



# HOP HING GROUP HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 47



## Interim Report 2015





# CONTENTS

	Page
Condensed Consolidated Income Statement	1
Condensed Consolidated Statement of Comprehensive Income	2
Condensed Consolidated Statement of Financial Position	3
Condensed Consolidated Statement of Changes in Equity	5
Condensed Consolidated Statement of Cash Flows	7
Notes to Condensed Consolidated Financial Statements	9
Management Discussion and Analysis	20
Corporate Governance and Other Information	30
Report on Review of Interim Financial Information	41



The Board of Directors (the "Board") of Hop Hing Group Holdings Limited (the "Company") herein present their unaudited condensed consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2015, together with the comparative amounts.

This interim financial report has not been audited, but has been reviewed by the Company's audit committee and the Company's auditors.

## CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	Unaudited For the six months ended 30 June	
		2015 HK\$'000	2014 HK\$'000
<b>TURNOVER</b>	5	<b>1,014,791</b>	1,056,888
Direct cost of stocks sold		<b>(382,237)</b>	(394,354)
Other income and gains/(loss), net	5	<b>4,099</b>	(966)
Selling and distribution expenses		<b>(493,717)</b>	(531,002)
General and administrative expenses		<b>(107,266)</b>	(106,134)
<b>PROFIT FROM OPERATING ACTIVITIES</b>	6	<b>35,670</b>	24,432
Finance costs	7	<b>(498)</b>	(848)
<b>PROFIT BEFORE TAX</b>		<b>35,172</b>	23,584
Income tax expense	8	<b>(9,457)</b>	(6,106)
<b>PROFIT FOR THE PERIOD</b>		<b>25,715</b>	17,478
<b>PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY</b>		<b>25,715</b>	17,478
<b>EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY</b>	10		
Basic		<b>HK0.26 cent</b>	HK0.17 cent
Diluted		<b>HK0.26 cent</b>	HK0.17 cent

Details of dividend paid in the period are disclosed in note 9 to the condensed financial statements.

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

	<b>Unaudited</b>	
	<b>For the six months ended 30 June</b>	
	<b>2015</b>	<b>2014</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>PROFIT FOR THE PERIOD</b>	<b>25,715</b>	17,478
<b>OTHER COMPREHENSIVE INCOME/(EXPENSE)</b>		
<b>Other comprehensive income/(expense) that may be subsequently reclassified to income statement:</b>		
Exchange differences on translation of foreign operations	<b>43</b>	(7,448)
<b>OTHER COMPREHENSIVE INCOME/(EXPENSE) FOR THE PERIOD</b>	<b>43</b>	(7,448)
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>25,758</b>	10,030
<b>TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY</b>	<b>25,758</b>	10,030

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

	<i>Notes</i>	<b>Unaudited 30 June 2015 HK\$'000</b>	Audited 31 December 2014 HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	11	<b>230,965</b>	250,870
Deferred tax assets		<b>24,803</b>	21,263
Prepayment and rental deposits		<b>46,223</b>	44,264
<b>Total non-current assets</b>		<b>301,991</b>	316,397
<b>CURRENT ASSETS</b>			
Stocks		<b>137,224</b>	121,106
Accounts receivable	12	<b>2,404</b>	6,335
Prepayments, deposits and other receivables		<b>57,386</b>	69,498
Tax recoverable		<b>4,002</b>	6,493
Cash and cash equivalents		<b>343,182</b>	336,516
<b>Total current assets</b>		<b>544,198</b>	539,948

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

	Notes	<b>Unaudited 30 June 2015 HK\$'000</b>	Audited 31 December 2014 HK\$'000
<b>CURRENT LIABILITIES</b>			
Accounts payable	13	115,218	136,753
Other payables and accrued charges		256,376	256,072
Tax payable		8,907	–
Interest-bearing bank loan	14	30,000	30,000
<b>Total current liabilities</b>		<b>410,501</b>	422,825
<b>NET CURRENT ASSETS</b>		<b>133,697</b>	117,123
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>435,688</b>	433,520
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liabilities		13,924	12,995
<b>NET ASSETS</b>		<b>421,764</b>	420,525
<b>EQUITY</b>			
<b>Equity attributable to equity holders of the Company</b>			
Issued share capital	15	1,007,043	1,000,629
Reserves		(585,279)	(580,104)
<b>Total equity</b>		<b>421,764</b>	420,525

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

### FOR THE SIX MONTHS ENDED 30 JUNE 2015 (UNAUDITED)

	Attributable to equity holders of the Company									
	Issued share capital HK\$'000	Share premium account* HK\$'000	Treasury share* HK\$'000	Merger reserve** HK\$'000	Share-based payment 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 2015	1,000,629	4,019,675	-	(4,857,319)	5,155	17,043	16,439	69,377	149,526	420,525
Profit for the period	-	-	-	-	-	-	-	-	25,715	25,715
Other comprehensive expense for the period: Exchange differences on translation of foreign operations	-	-	-	-	-	43	-	-	-	43
Total comprehensive income for the period	-	-	-	-	-	43	-	-	25,715	25,758
Issue of shares for share award scheme (note 15)	6,414	1,732	(8,146)	-	-	-	-	-	-	-
Equity-settled share-based payment	-	-	-	-	657	-	-	-	-	657
Final dividend for 2014 (note 9)	-	(25,176)	-	-	-	-	-	-	-	(25,176)
At 30 June 2015	1,007,043	3,996,231	(8,146)	(4,857,319)	5,812	17,086	16,439	69,377	175,241	421,764

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

### FOR THE SIX MONTHS ENDED 30 JUNE 2014 (UNAUDITED)

	Attributable to equity holders of the Company								
	Issued share capital HK\$'000	Share premium account* HK\$'000	Merger reserve** HK\$'000	Share-based payment 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 period	-	-	-	-	-	-	-	17,478	17,478
Other comprehensive expense for the period: Exchange differences on translation of foreign operations	-	-	-	-	(7,448)	-	-	-	(7,448)
Total comprehensive income/(expense) for the period	-	-	-	-	(7,448)	-	-	17,478	10,030
Release of share-based payment reserve upon the lapse of the share options	-	-	-	(306)	-	-	-	306	-
Final dividend for 2013 (note 9)	-	(25,016)	-	-	-	-	-	-	(25,016)
At 30 June 2014	1,000,629	4,019,675	(4,857,319)	5,155	17,084	16,439	69,377	131,639	402,679

\* These reserve accounts comprise the reserves in debit balance of HK\$585,279,000 in the condensed consolidated statement of financial position as at 30 June 2015.

