million).

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 long-term incentives to eligible staff of the Group. The total remuneration paid to the employees (including pension costs and the directors' remuneration) of the Group in the year under review was HK$389.6 million (2013: HK$359.3 million). As at 31 December 2014, the Group had 7,946 (2013: 9,242) full time and temporary employees.

Subsequent to 31 December 2014, the annual remuneration of Mr. Wong Kwok Ying, an executive director of the Company, was revised to HK$1,816,200 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 35 to the financial statements.

PLEDGE OF ASSETS

Details of the pledge of assets are set out in note 24 to the financial statements.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND AFFILIATED COMPANIES

The Group did not make any material acquisition or disposal of subsidiaries or affiliated companies during the year under review.

OUTLOOK

Neither the overall economic conditions nor the related policies anticipated to change in the near future. We can therefore expect to see competition intensifying in the mid-price and low-end markets, caused by the contraction of the high-end market as the State Council's austerity campaign continues to drive market players downstream. Down the road, such severe competition will not only be among the retail brands, but all other brands as well. For the catering industry, players will also have to face weak consumption sentiment and escalating operational costs in the coming year. Moreover, the influence of the internet has resulted in a change in consumption pattern that will bring short-term disturbance to the market. In addition, the significant and continual increase in raw material costs will challenge our ability to maintain gross profit margin at a stable level in the upcoming financial year.

OUTLOOK *(continued)*

Operating under such difficult conditions, our newly established business information system will be of particular value, enabling us to keep abreast of market developments and rapidly respond to the needs of our customers. Further, our menus and operating mode can be promptly adjusted to suit the ever-changing demands of customers and the environment. Aside from leveraging the business information system, however, we will continue to introduce new and innovative products as part of our strategy to maintain our loyal customers while attracting new customers to the fold. Correspondingly, complete dinner sets with drinks and desserts will be offered to customers who are looking to unwind after a busy day at work. Certainly, off-peak hours are time slots that cannot be ignored. Hence, offering value-meal items during these periods will enable us to build our customer base and increase revenue at the same time. Apart from developing our menu, enhancing the dining experience for our customers is equally important. The design of our new stores have consequently incorporated elements that create a home-like atmosphere, thereby encouraging them to visit any time they want to enjoy meals in a relaxed manner. Home is also a place where everything is simple and straight forward. We will therefore implement in all our stores the proven practice of separating the cashier counters and pick-up counters to reduce the waiting time of our customers, which can potentially improve the operating efficiency of our stores as well. Given that we are well into the internet era, and that many of our daily activities can be completed by accessing the net, we will seek to fully leverage this development. With an effective internet ordering system in place that is complemented by our delivery services, we will be able to build more slightly smaller sized stores, and thereby reduce investment costs while at the same time capitalise on higher store efficiency.

Food safety remains an area where we will continue to place our greatest emphasis. We will maintain stringent controls over the quality of raw materials and work with suppliers who share a similar commitment to food safety. When stores are due for renovation, we will implement appropriate “Sunshine Kitchen” concepts that highlight our commitment to food safety.

While the Group’s gross margin has remained at a similar level to last year, we will strive to further enhance the breadth and depth of our bulk purchasing strategy to minimise the potential erosion of our gross profit margin, caused by escalating raw material costs, in particular, rising beef costs. To counter the ever-increasing cost of labour in China, raising the efficiency of human resources and the organisation will take top priority. In addition to keeping compensation packages competitive, the Group has started implementing a “Virtual Partnership Plan” where the heads of stores are allowed, under certain pre-set conditions, to operate their establishments as if they were the owners. The plan not only raises the morale of the persons in charge by giving them a sense of ownership, but also allows them to share in the success of the stores.

In respect of our ice-cream business, new stores are being created that will help reposition the brand identity of Dairy Queen; reinforcing it as a fashionable, trendy ice-cream expert. The Group will also continue to expand the products offered and launch new products to maintain market momentum, as well as prepare Dairy Queen ahead of faster pace economic growth in the future.

Taking a macro level perspective of our operations in China, the average number of stores under our brand names per fixed amount of the population in our franchise regions is much lower than that of our counterparts in developed countries. On a micro level, the consumption and economic power of Beijing, Tianjin and Hebei province will be further bolstered once economic unification among these metropolitan centers is completed. We have already witnessed such synergy occur in cities that lie within the periphery of Shanghai and Guangdong, all of which have benefited from the reformation of Eastern China and Southern China respectively. In respect of the Group, the management has equipped the business with a quality network, highly efficient operations and management style that is responsive to the market. This will enable us to develop a strong business platform for grasping opportunities that will emerge once the business environment has recovered from the current trough. In view of the aforementioned factors, we therefore remain cautiously optimistic about the growth of the catering industry in China in the medium-to-long term.

OUTLOOK *(continued)*

Apart from devoting resources to achieve sustainable long-term growth for our existing QSR business, we will continue to look for and evaluate opportunities that enable us to advance our goal of becoming a multi-brand QSR operator.

CLOSURE OF REGISTER OF MEMBERS

In order to determine the shareholders who are entitled to attend the AGM, the register of members of the Company will be closed from 28 May 2015 to 1 June 2015 (both days inclusive), during which period no share transfers will be registered.

In addition, for the purpose of determining the shareholders who are entitled to receive the final dividend for the year ended 31 December 2014, the register of members of the Company will be closed from 5 June 2015 to 8 June 2015 (both days inclusive), during which period no share transfers will be registered. The final dividend will be distributed on 30 June 2015 to shareholders whose names appear on the register of members of the Company as at 8 June 2015.

To qualify for attending and voting at the forthcoming AGM 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 27 May 2015 and 4 June 2015 respectively.

VOTE OF THANKS

On behalf of the Group, I would like to thank all of our customers, suppliers, business associates and bankers for their unwavering support. I wish to also express my gratitude to members of our management team and staff for their diligence and perseverance during the past year.

By Order of the Board

HUNG MING KEI, MARVIN
Chief Executive Officer
Hong Kong
20 March 2015


DQ Dairy Queen

Over **130**
DAIRY QUEEN STORES
in the
franchise region

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 2014.

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 in and financial review for the year 2014 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 2014.

BOARD OF DIRECTORS

Up to the date of publication of this Annual Report, the Board comprised of 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 Mr. Seto Gin Chung, John (Vice Chairman), Dr. Hon. Wong Yu Hong, Philip, *GBS*, Mr. Sze Tsai To, Robert, Mr. Cheung Wing Yui, Edward, *BBS*, Hon. Shek Lai Him, Abraham, *GBS, JP* and Mr. Siu Wai Keung; and two executive directors, being Mr. Hung Ming Kei, Marvin (Chief Executive Officer) 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 has adopted a board diversity policy (the "Board Diversity Policy"). 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 six full board meetings (including those with voting by communication) and two 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:

SUMMARY OF DIRECTORS' TRAINING RECORDS IN 2014

Name of Director	Training activities including 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	
Seto Gin Chung, John	✓
Wong Yu Hong, Philip	✓
Sze Tsai To, Robert	✓
Cheung Wing Yui, Edward	✓
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.

