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

2016
ANNUAL REPORT


BLIZZARD

Contents

Corporate Information

DIRECTORS

Independent Non-executive Directors
Seto Gin Chung, John *(Chairman)*
Wong Yu Hong, Philip
Sze Tsai To, Robert
Cheung Wing Yui, Edward
Shek Lai Him, Abraham
Wan Sai Cheong, Joseph

Non-executive Director
Lam Fung Ming, Tammy

Executive Directors
Hung Ming Kei, Marvin *(Chief Executive Officer)*
Wong Kwok Ying

AUDIT COMMITTEE

Sze Tsai To, Robert *(Chairman)*
Cheung Wing Yui, Edward
Wan Sai Cheong, Joseph

REMUNERATION COMMITTEE

Cheung Wing Yui, Edward *(Chairman)*
Seto Gin Chung, John
Sze Tsai To, Robert
Shek Lai Him, Abraham

NOMINATION COMMITTEE

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

HONORARY CHAIRMAN

Hung Hak Hip, Peter

COMPANY SECRETARY

Wong Kwok Ying

AUDITOR

Ernst & Young
Certified Public Accountants

SOLICITORS

Howse Williams Bowers
Wilkinson & Grist

PRINCIPAL BANKERS

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

Corporate Information

PRINCIPAL REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH REGISTRAR AND TRANSFER OFFICE

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

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS

Flats E & F, 2/F
Hop Hing Building
9 Ping Tong Street East
Tong Yan San Tsuen
Yuen Long
New Territories
Hong Kong

WEBSITE

http://www.hophing.com

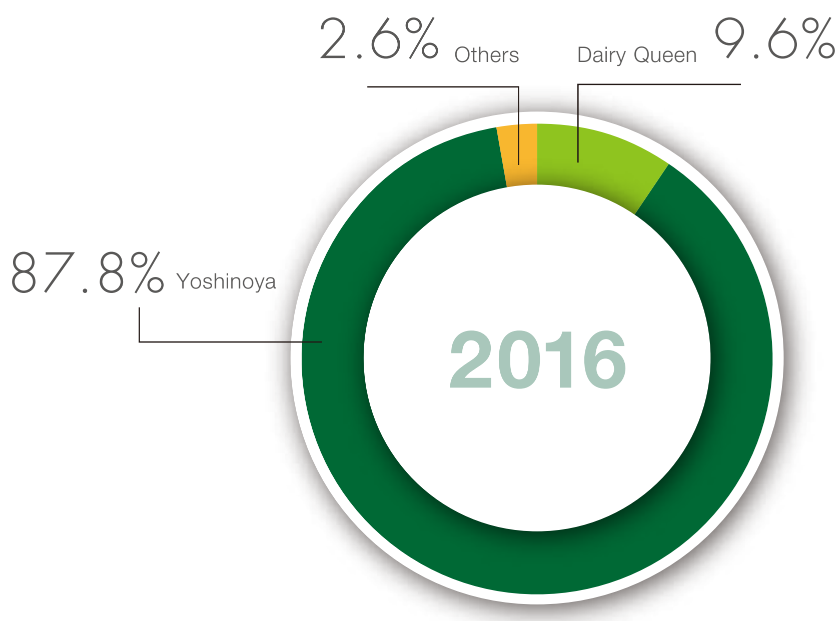
STOCK CODE

47

Financial Highlights

Profit for the year ended 31 December 2016 was HK$124.6 million, grew by 89.4% compared to HK$65.8 million for the last year.

