

良 品質[®]

合

HOP HING GROUP HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 47

INTERIM REPORT 2016



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	8
Notes to Condensed Consolidated Financial Statements	10
Management Discussion and Analysis	20
Corporate Governance and Other Information	31
Report on Review of Interim Financial Information	43



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 2016, 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 2016 HK\$'000	2015 HK\$'000
TURNOVER	5	1,017,372	1,014,791
Direct cost of stocks sold		(376,079)	(382,237)
Other income and gains/(loss), net	5	2,140	4,099
Selling and distribution expenses		(492,142)	(493,717)
General and administrative expenses		(95,996)	(107,266)
PROFIT FROM OPERATING ACTIVITIES	6	55,295	35,670
Finance costs	7	(500)	(498)
PROFIT BEFORE TAX		54,795	35,172
Income tax expense	8	(15,170)	(9,457)
PROFIT FOR THE PERIOD		39,625	25,715
PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		39,625	25,715
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	10		
Basic		HK0.40 cent	HK0.26 cent
Diluted		HK0.40 cent	HK0.26 cent

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited	
	For the six months	
	ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
PROFIT FOR THE PERIOD	39,625	25,715
OTHER COMPREHENSIVE INCOME/(EXPENSE)		
Other comprehensive income/(expense)		
to be reclassified to income statement		
in subsequent periods:		
Exchange differences on translation of foreign operations	(8,344)	43
OTHER COMPREHENSIVE INCOME/ (EXPENSE) FOR THE PERIOD	(8,344)	43
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	31,281	25,758
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	31,281	25,758

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		Unaudited	Audited
		30 June	31 December
	<i>Notes</i>	2016	2015
		HK\$'000	HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	11	200,444	212,409
Deferred tax assets		33,878	26,789
Prepayment and rental deposits		46,358	45,945
Total non-current assets		280,680	285,143
CURRENT ASSETS			
Stocks		118,146	126,133
Accounts receivable	12	7,970	6,947
Prepayments, deposits and other receivables		53,805	53,702
Tax recoverable		3,849	5,808
Cash and cash equivalents		428,430	355,513
Total current assets		612,200	548,103

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(continued)

		Unaudited	Audited
		30 June	31 December
	<i>Notes</i>	2016	2015
		HK\$'000	HK\$'000
CURRENT LIABILITIES			
Accounts payable	13	118,809	101,479
Other payables and accrued charges		293,576	261,145
Interest-bearing bank loan	14	10,000	–
Tax payable		11,057	6,255
Total current liabilities		433,442	368,879
NET CURRENT ASSETS		178,758	179,224
TOTAL ASSETS LESS CURRENT LIABILITIES		459,438	464,367
NON-CURRENT LIABILITIES			
Deferred tax liabilities		18,570	16,433
NET ASSETS		440,868	447,934
EQUITY			
Equity attributable to equity holders of the Company			
Issued share capital	15	1,007,043	1,007,043
Reserves		(566,175)	(559,109)
Total equity		440,868	447,934

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2016 (Unaudited)

	Attributable to equity holders of the Company									
	Issued share capital HK\$'000	Share premium account* HK\$'000	Shares held under share award scheme* 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 2016	1,007,043	3,996,231	(8,474)	(4,857,319)	8,339	984	16,439	69,377	215,314	447,934
Profit for the period	-	-	-	-	-	-	-	-	39,625	39,625
Other comprehensive expense for the period:										
Exchange differences on translation of foreign operations	-	-	-	-	-	(8,344)	-	-	-	(8,344)
Total comprehensive income for the period	-	-	-	-	-	(8,344)	-	-	39,625	31,281
Shares purchased under share award scheme (note 15)	-	-	(15,324)	-	-	-	-	-	-	(15,324)
Equity-settled share-based payment	-	-	-	-	2,153	-	-	-	-	2,153
Final dividend for 2015 (note 9)	-	(25,176)	-	-	-	-	-	-	-	(25,176)
At 30 June 2016	1,007,043	3,971,055	(23,798)	(4,857,319)	10,492	(7,360)	16,439	69,377	254,939	440,868

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

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	Shares held under award scheme* 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)