The remuneration committee comprised of 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; (iv) making recommendation to the Board on the remuneration of Vice Chairman; (v) making recommendation to the Board on the change of directors' fee of Chairmen of committees; and (vi) making recommendation to the Board on the adoption of a share award scheme and the proposal to grant share options.

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 2014 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 which aligns with the CP of the CG Code and have been posted on the websites of HKEx and the Company.

The nomination committee comprised of Mr. Hung Hak Hip, Peter (chairman of the committee), the non-executive Chairman of the Company, Mr. Seto Gin Chung, John, an independent non-executive director of the Company (Vice Chairman of the Company), Mr. Hung Ming Kei, Marvin, an executive director and the chief executive officer of the Company, Dr. Wong Yu Hong, Philip, *GBS,* and Hon. Shek Lai Him, Abraham, *GBS, JP*, both 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; (iii) making recommendation to the Board on re-appointment of directors; and (iv) making recommendation to the Board on the appointment of an independent non-executive director as the Vice Chairman of the Company.

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.

The audit committee comprised of Mr. Sze Tsai To, Robert (chairman of the committee), Mr. Seto Gin Chung, John (Vice Chairman of the Company), Mr. Cheung Wing Yui, Edward, *BBS*, 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 2014, the works of the audit committee included (i) reviewing with the management the accounting principles and practices adopted by the Group and discussing with them auditing, internal control and financial reporting matters including review of the Group's audited accounts for the year ended 31 December 2013; (ii) reviewing the audit plan of the Group for 2014; (iii) making recommendation to the Board on the reappointment of external auditors; and (iv) reviewing interim report for the six months ended 30 June 2014. Subsequent to the year end, the audit committee of the Company reviewed the Group's financial statements for the year ended 31 December 2014.

AUDITORS' REMUNERATION

During 2014, the fees payable to Ernst & Young, the Company's external auditors, for the Group's audit services amounted to HK$2,450,000. Ernst & Young also provided the Group with non-audit services, including review of the interim report at a fee of HK$640,000.

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 2014, 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 2014 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 and 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 2014 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.

SHAREHOLDERS' RIGHTS *(continued)*

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, Grand Cayman, KY1-1108, Cayman Islands

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 2014. 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 2014

	Meetings attended/eligible to attend				
Name of Director	**Full Board**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**	**Annual General Meeting#**
Non-executive Directors					
Hung Hak Hip, Peter *(Chairman of the Board and of the nomination committee)*	6/6	2/2	1/1	1/1	1/1
Lam Fung Ming, Tammy	6/6	N/A	N/A	N/A	1/1
Independent Non-executive Directors					
Seto Gin Chung, John *(Vice Chairman of the Board)*	5/6	1/2	N/A	1/1	1/1
Wong Yu Hong, Philip	6/6	N/A	N/A	0/1	1/1
Sze Tsai To, Robert *(Chairman of the audit committee)*	6/6	2/2	1/1	N/A	1/1
Cheung Wing Yui, Edward *(Chairman of the remuneration committee)*	5/6	2/2	1/1	N/A	1/1
Shek Lai Him, Abraham	6/6	N/A	1/1	1/1	1/1
Siu Wai Keung	5/6	N/A	N/A	N/A	1/1
Executive Directors					
Hung Ming Kei, Marvin *(Chief Executive Officer)*	6/6	N/A	N/A	1/1	1/1
Wong Kwok Ying	6/6	N/A	N/A	N/A	1/1

2014 annual general meeting of the Company was held on 5 June 2014


中国连锁经营协会
2014
中国餐饮连锁企业
管理创新奖


北京餐饮十大品牌
综合类


证书
全国质量和服务诚信优秀企业


荣誉证书
北京吉野家快餐有限公司：
贵单位被推荐为食品安全示范单位


Dairy Queen


吉野家
YOSHINOYA
手功派


吉野家
YOSHINOYA
【手功派第一式】
漫天飞雨


吉野家
YOSHINOYA
【手功派第二式】
蜻蜓点水


吉野家
YOSHINOYA
乾坤挪移


吉野家
YOSHINOYA
【手功派第四式】
万月归宗

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 2014.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. 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.

RESULTS AND DIVIDENDS

The Group's profits for the year ended 31 December 2014 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 50 to 112.

Subsequent to the end of the reporting period, on 20 March 2015, the directors recommend the payment of a final dividend of HK0.25 cent per share for the year ended 31 December 2014 (2013: 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 1 June 2015. 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 113 to 114. 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 RESERVES

Details of the movements in the Company's share capital and share options during the year, together with the reasons therefor, are set out in notes 29 and 30 to the financial statements. The movements in the reserves of the Company and the Group during the year are set out in note 31 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 31 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 2014 are set out in note 24 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)*
Seto Gin Chung, John** *(Vice Chairman#)*
Hung Ming Kei, Marvin *(Chief Executive Officer)*
Wong Yu Hong, Philip**
Sze Tsai To, Robert**
Cheung Wing Yui, Edward **
Shek Lai Him, Abraham**
Siu Wai Keung**
Lam Fung Ming, Tammy*
Wong Kwok Ying

* Non-executive directors
** Independent non-executive directors
\# since 29 August 2014

All directors are subject to retirement by rotation and re-election at the annual general meeting ("AGM") 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 Hak Hip, Peter, Dr. Hon. Wong Yu Hong, Philip, *GBS*, Mr. Sze Tsai To, Robert and Mr. Wong Kwok Ying, 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 2014, 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. Siu Wai Keung** was appointed as an independent non-executive director of CGN Power Co., Ltd., a company listed on The Stock Exchange of Hong Kong Limited on 10 December 2014, effective on 24 March 2014 and ceased to be an independent non-executive director of Beijing Hualian Hypermarket Company Limited, a company listed on the Shanghai Stock Exchange effective on 17 March 2015;

(b) **Hon. Shek Lai Him**, **Abraham**, *GBS, JP*, was appointed as a non-executive director of Mandatory Provident Fund Schemes Authority and a director of Heifer International Hong Kong Limited effective on 17 March 2015 and 19 March 2015 respectively and retired as the vice chairman of Independent Police Complaints Council effective on 1 January 2015; and

(c) **Mr. Wong Kwok Ying's** annual remuneration has been revised to HK$1,816,200 with discretionary bonus payable according to the terms of the relevant bonus entitlement scheme of the Company, effective on 1 January 2015.

DIRECTORS' BIOGRAPHIES

(a) Non-executive directors

Mr. Hung Hak Hip, Peter, aged 70, 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".

Mr. Seto Gin Chung, John, aged 66, appointed as the Vice Chairman of the Board and a director of the Group on 29 August 2014 and 25 April 2006 respectively, 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.

DIRECTORS' BIOGRAPHIES *(continued)*

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

Dr. Hon. Wong Yu Hong, Philip, *GBS, JD, PhD*, aged 76, 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.

Mr. Sze Tsai To, Robert, aged 74, 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.