TURNOVER

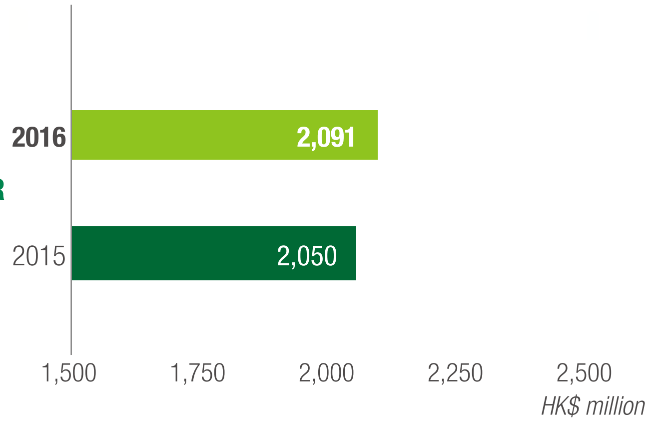


89.4%

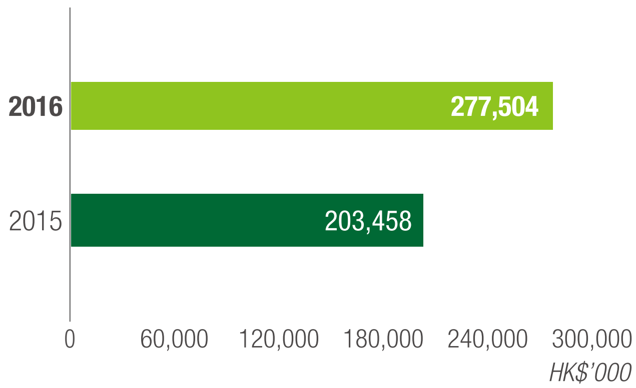
Net profit growth in 2016

Financial Highlights

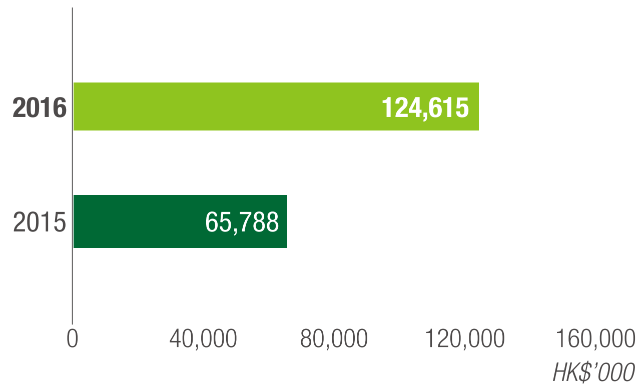
TURNOVER



EBITDA

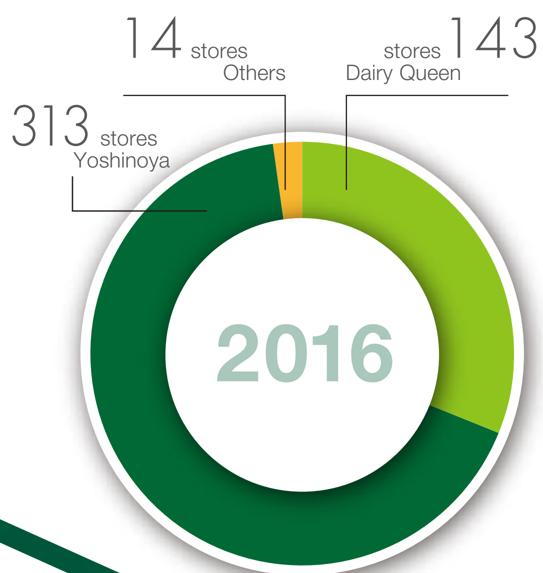


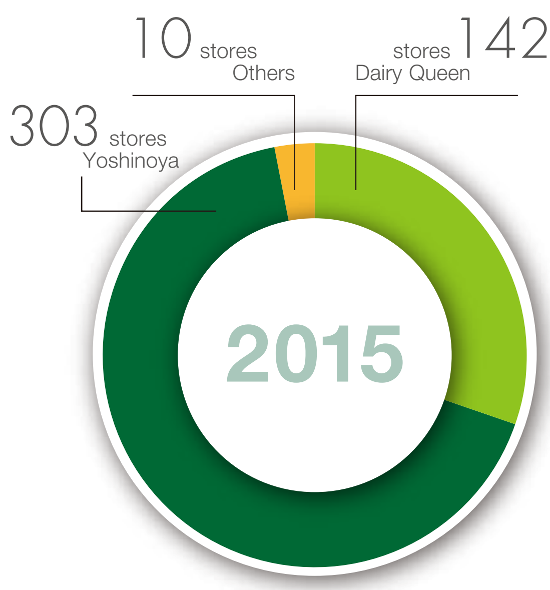
PROFIT FOR THE YEAR

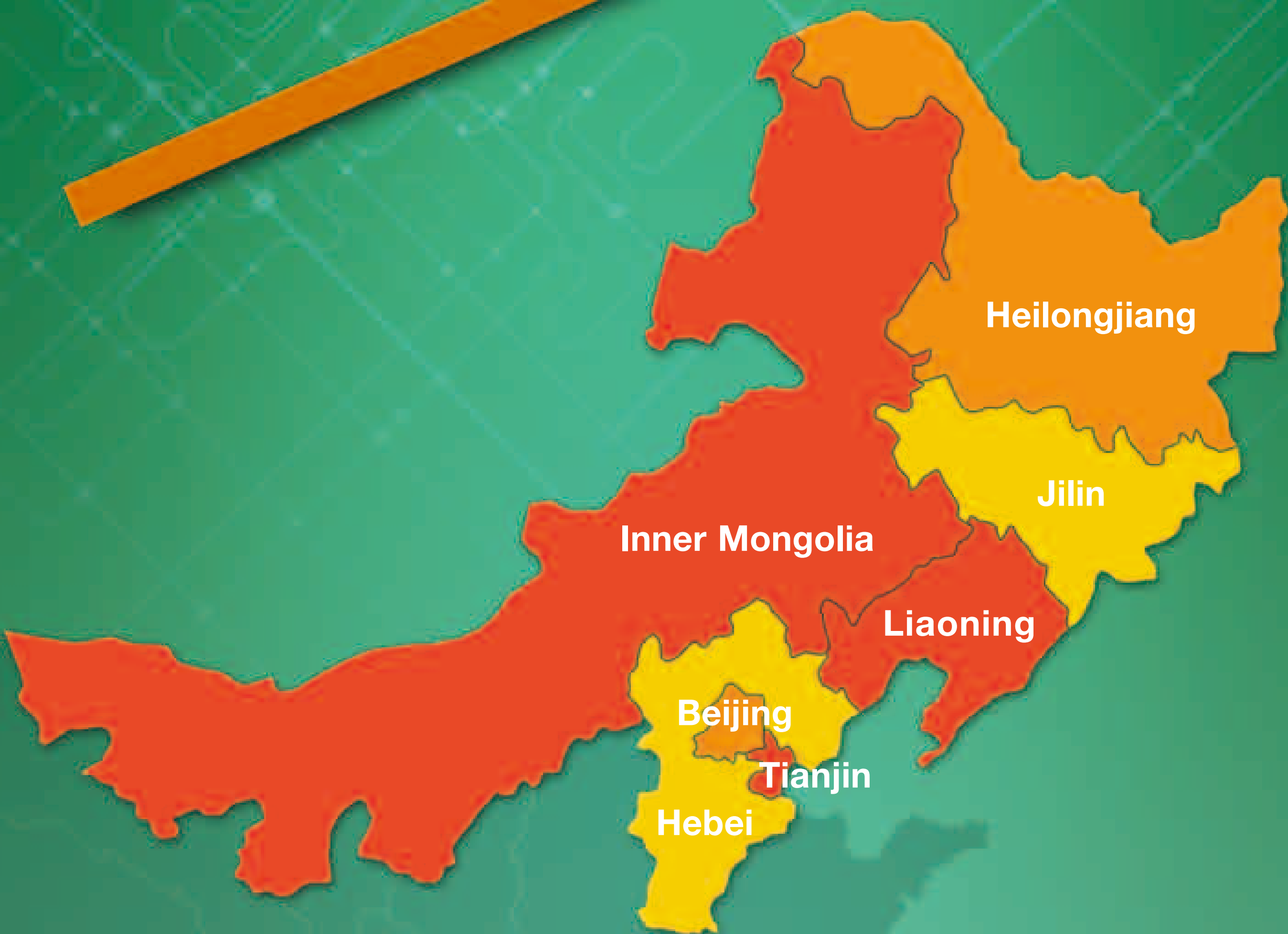


NUMBER OF STORES

As at 31 December







Hop Hing owns the rights to operate QSR chains, including Yoshinoya, Dairy Queen, Uncle Fong and self-developed brand Chatting, in the Northern regions in the PRC, spanning across Beijing and Tianjin municipalities, Hebei, Liaoning, Heilongjiang and Jilin Provinces, and the Inner Mongolia Autonomous Region in the PRC.

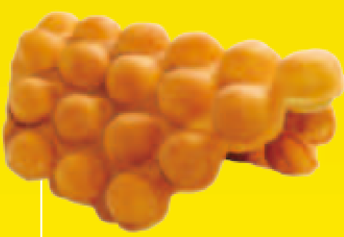
Yoshinoya is
A WELL-KNOWN
RICE BOWL BRAND
with over
100 years' history

313
Yoshinoya Stores

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

143
Dairy Queen Stores

14
Other Stores



Chairman's Statement

It is my pleasure to present my first Chairman's statement. I feel truly privileged and would like to take this opportunity to thank our former Chairman, Mr. Hung Hak Hip, Peter and all the directors of the board for their trust in me to lead and participate in the future development of the Hop Hing Group. The Group's achievements would not have been possible if not for the outstanding leadership and dedication of Mr. Hung over the past few decades. I have been an independent non-executive director of the Group since 2006 and have proudly witnessed the transition of its principal activities from edible oil to catering. Leveraging years of catering experience in Hong Kong and southern China, Hop Hing has expanded into northern China. Today, we are one of the top restaurant brands in China. Our Group has global visions with modern management philosophy and systems; totally committed to the operating principle of "Quality of Conscience" (良心品質). Hop Hing Group is well-positioned to grow and excel in China.

In 2016, despite China's continuing sluggish economy, competition increased as interests from various sectors, including internet companies, have tapped into the catering business. With ever-changing consumption behavior, caterers must be fast to react with the timely launch of new products and presentations. The rapid development of the internet and artificial intelligence technologies has brought about revolutionary changes in businesses. The catering business must be willing to adapt and embrace the new technology challenges. In 2016, the catering sector experienced low profitability, affected by high raw material, labour, rental and utility costs. In addition, new regulations and legislation on food safety in China as well as rising consumer expectations put pressure on the sector to improve quality control.

Despite the challenges, the Group has nonetheless recorded steady growth in sales income and profit for 2016. Credits are attributed to the execution of sound and prudent business strategies under the leadership of the Chief Executive Officer and the management team. The Group controlled operating costs and improved operating efficiency in an adverse economic environment. During the year, the Group has implemented an incentive scheme designed to give supervisors and staff members autonomy in store operations. This initiative lowered the operating costs and increased same store sales as the store managers' interests are aligned with the Group's interest. In 2016, China made the shift from business tax to value-added tax, resulting in a decline in expenses for the Group. For the year, the net profit of the Group improved to HK$124.6 million, representing a substantial increase of 89.4% from HK$65.8 million for 2015.

Chairman's Statement

Looking ahead to 2017, quick service restaurants (QSR) are expected to grow rapidly in China's catering industry as retail consumption and consumer patterns change. Branded enterprises operating QSR chains should have a competitive advantage and our Group is well positioned in this regard. "Food is the paramount concern of the people". We recognise the importance that Chinese consumers attach to eating. The Group is steadfastly adhere to its operating principle of "Quality of Conscience" and exercises strict control over food quality, thereby offering safe, healthy, and delicious food to the customers. The Group will continue to participate in "online to offline" ("O2O") to provide the best service to our customers. We will embrace and adopt new technologies and the internet to continue improvement on our information management system; which enables us to collect and analyse our customer preferences and needs for our products. We can now offer online ordering, online payment and online interaction for the consumers. We continue to make improvements to the design of restaurants to create a "homey" dining experience. The Group also aims to improve the quality and timeliness of food delivery service so as to offer "value for money" to our customers' dining experience.

In 2016, the Group has added "Uncle Fong", a popular brand that makes custards, to its product offerings. While continuing to develop our existing portfolio of brands, the Group also plans to expand its product varieties via other means including acquisitions. It is our aim to plan long-term, have sustainable development for the Group, and create more value and returns for its shareholders.

In the years to come, I will work closely with the Group's management and business partners to grow the Group into a leading brand in China's catering industry. I would like to take this opportunity to thank my fellow board members, management and staff for their unswerving support. I would also like to express my sincere appreciation to our customers, shareholders and business partners for their confidence and support to the Hop Hing Group.

SETO GIN CHUNG, JOHN
Chairman
Hong Kong
28 March 2017

Management Discussion and Analysis

OVERALL PERFORMANCE

For the year ended 31 December 2016, the turnover of the Group's business totalled HK$2,091.3 million (2015: HK$2,050.1 million). Earnings before interest, taxation, depreciation and amortisation for the year amounted to HK$277.5 million, representing an increase of 36.4% when compared to HK$203.5 million for the preceding year. Profit attributable to the equity holders of the Company for the year under review was HK$124.6 million, representing an increase of 89.4% or HK$58.8 million when compared to HK$65.8 million for the year ended 31 December 2015.

Basic and diluted earnings per share for the year were HK1.26 cents and HK1.25 cents, respectively (2015: HK0.66 cent and HK0.66 cent, respectively).

DIVIDENDS

On 30 June 2016, the Company made a final dividend payment of HK0.25 cent per share for the year ended 31 December 2015. The Directors recommend the payment of a final dividend of HK0.62 cent per share for the year ended 31 December 2016 (2015: HK0.25 cent per share). Subject to approval by the shareholders at the forthcoming Annual General Meeting of the Company, the final dividend will be distributed on or about 28 June 2017 to shareholders whose names appear on the register of members of the Company as at 9 June 2017.

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

BUSINESS REVIEW

Industry review

In 2016, the catering industry continued to face tough challenges. China's declining GDP growth indicated the weak performance of its real economy. Meanwhile, market leaders in upstream and downstream industries, including internet enterprises, began to enter the catering industry, which, coupled with the drastic increase in newly-opened restaurants in recent years, has created a saturated market with competition generally intensifying. Increasingly differentiated catering categories also drove out a large number of brands from the same niche. As more and more choices were available to the target customer group mainly comprising the post-1980s and post-1990s population segment, brand loyalty of customers has weakened, creating pressure on the revenue from outlets in the catering industry. While advances in internet technology and artificial intelligence have had an increasing impact on physical restaurants, enterprises that could not adapt to rapid technology development and fast-changing market demand were experiencing difficulty in surviving. Fortunately, investments in the catering industry regained some sense of rationality in recent years. As a result, the number of new industry players has trended downwards.

BUSINESS REVIEW *(Continued)*

Industry review *(Continued)*

At the same time, the traditional "four highs one low" adverse factors, such as high raw material, labour, rental and utility costs and low profitability, continued to affect the development of the catering industry. In particular, rising rental and labour costs have further dragged down profitability. In addition, as Chinese consumers became more concerned about food safety, the country has been strengthening regulations on food enterprises, driving them to enhance standards and efforts on quality control.

In view of the challenging environment, the Group and other catering enterprises must keep abreast of the economic and social development trends and formulate their development plans in advance. They should also make adjustments to business strategy on a timely basis so as to enhance their competitiveness.