- * These reserve accounts comprise the reserves in debit balance of HK\$566,175,000 in the condensed consolidated statement of financial position as at 30 June 2016.
- # Merger reserve represents the excess of investment cost in a subsidiary, Hop Hing Fast Food Group Holdings Limited (“Hop Hing Fast Food”) of HK\$4,919,843,000 (being the total consideration of HK\$4,964,232,000 reduced by the loans of HK\$44,389,000 owed by Hop Hing Fast Food to Queen Board Limited (“Queen Board”) and its associates) 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 after such usages.
- ### Capital and other reserves mainly represent the capital reserve arising from group reorganisation in prior years.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	<i>Notes</i>	Unaudited	
		For the six months ended 30 June	
		2016	2015
		HK\$'000	HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		54,795	35,172
Adjustments for:			
Interest income	5	(2,310)	(3,252)
Finance costs	7	500	498
Depreciation	6	51,028	53,611
Impairment/(write-back of impairment) of accounts receivable		(1,048)	1,375
Impairment of items of property, plant and equipment	6	-	1,164
Loss on write-off of items of property, plant and equipment, net	6	1,079	5,319
Equity-settled share-based payment expenses		2,153	657
		106,197	94,544
Decrease/(increase) in stocks		7,987	(16,118)
Decrease in accounts receivable		92	2,553
Decrease/(increase) in prepayments, deposits and other receivables		(516)	10,153
Increase/(decrease) in accounts payable		17,330	(21,535)
Increase in other payables and accrued charges		32,431	304
		163,521	69,901
Cash generated from operations		163,521	69,901
Interest received		2,310	3,252
Hong Kong profits tax paid		-	(176)
Overseas tax paid		(15,499)	(503)
		150,332	72,474
Net cash flows from operating activities		150,332	72,474

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

	Notes	Unaudited For the six months ended 30 June	
		2016 HK\$'000	2015 HK\$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment	11	(44,778)	(40,242)
Increase in time deposits with original maturity of more than three months when acquired		(11,914)	(64,942)
Net cash flows used in investing activities		(56,692)	(105,184)
CASH FLOWS FROM FINANCING ACTIVITIES			
Finance costs paid		(500)	(498)
Dividends paid		(25,176)	(25,176)
Shares purchased under share award scheme		(15,324)	–
Net drawing of bank loan		10,000	–
Net cash flows used in financing activities		(31,000)	(25,674)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at beginning of period		208,734	291,458
Effect of foreign exchange rates changes, net		(1,637)	108
CASH AND CASH EQUIVALENTS AT END OF PERIOD		269,737	233,182
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents as stated in the condensed consolidated statement of financial position		428,430	343,182
Less: Time deposits with original maturity of more than three months when acquired		(158,693)	(110,000)
CASH AND CASH EQUIVALENTS AS STATED IN THE CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS		269,737	233,182

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, 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 2015.

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.

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	<i>Investment Entities: Applying the Consolidation Exception</i>
Amendments to HKFRS 11	<i>Accounting for Acquisitions of Interests in Joint Operations</i>
Amendments to HKAS 1	<i>Disclosure Initiative</i>
Amendments to HKAS 16 and HKAS 38	<i>Clarification of Acceptable Methods of Depreciation and Amortisation</i>
Amendments to HKAS 16 and HKAS 41	<i>Agriculture: Bearer Plants</i>
Amendments to HKAS 27 (2011)	<i>Equity Method in Separate Financial Statements</i>
<i>Annual Improvements 2012-2014 Cycle</i>	Amendments to a number of HKFRSs

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.

Amendments to HKAS 7	<i>Disclosure Initiative¹</i>
Amendments to HKAS 12	<i>Recognition of Deferred Tax Assets for Unrealised Losses¹</i>
Amendments to HKFRS 2	<i>Classification and Measurement of Share-based Payment Transactions²</i>
HKFRS 9	<i>Financial Instruments²</i>
Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture⁴</i>
HKFRS 15	<i>Revenue from Contracts with Customers²</i>
HKFRS 16	<i>Lease³</i>

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

² Effective for annual periods beginning on or after 1 January 2018

³ Effective for annual periods beginning on or after 1 January 2019

⁴ No mandatory effective date yet determined but is available for adoption

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

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:

	Unaudited	
	For the six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
Turnover		
Sales	1,017,372	1,014,791
Other income and gains/(loss), net		
Bank interest income	2,310	3,252
Foreign exchange differences, net	(2,155)	116
Government grants	1,095	121
Others	890	610
	2,140	4,099

6. PROFIT FROM OPERATING ACTIVITIES

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

	Unaudited	
	For the six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
Direct cost of stocks sold	376,079	382,237
Depreciation	51,028	53,611
Impairment of items of property, plant and equipment	-	1,164
Lease payments under operating leases in respect of lands and buildings		
– minimum lease payments	133,911	138,859
– contingent rents	17,612	18,958
Loss on write-off of items of property, plant and equipment, net	1,079	5,319

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

An analysis of finance costs is as follows:

	Unaudited	
	For the six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
Interest on bank loans	6	327
Bank financing charges and others	494	171
	500	498

8. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2015: 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.