DIRECTORS' BIOGRAPHIES *(continued)*

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

Mr. Cheung Wing Yui, Edward, *BBS*, aged 65, 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)*

Hon. Shek Lai Him, Abraham, *GBS, JP*, aged 69, 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. He had been the vice chairman of Independent Police Complaints Council and retired on 1 January 2015. 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. Mr. Shek was appointed as a non-executive director of Mandatory Provident Fund Schemes Authority and a director of Heifer International Hong Kong Limited with effect from 17 March 2015 and 19 March 2015 respectively. 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, 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 and Hsin Chong Construction Group Limited (companies listed on the Main Board of the Stock Exchange) until 26 February 2014 and 11 May 2014 respectively. 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 60, was appointed a director of the Group on 1 September 2012. Mr. Siu is currently an independent non-executive director of CITIC Limited (formerly known as CITIC Pacific Limited), China Communications Services Corporation Limited, Shunfeng International Clean Energy Limited (formerly known as Shunfeng Photovoltaic International Limited), China Huishan Dairy Holdings Company Limited and CGN Power Co., Ltd. (companies are listed on the Main Board of the Stock Exchange) and GuocoLand Limited (a company listed on the Singapore Stock Exchange). Mr. Siu was also an independent non-executive director of Hua Xia Bank Co., Limited until 26 February 2014 and 16 March 2015 respectively. 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 51, 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 44, 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 55, is the Company Secretary and the Group Comptroller 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. 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

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 2014, 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	3,873,182,399 notes(i) to (iv)	–	3,875,193,567	38.728%
Seto Gin Chung, John	500,847	–	–	–	500,847	0.005%
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%
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) 219,228,648 shares were beneficially owned by a discretionary trust, the trustee is beneficially owned by Mr. Hung Hak Hip, Peter. The discretionary trust 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 2014, 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 30 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 30 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 2014, 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%
Hung Hak Hip, Peter	(iv)	3,875,193,567	38.73%
Hung Diana Wan Ling	(v)	3,875,193,567	38.73%
Winner Planet Limited	(vi)	1,625,526,805	16.25%
Creative Mount Limited	(vii)	1,587,229,730	15.86%
North China Fast Food (2008) Limited	(viii)	3,412,399,373	34.10%
Ample Great Ventures Limited	(ix)	3,412,399,373	34.10%
Hung Ming Kei, Marvin	(x)	3,631,732,184	36.29%
Arisaig Asia Consumer Fund Limited	(xi)	981,288,000	9.81%
Arisaig Partners (Mauritius) Limited	(xii)	981,288,000	9.81%
Cooper Lindsay William Ernest	(xiii)	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) above, and 594,831,805 shares held by certain shareholders of the Company.

(iv) 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) 386,016,378 shares held through Ever Intellect Limited;

(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)*

(v) 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 (iv) above.

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

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

(viii) 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 (vi) and (vii) above and 199,642,838 shares held by Predominance Fortune Limited.

(ix) 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 (viii) above.

(x) 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 (viii) 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.

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

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

(xiii) 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 (xi) above.

Save as disclosed above, as at 31 December 2014, 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 TRANSACTIONS AND RELATED PARTY TRANSACTIONS

Save for connected transactions which are exempted from the reporting, annual review, announcement and independent shareholders' approval requirements under 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.

Details of material related party transactions undertaken during the year have been reported under note 36 to the financial statements. None of these related party transactions constitutes a discloseable connected transaction as defined under the Listing Rules.

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 BENEFIT 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 oil business 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 2014, the total scheme contributions made by the Group amounted to approximately HK$88,287,000 and no forfeited contributions were applied to reduce employer's contributions. As at 31 December 2014, 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
20 March 2015

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 50 to 112, which comprise the consolidated and company statements of financial position as at 31 December 2014, 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 (continued)

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 2014, 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

20 March 2015

Consolidated Income Statement

Year ended 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
CONTINUING OPERATIONS			
TURNOVER	5	**2,157,873**	2,110,664
Direct cost of stocks sold		**(817,752)**	(808,682)
Other income and gains, net	5	**5,702**	9,399
Selling and distribution expenses		**(1,080,995)**	(1,050,173)
General and administrative expenses		**(216,544)**	(174,306)
PROFIT FROM OPERATING ACTIVITIES FROM CONTINUING OPERATIONS	6	**48,284**	86,902
Finance costs	7	**(1,388)**	(2,441)
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS		**46,896**	84,461
Income tax expense	10	**(11,531)**	(18,785)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**35,365**	65,676
DISCONTINUED OPERATION			
Loss for the year from a discontinued operation	12	**–**	(51,696)
PROFIT FOR THE YEAR		**35,365**	13,980
PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	11	**35,365**	13,980
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	14		
Basic			
– For profit for the year		**HK0.35 cent**	HK0.14 cent
– For profit from continuing operations		**HK0.35 cent**	HK0.66 cent
Diluted			
– For profit for the year		**HK0.35 cent**	HK0.14 cent
– For profit from continuing operations		**HK0.35 cent**	HK0.66 cent

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

Consolidated Statement of Comprehensive Income

Year ended 31 December 2014

	2014 HK$'000	2013 HK$'000
PROFIT FOR THE YEAR	**35,365**	13,980
OTHER COMPREHENSIVE INCOME/(EXPENSES)		
Other comprehensive income/(expenses) that have been reclassified or may be subsequently reclassified to income statement:		
Release of exchange fluctuation reserve upon disposal of subsidiaries	**–**	(33,137)
Exchange differences on translation of foreign operations	**(7,489)**	9,322
OTHER COMPREHENSIVE EXPENSES FOR THE YEAR	**(7,489)**	(23,815)
TOTAL COMPREHENSIVE INCOME/(EXPENSES) FOR THE YEAR	**27,876**	(9,835)
TOTAL COMPREHENSIVE INCOME/(EXPENSES) ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	**27,876**	(9,835)

Consolidated Statement of Financial Position

31 December 2014

	Notes	**2014 HK$'000**	2013 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	15	**250,870**	301,148
Deferred tax assets	25	**21,263**	11,047
Prepayments and rental deposits	26	**44,264**	50,820
Total non-current assets		**316,397**	363,015
CURRENT ASSETS			
Stocks	20	**121,106**	111,530
Accounts receivable	21	**6,335**	8,098
Prepayments, deposits and other receivables	26	**69,498**	61,791
Tax recoverable		**6,493**	14,690
Pledged bank deposits	22	**–**	44,872
Cash and cash equivalents	27	**336,516**	226,302
Total current assets		**539,948**	467,283
CURRENT LIABILITIES			
Accounts payable	23	**136,753**	131,514
Other payables and accrued charges	28	**256,072**	242,735
Interest-bearing bank loans	24	**30,000**	26,923
Total current liabilities		**422,825**	401,172
NET CURRENT ASSETS		**117,123**	66,111
TOTAL ASSETS LESS CURRENT LIABILITIES		**433,520**	429,126
NON-CURRENT LIABILITIES			
Deferred tax liabilities	25	**12,995**	11,461
NET ASSETS		**420,525**	417,665

Consolidated Statement of Financial Position (continued)

31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
EQUITY			
Equity attributable to equity holders of the Company			
Issued share capital	29	**1,000,629**	1,000,629
Reserves	31(a)	**(580,104)**	(582,964)
Total equity		**420,525**	417,665