# Merger reserve represents the excess of investment cost in Hop Hing Fast Food Group Holdings Limited ("Hop Hing Fast Food") of HK\$4,919,843,000 (being the total consideration of HK\$4,964,232,000 reduced by the loans of HK\$44,389,000 owed by Hop Hing Fast Food to Queen Board Limited ("Queen Board") and its associates (the "Loan") over the share capital and share premium of Hop Hing Fast Food of HK\$363,000 and HK\$62,161,000, respectively arose from 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 years' 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 years' 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 offer such usages.



**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

	Notes	Unaudited For the six months ended 30 June	
		2015 HK\$'000	2014 HK\$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		<b>35,172</b>	23,584
Adjustments for:			
Interest income	5	<b>(3,252)</b>	(1,551)
Finance costs	7	<b>498</b>	848
Depreciation	6	<b>53,611</b>	62,262
Impairment of accounts receivable		<b>1,375</b>	3,256
Impairment of items of property, plant and equipment	6	<b>1,164</b>	3,910
Loss on disposal/write off of items of property, plant and equipment, net	6	<b>5,319</b>	1,534
Equity-settled share-based payment expenses		<b>657</b>	–
		<b>94,544</b>	93,843
Decrease/(increase) in stocks		<b>(16,118)</b>	11,122
Decrease/(increase) in accounts receivable		<b>2,553</b>	(3,073)
Decrease in prepayments, deposits and other receivables		<b>10,153</b>	7,204
Increase/(decrease) in accounts payable		<b>(21,535)</b>	34,436
Increase in other payables and accrued charges		<b>304</b>	2,109
Cash generated from operations		<b>69,901</b>	145,641
Interest received		<b>3,252</b>	1,551
Hong Kong profits tax paid		<b>(176)</b>	(159)
Overseas tax paid		<b>(503)</b>	(8,112)
Net cash flows from operating activities		<b>72,474</b>	138,921

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS** (continued)

	Notes	Unaudited For the six months ended 30 June	
		2015 HK\$'000	2014 HK\$'000
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchases of items of property, plant and equipment	11	(40,242)	(43,354)
Increase in time deposits with original maturity of more than three months when acquired		(64,942)	(18,365)
Increase in other financial assets		-	(53,750)
Net cash flows used in investing activities		(105,184)	(115,469)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Interest paid		(498)	(848)
Dividends paid		(25,176)	(25,016)
Decrease in pledged bank deposits		-	1,122
Net drawing of bank and other loans		-	8,279
Net cash flows used in financing activities		(25,674)	(16,463)
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>			
		(58,384)	6,989
Cash and cash equivalents at beginning of year		291,458	210,917
Effect of foreign exchange rates changes, net		108	419
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>		<b>233,182</b>	<b>218,325</b>
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>			
Cash and cash equivalents as stated in the condensed consolidated statement of financial position		343,182	252,075
Less: Time deposits with original maturity of more than three months when acquired		(110,000)	(33,750)
<b>CASH AND CASH EQUIVALENTS AS STATED IN THE CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS</b>		<b>233,182</b>	<b>218,325</b>

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 1. BASIS OF PREPARATION

The condensed consolidated interim financial statements are prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 *Interim Financial Reporting* and other relevant HKASs and Interpretations, Hong Kong Financial Reporting Standards (collectively, the “HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Save for the adoption of new and revised HKFRSs during the period as set out in note 2 below and the following new accounting policy adopted by the Group during the period, the accounting policies and basis of preparation adopted in the preparation of the condensed consolidated interim financial statements are the same as those used in the preparation of the annual financial statements for the year ended 31 December 2014.

#### Treasury shares

Own equity instruments which are reacquired or issued under the general mandate in accordance with the Company’s share award scheme (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in the statement of profit or loss on the purchase, sale, issue or cancellation of the Group’s own equity instruments. Any difference between the carrying amount and the consideration is recognised in equity.

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

The Group has adopted the following revised HKFRSs for the first time for the current period’s condensed consolidated interim financial statements.

Amendment to HKAS 19 (2011) <i>Annual Improvements 2010-2012 Cycle</i> <i>Annual Improvements 2011-2013 Cycle</i>	<i>Defined Benefit Plans: Employee Contributions</i> Amendments to a number of HKFRSs Amendments to a number of HKFRSs
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The adoption of the revised HKFRSs has had no significant financial effect on these interim financial statements.

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)****3. ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS**

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

HKFRS 9	<i>Financial Instruments</i> <sup>3</sup>
Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> <sup>1</sup>
Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	<i>Investment Entities: Applying the Consolidation Exception</i> <sup>1</sup>
Amendments to HKFRS 11	<i>Accounting for Acquisitions of Interests in Joint Operations</i> <sup>1</sup>
HKFRS 14	<i>Regulatory Deferral Accounts</i> <sup>4</sup>
HKFRS 15	<i>Revenue from Contracts with Customers</i> <sup>2</sup>
Amendments to HKAS 1	<i>Disclosure Initiative</i> <sup>1</sup>
Amendments to HKAS 16 and HKAS 38	<i>Clarification of Acceptable Methods of Depreciation and Amortisation</i> <sup>1</sup>
Amendments to HKAS 16 and HKAS 41	<i>Agriculture: Bearer Plants</i> <sup>1</sup>
Amendments to HKAS 27 (2011)	<i>Equity Method in Separate Financial Statements</i> <sup>1</sup>
<i>Annual Improvements 2012-2014 Cycle</i>	Amendments to a number of HKFRSs <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2016

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2017

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2018

<sup>4</sup> 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

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

**4. OPERATING SEGMENT INFORMATION**

The Group's primary operating segment is quick service restaurants ("QSR") business. Since the QSR business is the only continuing operating segment of the Group, no further analysis thereof is presented.