Despite the above difficulties and challenges, the outlook for the catering industry is promising for several reasons. Firstly, in terms of demand, mass catering tends to maintain steady growth due to rigid demand, the major driving force for the overall recovery of the industry. Secondly, in terms of policy, the government has clearly encouraged the development of branded catering, mass catering and catering chains. In March 2016, the "Guidelines of the Ministry of Commerce on Promoting the Transformation and Development of the Catering Industry" which aims at further optimising the development environment, reducing operating pressure and accelerating the transformation and growth of the catering industry was issued. The state expects that, with its facilitation, branded catering chains with a business focus on mass catering could be developed in five years' time, so that a reasonable regional layout could be built and there are synergies between the city and the countryside and co-ordination between all sectors, where the catering service system could fulfil multi-layered and diversified consumption needs. Thirdly, in terms of taxation, with the full implementation of the "shift from business tax to value-added tax", the majority of catering enterprises have benefited from the resulting cut in their taxes. Lastly, in terms of technology development, the O2O operating model continued to evolve and gather momentum due to advances of internet technology and artificial intelligence, as well as rising demand for food delivery service. All these have created favourable conditions for the development of China's catering industry.

Brand and chain development of QSRs will become the mainstream trend within the catering industry in the future. Against the backdrop of increasingly high customer expectations on dining environment and experience, major chain restaurants with high brand awareness will be able to enhance their growth by leveraging their brand names and advantages of scale.

BUSINESS REVIEW *(Continued)*

Business review

In 2016, the management actively sought innovative measures conducive to promoting performance and formulated six major business strategies at the beginning of the year including: enhancing O2O strategies and delivery capability, upgrading the information system, opening stores at suitable locations and opportune times, improving operating efficiency, elevating customer satisfaction level and strengthening the image of the Group's brands. The effective implementation of such strategies contributed in varying degrees to the improvement in sales, profits and morale of the Group during the period under review.

For the year ended 31 December 2016, the Group's sales revenue in Renminbi increased by 7.8% to RMB1,790.2 million (2015: RMB1,660.5 million), which was attributable to the additional sales brought by new stores, as well as further growth of the food delivery business due to change of consumers' habits. With an aim to provide more efficient and quality delivery services, the Group set up its own delivery team and fostered closer connections with other major catering delivery platforms, which provided customers with faster delivery and a more satisfactory delivery experience. Due to these initiatives, the delivery sales percentage of Yoshinoya has improved from 17% in 2015 to 28% in 2016. Furthermore, the active efforts to introduce new products with different flavours worked well in stimulating consumers' spending and substantially boosted the sales of the Group.

In 2016, despite the difficult business environment, the Group persisted with its six major business strategies and successfully improved its same-store sales. During the period under review, the Group's overall same-store sales (denominated in Renminbi) increased by 2.3% (2015: -3.1%), and Yoshinoya recorded a 3.1% same-store sales growth (2015: -3.0%). As for Dairy Queen, which stores are mainly in shopping malls, the decline in shopping mall traffic due to internet technology and the resulting change of consumption pattern in China caused its same-store sales to go down by 5.2% (2015: -4.2%). The decrease in sales was mostly found in second- and third-tier cities. The Group has been adjusting the operating strategy of Dairy Queen with an aim to rebrand it for a clearer identification and relocate underperforming stores so as to adapt to changes in the business environment. In the year, it also strengthened the brand's penetration at strategic locations to boost its appeal to younger consumers. Coupled with the new delivery service for certain products at the end of the year, same-store sales of Dairy Queen have seen improvement as compared to the first half of 2016.

	Percentage Increase in Same Stores Sales (denominated in Renminbi)	
	2016	2015
Overall	**2.3%**	-3.1%
By main brands		
Yoshinoya	**3.1%**	-3.0%
Dairy Queen	**-5.2%**	-4.2%

In 2016, 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 sales.

BUSINESS REVIEW *(Continued)*

Business review *(Continued)*

	2016		2015	
	RMB'000	**% of sales**	RMB'000	% of sales
a. By Region				
Beijing-Tianjin-Hebei Province Metropolitan Region	**1,347,304**	**75.3%**	1,233,617	74.3%
Northern China [(1)]	**442,860**	**24.7%**	426,926	25.7%
b. By Main Brands				
Yoshinoya	**1,572,357**	**87.8%**	1,495,964	90.1%
Dairy Queen	**172,160**	**9.6%**	162,654	9.8%

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

In 2016, a net total of 15 new stores (2015: 30 net new stores), including 10 new Yoshinoya stores (net) and one new Dairy Queen store (net), were opened in existing markets. As of 31 December 2016, there were 470 stores in operation.

	As at 31 December	
	2016	2015
Yoshinoya		
Beijing-Tianjin-Hebei Province Metropolitan Region	**217**	212
Liaoning	**73**	69
Inner Mongolia	**12**	10
Heilongjiang	**9**	10
Jilin	**2**	2
	313	303
Dairy Queen		
Beijing-Tianjin-Hebei Province Metropolitan Region	**103**	106
Liaoning	**22**	22
Inner Mongolia	**7**	6
Heilongjiang	**8**	6
Jilin	**3**	2
	143	142
Others		
Beijing-Tianjin-Hebei Province Metropolitan Region	**14**	10
Total	**470**	455

BUSINESS REVIEW *(Continued)*

Business review *(Continued)*

Under a competitive market environment and rising overall operating costs, the Group continued to execute its effective cost control system. It implemented the proven strategy on bulk procurement of key food ingredients through strategic sourcing and continuous extension and improvement of its supply chain without compromising the food quality. As a result, it managed to lower its procurement cost of key food ingredients compared to 2015.

In addition, the Group adjusted the sales product mix through launching new products, which enabled effective control of food costs. These initiatives, coupled with the shift from business tax to value-added tax, which was favourable to the industry as a whole, have boosted the Group's gross profit margin by 1.0 percentage point from 63.0% in 2015 to 64.0% in 2016.

	2016	2015
Gross profit margin	**64.0%**	63.0%

In addition, the Group constantly strives to motivate its team and its incentive scheme has achieved satisfactory results in 2016. Thanks to these efforts, staff members have become more enthusiastic and motivated at work, which has boosted operating efficiency. Despite the increase in the percentage of store bonuses, the growth of labour costs was partially offset by enhanced staff efficiency. The Group also improved interaction with fans by tapping into the wide coverage of the internet to roll out its marketing strategy, thus greatly enhancing the cost-effectiveness of its advertising and publicity. At the same time, rental cost of the Group decreased in the year under review due to its proactive efforts in opening smaller stores and favourable factors arising from the shift from business tax to value-added tax. The closure of underperforming stores in the second half of 2015 and in 2016 also helped cut rental costs and depreciation and amortisation for the year under review.

	2016		2015	
	HK$'000	**% of sales**	HK$'000	% of sales
Labour costs	**292,607**	**14.0%**	280,193	13.7%
Rental expense	**279,594**	**13.4%**	289,673	14.1%
Depreciation and amortization	**90,586**	**4.3%**	96,769	4.7%
Other operation expenses	**317,858**	**15.2%**	322,972	15.8%
Total selling and distribution costs	**980,645**	**46.9%**	989,607	48.3%

For the purposes of further lowering cost and boosting profitability, the Group continued to implement the "staff efficiency enhancement" and "multiple functions for one position" strategies, which effectively cut administrative expenses at headquarter. As the Group has been actively optimising the store network in recent years, provisions made for closure costs of underperforming stores declined in the year under review, as compared with 2015. Nonetheless, the management will continue to review store performance from time to time and is formulating an appropriate plan for optimising its store network.

BUSINESS REVIEW *(Continued)*

Business review *(Continued)*

Effective from 1 May 2016, the change from business tax to value-added tax was applicable to the catering industry. The policy aims to reduce the tax burden of catering industry taxpayers and improve their operating profitability through offsetting a reasonable amount of output value-added tax with input value-added tax.

In summary, the Group has driven down the costs of food ingredients in 2016 through effective strategic and bulk procurement. It has lowered store rental costs to a certain extent by continuously opening smaller stores and adopting the six major business strategies. The efforts in promoting the food delivery business made a remarkable contribution to the growth in sales. In addition, the internet-based structure and management reform of the operation system, as well as the successful implementation of incentive scheme at stores gave employees more autonomy in operations and effectively encouraged frontline staff to be more enthusiastic and motivated at work. This initiative not only enhanced operating efficiency, but also lowered operating costs and increased sales. Moreover, with the shift from business tax to value-added tax cutting tax expenses, the profit of the Group recorded a significant increase of 89.4% from HK$65.8 million in last year to HK$124.6 million in the year under review.

FINANCIAL REVIEW

Equity

The number of issued shares of HK$0.10 each of the Company as at 31 December 2016 was 10,070,431,786 (31 December 2015: 10,070,431,786).

As at 1 January 2016, the Company had 326,167,320 outstanding share options. During the year, no share options were granted, exercised or lapsed.

Liquidity and gearing

The Group's gearing ratio (expressed as a percentage of interest-bearing bank loan over equity attributable to equity holders of the Company) as at 31 December 2016 was 2% (31 December 2015: 0%). The increase in gearing ratio was attributable to the borrowing of the interest-bearing bank loan.

As at 31 December 2016, the Group recorded a net cash position of HK$527.1 million (2015: HK$355.5 million) (being cash and cash equivalents less interest-bearing bank loan). The increase in net cash position of the Group was mainly due to the profits earned during the year.

The Group's finance costs for the year was HK0.8 million (2015: HK$1.5 million).

The Group's funding policy is to finance the business operations with internally generated cash and bank facilities. The Group continues to adopt the policy of hedging foreign currency liabilities with foreign currency assets.