HUNG HAK HIP, PETER
CHAIRMAN

HUNG MING KEI, MARVIN
CHIEF EXECUTIVE OFFICER

Consolidated Statement of Changes in Equity

Year ended 31 December 2014

	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$'000	Statutory reserve*## HK$'000	Capital and other reserves* HK$'000	Retained profits* HK$'000	Total equity HK$'000
At 1 January 2014	1,000,629	4,044,691	(4,857,319)	5,461	24,532	16,439	69,377	113,855	417,665
Profit for the year	–	–	–	–	–	–	–	35,365	35,365
Other comprehensive expenses for the year:									
Exchange differences on translation of foreign operations	–	–	–	–	(7,489)	–	–	–	(7,489)
Total comprehensive income/(expenses) for the year	–	–	–	–	(7,489)	–	–	35,365	27,876
Transfer of share option reserve upon lapse of share options	–	–	–	(306)	–	–	–	306	–
Final dividend for 2013 (note 13)	–	(25,016)	–	–	–	–	–	–	(25,016)
At 31 December 2014	1,000,629	4,019,675	(4,857,319)	5,155	17,043	16,439	69,377	149,526	420,525

Consolidated Statement of Changes in Equity (continued)

Year ended 31 December 2014

	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/(expenses) for the year	–	–	–	–	(23,815)	–	–	–	13,980	(9,835)	–	(9,835)
Issue of shares upon exercise of warrants (note 29)	8,942	8,942	–	–	–	–	–	–	–	17,884	–	17,884
Share issue expenses (note 29)	–	(45)	–	–	–	–	–	–	–	(45)	–	(45)
Transfer of share option reserve upon 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

* These reserve accounts comprise the reserves in debit balance of HK$580,104,000 (2013: HK$582,964,000) 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 and its associates) over the share capital and share premium of Hop Hing Fast Food of HK$363,000 and HK$62,161,000, respectively, arose from the 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 2014

	Notes	2014 HK$'000	2013 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax			
From continuing operations		**46,896**	84,461
From the discontinued operation		**–**	(39,832)
Adjustments for:			
Interest income	5, 12	**(4,995)**	(3,077)
Finance costs	7, 12	**1,388**	4,509
Depreciation	15	**137,191**	133,079
Amortisation of prepaid land lease payments	16	**–**	367
Impairment of accounts receivable	21	**4,341**	1,312
Impairment of items of property, plant and equipment	6	**911**	3,034
Loss on disposal/write-off of items of property, plant and equipment, net	6	**9,002**	5,325
Loss on disposal of subsidiaries	32	**–**	46,309
		194,734	235,487
Decrease/(increase) in stocks		**(9,576)**	8,221
Increase in accounts receivable		**(2,540)**	(10,165)
Increase in prepayments, deposits and other receivables		**(1,151)**	(2,920)
Increase/(decrease) in accounts payable		**5,239**	(7,565)
Decrease in bills payable		**–**	(14,046)
Increase in other payables and accrued charges		**13,337**	30,446
Cash generated from operations		**200,043**	239,458
Interest received		**4,995**	3,077
Hong Kong profits tax paid		**(2,019)**	(7,908)
Overseas tax paid		**(10,452)**	(34,248)
Net cash flows from operating activities		**192,567**	200,379
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(104,045)**	(160,098)
Increase in trademarks		**–**	(5)
Increase in time deposits with original maturity of more than three months when acquired	27	**(29,673)**	(5,385)
Disposal of subsidiaries	32	**–**	361,700
Net cash flows from/(used in) investing activities		**(133,718)**	196,212

Consolidated Statement of Cash Flows (continued)

Year ended 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid		**(1,388)**	(4,509)
Dividends paid		**(25,016)**	(305,192)
Issue of shares, net of expenses		**–**	17,839
Decrease in pledged bank deposits		**44,872**	3,092
Net drawing/(repayment) of bank and other loans		**3,077**	(21,689)
Dividends paid to the former owners of a subsidiary		**–**	(57,333)
Net cash flows from/(used in) financing activities		**21,545**	(367,792)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**80,394**	28,799
Cash and cash equivalents at beginning of year		**210,917**	182,091
Effect of foreign exchange rates changes, net		**147**	27
CASH AND CASH EQUIVALENTS AT END OF YEAR		**291,458**	210,917
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents as stated in the consolidated statement of financial position		**336,516**	226,302
Less: Time deposits with original maturity of more than three months when acquired	27	**(45,058)**	(15,385)
Cash and cash equivalents as stated in the consolidated statement of cash flows		**291,458**	210,917

Statement of Financial Position

31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
NON-CURRENT ASSETS			
Investments in subsidiaries	18	**3,530,349**	5,022,280
Total non-current assets		**3,530,349**	5,022,280
CURRENT ASSETS			
Due from subsidiaries	18	**42,000**	15,000
Prepayments and other receivables		**974**	806
Cash and cash equivalents		**288**	379
Total current assets		**43,262**	16,185
CURRENT LIABILITIES			
Other payables and accrued charges		**4,174**	3,002
Interest-bearing bank loan	24	**30,000**	–
Total current liabilities		**34,174**	3,002
NET CURRENT ASSETS		**9,088**	13,183
NET ASSETS		**3,539,437**	5,035,463
EQUITY			
Issued share capital	29	**1,000,629**	1,000,629
Reserves	31(b)	**2,538,808**	4,034,834
Total equity		**3,539,437**	5,035,463

HUNG HAK HIP, PETER
CHAIRMAN

HUNG MING KEI, MARVIN
CHIEF EXECUTIVE OFFICER

Notes to Financial Statements

31 December 2014

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, 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. 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.

During the year ended 31 December 2013, 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 32 to the financial statements.

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") and accounting principles generally accepted in Hong Kong. These financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance relating to the preparation of financial statements, which for this financial year and the comparative period continue to be those of the predecessor Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 to that Ordinance. The financial statements 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.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2014. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. 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 or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests, 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 transactions between members of the Group are eliminated in full on consolidation.

Notes to Financial Statements

31 December 2014

2.1 BASIS OF PREPARATION *(continued)*

Basis of consolidation *(continued)*

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 income statement. The Group's share of components previously recognised in other comprehensive income is reclassified to income statement 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.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	*Investment Entities*
Amendments to HKAS 32	*Offsetting Financial Assets and Financial Liabilities*
Amendments to HKAS 36	*Recoverable Amount Disclosures for Non-Financial Assets*
Amendments to HKAS 39	*Novation of Derivatives and Continuation of Hedge Accounting*
HK(IFRIC)-Int 21	*Levies*
Amendment to HKFRS 2 included in *Annual Improvements 2010-2012 Cycle*	*Definition of Vesting Condition*[1]
Amendment to HKFRS 3 included in *Annual Improvements 2010-2012 Cycle*	*Accounting for Contingent Consideration in a Business Combination*[1]
Amendment to HKFRS 13 *included in Annual Improvements 2010-2012 Cycle*	*Short-term Receivables and Payables*
Amendments to HKFRS 1 included in *Annual Improvements 2011-2013 Cycle*	*Meaning of Effective HKFRSs*

[1] Effective from 1 July 2014

The adoption of the above revised standards and interpretation has had no significant financial effect on these financial statements.