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

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)****5. TURNOVER AND OTHER INCOME AND GAINS/(LOSS), NET**

Turnover represents the invoiced value of goods sold net of sales related taxes, during the period.

An analysis of turnover and other income and gains/(loss), net is as follows:

	<b>Unaudited</b>	
	<b>For the six months ended 30 June</b>	
	<b>2015</b>	<b>2014</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Turnover</b>		
Sales	<b>1,014,791</b>	1,056,888
<b>Other income and gains/(loss), net</b>		
Bank interest income	<b>3,252</b>	1,551
Foreign exchange differences, net	<b>116</b>	(4,102)
Others	<b>731</b>	1,585
	<b>4,099</b>	(966)

**6. PROFIT FROM OPERATING ACTIVITIES**

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

	<b>Unaudited</b>	
	<b>For the six months ended 30 June</b>	
	<b>2015</b>	<b>2014</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Direct cost of stocks sold	<b>382,237</b>	394,354
Depreciation	<b>53,611</b>	62,262
Impairment of items of property, plant and equipment	<b>1,164</b>	3,910
Lease payments under operating leases in respect of lands and buildings		
– minimum lease payments	<b>138,859</b>	142,883
– contingent rents	<b>18,958</b>	19,018
Loss on disposal/write-off of items of property, plant and equipment, net	<b>5,319</b>	1,534

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)****7. FINANCE COSTS**

An analysis of finance costs is as follows:

	<b>Unaudited For the six months ended 30 June</b>	
	<b>2015</b>	2014
	<b>HK\$'000</b>	HK\$'000
Interest on bank loans	<b>327</b>	739
Others	<b>171</b>	109
	<b>498</b>	848

**8. INCOME TAX EXPENSE**

Hong Kong profits tax has been provided at the rate of 16.5% (2014: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

Pursuant to the Corporate Income Tax Law of the PRC being effective on 1 January 2008, the PRC corporate income tax rate for the Group's subsidiaries operated in Mainland China during the period was 25% (2014: 25%) on their taxable profits. One of the subsidiaries engaged in agricultural business is entitled to exemptions from the standard income tax rate in 2014 and 2015.

The major components of the income tax expense/(credit) for the period are as follows:

	<b>Unaudited For the six months ended 30 June</b>	
	<b>2015</b>	2014
	<b>HK\$'000</b>	HK\$'000
Current – Hong Kong		
Charge for the period	<b>1,153</b>	3,089
Current – Elsewhere		
Charge for the period	<b>10,852</b>	7,881
Over-provision in prior years	<b>55</b>	–
Deferred tax	<b>(2,603)</b>	(4,864)
Total tax charge for the period	<b>9,457</b>	6,106

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)****9. DIVIDEND**

	<b>Unaudited For the six months ended 30 June</b>	
	<b>2015 HK\$'000</b>	<b>2014 HK\$'000</b>
Dividend paid during the period:		
Final dividend for 2014 – HK0.25 cent (2013: HK0.25 cent) per ordinary share	<b>25,176</b>	25,016

**10. EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY****a. Basic earnings per share**

The calculation of basic earnings per share is based on the consolidated profit for the period attributable to equity holders of the Company, and the weighted average number of 10,006,288,386 (2014: 10,006,288,386) ordinary shares in issue during the period, as adjusted to reflect the number of treasury shares of 64,143,000 held under the share award scheme of the Company.

**b. Diluted earnings per share**

For the period ended 30 June 2015, the calculation of diluted earnings per share is based on the consolidated profit for the period attributable to equity holders of the Company and the weighted average number of 10,019,921,330 ordinary shares in issue after adjusting for the effect of all dilutive potential ordinary shares of 13,632,944 calculated as follows:

	<b>Unaudited For the six months ended 30 June</b>	
	<b>2015 HK\$'000</b>	<b>2014 HK\$'000</b>
Consolidated profit attributable to equity holders of the Company	<b>25,715</b>	17,478

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)****10. EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY (continued)****b. Diluted earnings per share (continued)**

	<b>Unaudited</b>	
	<b>Number of shares</b>	
	<b>30 June</b>	30 June
	<b>2015</b>	2014
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	<b>10,006,288,386</b>	10,006,288,386
Effect of dilution – weighted average number of ordinary shares:		
Share options*	<b>1,141,022</b>	–
Share award	<b>12,491,922</b>	–
	<b>10,019,921,330</b>	10,006,288,386

- \* The outstanding share options of the Company have not been included in the computation of diluted earnings per share for the period ended 30 June 2014 as the exercise price of these options were higher than the average market prices of the Company's shares during the period ended 30 June 2014 and they therefore had no dilutive effect on the Company's earnings per share.

**11. PROPERTY, PLANT AND EQUIPMENT**

During the six months ended 30 June 2015, the Group acquired items of property, plant and equipment with a cost of HK\$40,242,000 (2014: HK\$43,354,000). Items of property, plant and equipment with a net book value of HK\$5,319,000 (2014: HK\$1,534,000) were disposed of during the six months ended 30 June 2015.



**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)****12. ACCOUNTS RECEIVABLE**

	<b>Unaudited 30 June 2015 HK\$'000</b>	Audited 31 December 2014 HK\$'000
Accounts receivable	<b>8,085</b>	10,638
Less: impairment	<b>(5,681)</b>	(4,303)
	<b>2,404</b>	6,335

The Group's QSR business is mainly traded on a cash basis and the accounts receivable as at the end of the reporting period were mainly due from shopping malls.