REMUNERATION POLICIES

Staff remuneration packages comprise 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 provides other staff benefits including medical insurance, continuing education allowances, provident funds and long-term incentives to eligible staff. The total remuneration paid to the employees (including pension costs, share-based payment and the directors' remuneration) of the Group in the year under review was HK$448.2 million (2015: HK$398.8 million). As at 31 December 2016, the Group had 7,912 full-time and temporary employees (2015: 7,705).

During the year ended 31 December 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.

All directors' remunerations were determined by the board of directors (the "Board") of the Company after considering the recommendations of the remuneration committee of the Company.

OPERATING SEGMENT INFORMATION

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

CONTINGENT LIABILITIES

Details of the contingent liabilities are set out in note 28 to the financial statements.

PLEDGE OF ASSETS

The Group did not have any pledge of assets as at 31 December 2016.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND AFFILIATED COMPANIES

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

PARTICULARS OF IMPORTANT EVENTS

Save for the events disclosed in this Annual Report, there are no other important events that occurred after the balance sheet date and up to the date of this Annual Report and had material effects on the Group.

KEY RELATIONSHIPS

Employees

The management is fully aware that human resources are crucial to the continued success of the Group. The Group has provided staff with different kinds of benefit, including annual and other paid leaves, medical insurance, continuing education allowances and provident funds. For the personal development of our employees, they have been provided with in-house training and are encouraged to attend external relevant courses. The Group has also set up various incentive schemes, including performance related bonuses, share award scheme and share option scheme, to motivate and reward well-performed employees. In addition, the incentive schemes of the Group have been designed to give the relevant staff a sense of ownership and let them share the results of the efforts that they have paid in.

Details of our remuneration policies have been set out in the "Remuneration Policies" section in this Management Discussion and Analysis.

KEY RELATIONSHIPS *(Continued)*

Customers

Being a QSR service provider, we have customers coming from different social classes, regions and districts. It is an on-going exercise for us to understand the needs and appetite of our customers. The primary objective of our product development team is to launch new and tasty products to satisfy the taste buds of our customers. For the convenience of our customers, we have set up call centers, cooperated with platform service providers and launched website ordering system for our customers to place their orders wherever they are. Apart from quality food, the Group has been continuously upgrading the renovation of its stores so as to give our customers a feeling of being home. Our customers also have various channels, including WeChat and telephone hotline, to let us know which areas of services we could further strengthen. The satisfaction of our customers is always one of our key performance indicators.

Suppliers

Food safety is one of the most important areas that the Group has always put emphasis on. The Group has built a stringent internal control system in the selection of suppliers. The system requires our procurement team to assess the potential suppliers from different perspectives, including their track records, experience, production ability, financial strength and reputation. Newly selected suppliers will be tested with orders of smaller size before they are placed with regular size orders. As an on-going exercise to monitor the quality of food and material supplies, the procurement team and production team of the Group would meet and visit our suppliers on regular and irregular basis. Our teams may give advices to our suppliers on ways to further improve their production efficiency and standard, where appropriate. This helps to establish a mutual trust and create a win-win situation for both our suppliers and the Group.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to build an environmentally-friendly corporation that pays close attention to conserving the environment. We strive to minimise our environmental impact by saving electricity and encouraging recycle of materials. We also require our suppliers to operate in strict compliance with the relevant environmental regulations and rules and possess all necessary permission and approval from the relevant regulators. Our commitment in environmental protection, can be demonstrated by the ISO 14001 Environmental Management System certification obtained.

For further information about the environmental and social performance of the Group for this financial year, please refer to the first social, environmental and governance report to be issued in due course.

COMPLIANCE WITH LAWS AND REGULATIONS

The Company is incorporated in the Cayman Islands and its securities are listed on the Stock Exchange of Hong Kong. Hence, the Company is subject to the applicable laws and regulations of the Cayman Islands and Hong Kong. The Group's operations are mainly carried out by the Company's subsidiaries in PRC and therefore have to comply with the relevant PRC laws and regulations. The management is not aware of any non-compliance of any of the above relevant laws and regulations by the Group that would have a significant impact on the Group during the year ended 31 December 2016 and up to the date of this report.

PRINCIPAL RISKS AND UNCERTAINTIES

The management of the Group reviewed all aspects of the Group's corporate strategies, including those relating to the market, operation and finance, from time to time. Below are the principal risks and uncertainties that the Group faces and the measures that the management has taken to manage such risks and uncertainties.

Franchise-related Risks

Risks

The Group's franchise business in PRC is subject to the terms of the franchise agreements with the related franchisors. The Group's operation and business will be materially and adversely affected in the event that any or all of the franchise agreements are terminated or could not be renewed.

Measures to manage the risks

The Group's major franchise agreements for its existing franchise regions have remaining terms (including automatically renewable terms under the relevant franchise agreements) of no less than approximately 14 years in general. The Group has assigned staff to observe the requirements under the relevant franchise agreements. In addition, the Group has constant dialogues and maintained good business relationships with the relevant franchisors.

Risk of Outbreak of Food-borne Diseases

Risks

As a catering service provider, the Group has to rely on its suppliers for food ingredients. In the event that there is any outbreak of food-borne diseases, the supply of food ingredients of the Group may be affected.

Measures to manage the risks

It is the Group's policy that there should be more than one supplier, preferably from different districts or regions, for all the major and key food ingredients. In addition, the Group maintains adequate stock for its food ingredients so as to allow time to source new suppliers in case suppliers from one specific region are affected by any outbreak of food-borne disease.

Food Contamination Risk

Risks

The Group's business is susceptible to the risk of food contamination. In the event that there is food contamination in the Group and the instance is reported in the media, the business of the Group would be negatively affected.

Measures to manage the risks

Food safety is of utmost importance to a catering service provider. The Group has a stringent internal control in place in identifying and monitoring food ingredient suppliers on a continual basis. There are also internal food safety and hygiene policies and standard for the food handling staff to follow. The Group also has quality control teams to inspect its stores on a regular and rotational basis. Identified weaknesses will be reported and corrected as soon as possible.

PRINCIPAL RISKS AND UNCERTAINTIES *(Continued)*

Exchange Control Risks

Risks

As the Group's business and operation are basically in PRC, the revenue and expenses are principally denominated in Renminbi. Payments of expenses and dividends in Hong Kong have to depend on dividend and other income and fund remittance from the Group's PRC operating companies. In case there are any restrictions of fund remittance by the relevant PRC government authorities in future, the ability of the Group to settle its Hong Kong debts and payable and declare dividends in Hong Kong will be adversely affected.

Measures to manage the risks

The Group has retained funds in Hong Kong to meet the payment needs in Hong Kong within a reasonable period of time. In addition, the Group has maintained good relationship with banking institutions in Hong Kong which have provided the Group with banking facilities to meet the cash needs of the Group's Hong Kong head office, where necessary.

PRC Economic, Political and Legal Risks

Risks

The Group's business operations are conducted in PRC and all of its sales are made in PRC. The Group's business, financial condition, results of operations and prospects are therefore significantly affected by economic, political and legal developments in PRC. The PRC economy differs from the economies of most developed countries in many respects, including the degree of government involvement, the level of development, the growth rate and the allocation of resources. The PRC government may implement various measures to encourage economic growth and guide the allocation of resources. Some of these measures may benefit the overall PRC economy, but may also have a negative effect on the Group.

Measures to manage the risks

Business operations are always subject to the laws and regulations and the ups and downs of the economy of the places where they are in. Almost all of the Group's staff engaged in the Group's PRC business operations are PRC nationals who are familiar with the economic and political environment in PRC. In addition, the Group has a designated team of staff responsible for monitoring the economic, social and political development in PRC with an aim to enable the Group to prepare itself and make necessary adjustments to its business strategies ahead as far as possible. Furthermore, the management would not rule out any possibility of considering opportunities to invest in non-PRC businesses that would bring steady long-term growth to the Group to diversify the concentration risks.

FUTURE DEVELOPMENT IN THE GROUP'S BUSINESS

Catering Industry Development Trends in 2017

With the downturn in high-end catering and full transformation of service operations, China's catering industry will focus on the development of QSRs, group catering, casual catering and simple dining in 2017. QSRs have no doubt become the mainstream in mass catering and a crucial driving force in the growth of the catering market. QSRs took up around 5% of the catering industry in China, as compared to approximately 35% in the United States. Hence, QSRs have good potential for future development in China and the Group is optimistic about the long-term development of QSRs in the country.

In 2017, the food delivery market with O2O as the dominant mode of operation will experience strong growth. With the advances of internet technology and artificial intelligence, the O2O market has become increasingly diversified. In the course of the development of the catering industry, advances in technology, in particular internet and e-commerce technology, will continue to play an important role. It is expected that technology development will affect all elements from placing an order and making online payment to taking the meal offline.

In 2017, the ever-changing consumption needs which have been dominated by the target customer group mainly comprising the post-1980s and post-1990s population segment, coupled with the intensifying competition in the catering industry require market players to enrich their product mix to meet the different demands of consumers and provide a diverse and high quality customer experience. An important prerequisite to enhancing the customer experience is attaching importance to staff benefits and adopting an effective staff incentive scheme, so as to motivate employees to provide superior services that enable consumers to feel satisfied and valued.

The Group is aware that major catering enterprises have been launching sub-brands since 2014 for the purpose of consolidating their market positions. This trend is expected to continue in 2017.

Despite the above favourable factors, the management is also aware that the competition in the catering industry will intensify as the economy continues to slow down. While rental costs and labour costs remain high, price competition nonetheless leads to a decrease in spending per customer, thus the market will remain challenging. In view of the evolving internet technology and business environment, the management expects that China's QSRs will face a tougher operating environment and the industry will continue its consolidation in 2017. Market players will therefore need to stay prudent.