The PRC corporate income tax rate for the Group's subsidiaries operated in Mainland China during the period was 25% (2015: 25%) on their taxable profits. One of the subsidiaries engaged in agricultural business is entitled to exemptions from the standard income tax rate in 2015 and 2016.

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

	Unaudited	
	For the six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
Current – Hong Kong		
Charge for the period	1,414	1,153
Current – Elsewhere		
Charge for the period	19,616	10,852
Over-provision in prior years	–	55
Deferred tax	(5,860)	(2,603)
Total tax charge for the period	15,170	9,457

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

	Unaudited	
	For the six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
Dividend paid during the period:		
Final dividend for 2015 – HK0.25 cent (2014: HK0.25 cent) per ordinary share	25,176	25,176

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 9,968,198,232 (2015: 10,006,288,386) ordinary shares in issue during the period, as adjusted to reflect the number of shares of 211,547,400 (2015: 64,143,000) held under the share award scheme of the Company.

b. Diluted earnings per share

For the period ended 30 June 2016, 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 9,988,214,050 (2015: 10,019,921,330) ordinary shares in issue after adjusting for the effect of all dilutive potential ordinary shares of 20,015,818 (2015: 13,632,944) calculated as follows:

	Unaudited	
	For the six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
Consolidated profit attributable to equity holders of the Company	39,625	25,715

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)

	Unaudited	
	30 June	30 June
	2016	2015
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	9,968,198,232	10,006,288,386
Effect of dilution – weighted average number of ordinary shares:		
Share options *	–	1,141,022
Share award	20,015,818	12,491,922
	9,988,214,050	10,019,921,330

- * 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 2016 as these options had no dilutive effect on the Company's basic earnings per share.

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2016, the Group acquired items of property, plant and equipment with a cost of HK\$44,778,000 (2015: HK\$40,242,000). Items of property, plant and equipment with a net book value of HK\$1,079,000 (2015: HK\$5,319,000) were written-off during the six months ended 30 June 2016.

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

	Unaudited 30 June 2016 HK\$'000	Audited 31 December 2015 HK\$'000
Accounts receivable	10,683	10,775
Less: impairment	(2,713)	(3,828)
	7,970	6,947

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 and internet platform service providers 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 payment due date and net of provisions, is as follows:

	Unaudited 30 June 2016 HK\$'000	Audited 31 December 2015 HK\$'000
Current (neither past due nor impaired)	7,967	6,806
Within 60 days past due	3	141
	7,970	6,947

13. ACCOUNTS PAYABLE

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

	Unaudited 30 June 2016 HK\$'000	Audited 31 December 2015 HK\$'000
Current and less than 60 days	114,768	97,797
Over 60 days	4,041	3,682
	118,809	101,479

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**

	Unaudited	Audited
	30 June	31 December
	2016	2015
	HK\$'000	HK\$'000
Current (repayable within one year)		
Bank loan – unsecured	10,000	–

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 general mandate granted by the shareholders of the Company at the annual general meeting in June 2014 for 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 on 9 April 2015. The shares were issued to the trustee of the Scheme (the "Trustee") and classified as treasury shares.

During the six months ended 30 June 2016, 144,644,000 ordinary shares of HK\$0.10 each were purchased by the Trustee at prices ranging from HK\$0.099 to HK\$0.113 per share at a total consideration of approximately HK\$15,324,000. The shares have been classified as treasury shares.

16. SHARE OPTIONS

On 9 April 2015, 300,000,000 share options were granted to an executive director and certain eligible employees ("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.

These 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 date of grant until commencement of the exercise period and such vested options are then exercisable until 8 April 2025.