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

	<b>Unaudited 30 June 2015 HK\$'000</b>	Audited 31 December 2014 HK\$'000
Current (neither past due nor impaired)	<b>2,376</b>	1,795
Within 60 days past due	<b>28</b>	1,495
Over 60 days past due	<b>-</b>	3,045
	<b>2,404</b>	6,335

**13. ACCOUNTS PAYABLE**

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

	<b>Unaudited 30 June 2015 HK\$'000</b>	Audited 31 December 2014 HK\$'000
Current and less than 60 days	<b>113,399</b>	130,173
Over 60 days	<b>1,819</b>	6,580
	<b>115,218</b>	136,753

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

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)****14. INTEREST-BEARING BANK LOAN**

	<b>Unaudited 30 June 2015 HK\$'000</b>	Audited 31 December 2014 HK\$'000
Current (repayable within one year or on demand) Bank loan – unsecured	<b>30,000</b>	30,000

*Note:*

The bank loan was denominated in Hong Kong dollars with floating interest rates.

**15. SHARE CAPITAL**

During the six months ended 30 June 2015, 64,143,400 ordinary shares of HK\$0.10 each were issued under the general mandate granted by the shareholders of the Company at the annual general meeting on 5 June 2014 to the Company's share award scheme (the "Scheme"), based on the market value of the ordinary share of HK\$0.127 each on 9 April 2015 as disclosed in the Company's announcement dated 9 April 2015. The shares were issued to the trustee of the Scheme and classified as treasury shares. Details were set out in note 17.

**16. SHARE OPTIONS**

On 9 April 2015, 300,000,000 share options were granted to an executive director and certain eligible employees (collectively the "Grantees") of the Company under the share option scheme which was adopted by the Company on 12 March 2008 and became effective on 25 April 2008. The exercise price of HK\$0.127 per share was equal to the market price of the shares on 9 April 2015. Each option gives the holder the right to subscribe for one ordinary share of HK\$0.10 each of the Company.

The options are subject to a vesting scale in seven tranches of 12% each for the first three tranches and 16% each for the remaining tranches and achievement of certain performance targets within the relevant periods. The vesting period of such options started from the grant date up to the commencement of the exercise period and such vested options will then be exercisable until 8 April 2025.

The fair value of the share options granted was HK\$12,164,000 (equivalent to HK\$0.041 each) which was estimated using a binomial option pricing model, taking into account the terms and conditions upon which the options were granted.

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)****16. SHARE OPTIONS (continued)**

The contractual life of each option granted is 10 years. The fair value of options granted during the period was estimated using the following assumptions:

Dividend yield (%)	1.97
Expected volatility (%)	34.17
Historical volatility (%)	34.17
Risk free interest rate (%)	1.43
Exercise Multiple – Director	2.80
Exercise Multiple – Employee	2.20

No options were exercised during the six months ended 30 June 2015 (2014: Nil).

**17. SHARE AWARD SCHEME**

On 20 March 2015, the Board of the Company adopted the Scheme as a means to recognise the contribution of and provide incentives for the key management personnel, employed experts and core employees of the Group.

The Scheme is valid and effective for a period of 15 years from 20 March 2015, the Adoption Date. The shares to be awarded under the Scheme (the “Shares”) will either be acquired by the trustee of the Scheme (the “Trustee”) from the open market or be new shares allotted and issued to the Trustee under general mandates granted by Shareholders at general meetings from time to time out of cash contributed by the Group. The Trustee will hold the Shares in trust for the relevant selected participants (the “Selected Participants”) until such shares are vested with the Selected Participants in accordance with the provisions of the Scheme.

The Trustee shall not exercise the voting rights in respect of any shares held under the Trust including but not limited to the Shares.

The Board shall not make any further award of shares which will result in the aggregate number of shares awarded by the Board throughout the duration of the Scheme to exceed 10% of the total number of issued shares of the Company from time to time and shall not award more than 1% of the total number of issued shares to each of the Selected Participants from time to time.

The vesting of shares awarded to the Selected Participants are subject to conditions and vesting schedules as determined by the Board in its sole discretion.

On 9 April 2015, the Board resolved to grant share awards in respect of 64,143,400 shares (the “Subscription Awards”), to the Selected Participants, who are neither a director, chief executive or substantial shareholder of the Company, nor an associate (as defined under the Listing Rules) of any of them, by way of issue of 64,143,400 new shares pursuant to the general mandate granted by the shareholders of the Company at the annual general meeting held on 5 June 2014, under which the maximum number of shares that can be issued and allotted are 1,000,628,838 shares.

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)****17. SHARE AWARD SCHEME (continued)**

The 64,143,400 new shares issued and allotted by the Company to the Trustee pursuant to the Subscription Awards represent approximately 0.641% of the Company's existing issued share capital and approximately 0.637% of the Company's enlarged issued share capital after the allotment. The Trustee will hold the shares in trust for the Selected Participants, until the shares become vested. The shares granted will vest in the respective proportions and on the respective dates specified in the letters of grant. Vested shares will be transferred to the Selected Participants at no cost save that transaction fees and expenses shall be payable by the Selected Participants as transferee. The Subscription Awards and the shares to be issued pursuant to the Subscription Awards are not subject to shareholders' approval.

Movements in the number of share awards and their average fair value per share were as follows:

	<b>Average fair value per share HK\$</b>	<b>Number of share awards</b>
Outstanding at 1 January 2015	–	–
Awarded	<b>0.10</b>	<b>64,143,400</b>
Outstanding at 30 June 2015	<b>0.10</b>	<b>64,143,400</b>

The fair value of the share awards granted is estimated by using the fair value (i.e. market value) of the Company's share closing price at the date of grant less the cost for securing put options ("Put Options"). The Black-Scholes Option Pricing Model was employed in deriving the fair values of the Put Options which was estimated on the date of grant using the following assumptions:

Expected volatility (%)	29.01
Risk free interest rate (%)	0.68
Lock-up period (years)	3

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)****18. CAPITAL COMMITMENTS**

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

	<b>Unaudited 30 June 2015 HK\$'000</b>	Audited 31 December 2014 HK\$'000
Property, plant and equipment: Contracted, but not provided for	<b>706</b>	1,863

**19. APPROVAL OF THE INTERIM FINANCIAL REPORT**

This interim financial report was approved and authorised for issue by the Board on 28 August 2015.