Future Development Strategy

In 2016, the sales growth of the Group was driven by the connection with major online food delivery platforms and the well-established delivery team which has significantly boosted delivery sales. The shift from business tax to value-added tax in May 2016 is expected to drive the profit growth in the first half of 2017. Looking ahead, with the slowdown in the growth in the number of mobile internet users and the gradual saturation of internet penetration, back to basics has become the development trend for traditional industries which also have to compete with online companies going offline. From the Group's perspective, guided by its three major strategies – "de-centralising", "accelerating collection and processing of information" and "optimising customer experience" – it will continue to bring about more changes in terms of innovation in the business model.

In 2017, the Group will focus on achieving the following key objectives: 1) to expand the store network for larger service coverage and faster delivery; 2) to enhance online and offline marketing through the newly launched internet platform and more precise collection and analysis of consumer data, with the aim to understand and cater for customers' ever-changing needs, thereby upgrading the efficiency and effectiveness of marketing efforts.

FUTURE DEVELOPMENT IN THE GROUP'S BUSINESS *(Continued)*

Future Development Strategy *(Continued)*

In addition to improving the food delivery service, the Group will also enhance customers' dining experience on all fronts. In terms of the environment of the restaurants, we will spare no efforts to roll out new initiatives that aim at offering an enjoyable consumer experience. We will boost unit efficiency through optimisation and renovation of restaurant and kitchen design as well.

The newly included "Uncle Fong" brand will enrich our product offerings to customers. In 2017, the Group will continue to identify suitable sites for opening "Uncle Fong" physical stores.

In terms of staff management, the Group will keep expanding its incentive scheme so as to further motivate employees and achieve a higher operating efficiency. It will expand the training programme for key personnel for the purpose of improving organisational effectiveness and performance as well as customer service.

The Group recognises the advantages that adopting new technologies can bring to its business. Therefore, it will carry on with the development strategy of improving its information systems. By establishing a comprehensive information collection, analysis and processing system, the Group will enhance its capabilities in internet marketing, data collection and delivery as well as big data analysis.

The Group will also adhere to its operating principle of "Quality of Conscience" and continue to adopt careful risk management and control to provide healthy and safe food.

Apart from the existing QSR brand and business, the Group will continue to identify and evaluate opportunities with the potential to bring long-term growth and facilitate its development into a leading multi-brand QSR operator in China.

VOTE OF THANKS

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

On behalf of the Board

HUNG MING KEI, MARVIN
Chief Executive Officer
Hong Kong
28 March 2017

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining a high standard of corporate governance practices and procedures. The Company complied with the code provisions ("CP") of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") during the financial year ended 31 December 2016.

The principles as set out in the CG Code have been adopted into our corporate governance practices. To ensure strict compliance with the latest CG Code, the Board will (a) review and regularly update the corporate governance policies and practices of the Company; (b) review and oversee the continuous training of the directors and the senior management; (c) examine and monitor the compliance and disclosure of legal and regulatory requirements; (d) develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors; and (e) review the Company's compliance with the code and disclosure in the Corporate Governance Report.

BUSINESS MODEL AND STRATEGY

The Board directs the Group's development of business model and strategy, and the management of the Company manages the implementation of strategy and business, follow up on the implementation status and report back to the Board from time to time. Details of the Group's business and financial review for the year 2016 are set out in the "Management Discussion and Analysis" section of this Annual Report.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as its code of conduct of dealings in securities of the Company by the directors. The Model Code also applies to "relevant employees" as defined in the CG Code.

Based on specific enquiry of the Company's directors, the directors confirmed that they complied with the required standards in the Model Code adopted by the Company throughout the financial year ended 31 December 2016.

BOARD OF DIRECTORS

Up to the date of publication of this Annual Report, the Board comprised of nine directors, including six independent non-executive directors, being Mr. Seto Gin Chung, John (Chairman), Dr. Hon. Wong Yu Hong, Philip, GBS, Mr. Sze Tsai To, Robert, Mr. Cheung Wing Yui, Edward, BBS, Hon. Shek Lai Him, Abraham, GBS, JP and Mr. Wan Sai Cheong, Joseph; one non-executive director, being Ms. Lam Fung Ming, Tammy and two executive directors, being Mr. Hung Ming Kei, Marvin (Chief Executive Officer) and Mr. Wong Kwok Ying. Biographical details of these directors which include relationship among themselves are set out under "Directors' Biographies" on pages 33 to 38 of this Annual Report.

BOARD OF DIRECTORS *(Continued)*

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

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

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

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

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

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

BOARD OF DIRECTORS *(Continued)*

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

SUMMARY OF DIRECTORS' TRAINING RECORDS IN 2016

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

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

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

The Chairman of the Company is Mr. Seto Gin Chung, John, an independent non-executive director of the Company, and the Chief Executive Officer is Mr. Hung Ming Kei, Marvin.

NON-EXECUTIVE DIRECTORS' TERM OF OFFICE

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

DIRECTORS' EMOLUMENTS

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

REMUNERATION COMMITTEE

The remuneration committee of the Company was established with a particular responsibility to review the Company's remuneration policy for directors and members of the senior management. For details of the role and function of the committee, please refer to its terms of reference which align with the CP of the CG Code and have been posted on the websites of both Hong Kong Exchange and Clearing Limited ("HKEx") and the Company.

The remuneration committee is comprised of Mr. Cheung Wing Yui, Edward, BBS (chairman of the committee), Mr. Seto Gin Chung, John (Chairman of the Company), Mr. Sze Tsai To, Robert and Hon. Shek Lai Him, Abraham, GBS, JP, all of them are independent non-executive directors of the Company. Individual attendance records for the remuneration committee meetings are set out on page 29 of this Annual Report.

During the year and up to the date of this Annual Report, the duties of the committee included (i) making recommendation to the Board on the fee of the non-executive directors and chief executive officer of the Group; (ii) reviewing and recommending remuneration proposal in relation to executive directors; and (iii) the remuneration committee has determined the policy for the remuneration of executive directors having considered the performance of executive directors and the terms of service contract.

The directors' fees are subject to shareholders' approval at general meetings. Other emoluments are reviewed by the remuneration committee with reference to the directors' duties, responsibilities and performance and the results of the Group. Information relating to the remuneration of each director for 2016 is set out in note 8 to the financial statements.

NOMINATION COMMITTEE

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

The nomination committee is comprised of Mr. Seto Gin Chung, John (Chairman of the committee and Chairman of the Company), Dr. 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. Individual attendance records for the nomination committee meetings are set out on page 29 of this Annual Report.

NOMINATION COMMITTEE *(Continued)*

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

AUDIT COMMITTEE

The Company has established an audit committee with terms of reference aligned with the CP of the CG Code for the purpose of reviewing and providing supervision over the Group's financial reporting process and risk management and internal controls. For details of the role and function of the committee, please refer to its terms of reference which aligns with the CP of the CG Code and have also been posted on the websites of both 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. Individual attendance records for audit committee meetings are set out on page 29 of this Annual Report.

In 2016, the duties of the audit committee included (i) reviewing with the management the accounting principles and practices adopted by the Group and discussing with them auditing, risk management and internal control systems and financial reporting matters including review of the Group's audited financial statements for the year ended 31 December 2015; (ii) reviewing the audit plan of the Group for 2016; (iii) making recommendation to the Board on the re-appointment of external auditors; and (iv) reviewing interim report for the six months ended 30 June 2016. Subsequent to the year end, the audit committee of the Company reviewed the Group's financial statements for the year ended 31 December 2016.

AUDITOR'S REMUNERATION

During 2016, the fees payable to Ernst & Young, the Company's external auditor, for the Group's audit services amounted to HK$2,450,000. Ernst & Young also provided the Group with non-audit services amounted to HK$1,387,000. The non-audit services during the year mainly included interim review, advisory services on Environmental, Social and Governance reporting and other services.

FINANCIAL REPORTING

The directors acknowledge their responsibility to prepare financial statements for each financial year which give a true and fair view in accordance with Hong Kong Financial Reporting Standards. As at 31 December 2016, the directors were not aware of any material uncertainties relating to events or conditions which might cast significant doubt upon the Company's ability to continue as a going concern. Accordingly, the financial statements of the Company for the year ended 31 December 2016 have been prepared on a going concern basis.

The responsibilities of the external auditor for the audit of the consolidated financial statements are set out in the Independent Auditor's Report included in this Annual Report.

RISK MANAGEMENT & INTERNAL CONTROL

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

In the course of the annual review, the Board had evaluated the adequacy of resources, staff qualifications and experience, training programmes and the budget of the Group's accounting, internal audit and financial reporting functions. In addition, the Board has considered the effectiveness of the Group's processes for financial reporting and Listing Rules compliance.

Under the Groups' risk management and internal control systems, the Executive Risk Management Committee identifies any significant risks, evaluates the risk according to its likely impact and the likelihood of occurrence and develops effective controls to manage or mitigate any risks. Findings of the regular reviews of the systems are reported to the audit committee.

The inside information policy of the Company has set out guidelines to the Directors, officers and all relevant employees of the Group to ensure inside information (as defined in the Listing Rules) (the "Inside Information") of the Group would be disseminated to the public in equal and timely manner in accordance with applicable laws and regulations. The Company also has Group internal notification policies and procedures for setting out guidelines for identification and notification of Inside Information and notifiable transactions (as defined in the Listing Rules).

The Board, with the assistance of its internal audit department and audit committee, has conducted an annual review of the effectiveness of the Group's risk management and internal control systems, as set out above, in accordance with C.2.1 of CG Code and considered them effective and adequate based on the reviews performed and confirmed by the management and the risk management and internal control review reports produced by an independent firm of certified public accountants. Reviews for the financial year ended 31 December 2016 did not reveal any significant defects.

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

Further, the Board considered the changes, since the last annual review, in the nature and extent of significant risks to the Group and the Group's ability to respond to such changes. Please refer to the pages 18 and 19 of the Management Discussion and Analysis which sets out the principal risks and uncertainties identified by the Group's risk management and internal control systems.