During the period ended 30 June 2015, the fair value of the share options granted on 9 April 2015 was HK\$12,164,000 (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 ended 30 June 2015 was estimated using the following assumptions:

Dividend yield (%)	1.97
Expected volatility (%)	32.14
Historical volatility (%)	32.14
Risk free interest rate (%)	1.43
Exercise Multiple-Director	2.80
Exercise Multiple-Employee	2.20

No options were granted and exercised during the six months ended 30 June 2016. No options were exercised during the six months ended 30 June 2015.

17. SHARE AWARDS

During the period ended 30 June 2015, the Board resolved to grant share awards in respect of 64,143,400 shares, to certain selected participants, who are not 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 on 26 May 2015 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 could be issued and allotted is 1,000,628,838 shares. 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 issued share capital before the allotment and approximately 0.637% of the Company's enlarged issued share capital after the allotment.

During the period ended 30 June 2016, the Board resolved to grant share awards in respect of 17,030,499 shares to certain selected participants who are not a director, chief executive or substantial shareholder of the Company, nor an associate (as defined under the Listing Rules) of any of them.

The Trustee will hold the shares in trust for the selected participants, until the shares become vested. The shares granted will be vested in the proportions and on the dates as set out in the relevant letters of grant issued by the Company. Vested shares will be transferred to the selected participants at no cost save that transaction fees and expenses will be payable by the selected participants as transferees.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**18. RELATED PARTY TRANSACTIONS**

In addition to those transactions and balances disclosed elsewhere in the condensed consolidated financial statements, the Group had the following compensation to key management personnel during the period:

	Unaudited	
	For the six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
Short-term employee benefits	3,446	3,446
Post-employment benefits	73	73
Equity-settled share-based payment	275	138
	3,794	3,657

19. CAPITAL COMMITMENTS

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

	Unaudited	Audited
	30 June	31 December
	2016	2015
	HK\$'000	HK\$'000
Property, plant and equipment:		
Contracted, but not provided for	914	1,886

20. APPROVAL OF THE INTERIM FINANCIAL REPORT

This interim financial report was approved and authorised for issue by the Board on 26 August 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERALL PERFORMANCE

For the six months ended 30 June 2016 (the “period under review”), the turnover of the Group’s business amounted to HK\$1,017.4 million (for the first half of 2015: HK\$1,014.8 million). Earnings before interest, tax, depreciation and amortization (EBITDA) for the period under review were HK\$106.3 million, representing an increase of HK\$17.0 million from HK\$89.3 million for the same period in 2015. The profit attributable to equity holders of the Company for the period under review was HK\$39.6 million, representing an increase of HK\$13.9 million or 54.1% when compared to HK\$25.7 million for the first half of last year. The higher profit for the period under review compared to the corresponding period in 2015 was mainly due to the Group’s active adjustment of its operating strategy during the period under review, particularly the strengthened online delivery business and establishment of smaller stores; coupled with the reduction in the cost of sales and effective cost control measures.

Basic and diluted earnings per share for the period were HK0.40 cent and HK0.40 cent respectively (six months ended 30 June 2015: HK0.26 cent and HK0.26 cent respectively).

DIVIDEND

On 30 June 2016, the Company made payment of a final dividend of HK0.25 cent per share for the year ended 31 December 2015. The Directors do not recommend payment of an interim dividend for the six months ended 30 June 2016 (six months ended 30 June 2015: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

REVIEW OF OPERATION AND PROSPECTS

Industry review

In the first half of 2016, a host of factors prevailing in 2015 including China's sluggish economy, the growing impacts of the internet on caterers, fierce competition in the mid-range and low-end markets affecting the PRC catering industry continued to bear on China's quick service restaurant ("QSR") players including the Group. Thus, the business environment where the Group operates remained challenging. After going through structural adjustments and industry consolidation, the catering industry has gone back to appreciating its core essence of "catering to consumer needs and going back to basics" and at the same time effectively made use of the internet and emerging payment instruments to expand sales. QSR players managed to gradually find the right direction and continued to make adjustments that agree with the new norm in mass catering. Despite facing complex external factors and a testing market environment plus the emergence of various new issues, the major players in the industry have remained prudent and continued the pace of transformation and adjustment.

Business review

In the first half of 2016, the Group's Renminbi sales revenue increased by 5.3% to RMB856,627,000 (for the first half of 2015: RMB813,862,000). Apart from the additional sales brought by new stores, another contributor to revenue growth was the Group's proactive efforts to connect with delivery platforms on the internet during the period under review, which drove the improvement in sales of the delivery business, as well as introduced new flavour products continuously to stimulate consumption.