## MANAGEMENT DISCUSSION AND ANALYSIS

### OVERALL PERFORMANCE

For the six months ended 30 June 2015, the turnover of the Group's business was HK\$1,014.8 million, a decrease of 4.0% over the turnover of HK\$1,056.9 million for the six months ended 30 June 2014. Earnings before interest, tax, depreciation and amortization (EBITDA) for the period under review was HK\$89.3 million, an increase of HK\$2.6 million from HK\$86.7 million for the same period in 2014. The Group's profit attributable to the equity holders of the Company for the six months under review was HK\$25.7 million, increasing by HK\$8.2 million or 47.1% when compared to HK\$17.5 million for the first half of last year. The higher profit for the period compared to the corresponding period in 2014 was mainly due to a reduced provision made in the period under review for closure of stores that did not meet internal profitability requirements and the inclusion of a currency exchange loss in the first half of last year.

Basic and diluted earnings per share for the period were HK0.26 cent and HK0.26 cent respectively (six months ended 30 June 2014: HK0.17 cent and HK0.17 cent respectively).

### DIVIDEND

On 30 June 2015, the Company made payment of a final dividend of HK0.25 cent per share for the year ended 31 December 2014. The Directors do not recommend payment of an interim dividend for the six months ended 30 June 2015 (six months ended 30 June 2014: Nil).

## MANAGEMENT DISCUSSION AND ANALYSIS (continued)

### REVIEW OF OPERATION AND PROSPECTS

#### Industry review

In the first half of 2015, signs of recovery from the growth slowdown of the Chinese economy and the consumption sentiment in the franchise regions could not be seen and the business environment in which the Group operates remained challenging. The catering industry is still subject to consolidation and restructuring resulting from fierce competition intensified by the moving of the high-end market players into lower-end market segments. In addition, the internet continued to influence and change the consumption pattern of the market. Caterers who could embrace change, with flexible strategies and efficient operational systems and procedures would have a better chance of capturing the opportunities in this era of the internet and within the rapidly changing environment.

#### Business review

In the first half of 2015, our sales revenue dropped by 4.0% to HK\$1,014.8 million (six months ended 2014: HK\$1,056.9 million), which was mainly attributable to the decrease in customer traffic and the closure of certain under-performing stores in 2014 and the first half of this year. The decrease in customer traffic resulted from the weak consumption sentiment caused by the sluggish business environment. The call delivery and internet and WAP-based ordering systems implemented by the management in previous years have become an alternative source to capture orders, in particular, in the North East China region. In addition, we have continued to add new food items into our menus to maintain the loyalty of our customers and at the same time attract new customers. While the closure of certain under-performing stores has had a short-term impact on our turnover, it has improved the quality of our store network and provides us with a solid foundation to move forward and capture any opportunities that may arise when the economy recovers.

In the period under review, we have continued to open new stores through a prudent and cautious approach. In April this year, we established a new product line to supplement our existing rice bowl products. Chatting, the brand name of the new line, offers fresh and healthy drinks, such as fresh fruit tea and pearl milk tea, to customers who prefer drinks other than regular tea and coffee. Four Chatting stores have been built up to the end of June this year. While these stores have been opened for only a short period of time and have a turnover that is far from comparable to that of Yoshinoya and Dairy Queen, we see that Chatting has been well received by our customers. We plan to build more Chatting stores in the coming months.

**MANAGEMENT DISCUSSION AND ANALYSIS** (continued)**REVIEW OF OPERATION AND PROSPECTS** (continued)**Business review** (continued)

During the period under review, a net total of three new stores (six months ended 30 June 2014: eight new stores), including four Chatting stores, were opened in existing markets and selected regions. As of 30 June 2015, there were 428 stores in operation.

	<b>As at</b>	
	<b>30 June 2015</b>	31 December 2014
Yoshinoya		
Beijing-Tianjin-Hebei Province		
Metropolitan Region	<b>209</b>	206
Liaoning	<b>66</b>	67
Inner Mongolia	<b>10</b>	10
Jilin	<b>1</b>	1
Heilongjiang	<b>8</b>	8
	<b>294</b>	292
Dairy Queen		
Beijing-Tianjin-Hebei Province		
Metropolitan Region	<b>100</b>	103
Liaoning	<b>21</b>	20
Inner Mongolia	<b>5</b>	6
Jilin	<b>1</b>	1
Heilongjiang	<b>3</b>	3
	<b>130</b>	133
Chatting		
Beijing-Tianjin-Hebei Province		
Metropolitan Region	<b>4</b>	–
Total	<b>428</b>	425



**MANAGEMENT DISCUSSION AND ANALYSIS** (continued)**REVIEW OF OPERATION AND PROSPECTS** (continued)**Business review** (continued)

In the first six months of 2015, the relatively weak macro economy has adversely affected the market sentiment which in turn negatively affected the customer traffic of the catering industry in China. The SSSG of the Group for the period under review was -3.8%, compared to 4.1% for the same period in 2014.

	<b>Percentage Increase in Same Stores Sales Six months Ended 30 June</b>	
	<b>2015</b>	<b>2014</b>
Overall	<b>-3.8%</b>	4.1%
By Business		
Yoshinoya	<b>-4.0%</b>	4.6%
Dairy Queen	<b>-1.6%</b>	0.1%

In the period under review, the Beijing-Tianjin-Hebei Province Metropolitan Region continued to account for about three-quarters of the Group's revenue.

	<b>Six Months Ended</b>			
	<b>2015</b>		<b>2014</b>	
	<b>HK\$'000</b>	<b>% of sales</b>	<b>HK\$'000</b>	<b>% of sales</b>
a. By Region				
Beijing-Tianjin-Hebei Province Metropolitan Region	<b>753,250</b>	<b>74.2%</b>	786,688	74.4%
Northeast China <sup>(1)</sup>	<b>261,541</b>	<b>25.8%</b>	270,200	25.6%
	<b>1,014,791</b>	<b>100.0%</b>	1,056,888	100.0%

<sup>(1)</sup> Including Liaoning, Inner Mongolia, Jilin and Heilongjiang.