SHAREHOLDERS' RIGHTS

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

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

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

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

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

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

Sending enquiries to the Board

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

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

CONSTITUTIONAL DOCUMENTS

There was no change to the Company's Memorandum and Articles of Association during the year 2016. A copy of the consolidated version of the Memorandum and Articles of Association has been posted on the websites of both HKEx and the Company.

COMMUNICATION WITH SHAREHOLDERS

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

DIRECTORS'/COMMITTEE MEMBERS' ATTENDANCE IN 2016

	Meetings attended/eligible to attend				
Name of Director	**Full Board**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**	**Annual General Meeting#**
Non-executive Directors					
Hung Hak Hip, Peter* *(Honorary Chairman)*	3/3	1/1	2/2	2/2	N/A
Lam Fung Ming, Tammy	9/10	N/A	N/A	N/A	1/1
Independent Non-executive Directors					
Seto Gin Chung, John** *(Chairman of the Board and of the nomination committee)*	10/10	1/1	1/1	2/2	1/1
Wong Yu Hong, Philip	7/10	N/A	N/A	2/2	1/1
Sze Tsai To, Robert *(Chairman of the audit committee)*	10/10	2/2	3/3	N/A	1/1
Cheung Wing Yui, Edward *(Chairman of the remuneration committee)*	10/10	2/2	3/3	N/A	1/1
Shek Lai Him, Abraham	10/10	N/A	3/3	2/2	1/1
Wan Sai Cheong, Joseph***	8/8	2/2	N/A	N/A	1/1
Executive Directors					
Hung Ming Kei, Marvin *(Chief Executive Officer)*	10/10	N/A	N/A	2/2	1/1
Wong Kwok Ying	10/10	N/A	N/A	N/A	1/1

* Mr. Hung Hak Hip, Peter retired on 25 March 2016 and has been honoured as the Honorary Chairman of the Company

** Mr. Seto Gin Chung, John was appointed as the Chairman of the Company on 25 March 2016

*** Mr. Wan Sai Cheong, Joseph was appointed as an independent non-executive director on 2 February 2016

2016 annual general meeting of the Company was held on 3 June 2016

Report of the Directors

The directors of the Company (the "Directors") are pleased to present their report and the audited financial statements of the Company and the Group for the year ended 31 December 2016.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The subsidiaries of the Group are principally engaged in the operation of quick service restaurant chain business ("QSR Business"), principally selling rice bowl under the brand name of Yoshinoya (吉野家) and ice-cream under the brand name of Dairy Queen (冰雪皇后), in Northern China. Details of the principal subsidiaries of the Group are set out in note 32 to the financial statements.

BUSINESS REVIEW

A review of the Group's business, a description of the principal risks and uncertainties of the Group, the performance of the Group in the period under review with reference to key financial performance indicators, the particulars of important events, key relationships, the environmental policies and performance, the compliance with laws and regulations and indications of likely future development in the Group's business have been included in the "Management Discussion and Analysis" section of this Annual Report which forms part of this report.

RESULTS AND DIVIDENDS

The Group's profits for the year ended 31 December 2016 and the Group's financial position at that date are set out in the financial statements on pages 50 to 106.

Subsequent to the end of the reporting period, on 28 March 2017, the directors recommended the payment of a final dividend of HK0.62 cent per share for the year ended 31 December 2016 (2015: HK0.25 cent per share). The recommended final dividend which is subject to the approval of the Company's shareholders at the forthcoming annual general meeting ("AGM") to be held on 2 June 2017 will be payable to shareholders whose names appear on the register of members of the Company at the close of business on 9 June 2017. These financial statements do not reflect the recommended final dividend payable.

SUMMARY FINANCIAL INFORMATION

A summary of the results and of the assets and liabilities of the Group for the last five financial years, is set out on pages 107 to 108. This summary does not form part of the audited financial statements.

SHARE CAPITAL

Details of the share capital and shares issued in the year ended 31 December 2016 are set out in note 22 to the financial statements.

DISTRIBUTABLE RESERVES

Details of the distributable reserves of the Company are set out in note 31 to the financial statements.

PURCHASE, SALE OR REDEMPTION OF OWN LISTED SECURITIES

During the year ended 31 December 2016, the trustee of the Company's share award scheme ("Share Award Scheme") adopted on 20 March 2015, purchased on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") a total of 178,192,000 shares of the Company at a total consideration of approximately HK$19,323,000. As the shares are held by the trustee for the award of shares pursuant to the Share Award Scheme and the trust deed, the shares were 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 year ended 31 December 2016.

DIRECTORS

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

Hung Hak Hip, Peter* *(Honorary Chairman)*	(retired on 25 March 2016)
Seto Gin Chung, John** *(Chairman)*	(appointed as Chairman on 25 March 2016)
Hung Ming Kei, Marvin# *(Chief Executive Officer)*	
Wong Yu Hong, Philip**	
Sze Tsai To, Robert**	
Cheung Wing Yui, Edward**	
Shek Lai Him, Abraham**	
Wan Sai Cheong, Joseph**	(appointed on 2 February 2016)
Lam Fung Ming, Tammy*	
Wong Kwok Ying#	

* Non-executive director
** Independent non-executive director
\# Executive director

DIRECTORS *(Continued)*

All directors are subject to retirement by rotation and re-election at the AGM of the Company in accordance with the provisions of the Company's amended and restated memorandum and articles of association. At the AGM, Mr. Hung Ming Kei, Marvin and Hon. Shek Lai Him, Abraham, GBS, JP will retire and, being eligible, offer themselves for re-election. Dr. Wong Yu Hong, Philip, GBS will retire at the AGM and will not offer himself for re-election.

During the year and up to the date of this report, save for Mr. Hung Hak Hip, Peter's retirement with effect from 25 March 2016 and Dr. Wong not offering himself for re-election due to his personal and other business commitments, there was no other director of the Company tendering resignation, refusing to stand for re-election to office, nor the Company has received any notice in writing from any director specifying that the resignation or refusal is due to reasons relating to the affairs of the Company.

Pursuant to Rule 3.13 of the Listing Rules on the Stock Exchange, the Company has received a written annual confirmation of independence from each of all independent non-executive directors confirming that they had met the independence guidelines set out in Rule 3.13 during the year ended 31 December 2016, and as such the Company considered them to be independent.

CHANGE OF INFORMATION ON DIRECTORS

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

(a) **Hon. Shek Lai Him, Abraham**, GBS, JP, an independent non-executive director of the Company, has been appointed as a member of the Advisory Committee on Corruption of the Independent Commission Against Corruption (ICAC) as from 1 January 2017. Mr. Shek resigned as an independent non-executive director of TUS International Limited and of ITC Corporation Limited as from 6 January 2017 and after 4:00 p.m. on 28 March 2017, respectively and was appointed as an independent non-executive director and chairman of nomination committee of Goldin Financial Holdings Limited on 9 January 2017.

(b) **Mr. Hung Ming Kei, Marvin**, an executive director of the Company, whose annual salary was revised to RMB1,738,000 and a cash housing allowance to RMB391,000 per annum with effect from 1 January 2017, while Mr. Hung's annual director's fee remains HK$2,000,000.

(c) **Mr. Wong Kwok Ying**, an executive director of the Company, whose annual salary was revised to HK$1,898,100 with effect from 1 January 2017.

DIRECTORS' BIOGRAPHIES

(a) **Independent non-executive directors**

Mr. Seto Gin Chung, John, aged 68, was appointed as the Chairman of the Board on 25 March 2016. Mr. Seto has been appointed as a director of the Group since 25 April 2006 and is the chairman of the nomination committee and a member of the remuneration committee of the Company. Mr. Seto is a director of Pacific Eagle Asset Management Limited since January 2006. He is an independent non-executive director of China Everbright Limited and Kowloon Development Company Limited. He was the Chief Executive Officer of HSBC Broking Services (Asia) Limited from 1982 to 2001. He was a non-executive director of Hong Kong Exchanges and Clearing Limited from 2000 to 2003, a council member of the Stock Exchange from 1994 to 2000 and was the first vice chairman of the Stock Exchange from 1997 to 2000. He had been a non-executive director of Sateri Holdings Limited, which became a listed company on the Stock Exchange on 8 December 2010, for the period from 28 October 2010 until the conclusion of the annual general meeting on 21 May 2013. He holds a Master of Business Administration degree from New York University, USA and has over 30 years of experience in the securities and futures industry.

Dr. Hon. Wong Yu Hong, Philip, GBS, JD, PhD, aged 78, appointed as a director of the Group in 1989, is a prominent businessman and Life Honorary Chairman of The Chinese General Chamber of Commerce. Dr. Wong received the Gold Bauhinia Star Award from the Hong Kong Special Administrative Region ("HKSAR") Government in 2003 and the Courvoisier Awards for Business Excellency from the then Chief Justice of Hong Kong, Sir Denys Roberts, in 1986. He is a non-executive director of Asia Financial Holdings Limited which is a Hong Kong listed company. He was also the non-executive chairman of Qin Jia Yuan Media Services Company Limited up to 21 March 2012.

DIRECTORS' BIOGRAPHIES *(Continued)*

(a) **Independent non-executive directors** *(Continued)*

Mr. Sze Tsai To, Robert, aged 76, was appointed as a director of the Group on 1 June 2000. Mr. Sze is a fellow of the Institute of Chartered Accountants in England and Wales and the Hong Kong Institute of Certified Public Accountants and was a partner in an international firm of accountants with which he practiced for over 20 years. He is also a non-executive director of a number of Hong Kong listed companies.