The management actively sought innovative measures conducive to promoting performance growth and the six major business strategies laid down at the beginning of the year including: enhancing Online-To-Offline ("O2O") strategies and delivery capability, upgrading the information system, opening stores at suitable locations and opportune time, improving operating efficiency, elevating customer satisfaction level and strengthening the image of the Group's brands. Relevant measures were put into effective practice in the first half of the year. The six strategies contributed differently to the improvement in sales, profits and morale of the Group during the period under review.

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

With an aim to provide more efficient and quality delivery services, the Group set up its own delivery team to provide customers with faster delivery and give them more satisfactory consumer experience. As a result, the Group recorded significant growth in delivery sales.

During the period under review, the Group actively adjusted its store opening strategy. On the one hand, it shut down stores that did not match its future development direction. On the other hand, with an emphasis on investment returns, it opened relatively smaller stores and ensured the design of these new stores can offer more comfort to customers. As at 30 June 2016, the Group had 455 stores in operation.

	As at	
	30 June	31 December
	2016	2015
Yoshinoya		
Beijing-Tianjin-Hebei Province Metropolitan Region	214	212
Liaoning	72	69
Inner Mongolia	11	10
Heilongjiang	9	10
Jilin	2	2
	308	303
Dairy Queen		
Beijing-Tianjin-Hebei Province Metropolitan Region	100	106
Liaoning	21	22
Inner Mongolia	7	6
Heilongjiang	6	6
Jilin	2	2
	136	142
Others		
Beijing-Tianjin-Hebei Province Metropolitan Region	11	10
Total	455	455

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

In the first half of 2016, despite the difficult business environment, the Group's dedication in executing its six core growth strategies enabled it to successfully improve a majority of its same store sales. The Group's overall same store sales (denominated in Renminbi) remained constant (for the first half of 2015: -2.7%). Yoshinoya recorded a 1% same store sales growth (for the first half of 2015: -2.9%). As for Dairy Queen, which stores are mainly in shopping malls, due to the change of consumption pattern in China which led to a decline of shopping mall traffics, same store sales declined by 9.5% (for the first half of 2015: -0.5%). However, the Group has been adjusting the operating strategy of Dairy Queen with an aim to reposition the Dairy Queen brand and strengthen the brand's penetration at strategic locations, including adding more stores in mega-size shopping malls of over 10,000 sq. m. to boost the brand's appeal to younger consumers. The Group is cautiously optimistic that Dairy Queen's sales performance will gradually improve in the second half of the year.

	Percentage Increase in Same Stores Sales (denominated in Renminbi) Six months Ended 30 June	
	2016	2015
Overall	0.0%	-2.7%
By main brands		
Yoshinoya	1.0%	-2.9%
Dairy Queen	-9.5%	-0.5%

In the period under review, in terms of revenue, the Beijing-Tianjin-Hebei Province Metropolitan Region remained the largest market of the Group and sales revenue from Yoshinoya's products accounted for approximately 88% of the Group's total revenue.

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

	Six Months Ended 30 June			
	2016		2015	
	RMB'000	% of sales	RMB'000	% of sales
a. By Region				
Beijing-Tianjin-Hebei Province				
Metropolitan Region	644,828	75.3%	604,106	74.2%
Northeast China ⁽¹⁾	211,799	24.7%	209,756	25.8%

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

	Six Months Ended 30 June			
	2016		2015	
	RMB'000	% of sales	RMB'000	% of sales
b. By main brands				
Yoshinoya	751,250	87.7%	727,329	89.4%
Dairy Queen	87,805	10.3%	86,452	10.6%

Under such severe market environment, the Group continued to execute its proven policy of strategic and bulk procurement of key food ingredients through strategic sourcing and continuous extension and improvement of its supply chains without compromising the food quality. Coupled with the replacement of business tax with value-added tax, the Group managed to lower procurement cost of key food ingredients compared to 2015 and achieved a gross profit margin of 63.0% for the first six months of 2016, up by 0.7 percentage point compared with the same period in 2015.

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

	Six Months Ended 30 June	
	2016	2015
Gross Profit Margin	63.0%	62.3%

In addition, as a result of the Group's active implementation of measures to motivate its team, such as raising the percentage of store bonus, labour costs increased. However, with the incentive and appraisal scheme being successful in encouraging store managers and supervisors to actively improve the efficiency of store operations, savings were made in many operating costs, such as utility and repair costs, which in aggregate offset partially the increase in labour costs. The Group also increased interaction with fans by stepping up use of the internet tapping its wide coverage to roll out marketing strategy, thus greatly enhanced the cost effectiveness of advertising and publicity.