**MANAGEMENT DISCUSSION AND ANALYSIS** (continued)**REVIEW OF OPERATION AND PROSPECTS** (continued)**Business review** (continued)

In the period under review, the contribution to the sales revenue of the Group by Yoshinoya products and Dairy Queen products remained at the level of approximately 90% and 10% respectively.

	<b>Six Months Ended 30 June</b>			
	<b>2015</b>		<b>2014</b>	
	<b>HK\$'000</b>	<b>% of sales</b>	<b>HK\$'000</b>	<b>% of sales</b>
b. By Business				
Yoshinoya	<b>906,893</b>	<b>89.4%</b>	954,047	90.3%
Dairy Queen	<b>107,796</b>	<b>10.6%</b>	102,841	9.7%

Cost control is one of the most important aspects of business that the catering industry has to manage in a challenging operating environment. During the period of review, the Group has continued the execution of its proven policy of strategic and bulk procurement of key food ingredients without compromising on food quality. Together with the flexible product promotional programmes which enable us to proactively manage our sales product mix, the Group has been able to record a stable gross profit margin of 62.3% in the first six months of 2015.

	<b>Six Months Ended 30 June</b>	
	<b>2015</b>	<b>2014</b>
Gross Profit Margin	<b>62.3%</b>	62.7%

**MANAGEMENT DISCUSSION AND ANALYSIS** (continued)**REVIEW OF OPERATION AND PROSPECTS** (continued)**Business review** (continued)

While high labor cost and rental cost continued to adversely affect the catering industry in China, the Group's exercise of streamlining its network has enabled it to reduce its labor costs, rental costs and depreciation and amortization in the period under review, when compared to those in the corresponding period in last year. In addition, the "Virtual Partnership Scheme" under which the store managers can implement measures within the framework set by the management to improve the performance of their stores, was fully implemented in the first half of this year. Although the scheme has only been in full swing for a few months, we can see significant savings in certain operational costs, including utility and repair costs. This creates a win-win situation where our staff are motivated and the Group's performance is also improved. As a result, the Group's selling and distribution costs expressed as a percentage of sales has gone down by 1.5% to 48.7% in the period under review.

	<b>Six Months Ended 30 June</b>			
	<b>2015</b>		<b>2014</b>	
	<b>HK\$'000</b>	<b>% of sales</b>	<b>HK\$'000</b>	<b>% of sales</b>
Labour Costs	<b>134,188</b>	<b>13.2%</b>	134,618	12.7%
Rental Expense	<b>145,469</b>	<b>14.3%</b>	150,536	14.2%
Depreciation and Amortisation	<b>47,059</b>	<b>4.6%</b>	59,012	5.6%
Other Operation Expenses	<b>167,001</b>	<b>16.6%</b>	186,836	17.7%
<b>Total Selling and Distribution costs</b>	<b>493,717</b>	<b>48.7%</b>	531,002	50.2%

Overall, the management had been able to substantially offset the decrease in gross profit caused by the weak macro economy by the cost saving generated by the streamlining of the Group's store network and the implementation of the Virtual Partnership Scheme. On the other hand, as much of the provision for store closure costs was made last year, similar provision made in the period under review was less than that made in the corresponding period in 2014. In addition, the exchange rates of Renminbi were relatively stable in the first half of 2015 and no currency exchange loss was recorded in the period under review. As a result, the Group's profit for the period showed an increase of 47.1% when compared to that of the corresponding period in 2014.

## MANAGEMENT DISCUSSION AND ANALYSIS (continued)

### REVIEW OF OPERATION AND PROSPECTS (continued)

#### Financial Review

##### *Equity*

The number of issued shares of HK\$0.10 each of the Company as at 30 June 2015 was 10,070,431,786 (31 December 2014: 10,006,288,386). During the six months ended 30 June 2015, 64,143,400 ordinary shares of HK\$0.10 each were issued to the trustee of the share award scheme adopted by the Company on 20 March 2015 under the general mandate approved by the shareholder of the Company on 5 June 2014. Details of the issue of shares were set out in the Company's announcement dated 9 April 2015.

##### *Liquidity and gearing*

As at 30 June 2015, the Group's total bank borrowing was a bank loan of HK\$30 million (31 December 2014: HK\$30 million), which was an unsecured 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 30 June 2015 was 7.1% (31 December 2014: 7.1%).

The interest expense for the period was HK\$0.5 million (six months ended 30 June 2014: HK\$0.8 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. The Group continues to adopt the policy of hedging foreign currency liabilities with foreign currency assets.

## MANAGEMENT DISCUSSION AND ANALYSIS (continued)

### REVIEW OF OPERATION AND PROSPECTS (continued)

#### Financial Review (continued)

##### *Remuneration policies*

Staff remuneration packages of the staff of the Group are comprised of salary and discretionary bonuses and are determined with reference to the market conditions and the performance of the Group and the individuals concerned. The Group also provided other staff benefits including medical insurance, continuing education allowances, provident funds, share options and share awards to eligible staff of the Group. The total remuneration paid to the employees (including pension costs and the directors' remuneration) of the Group in the period under review was HK\$195 million (six months ended 30 June 2014: HK\$193 million). As at 30 June 2015, the Group had 7,460 full time and temporary employees (30 June 2014: 8,470).

During the six months ended 30 June 2015, 300,000,000 share options and 64,143,400 share awards of the Company, the vesting of which are subject to the meeting of certain performance indicators, were granted to the eligible grantees under the share option scheme of the Company and the selected participants under the share award scheme of the Company, respectively.

Details of share options and share awards granted under the share option schemes and the share award scheme of the Company were set out in the Company's announcement dated 9 April 2015 and are set out in notes 16 and 17 to the condensed consolidated interim financial statements.