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2.3 NEW AND REVISED HKFRSs AND NEW DISCLOSURE REQUIREMENTS UNDER THE HONG KONG COMPANIES ORDINANCE NOT YET ADOPTED

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]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[2]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*[2]
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*[2]
HKFRS 14	*Regulatory Deferral Accounts*[5]
HKFRS 15	*Revenue from Contracts with Customers*[3]
Amendments to HKAS 1	*Disclosure Initiative*[2]
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*[2]
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*[2]
Amendments to HKAS 19 (2011)	*Defined Benefit Plans: Employee Contributions*[1]
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*[2]
Annual Improvements 2010-2012 Cycle	Amendments to a number of HKFRSs, other than HKFRS 2 HKFRS 3 and HKFRS 13[1]
Annual Improvements 2011-2013 Cycle	Amendments to a number of HKFRSs, other than HKFRS 1[1]
Annual Improvements 2012-2014 Cycle	Amendments to a number of HKFRSs[2]

1 Effective for annual periods beginning on or after 1 July 2014

2 Effective for annual periods beginning on or after 1 January 2016

3 Effective for annual periods beginning on or after 1 January 2017

4 Effective for annual periods beginning on or after 1 January 2018

5 Effective for an entity that first adopts HKFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group

In addition, the Hong Kong Companies Ordinance (Cap. 622) will affect the presentation and disclosure of certain information in the consolidated financial statements for the year ending 31 December 2015. The Group is in the process of making an assessment of the impact of these changes.

Notes to Financial Statements

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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

(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.

Investment in joint ventures

A joint 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. A joint venture is required to be accounted for using the equity method in accordance with HKAS 28 (2011).

Having considered the discontinued operation presentation of the disposal of the Group's joint ventures as part of the Group's disposal of edible oil business during the year ended 31 December 2013 (notes 12 and 32), the directors considered the adoption of equity accounting of its joint ventures 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 32. 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.

Notes to Financial Statements

31 December 2014

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Business combinations and goodwill

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 measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a 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.

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 of 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.

Notes to Financial Statements

31 December 2014

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Business combinations and goodwill *(continued)*

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 operation disposed of and the portion of the cash-generating unit retained.

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.

Notes to Financial Statements

31 December 2014

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

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.

Notes to Financial Statements

31 December 2014

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment and depreciation *(continued)*

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.

Notes to Financial Statements

31 December 2014

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.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

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.

Notes to Financial Statements

31 December 2014

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of financial assets *(continued)*

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).

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, 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

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. 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 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 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 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.

Notes to Financial Statements

31 December 2014

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income tax *(continued)*

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

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 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 30 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.

Notes to Financial Statements

31 December 2014

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Employee benefits *(continued)*

Share-based payments (continued)

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.

Retirement benefit 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 had been exempted under the MPF Schemes Ordinance (the "Exempted Scheme") for the employees 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 municipal 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.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

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.

Notes to Financial Statements

31 December 2014

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies *(continued)*

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:

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.

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

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 items 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 2014 was HK$21,263,000 (2013: HK$11,047,000). Further details are contained in note 25 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") during the year ended 31 December 2013. Further details of the Disposal are set out in notes 12 and 32 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 region is presented.

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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	
	2014	2013
	HK$'000	HK$'000
Turnover		
Sales	**2,157,873**	2,110,664
Other income and gains, net		
Interest income	**4,995**	2,991
Foreign exchange differences, net	**(4,414)**	3,675
Compensation	**1,513**	1,213
Others	**3,608**	1,520
	5,702	9,399

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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):

	2014 **HK$'000**	2013 HK$'000
Foreign exchange differences, net	**4,414**	(3,675)
Direct cost of stocks sold	**817,752**	808,682
Loss on disposal/write-off of items of property, plant and equipment, net	**9,002**	5,325
Employee benefit expenses (including directors' emoluments in note 8):		
Wages and salaries	**301,281**	277,340
Pension scheme contributions**	**88,287**	81,915
	389,568	359,255
Depreciation	**137,191**	124,979
Impairment of items of property, plant and equipment	**911**	3,034
Impairment of accounts receivable*	**4,341**	–
Lease payments under operating leases in respect of land and buildings		
– Minimum lease payments	**284,930**	269,797
– Contingent rents	**38,767**	38,333
Auditors' remuneration	**2,450**	2,265

Notes:

* Impairment of accounts receivable is included in "General and administrative expenses" in the consolidated income statement.

** At 31 December 2014, the Group had no forfeited contributions available to reduce its future contributions to the pension scheme in future years (2013: Nil).

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7. FINANCE COSTS

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

	Group	
	2014	2013
	HK$'000	HK$'000
Interest on bank loans wholly repayable within five years	**1,087**	1,812
Others	**301**	629
	1,388	2,441

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8. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

Directors' and chief executive's 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 78 of Schedule 11 to the Hong Kong Companies Ordinance (Cap. 622), with reference to section 161 of the predecessor Hong Kong Companies Ordinance (Cap. 32), are as follows:

		2014					
		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**						
	Seto Gin Chung, John	247	-	-	-	-	247
	Sze Tsai To, Robert	275	-	-	-	-	275
	Wong Yu Hong, Philip	220	-	-	-	-	220
	Cheung Wing Yui, Edward	239	-	-	-	-	239
	Shek Lai Him, Abraham	220	-	-	-	-	220
	Siu Wai Keung	239	-	-	-	-	239
		1,440	-	-	-	-	1,440
(b)	**Executive directors and non-executive directors**						
	Executive directors:						
	Hung Ming Kei, Marvin	2,000	3,139	-	-	-	5,139
	Wong Kwok Ying	-	1,730	-	-	138	1,868
		2,000	4,869	-	-	138	7,007
	Non-executive directors:						
	Hung Hak Hip, Peter	330	-	-	-	-	330
	Lam Fung Ming, Tammy*	30	-	-	-	-	30
		360	-	-	-	-	360

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

	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						
Seto Gin Chung, John	220	–	–	–	–	220
Sze Tsai To, Robert	275	–	–	–	–	275
Wong Yu Hong, Philip	220	–	–	–	–	220
Cheung Wing Yui, Edward	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

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

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

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

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

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 30 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 (2013: two) directors whose emoluments are set out in note 8 above, for the year are as follows:

	Group	
	2014	2013
	HK$'000	HK$'000
Salaries, allowances and other emoluments	**12,763**	12,872
Discretionary/performance related bonuses	**972**	1,375
Pension scheme contributions	**248**	392
	13,983	14,639

The above emoluments are analysed as follows:

	Number of employees	
	2014	2013
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
HK$3,000,001 to HK$3,500,000	**1**	1
HK$3,500,001 to HK$4,000,000	**–**	–
HK$5,000,000 to HK$5,500,000	**1**	1
	5	5

10. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2013: 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.

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10. INCOME TAX *(continued)*

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 exemption from the standard income tax rate for a fixed term of one year in 2014 and 2013.