	Six Months Ended 30 June			
	2016		2015	
	HK\$'000	% of sales	HK\$'000	% of sales
Labour Costs	153,136	15.1%	134,188	13.2%
Rental Expense	142,719	14.0%	145,469	14.3%
Depreciation	47,640	4.7%	47,059	4.6%
Other Operation Expenses	148,647	14.6%	167,001	16.6%
Total Selling and Distribution costs	492,142	48.4%	493,717	48.7%

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 2016 was 10,070,431,786 (31 December 2015: 10,070,431,786). Details of share options and share awards granted under the share option schemes and the share award scheme of the Company are set out in the section under “Share Option Scheme” and in the note under “Share Awards”.

Liquidity and gearing

As at 30 June 2016, the Group’s total bank borrowing was a bank loan of HK\$10 million (31 December 2015: Nil), which was unsecured, denominated in Hong Kong dollars and repayable 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 2016 was 2.3% (31 December 2015: 0%).

The finance costs for the period were HK\$0.5 million (six months ended 30 June 2015: HK\$0.5 million).

The Group’s funding policy is to finance the business operations with internally generated cash and bank facilities. The Group’s bank facilities were available in both Hong Kong dollars and Renminbi. 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\$208 million (six months ended 30 June 2015: HK\$195 million). As at 30 June 2016, the Group had 7,971 full time and temporary employees (30 June 2015: 7,460).

During the period ended 30 June 2016, the Board resolved to grant share awards in respect of 17,030,499 shares to certain selected participants who are not a director, chief executive or substantial shareholder of the Company, nor an associate (as defined under the Listing Rules) of any of them.

Operating segment information

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

Contingent liabilities

The Group had no material contingent liability outstanding as at 30 June 2016.

Pledge of assets

The Group had no pledge of assets as at 30 June 2016.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

REVIEW OF OPERATION AND PROSPECTS (continued)

Future Development of the Group's Business

Catering development trends in 2016

With the slowdown in growth in the number of mobile internet users and the gradual saturation of internet penetration, going back to basics has become the development trend for traditional industries which at the same time have to compete with online companies going offline. From the Group's perspective, guided by its three major strategies – decentralising, hastening collection of information and optimising customer experience, it will continue to bring about more changes in terms of business model innovation.

Future development strategy

Looking ahead, as the internet gains popularity, the Group will continue to strengthen O2O marketing strategy and make good use of this platform to actively transform its online business. With the upgraded information system to track and analyse the market and consumption data collected from the internet platforms, including the Group's official website, its mobile WAP ordering system and the social media platforms, it will be able to analyse relevant data so as to better define market segments, of consumer and customer groups, compile precise records and analysis on users to aid marketing to target customer groups, thereby enhance the efficiency and effectiveness of marketing.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)**REVIEW OF OPERATION AND PROSPECTS** (continued)*Future Development of the Group's Business* (continued)*Future development strategy* (continued)

With the aid of online platforms, the Group is able to gather fans and gain a good understanding of the changing needs and preferences of consumers, so that it can swiftly cope with the changing market environment. In fact, the Group has made active efforts over the past year to develop a new O2O business model aiming for integration of its online and offline businesses to give customers a pleasant dining experience. In particular, the Group integrated e-commerce with physical stores, offering a closed circuit transaction model where orders and payments are processed online and services are provided at physical stores to create a more enjoyable experience for customers. In the first half of the year, the Group began cooperation with more providers of e-payment tools to seize e-commerce opportunities and further penetrated into customer groups that are younger and with high spending power. Apart from actively strengthening partnership with a number of domestic online restaurant platforms and search engines, in the second half this year, the Group will launch an official e-mall on a mobile communication platform in China to grasp the tremendous opportunities of online and offline orders and integrate e-commerce with physical stores, as complemented by its own growing delivery team. The objective of all these initiatives is to expand the Group's market share and increase sales.