Mr. Cheung Wing Yui, Edward, *BBS*, aged 67, appointed as a director of the Group in 1989, is a consultant of Woo, Kwan, Lee & Lo, solicitors. Mr. Cheung is also a qualified solicitor in England and Singapore and a member of CPA Australia. He is a non-executive director of a number of Hong Kong listed companies including Tai Sang Land Development Limited and Tianjin Development Holdings Limited. He is also a non-executive director and vice chairman of Sunevision Holdings Limited and SmarTone Telecommunications Holdings Limited, an independent non-executive director of Agile Property Holdings Limited. He was a non-executive director of SRE Group Limited, a Hong Kong listed company, until 3 December 2015. Mr. Cheung was awarded the Bronze Bauhinia Star in 2013. He was awarded an honorary degree of Doctor of Business Administration by the Open University of Hong Kong in 2016.

DIRECTORS' BIOGRAPHIES *(Continued)*

(a) **Independent non-executive directors** *(Continued)*

Hon. Shek Lai Him, Abraham, GBS, JP, aged 71, was appointed as a director of the Group on 1 January 2007. Mr. Shek graduated from the University of Sydney, Australia with a Bachelor of Arts degree. He has been a member of the Legislative Council of the HKSAR representing real estate and construction functional constituency since 2000. Currently, Mr. Shek is a member of the Court of The Hong Kong University of Science & Technology, a member of the Court and Council of The University of Hong Kong, and has been appointed as a member of the Advisory Committee on Corruption of the Independent Commission Against Corruption (ICAC) as from 1 January 2017. He was a director of The Hong Kong Mortgage Corporation Limited until 25 April 2016. He had been the vice chairman of Independent Police Complaints Council and retired on 1 January 2015. Mr. Shek was appointed as Justice of the Peace in 1995 and awarded Silver Bauhinia Star in 2007 and received Gold Bauhinia Star Award in July 2013. Mr. Shek was appointed as a non-executive director of Mandatory Provident Fund Schemes Authority with effect from 17 March 2015. He is an independent non-executive director of a number of Hong Kong listed companies including NWS Holdings Limited, Midas International Holdings Limited, Paliburg Holdings Limited, Lifestyle International Holdings Limited, Chuang's Consortium International Limited, Country Garden Holdings Company Limited, MTR Corporation Limited, SJM Holdings Limited, China Resources Cement Holdings Limited, Lai Fung Holdings Limited and Cosmopolitan International Holdings Limited. He was an independent non-executive director of ITC Corporation Limited until 4 p.m. on 28 March 2017, and of Dorsett Hospitality International Limited until 10 March 2016 and of TUS International Limited until 5 January 2017. Mr. Shek is the chairman and an independent non-executive director of Chuang's China Investments Limited. Mr. Shek is an independent non-executive director and chairman of nomination committee of Goldin Financial Holdings Limited as from 9 January 2017. He is also the vice chairman and an independent non-executive director of ITC Properties Group Limited. Mr. Shek was an independent non-executive director of Titan Petrochemicals Group Limited and Hsin Chong Construction Group Limited until 26 February 2014 and 11 May 2014 respectively. Mr. Shek is also an independent non-executive director of Eagle Asset Management (CP) Limited, the manager of Champion Real Estate Investment Trust and an independent non-executive director of Regal Portfolio Management Limited, the manager of Regal Real Estate Investment Trust.

DIRECTORS' BIOGRAPHIES *(Continued)*

(a) Independent non-executive directors *(Continued)*

Mr. Wan Sai Cheong, Joseph, aged 63, was appointed as an independent non-executive director of the Board and a member of the audit committee of the Company on 2 February 2016. Mr. Wan is a Fellow member of the Institute of Chartered Accountants in England and Wales, the Chartered Institute of Arbitrators, the Institute of Directors, the Royal Society of Arts and the Hong Kong Institute of Certified Public Accountants. Mr. Wan is also a Council Member of the Hong Kong International Arbitration Centre. Formerly, Mr. Wan was a director of the London Court of International Arbitration and of the International Dispute Resolution Centre in the UK for the periods from February 2012 to September 2014 and from June 2009 to September 2014, respectively. After qualifying as a Chartered Accountant in 1978, Mr. Wan worked for KPMG in Hong Kong from 1978 to 1987, spending a year at their London Office. In 1987, Mr. Wan joined Dickson Concepts International Limited, a company listed on the Hong Kong Stock Exchange and distributes luxury goods in South East Asia, as their Group Finance Director and was responsible for the acquisitions of S.T. Dupont, Paris in 1987 and Harvey Nichols, London in 1991. Mr. Wan was the Chief Executive of the Harvey Nichols Group in the United Kingdom from 1992 to 2014, which was listed on the London Stock Exchange from 1996 to 2003. Mr. Wan was appointed as a board member of the Supervisory Board of S.T. Dupont S.A. (a company listed on the Paris Bourse) in May 1999 and he was elected the Chairman of the Supervisory Board in January 2008 until retirement in September 2014. Mr. Wan's professional expertise is in the areas of international tax planning, transaction due diligence and forensic accounting. He also has gained expertise in business turnarounds, mergers and acquisitions, corporate finance, department store retailing, restaurant operations and the global luxury markets.

DIRECTORS' BIOGRAPHIES *(Continued)*

(b) **Non-executive director**

Ms. Lam Fung Ming, Tammy, aged 53, joined the Group in 1990 and was appointed as an executive director of the Group on 1 November 2004, and re-designated as a non-executive director on 28 June 2013. Prior to the re-designation, Ms. Lam was the Chief Operating Officer of the Group responsible for the sales activities, manufacturing, quality assurance and product development of the Group's edible oils business. Ms. Lam holds a Bachelor of Science degree in Food Science and Technology and a Higher Diploma in Chemical Technology from the Hong Kong Polytechnic University. She has over 20 years' experience in the oil and food industry. Currently, she is a director and an employee of the edible oils group which is indirectly controlled by the controlling shareholders of the Company.

DIRECTORS' BIOGRAPHIES *(Continued)*

(c) Executive directors

Mr. Hung Ming Kei, Marvin, aged 46, is the Chief Executive Officer of the Group with overall responsibility for the business of the Group. He was appointed an executive director and the Chief Executive Officer of the Group on 12 March 2012. Mr. Hung holds a Bachelor's degree in Science majoring in Accounting from the University of Southern California in the United States of America in 1992 and a Master's degree in Business Administration from China Europe International Business School. Mr. Hung has over 20 years of experience in business management and quick service restaurant operations. Mr. Hung is a nephew of Mr. Hung Hak Hip, Peter, the Honorary Chairman of the Company. By virtue of the Securities and Futures Ordinance, Mr. Hung is a substantial shareholder of the Company as disclosed in the section under "Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares and Underlying Shares".

Mr. Wong Kwok Ying, aged 57, is the Company Secretary and the Group Comptroller of the Group and was appointed as a director of the Group on 10 January 2000. Mr. Wong is a fellow member of the Hong Kong Institute of Certified Public Accountants. He has over 35 years' finance, accounting and audit experience. Prior to joining the Group in 1990, he worked with one of the international accounting firms in Hong Kong.

DIRECTORS' EMOLUMENTS

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

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

No transactions, arrangements and contracts that was significant in relation to the Company's business to which the Company or any of its subsidiaries was a party and in which any director of the Company and the director's connected party had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

INTERESTS IN COMPETING BUSINESS

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

DIRECTORS' SERVICE CONTRACTS

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

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or in existence during the year ended 31 December 2016.

EQUITY-LINKED AGREEMENTS

Share options granted to directors and selected eligible employees

The share option scheme of the Company was adopted for the purpose of incentivizing and rewarding our directors and eligible employees who contribute to the success of the operations of the Group. The details of the share option scheme of the Company are set out in note 23 to the financial statements. During the year ended 31 December 2016, no share options were granted or vested or exercised and no shares were issued during the year.

Award shares granted to eligible employees

The Share Award Scheme of the Company was adopted as a means to recognise the contribution of and to provide incentives for the eligible employees. The details of the Share Award Scheme of the Company and the details of the award shares granted are set out in note 24 to the financial statements. 17,030,499 award shares were granted during the year ended 31 December 2016. The award shares are subject to conditions and vesting schedules as determined by the Board in its sole discretion.

PERMITTED INDEMNITY PROVISION

Save for the directors' and officers' liability insurance coverage for the directors and officers of the Group, no other permitted indemnity provision for the benefit of any director or who had been a director of the Company, or of its subsidiaries, where applicable, is in force.

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

As at 31 December 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

	Number of shares held, capacity and nature of interest				
Name of director	Directly and beneficially owned	Through controlled corporation	Beneficiary of a trust	Total	Percentage of the Company's issued share capital
Seto Gin Chung, John	500,847	–	–	500,847	0.005%
Hung Ming Kei, Marvin	72,652,163	3,412,399,373 *note (i)*	84,082,815 *note (ii)*	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	–	–	–	–	–

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 in note 23 to the financial statements, as at 31 December 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.

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

As at 31 December 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	*Notes*	**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%

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.

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

Interests in Ordinary Shares of the Company *(Continued)*

Notes:

(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.

Save as disclosed above, as at 31 December 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 section "Directors' and Chief Executive's Interests and Short Positions in Shares and Underlying Shares" and in note 23 to the financial statements, respectively, who had interests or short positions in the shares or underlying shares of the Company, which are required to be recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

CONNECTED TRANSACTIONS AND RELATED PARTY TRANSACTIONS

Save for connected transactions which are exempted from the reporting, annual review, announcement and independent shareholders' approval requirements under the Listing Rules, during the year, there were no other transactions which, in the opinion of the directors, constituted connected transactions or continuing connected transactions that were subject to the reporting requirements under the Listing Rules.

Details of related party transactions undertaken during the year have been reported under note 29 to the financial statements. None of these related party transactions constitutes a discloseable connected transaction as defined under the Listing Rules.