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

	2014 **HK$'000**	2013 HK$'000
Group:		
Current – Hong Kong		
Charge for the year	**2,722**	954
Current – Elsewhere		
Charge for the year	**17,777**	23,194
Underprovision/(overprovision) in prior years	**13**	(471)
	17,790	22,723
Deferred (note 25)	**(8,981)**	(4,892)
Total income tax charge for the year	**11,531**	18,785

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	
	2014 **HK$'000**	2013 HK$'000
Profit before tax from continuing operations	**46,896**	84,461
Tax at the applicable tax rate	**7,738**	13,936
Effect of different tax rates in other jurisdictions	**1,983**	4,547
Income not subject to tax	**(7,549)**	(6,382)
Expenses not deductible for tax	**5,982**	1,004
Underprovision/(overprovision) in respect of prior years	**13**	(471)
Effect of withholding tax on the distributable profits of the Group's PRC subsidiaries	**1,534**	5,150
Tax losses not recognised	**1,830**	1,001
Tax charge at the Group's effective rate	**11,531**	18,785

Notes to Financial Statements

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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 2014 includes a loss of HK$10,010,000 (2013: HK$13,125,000) which has been dealt with in the financial statements of the Company (note 31(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 Oil 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) were presented below:

	Note	**2014** **HK$'000**	2013 HK$'000
Turnover		–	438,283
Direct cost of stocks sold and services provided		–	(320,520)
Interest income		–	86
Other income and loss, net		–	(222)
Other production and services costs		–	(32,270)
Selling and distribution expenses		–	(53,330)
General and administrative expenses		–	(23,482)
Profit from operating activities		–	8,545
Finance costs		–	(2,068)
Profit before tax from the discontinued operation		–	6,477
Income tax expense		–	(11,864)
Loss for the year before loss on disposal of subsidiaries		–	(5,387)
Loss on disposal of subsidiaries	32	–	(46,309)
Loss for the year from the discontinued operation		–	(51,696)

Notes to Financial Statements

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12. DISCONTINUED OPERATION *(continued)*

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

	2014 **HK$'000**	2013 HK$'000
Operating activities	–	(8,751)
Investing activities	–	(800)
Financing activities	–	(19,419)
Effect of foreign exchange rates changes, net	–	571
Net cash flows	–	(28,399)
Loss per share:		
Basic, from the discontinued operation	–	HK(0.52) cent
Diluted, from the discontinued operation *	–	HK(0.52) cent

* No adjustment had been made to the basic loss per share amount presented in respect of a dilution as the warrants and share options 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 were based on:

	2014 **HK$'000**	2013 HK$'000
Loss attributable to equity holders of the Company from the discontinued operation	–	(51,696)

	Number of shares	
	2014	2013
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation (note 14)	**10,006,288,386**	9,971,284,644

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13. DIVIDENDS

	2014 **HK$'000**	2013 HK$'000
Dividends paid during the year:		
Final dividend for 2013 – HK0.25 cent (2012: HK0.25 cent) per ordinary share	**25,016**	25,016
Special dividend for 2013 – HK2.8 cents per ordinary share	**–**	280,176
	25,016	305,192
Proposed final dividend:		
HK0.25 cent (2013: HK0.25 cent) per ordinary share	**25,016**	25,016

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.

Notes to Financial Statements

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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$35,365,000 (2013: HK$13,980,000), and the weighted average number of 10,006,288,386 (2013: 9,971,284,644) ordinary shares in issue during the year.

(b) Diluted earnings per share

For the year ended 31 December 2013, 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 and the weighted average number of 9,986,268,833 ordinary shares in issue after adjusting for the effect of all dilutive potential ordinary shares of 14,984,189 calculated as follows:

	2014 **HK$'000**	2013 HK$'000
Consolidated profit/(loss) attributable to equity holders of the Company:		
From continuing operations	**35,365**	65,676
From a discontinued operation	**–**	(51,696)
	35,365	13,980

	Number of shares	
	2014	2013
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**10,006,288,386**	9,971,284,644
Effect of dilution – weighted average number of ordinary shares:		
Warrants	**–**	14,984,189
Share options *	**–**	–
	10,006,288,386	9,986,268,833

* The outstanding share options of the Company have not been included in the computation of diluted earnings per share for the years ended 31 December 2014 and 2013 as the exercise prices of these options were higher than the average market prices of the Company's shares during the years and they therefore had no dilutive effect on the Company's earnings per share.

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15. PROPERTY, PLANT AND EQUIPMENT

Group

	Motor vehicles and other equipment HK$'000	Furniture, fixtures and leasehold improvements HK$'000	Total HK$'000
31 December 2014			
Cost:			
At 1 January 2014	363,001	423,449	786,450
Additions	46,185	57,860	104,045
Disposals/write-off	(9,344)	(27,677)	(37,021)
Exchange realignment	(9,385)	(10,811)	(20,196)
At 31 December 2014	390,457	442,821	833,278
Accumulated depreciation and impairment:			
At 1 January 2014	194,049	291,253	485,302
Provided during the year	51,783	85,408	137,191
Disposals/write-off	(5,919)	(22,100)	(28,019)
Provision for impairment	–	911	911
Exchange realignment	(5,244)	(7,733)	(12,977)
At 31 December 2014	234,669	347,739	582,408
Net book value:			
At 31 December 2014	155,788	95,082	250,870

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

Group *(continued)*

	Leasehold land and buildings HK$'000	Barge, oil plant and machinery, motor vehicles and other equipment HK$'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/write-off	–	(16,280)	(20,464)	(36,744)
Disposal of subsidiaries (note 32)	(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/write-off	–	(14,318)	(17,101)	(31,419)
Disposal of subsidiaries (note 32)	(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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16. PREPAID LAND LEASE PAYMENTS

	Group	
	2014	2013
	HK$'000	HK$'000
Carrying amount at 1 January	**–**	27,619
Recognised during the year	**–**	(367)
Disposal of the subsidiaries (including current portion of prepaid land lease payments of HK$739,000)	**–**	(27,599)
Exchange realignment	**–**	347
Carrying amount at 31 December	**–**	–
Current portion included in prepayments, deposits and other receivables	**–**	–
Non-current portion	**–**	–

17. TRADEMARKS

	Group	
	2014	2013
	HK$'000	HK$'000
Cost:		
At 1 January	**–**	125,299
Additions	**–**	5
Disposal of subsidiaries (note 32)	**–**	(125,304)
At 31 December	**–**	–

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18. INVESTMENTS IN SUBSIDIARIES

	Company	
	2014 **HK$'000**	2013 HK$'000
Unlisted shares, at cost	**4,919,843**	4,919,843
Less: impairment*	**(1,473,000)**	–
	3,446,843	4,919,843
Amounts due from subsidiaries	**125,506**	117,437
	3,572,349	5,037,280

* An impairment was recognised for the investments in subsidiaries with an amount of HK$4,919,843,000 which was higher than the estimated net realisable value of the investments in the respective subsidiaries as at 31 December 2014.

Except for the amounts due from subsidiaries amounting to HK$42,000,000 (2013: HK$15,000,000) as at 31 December 2014 which are 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 2014 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
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

18. INVESTMENTS IN SUBSIDIARIES *(continued)*

Particulars of the principal subsidiaries as at 31 December 2014 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
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

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.

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19. INVESTMENTS IN JOINT VENTURES

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

Share of the joint ventures' assets and liabilities:

	2014 HK$'000	2013 HK$'000
Current assets	–	–
Current liabilities	–	–
Net assets	–	–

Share of the joint ventures' results:

	2014 HK$'000	2013 HK$'000
Turnover	–	–
Costs and expenses	–	(71)
Loss before tax	–	(71)
Income tax credit	–	(9,250)
Loss after tax	–	(9,321)

The results of the joint ventures were included in the results of the Edible Oils Group under discontinued operation (note 12). During the year ended 31 December 2013, 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 32 to the financial statements.