As for the dining environment, the Group will spare no effort in pursuing new ideas that can provide customers with fresh consumption experience. At the same time, the optimisation and reform of restaurant and kitchen designs will also effectively improve the utilisation of store area which will translate into better returns to the Group. In addition, the Group will strive to strengthen the efficiency and quality of its delivery service, including improving the design of existing thermal lunch boxes, such that customers can enjoy steaming hot and good quality food delivered to them at home or in the office.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

REVIEW OF OPERATION AND PROSPECTS (continued)

Future Development of the Group's Business (continued)

Future development strategy (continued)

Another area of great importance, which the Group has never stopped perfecting, is risk management and monitoring. The Group's food safety and occupational health and safety management system are ISO22000 and OHSAS18001 certified. The Group also implements strict quality control over all raw materials and keeps strengthening cooperation with suppliers who share its commitment to food safety.

Furthermore, starting in May 2016, business tax has been replaced by value added tax in China. The impact of the change will be more apparent in the second half year. This will help keep the Group's gross profit margin stable/have a positive impact on the Group's gross profit margin.

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

On behalf of the Board

HUNG MING KEI, MARVIN

Chief Executive Officer

Hong Kong, 26 August 2016

CORPORATE GOVERNANCE AND OTHER INFORMATION

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

As at 30 June 2016, 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 controlled corporation	Beneficiary of a trust			
Seto Gin Chung, John	500,847	-	-		500,847	0.005%
Hung Ming Kei, Marvin	72,652,163	3,412,399,373 <i>note (i)</i>	84,082,815 <i>note (ii)</i>		3,569,134,351	35.442%
Wong Yu Hong, Philip	2,454,678	-	-		2,454,678	0.024%
Sze Tsai To, Robert	2,454,678	-	-		2,454,678	0.024%
Cheung Wing Yui, Edward	3,027,798	-	-		3,027,798	0.030%
Shek Lai Him, Abraham	-	-	-		-	-
Wan Sai Cheong, Joseph	-	-	-		-	-
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) 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.
- (ii) 84,082,815 shares were beneficially owned by a discretionary trust whose discretionary beneficiaries included a company owned by 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 interim report, as at 30 June 2016, 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

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.

CORPORATE GOVERNANCE AND OTHER INFORMATION (continued)

SHARE OPTION SCHEME (continued)

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 2016, 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 2016	Date of grant (Note 3)	Exercise period	Price of the Company's shares		
	At 1 January 2016	Granted during the period	Lapsed during the period	Exercised during the period				Exercise price (Note 4) HK\$ per share	At date of grant (Note 5) HK\$ per share	Immediately before the grant date HK\$ per share
Directors										
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
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
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
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
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
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 2)	0.35	0.35	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
	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
	91,275,320	-	-	-	91,275,320					
Employees	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
Ex-Directors (Note 6)	7,392,000	-	-	-	7,392,000	27 April 2009	27 April 2010 up to 26 April 2019	0.35	0.35	N/A
	326,167,320	-	-	-	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.
- (2) Upon re-designation of Ms. 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 options remained effective up to 26 April 2019 and all unvested share options previously granted were lapsed on 28 June 2013.
- (3) The vesting periods of the share options run from the date of grant to the commencement of the exercise period.
- (4) The exercise price of the share options is subject to adjustments.
- (5) The price of the Company's shares at the date of grant is the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant.
- (6) Mr. Lee Pak Wing resigned as a non-executive director of the Company on 20 May 2013. Mr. Hung Hak Hip, Peter retired from the position as the Chairman of the Board on 25 March 2016. In accordance with the Share Option Scheme, share options of 2,464,000 and 4,928,000 granted to Mr. Lee Pak Wing and Mr. Hung Hak Hip, Peter, respectively, 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 2016, 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 shareholder	<i>Notes</i>	Number of ordinary shares held	Percentage of the Company's issued share capital
True Force Ventures Limited	(i)	1,408,783,784	13.99%
Earn Field International Limited	(ii)	1,408,783,784	13.99%
H H Hung (2008) Limited	(iii)	3,579,187,103	35.54%
Hung Hak Hip, Peter	(iv)	3,940,047,734	39.12%
Hung Diana Wan Ling	(v)	3,940,047,734	39.12%
Winner Planet Limited	(vi)	1,625,526,805	16.14%
Creative Mount Limited	(vii)	1,587,229,730	15.76%
North China Fast Food (2008) Limited	(viii)	3,412,399,373	33.89%
Ample Great Ventures Limited	(ix)	3,412,399,373	33.89%
Hung Ming Kei, Marvin	(x)	3,569,134,351	35.44%
Arisaig Asia Consumer Fund Limited	(xi)	981,288,000	9.74%
Arisaig Partners (Mauritius) Limited	(xii)	981,288,000	9.74%
Cooper Lindsay William Ernest	(xiii)	981,288,000	9.74%