##### *Operating segment information*

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

##### *Contingent liabilities*

The Group had no material contingent liability outstanding as at 30 June 2015.

##### *Pledge of assets*

The Group had no pledge of assets as at 30 June 2015.

## **MANAGEMENT DISCUSSION AND ANALYSIS** (continued)

### **REVIEW OF OPERATION AND PROSPECTS** (continued)

#### **Outlook**

It is expected that all the challenges that we have encountered in the first half of this year will continue to affect us in the second half. While the management considers that the Group will benefit from the government's plan to realign functions and priorities of the areas and cities surrounding the capital and the Northern China region in medium-to-long run, the management will continue to take a cautious and prudent approach in operating within such a difficult environment in the near term.

Understanding the needs and preferences of our customers and our markets is crucial in the catering business. Apart from meeting our customers in person, we shall take advantage of the convenience offered by the internet and explore various sales channels through which we could get in touch with our customers and understand their needs, including linking up with various online platforms. New menu items will be introduced to meet the preferences of our customers. Offers will be made to cultivate business during the times of the day that still have potential to develop. Yoshinoya stores built and renovated with the "Home" theme have been well-received by our customers. We shall continue to deliver a home atmosphere to our customers who look for a cozy environment to dine. To further enhance the cost efficiency of our stores, we shall build our new stores slightly smaller in size. With our brand awareness in Northern China and our delivery platform to support our network as well as our customers, we strive to achieve a lower store cost as a percentage of sales.

The repositioning of the brand identity of Dairy Queen stores is continuing. Different ice-cream products and side items, such as popcorn, have been introduced to our customers. We have observed that Dairy Queen's fashionable and trendy ice-cream expert image has gradually been accepted as its profile has been raised.

Chatting, our new brand that offers different kinds of tea drink was introduced to the market in April this year. The performance of this product line in the first few months is encouraging. More Chatting stores will be opened to offer our customers a variety of drink choices.

## **MANAGEMENT DISCUSSION AND ANALYSIS** (continued)

### **REVIEW OF OPERATION AND PROSPECTS** (continued)

#### **Outlook** (continued)

Under the Virtual Partnership Scheme, various creative ideas and cost-saving suggestions have been received by the management. The management believes that the scheme will have direct motivation on our staff and at the same time will be a continuous source of ideas and suggestions for improving the performance of the Group. In addition, the Group has established a share award scheme in April this year to motivate and retain selected senior staff who have potential to climb further in their career ladder. The management firmly believes the success of a business depends on its ability to retain and motivate talents.

Apart from the existing QSR brands and business, the Group will continue to look for and evaluate opportunities that bring steady long term growth and advance its strategy to become a multi-brand QSR operator.

By Order of the Board

**HUNG MING KEI, MARVIN**

*Chief Executive Officer*

Hong Kong, 28 August 2015

## CORPORATE GOVERNANCE AND OTHER INFORMATION

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

As at 30 June 2015, the interests of the directors and chief executive in the shares and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code"), were as follows:

#### Interests in ordinary shares of the Company

Name of director	Number of shares held, capacity and nature of interest					Total	Percentage of the Company's issued share capital
	Directly and beneficially owned	Through spouse or minor children	Through controlled corporation	Founder of a discretionary trust	Beneficiary of a trust		
Hung Hak Hip, Peter	-	2,011,168	293,995,296 <i>notes (i) to (ii)</i>	3,579,187,103 <i>note(iii)</i>	-	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 <i>note (iv)</i>	-	219,228,648 <i>note (v)</i>	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	-	-	-	-	-	-	-
Lam Fung Ming, Tammy	-	-	-	-	-	-	-
Wong Kwok Ying	-	-	-	-	-	-	-



**CORPORATE GOVERNANCE AND OTHER INFORMATION** (continued)**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) 219,228,648 shares were beneficially owned by a discretionary trust, the trustee is beneficially owned by Mr. Hung Hak Hip, Peter.
- (ii) 74,766,648 shares held by Mr. Hung Hak Hip, Peter through a controlled corporation.
- (iii) 3,579,187,103 shares were beneficially owned by a discretionary trust, of which Mr. Hung Hak Hip, Peter is the founder. Out of the 3,579,187,103 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.
- (iv) 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.
- (v) 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 (i) 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 30 June 2015, 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.

## **CORPORATE GOVERNANCE AND OTHER INFORMATION** (continued)

### **SHARE OPTION SCHEME**

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 life of the Share Option Scheme is 10 years commenced on 25 April 2008 and expiring on 24 April 2018. The mandate limit of the Share Option Scheme was approved and refreshed at the Company’s annual general meeting on 5 June 2014. As at the date of this report, the total number of shares available for issue under the Share Option Scheme was 700,628,838 shares which represented approximately 6.96% of the issued share capital of the Company as at that date. 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 at a consideration of HK\$1 for the grant. 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.

**CORPORATE GOVERNANCE AND OTHER INFORMATION** (continued)**SHARE OPTION SCHEME** (continued)

As at 30 June 2015, the following share options granted under the share option scheme of the Company were outstanding:

Name or category of participant	Number of share options				At 30 June 2015	Date of grant (Note 2)	Exercise period	Price of Company's shares			
	At 1 January 2015	Granted during the period	Lapsed during the period	Exercised during the period				Exercise price (Note 3) HK\$ per share	At date of grant (Note 4) HK\$ per share	Immediately before the exercise date (Note 5) HK\$ per share	At date of exercise HK\$ per share
<b>Directors</b>											
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
	-	72,500,000	-	-	72,500,000	9 April 2015	Commencement subject to Note 7 below and up to 8 April 2025	0.127	0.127	N/A	N/A
	23,703,320	72,500,000	-	-	96,203,320						
Employees (Note 7)	-	227,500,000	-	-	227,500,000	9 April 2015	Commencement subject to Note 7 below and up to 8 April 2025	0.127	0.127	N/A	N/A
Ex-Director (Note 6)	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
	26,167,320	300,000,000	-	-	326,167,320						