20. STOCKS

	Group	
	2014 HK$'000	2013 HK$'000
Raw materials	106,768	101,035
Consumables	14,338	10,495
	121,106	111,530

21. ACCOUNTS RECEIVABLE

	Group	
	2014	2013
	HK$'000	HK$'000
Accounts receivable	**10,638**	8,098
Less: impairment	**(4,303)**	–
	6,335	8,098

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 with credit terms within 60 days. The overdue balances are reviewed regularly by senior management.

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	
	2014	2013
	HK$'000	HK$'000
Current (neither past due nor impaired)	**1,795**	8,098
Within 60 days past due	**1,495**	–
Over 60 days past due	**3,045**	–
	6,335	8,098

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

	Group	
	2014	2013
	HK$'000	HK$'000
At 1 January	**–**	15,218
Exchange realignment	**(38)**	173
Impairment losses recognised	**4,341**	1,312
Uncollectible amounts written off	**–**	(964)
Disposal of subsidiaries (note 32)	**–**	(15,739)
At 31 December	**4,303**	–

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

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

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22. PLEDGED BANK DEPOSITS

The deposits were pledged to banks to secure certain bank loans (note 24(a)) of the Group as at 31 December 2013.

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	
	2014	2013
	HK$'000	HK$'000
Current and less than 60 days	**130,173**	118,741
Over 60 days	**6,580**	12,773
	136,753	131,514

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

24. INTEREST-BEARING BANK LOANS

	2014			2013		
	Effective interest rate per annum %	**Maturity**	**HK$'000**	Effective interest rate per annum %	Maturity	HK$'000
Current (repayable within one year or on demand)						
Group						
Bank loan – unsecured	**2.2**	**2015**	**30,000**	–	–	–
Bank loan – secured (note a)	**–**	**–**	**–**	6.6	2014	26,923
			30,000			26,923
Company						
Bank loan – unsecured	**2.2**	**2015**	**30,000**	–	–	–

Notes:

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

(b) Floating interest rate bank loan of HK$30,000,000 as at 31 December 2014 was denominated in Hong Kong dollars. Fixed interest rate bank loan of HK$26,923,000 as at 31 December 2013 was denominated in Renminbi.

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25. 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 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 32)	(1,114)	(412)	–	(1,526)
At 31 December 2013 and 1 January 2014	–	–	11,461	11,461
Charged to the income statement during the year from continuing operations (note 10)	**–**	**–**	**1,534**	**1,534**
At 31 December 2014	**–**	**–**	**12,995**	**12,995**

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25. DEFERRED TAX *(continued)*

Deferred tax assets *(continued)*

Group

	Tax credit not utilised HK$'000	Temporary difference of provisions, accruals and depreciation HK$'000	Loss available for offsetting against future taxable profits HK$'000	Total HK$'000
At 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 32)	–	–	(893)	(893)
Exchange realignment	–	120	–	120
At 31 December 2013 and 1 January 2014	–	11,047	–	11,047
Credited to the income statement during the year from continuing operations (note 10)	**2,253**	**8,262**	**–**	**10,515**
Exchange realignment	**–**	**(299)**	**–**	**(299)**
At 31 December 2014	**2,253**	**19,010**	**–**	**21,263**

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. 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. 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%.

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

At 31 December 2014, the Group had tax losses of HK$11,610,000 (2013: HK$6,234,000) arising in Hong Kong that were available indefinitely for offsetting against future taxable profits of the relevant Companies. 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 to the income statement during the year ended 31 December 2013.

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26. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group	
	2014	2013
	HK$'000	HK$'000
Prepayments	**52,034**	47,131
Deposits	**50,623**	50,915
Other receivables	**11,105**	14,565
	113,762	112,611
Current portion included in prepayments, deposits and other receivables	**(69,498)**	(61,791)
Non-current portion: prepayments and rental deposits	**44,264**	50,820

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.

27. CASH AND CASH EQUIVALENTS

	Group	
	2014	2013
	HK$'000	HK$'000
Cash and bank balances	**149,083**	183,738
Non-pledged time deposits with original maturity of less than or equal to three months when acquired	**142,375**	27,179
Non-pledged time deposits with original maturity of more than three months when acquired	**45,058**	15,385
	336,516	226,302

Cash and cash equivalents are denominated in:

	Group	
	2014	2013
	HK$'000	HK$'000
HK$	**1,473**	4,222
RMB	**334,537**	221,657
United States dollar	**506**	422
Others	**–**	1
	336,516	226,302

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27. 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 deposits rates. The bank balances are deposited with creditworthy banks with no recent history of default.

28. OTHER PAYABLES AND ACCRUED CHARGES

	Group	
	2014	2013
	HK$'000	HK$'000
Other payables	**61,283**	67,793
Accrued charges	**194,789**	174,942
	256,072	242,735

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

29. SHARE CAPITAL

	2014	2013
	HK$'000	HK$'000
Authorised:		
14,800,000,000 (2013: 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 (2013: 10,006,288,386) ordinary shares of HK$0.10 each	**1,000,629**	1,000,629

29. SHARE CAPITAL *(continued)*

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

	Note	Number of shares in issue	Issued share capital HK$'000	Share premium account HK$'000	Total HK$'000
Issued:					
At 1 January 2013		9,916,871,030	991,687	4,035,794	5,027,481
Issue of shares upon exercise of warrants	(a)	89,417,356	8,942	8,942	17,884
Share issue expenses		–	–	(45)	(45)
At 31 December 2013, 1 January 2014 and 31 December 2014		10,006,288,386	1,000,629	4,044,691	5,045,320

Note:

(a) 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. All the 1,997,189 warrants outstanding were expired on 31 May 2013.

Share options

Details of the Company's share option scheme and the share options issued under the scheme are included in note 30 to the financial statements.

30. 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.

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30. SHARE OPTIONS *(continued)*

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.

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30. 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 2014:

	Number of share options							Price of the Company's shares			
Name or category of participant	At 1 January 2014	Granted during the year	Lapsed during the year	Exercised during the year	At 31 December 2014	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 up 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 up 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 up 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 up 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 up 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 up to 26 April 2019	0.35	0.35	N/A	N/A
Lam Fung Ming, Tammy	1,527,320	–	–	–	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
	23,703,320	–	–	–	23,703,320						
Ex-Director (Note 5)	2,464,000	–	–	–	2,464,000	27 April 2009	27 April 2010 up to 26 April 2019	0.35	0.35	N/A	N/A
Ex-Employees	1,552,200	–	(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
	27,719,520	–	(1,552,200)	–	26,167,320						

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30. 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 a 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 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. All outstanding vested share options of these ex-employees of the Group were lapsed on 28 June 2014.

(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.

As at 31 December 2014, the Company had 26,167,320 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 26,167,320 additional ordinary shares of the Company and additional share capital of HK$2,617,000 and share premium of HK$6,541,000 (before issue expenses).