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) 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) 84,082,815 shares held through Ever Intellect Limited;
 - (c) 274,766,648 shares held through controlled corporations; 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 note (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 also directly and beneficially owns 72,652,163 shares. In addition, Mr. Hung Ming Kei, Marvin is deemed to be interested in 84,082,815 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 2016, the Company had not been notified of any persons other than the directors of the Company whose interests and share options 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 interim 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. Hung Hak Hip, Peter ("Mr. Hung") retired as the Chairman of the Board and as a non-executive director of the Company on 25 March 2016. On the same day, Mr. Hung ceased as the chairman of the Nomination Committee and a member of each of the Audit Committee and Remuneration Committee of the Company. Mr. Hung was honored as Honorary Chairman of the Company effective 25 March 2016.

CORPORATE GOVERNANCE AND OTHER INFORMATION (continued)

CHANGE OF INFORMATION ON DIRECTORS (continued)

- (b) Mr. Seto Gin Chung, John (“Mr. Seto”), an independent non-executive director of the Company, was appointed as the Chairman of the Board on 25 March 2016, entitling an annual director’s fee of HK\$330,000; and on the same day, Mr. Seto was appointed as the chairman of the Nomination Committee and a member of the Remuneration Committee of the Company and ceased as a member of the Audit Committee of the Company.
- (c) Hon. Shek Lai Him, Abraham, *GBS, JP*, an independent non-executive director of the Company, retired as a non-executive director of The Hong Kong Mortgage Corporation Limited with effect from the conclusion of its annual general meeting held on 25 April 2016.

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

CORPORATE GOVERNANCE

Corporate Governance Code

The Company is committed to maintaining a high standard of corporate governance practices and procedures. The Company has 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 2016 to 30 June 2016. 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.

CORPORATE GOVERNANCE AND OTHER INFORMATION (continued)

CORPORATE GOVERNANCE (continued)

Model Code for Securities Transactions (continued)

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

Audit Committee

The directors have engaged the Group's external auditors to review the interim report for the six months ended 30 June 2016. 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 risk management and internal control systems. 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 is comprised of Mr. Sze Tsai To, Robert (chairman of the committee), Mr. Cheung Wing Yui, Edward, *BBS* and Mr. Wan Sai Cheong, Joseph, all of them are independent non-executive directors 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, risk management and internal control systems and financial reporting matters including the review of the interim financial report for the six months ended 30 June 2016.

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 is comprised of Mr. Cheung Wing Yui, Edward, *BBS* (chairman of the committee), Mr. Seto Gin Chung, John (the Chairman of the Board), Mr. Sze Tsai To, Robert and Hon. Shek Lai Him, Abraham, *GBS, JP*, all of them are independent non-executive directors 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 is comprised of Mr. Seto Gin Chung, John (chairman of the committee and the Chairman of the Board), Dr. Hon. Wong Yu Hong, Philip, *GBS* and Hon. Shek Lai Him, Abraham, *GBS, JP*, all of them are independent non-executive directors of the Company, and Mr. Hung Ming Kei, Marvin, an executive director and the chief executive officer 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.

CORPORATE GOVERNANCE AND OTHER INFORMATION (continued)

PURCHASE, SALE OR REDEMPTION OF OWN LISTED SECURITIES

During the six months ended 30 June 2016, the trustee of the Company's share award scheme ("Share Award Scheme") as adopted on 20 March 2015 purchased on the Stock Exchange a total of 144,644,000 shares of the Company at a total consideration of approximately HK\$15,324,000. As the shares are held by the trustee for the award of shares pursuant to the Share Award Scheme and the shares are therefore not cancelled. Apart from the above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed the Company's listed securities during the six months ended 30 June 2016.

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 independent non-executive directors of the Company are Mr. Seto Gin Chung, John (Chairman), Dr. 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. Wan Sai Cheong, Joseph. The non-executive director of the Company is Ms. Lam Fung Ming, Tammy.

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.

On behalf of the Board

SETO GIN CHUNG, JOHN

Chairman

Hong Kong, 26 August 2016

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 2016, 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

26 August 2016