## **CORPORATE GOVERNANCE AND OTHER INFORMATION** (continued)

### **SHARE OPTION SCHEME** (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.
- (1a) Upon re-designation of Lam Fung Ming, Tammy as non-executive director of the Company on 28 June 2013 and pursuant to the Share Option Scheme, the Board endorsed that the Exercise Period of her vested share option should be up to 26 April 2019 and all unvested share options previously granted to her were lapsed on 28 June 2013.
- (2) Subject to note (1) above and note (7) below, the vesting periods of the share options run from the date of grant to the commencement of the exercise period.
- (3) The exercise price of the share options is subject to adjustments.
- (4) The price of the Company's shares disclosed is the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the day specified.
- (5) The price of the Company's shares disclosed is the weighted average closing price of the shares immediately before the dates on which the share options were exercised during the period.
- (6) Mr. Lee Pak Wing resigned as a non-executive director of the Company on 20 May 2013. In accordance with the Share Option Scheme, share options granted to Mr. Lee shall remain effective until the end of the Exercise Period.
- (7) The vesting of share options are subject to the participants' achievement of performance targets to be set by the Board from time to time. The Board will notify the participants, after considering the participants' performance and achievement of the pre-set targets, the details of the vesting of share options, including the number of share options to be vested and the date of commencement of the Exercise Period of the vested share options in accordance with the Share Option Scheme.

### **DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES**

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

**CORPORATE GOVERNANCE AND OTHER INFORMATION** (continued)**SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES**

As at 30 June 2015, 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**

<b>Name of holder</b>	<i>Notes</i>	<b>Number of ordinary shares held</b>	<b>Percentage of the Company's issued share capital</b>
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)	3,579,187,103	35.77%
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%

## CORPORATE GOVERNANCE AND OTHER INFORMATION (continued)

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

#### Interests in Ordinary Shares of the Company (continued)

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 is the registered holder of 166,787,730 shares. In addition, 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) 3,579,187,103 shares held through H H Hung (2008) Limited mentioned in note (iii) above;
  - (b) 219,228,648 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.
- (v) Mrs. Hung Diana Wan Ling is deemed to be interested in 2,011,168 shares held through a controlled corporation. 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 (a) to (c) of 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.

**CORPORATE GOVERNANCE AND OTHER INFORMATION** (continued)**SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES** (continued)**Interests in Ordinary Shares of the Company** (continued)

Save as disclosed above, as at 30 June 2015, 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.

**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.

**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 annual report and up to the date of this interim report are set out below:

- (a) Mr. Siu Wai Keung resigned as an independent non-executive director of the Company with effect from 1 May 2015.
- (b) Hon. Shek Lai Him, Abraham, *GBS, JP*, an independent non-executive director of the Company, was appointed as an independent non-executive director of Jinheng Automotive Safety Technology Holdings Limited, a company listed in the Stock Exchange, with effect from 25 June 2015.

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

## **CORPORATE GOVERNANCE AND OTHER INFORMATION** (continued)

### **CORPORATE GOVERNANCE**

#### **Corporate Governance Code**

The Company is committed to maintaining a high standard of corporate governance practices and procedures. The Company has complied with the Corporate Governance Code (the “CG Code”) as set out in Appendix 14 of the Listing Rules for the period from 1 January 2015 to 30 June 2015. The principles as set out in the CG Code have been applied in our corporate governance practice.

#### **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 have complied with the required standards in the Model Code adopted by the Company throughout the accounting period covered by the interim report.

#### **Audit Committee**

The directors have engaged the Group’s external auditors to review the interim report for the six months ended 30 June 2015. The Group’s external auditors have carried out their review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants.

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

The audit committee comprised of Mr. Sze Tsai To, Robert (chairman of the committee), Mr. Seto Gin Chung, John (the 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.

In the period under review, the audit committee reviewed with the management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the interim financial report for the six months ended 30 June 2015.



## CORPORATE GOVERNANCE AND OTHER INFORMATION (continued)

### CORPORATE GOVERNANCE (continued)

#### 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. 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.

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

#### Nomination Committee

To comply with the CG Code, a nomination committee of the Company has been formed and its member comprised of Mr. Hung Hak Hip, Peter (chairman of the committee), the non-executive Chairman of the Company, Mr. Seto Gin Chung, John, 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. Hon. Wong Yu Hong, Philip, *GBS* and Hon. Shek Lai Him, Abraham, *GBS, JP*, both are independent non-executive directors of the Company.

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

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

During the six months ended 30 June 2015, there were no purchases, sales or redemptions by the Company or any of its subsidiaries of the Company's listed securities.

### BOARD OF DIRECTORS

As at the date of this interim report, the executive directors of the Company are Mr. Hung Ming Kei, Marvin and Mr. Wong Kwok Ying. The non-executive directors of the Company are Mr. Hung Hak Hip, Peter (Chairman) and Ms. Lam Fung Ming, Tammy. The independent non-executive directors of the Company are Mr. Seto Gin Chung, John (Vice Chairman), Dr. Wong Yu Hong, Philip, *GBS*, Mr. Sze Tsai To, Robert, Mr. Cheung Wing Yui, Edward, *BBS* and Hon. Shek Lai Him, Abraham, *GBS, JP*.

## **CORPORATE GOVERNANCE AND OTHER INFORMATION** (continued)

### **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 period under review.

By Order of the Board

**HUNG HAK HIP, PETER**

*Chairman*

Hong Kong, 28 August 2015

## REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION



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

### INTRODUCTION

We have reviewed the interim financial statements of Hop Hing Group Holdings Limited set out on pages 1 to 19, which comprises the condensed consolidated statement of financial position as at 30 June 2015, and the related condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the six months period then ended and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants.

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

## **REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION** (continued)

### **SCOPE OF REVIEW**

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

### **CONCLUSION**

Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with HKAS 34.

#### **Ernst & Young**

*Certified Public Accountants*

22/F CITIC Tower

1 Tim Mei Avenue

Central

Hong Kong

28 August 2015