No options were granted or exercised during the year.

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31. 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$'000	Share option reserve HK$'000	Contributed surplus HK$'000	Retained profits/ (accumulated losses) HK$'000	Total HK$'000
At 1 January 2013	4,035,794	6,062	321,866	732	4,364,454
Loss and total comprehensive expenses for the year	–	–	–	(33,325)	(33,325)
Issue of shares upon exercise of warrants (note 29)	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 and 1 January 2014	4,044,691	5,461	16,674	(31,992)	4,034,834
Loss and total comprehensive expenses for the year	**–**	**–**	**–**	**(1,471,010)**	**(1,471,010)**
Transfer of share option reserve upon lapse of share options	**–**	**(306)**	**–**	**306**	**–**
Final 2013 dividend (note 13)	**(25,016)**	**–**	**–**	**–**	**(25,016)**
At 31 December 2014	**4,019,675**	**5,155**	**16,674**	**(1,502,696)**	**2,538,808**

The loss of HK$1,471,010,000 (2013: HK$33,325,000) for the year ended 31 December 2014 included impairment of investments in subsidiaries of HK$1,473,000,000 (2013: Nil), loss on disposal of subsidiary of nil (2013: HK$37,200,000), dividend income of HK$10,000,000 (2013: HK$15,000,000) from a subsidiary of the Company and management fee income of HK$2,000,000 (2013: HK$2,000,000) from subsidiaries of the Company.

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.

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 payment 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 2014 amounted to HK$2,533,653,000 (2013: HK$4,029,373,000), 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.

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32. DISPOSAL OF SUBSIDIARIES

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.

	2014	2013
	HK$'000	HK$'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
Prepayments, deposits and other receivables	–	21,657
Tax recoverable	–	1,408
Cash and cash equivalents	–	28,742
Accounts payable	–	(42,226)
Other payables and accrued charges	–	(35,950)
Interest-bearing bank loans	–	(100,627)
Tax payable	–	(12,035)
Deferred tax liabilities	–	(1,526)
Non-controlling interests	–	(194)
	–	469,888
Release of exchange fluctuation reserve	–	(33,137)
Transaction costs directly attributable to the disposal of the subsidiaries	–	4,171
Loss on disposal of the subsidiaries	–	(46,309)
	–	394,613
Satisfied by:		
Cash	–	394,613

32. DISPOSAL OF SUBSIDIARIES *(continued)*

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

	2014 HK$'000	2013 HK$'000
Cash consideration	–	394,613
Cash and cash equivalents disposal of	–	(28,742)
Less: Transaction costs directly attributable to the disposal of the subsidiaries	–	(4,171)
Net inflow of cash and cash equivalents in respect of the disposal of the subsidiaries	–	361,700

33. OPERATING LEASE COMMITMENTS

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-one 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	
	2014 HK$'000	2013 HK$'000
Within one year	**269,669**	278,669
In the second to fifth years, inclusive	**835,803**	928,906
Beyond five years	**432,448**	608,031
	1,537,920	1,815,606

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 commitments at the end of the reporting period (2013: Nil).

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34. CAPITAL COMMITMENTS

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

	Group	
	2014 **HK$'000**	2013 HK$'000
Property, plant and equipment:		
Contracted, but not provided for	**1,863**	1,625

The Company had no significant capital commitments at the end of the reporting period (2013: Nil).

35. 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, who had lodged objections with the IRD against these assessments. Taking into account of the then development of the objections, the resources that would be required to pursue the case further and the advice of the tax consultants 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 agreement entered into between the Company and Harvest Trinity Limited for the Disposal in 2013, the Company undertook to indemnify Harvest Trinity Limited for 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 had been made by the Edible Oils Group before the date of completion of the Disposal.

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

36. 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	**2014 HK$'000**	2013 HK$'000
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
Rental expenses	(ii)	**474**	4,345

Notes:

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

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

(b) 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 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 were given in notes 12 and 32 to the financial statements.

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

	2014 HK$'000	2013 HK$'000
Short-term employee benefits	**6,869**	8,220
Post-employment benefits	**138**	241
Total compensation paid to key management personnel	**7,007**	8,461

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

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37. 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 profit after tax.

	Increase/ (decrease) in RMB rate %	Increase/ (decrease) in the Group's profit after tax HK$'000
2014		
If Hong Kong dollar weakens against RMB	**5**	**3,887**
If Hong Kong dollar strengthens against RMB	**(5)**	**(3,887)**
2013		
If Hong Kong dollar weakens against RMB	5	3,981
If Hong Kong dollar strengthens against RMB	(5)	(3,981)

37. 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 diversified to a 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 2014 and 2013.

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 2014 and 2013.

Notes to Financial Statements

31 December 2014

37. 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	
	2014	2013
	HK$'000	HK$'000
Interest-bearing bank loans	**30,000**	26,923
Equity attributable to equity holders of the Company	**420,525**	417,665
Gearing ratio	**7%**	6%

38. COMPARATIVE AMOUNTS

Certain comparative amounts in the consolidated statement of cash flows have been re-presented to conform with the current year's presentation.

39. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 20 March 2015.

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				
	2014 HK$'000	2013 HK$'000	2012 HK$'000	2011 HK$'000	2010 HK$'000
RESULTS					
CONTINUING OPERATIONS					
Turnover	**2,157,873**	2,110,664	1,971,321	1,644,742	1,234,212
Profit from operating activities from continuing operations	**48,284**	86,902	203,462	198,893	173,468
Finance costs	**(1,388)**	(2,441)	(2,648)	(1,682)	(1,577)
Profit before tax from continuing operations	**46,896**	84,461	200,814	197,211	171,891
Income tax expense	**(11,531)**	(18,785)	(56,255)	(56,109)	(53,920)
Profit for the year from continuing operations	**35,365**	65,676	144,559	141,102	117,971
DISCONTINUED OPERATION					
Profit/(loss) for the year from a discontinued operation	**–**	(51,696)	(364)	15,219	9,001
Profit for the year	**35,365**	13,980	144,195	156,321	126,972
Attributable to:					
Equity holders of the Company	**35,365**	13,980	129,834	75,348	61,253
Non-controlling interests	**–**	–	14,361	80,973	65,719
	35,365	13,980	144,195	156,321	126,972

Five Year Financial Summary

	As at 31 December				
	2014	2013	2012	2011	2010
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
ASSETS					
Property, plant and equipment	**250,870**	301,148	461,635	405,789	397,684
Prepaid land lease payments	**–**	–	26,889	27,268	27,017
Trademarks	**–**	–	125,299	124,310	124,274
Deferred tax assets	**21,263**	11,047	1,340	476	989
Prepayments and rental deposits	**44,264**	50,820	41,105	32,629	25,860
Current assets	**539,948**	467,283	720,895	915,140	757,815
TOTAL ASSETS	**856,345**	830,298	1,377,163	1,505,612	1,333,639
LIABILITIES					
Current liabilities	**422,825**	401,172	654,716	850,581	603,023
Deferred tax liabilities	**12,995**	11,461	7,400	12,918	20,263
TOTAL LIABILITIES	**435,820**	412,633	662,116	863,499	623,286
NET ASSETS	**420,525**	417,665	715,047	642,113	710,353