MAJOR CUSTOMERS AND SUPPLIERS

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

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

RETIREMENT BENEFIT SCHEMES

The Group operates defined contribution retirement benefits scheme, namely the Mandatory Provident Fund Scheme (the "MPF Scheme"), for the employees of the Group's subsidiaries in Hong Kong who are eligible to participate. Contributions are made based on a percentage of the employees' salaries and charged to the income statement as they become payable in accordance with the rules of the scheme.

The assets of the scheme are held separately from those of the Group in independently administered funds. In accordance with the rules of the MPF Scheme, the employer contributions vest fully with the employees when contributed into the MPF Scheme.

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

For the year ended 31 December 2016, the total scheme contributions made by the Group amounted to approximately HK$92,074,000 and no forfeited contributions were applied to reduce employer's contributions.

PRE-EMPTIVE RIGHTS

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

SUFFICIENCY OF PUBLIC FLOAT

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

SUBSEQUENT EVENT

Save for the recommended final dividend payable for the year ended 31 December 2016 which is subject to the approval by shareholders of the Company at the forthcoming AGM, there were no significant events after the reporting period of the Group.

AUDITOR

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

On behalf of the Board

SETO GIN CHUNG, JOHN
Chairman
Hong Kong
28 March 2017

Independent Auditor's Report

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

OPINION

We have audited the consolidated financial statements of Hop Hing Group Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 50 to 106, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Independent Auditor's Report

KEY AUDIT MATTERS *(Continued)*

Key audit matter	How our audit addressed the key audit matter
Deferred tax assets As at 31 December 2016, the Group had deferred tax assets of HK$34.5 million, representing 12.8% of non-current assets. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Related disclosures are included in notes 3 and 18 to the financial statements.	Our audit procedures included, amongst others, a review of the management's analysis and assumptions supporting the probability that deferred tax assets recognised in the consolidated statement of financial position will be recovered through taxable income or tax planning strategies in the future. We assessed the key management assumptions over expected future taxable income by comparing them against both internal financial budgetary information and external available industry information. We also involved our tax specialists to review the tax positions of the Group.
Stocks As at 31 December 2016, the Group had stocks of HK$95 million, representing 13.3% of current assets. As the stocks of the Group mainly composed of food ingredients, which were subject to expiry, the estimation of the stock provision required management's significant judgement in determining stock excess and obsolescence provisions as these are based on forecast stock usage. Related disclosures are included in notes 3 and 14 to the financial statements.	We attended physical stock counts at warehouses and stores to observe the condition of the stocks. We assessed stock excess and obsolescence provisions by considering the stock level against historical stock turnover days and substantively checked to both past and subsequent sales and usage information on selected stock samples. We also discussed with management on any stocks with potential obsolescence problem.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Independent Auditor's Report

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Chung Yuk Man.

Ernst & Young
Certified Public Accountants
22/F CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong
28 March 2017

Consolidated Income Statement

Year ended 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
TURNOVER	5	**2,091,313**	2,050,053
Cost of sales		**(752,885)**	(758,055)
Other income and gains, net	5	**7,072**	4,282
Selling and distribution expenses		**(980,645)**	(989,607)
General and administrative expenses		**(187,407)**	(212,574)
PROFIT FROM OPERATING ACTIVITIES	6	**177,448**	94,099
Finance costs	7	**(837)**	(1,507)
PROFIT BEFORE TAX		**176,611**	92,592
Income tax expense	10	**(51,996)**	(26,804)
PROFIT FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		**124,615**	65,788
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	12		
Basic		**HK1.26 cents**	HK0.66 cent
Diluted		**HK1.25 cents**	HK0.66 cent

Consolidated Statement of Comprehensive Income

Year ended 31 December 2016

	2016 HK$'000	2015 HK$'000
PROFIT FOR THE YEAR	**124,615**	65,788
OTHER COMPREHENSIVE EXPENSES		
Other comprehensive expenses to be reclassified to income statement in subsequent periods:		
Exchange differences on translation of foreign operations	**(28,582)**	(16,059)
OTHER COMPREHENSIVE EXPENSES FOR THE YEAR	**(28,582)**	(16,059)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	**96,033**	49,729

Consolidated Statement of Financial Position

31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**188,907**	212,409
Deferred tax assets	18	**34,524**	26,789
Prepayments and rental deposits	19	**47,016**	45,945
Total non-current assets		**270,447**	285,143
CURRENT ASSETS			
Stocks	14	**94,758**	126,133
Accounts receivable	15	**8,142**	6,947
Prepayments, deposits and other receivables	19	**68,990**	53,702
Tax recoverable		**1,787**	5,808
Cash and cash equivalents	20	**537,086**	355,513
Total current assets		**710,763**	548,103
CURRENT LIABILITIES			
Accounts payable	16	**118,422**	101,479
Other payables and accrued charges	21	**313,884**	261,145
Interest-bearing bank loan	17	**10,000**	–
Tax payable		**11,939**	6,255
Total current liabilities		**454,245**	368,879
NET CURRENT ASSETS		**256,518**	179,224
TOTAL ASSETS LESS CURRENT LIABILITIES		**526,965**	464,367
NON-CURRENT LIABILITIES			
Deferred tax liabilities	18	**23,168**	16,433
NET ASSETS		**503,797**	447,934

Consolidated Statement of Financial Position

31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
EQUITY			
Equity attributable to equity holders of the Company			
Issued share capital	22	**1,007,043**	1,007,043
Reserves	25	**(503,246)**	(559,109)
TOTAL EQUITY		**503,797**	447,934

SETO GIN CHUNG, JOHN
CHAIRMAN

HUNG MING KEI, MARVIN
CHIEF EXECUTIVE OFFICER

Consolidated Statement of Changes in Equity

Year ended 31 December 2016

	Attributable to equity holders of the Company									
	Issued share capital HK$'000	Share premium account* HK$'000	Shares held under share award scheme* HK$'000 (note 22)	Merger reserve*# HK$'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 year	-	-	-	-	-	-	-	-	124,615	124,615
Other comprehensive expense for the year:										
Exchange differences related to foreign operations	-	-	-	-	-	(28,582)	-	-	-	(28,582)
Total comprehensive income/(expenses) for the year	-	-	-	-	-	(28,582)	-	-	124,615	96,033
Shares purchased under share award scheme (note 22)	-	-	(19,323)	-	-	-	-	-	-	(19,323)
Equity-settled share-based payments	-	-	-	-	4,329	-	-	-	-	4,329
Final dividend for 2015 (note 11)	-	(25,176)	-	-	-	-	-	-	-	(25,176)
At 31 December 2016	1,007,043	3,971,055	(27,797)	(4,857,319)	12,668	(27,598)	16,439	69,377	339,929	503,797

Consolidated Statement of Changes in Equity

Year ended 31 December 2016

	Attributable to equity holders of the Company									
	Issued share capital HK$'000	Share premium account* HK$'000	Shares held under share award scheme* HK$'000 (note 22)	Merger reserve*# HK$'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 year	–	–	–	–	–	–	–	–	65,788	65,788
Other comprehensive expense for the year: Exchange differences related to foreign operations	–	–	–	–	–	(16,059)	–	–	–	(16,059)
Total comprehensive income/(expenses) for the year	–	–	–	–	–	(16,059)	–	–	65,788	49,729
Issue of shares for share award scheme (note 22)	6,414	1,732	(8,146)	–	–	–	–	–	–	–
Shares purchased under share award scheme (note 22)	–	–	(328)	–	–	–	–	–	–	(328)
Equity-settled share-based payments	–	–	–	–	3,184	–	–	–	–	3,184
Final dividend for 2014 (note 11)	–	(25,176)	–	–	–	–	–	–	–	(25,176)
At 31 December 2015	1,007,043	3,996,231	(8,474)	(4,857,319)	8,339	984	16,439	69,377	215,314	447,934

* These reserve accounts comprise the reserves in debit balance of HK$503,246,000 (2015: HK$559,109,000) in the consolidated statement of financial position.

\# Merger reserve represents the excess of investment cost in a subsidiary, Hop Hing Fast Food Group Holdings Limited ("Hop Hing Fast Food"), of HK$4,919,843,000 (being the total consideration of HK$4,964,232,000 reduced by the loans of HK$44,389,000 owed by Hop Hing Fast Food to Queen Board Limited and its associates) over the share capital and share premium of Hop Hing Fast Food of HK$363,000 and HK$62,161,000, respectively, arose from the acquisition in 2012.

\## In accordance with the Company Law of the People's Republic of China (the "PRC"), the Company's subsidiaries registered in the PRC are required to appropriate 10% of the annual statutory net profit after tax (after offsetting any losses of prior years) 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 losses of prior years 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 usage.

\### Capital and other reserves mainly represent the capital reserve arising from group reorganisation in prior years.

Consolidated Statement of Cash Flows

Year ended 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**176,611**	92,592
Adjustments for:			
Interest income	5	**(5,402)**	(6,504)
Finance costs	7	**837**	1,507
Depreciation	6	**100,056**	109,359
Write-back of impairment of accounts receivable	6	**(2,023)**	(290)
Impairment of items of property, plant and equipment	6	**1,154**	1,509
Loss on disposal/write-off of items of property, plant and equipment, net	6	**4,304**	7,187
Equity-settled share-based payment expenses	6	**4,329**	3,184
		279,866	208,544
Decrease/(increase) in stocks		**31,375**	(5,027)
Decrease/(increase) in accounts receivable		**987**	(137)
Decrease/(increase) in prepayments, deposits and other receivables		**(16,359)**	14,115
Increase/(decrease) in accounts payable		**16,943**	(35,274)
Increase in other payables and accrued charges		**52,739**	5,073
Cash generated from operations		**365,551**	187,294
Interest received		**5,402**	6,504
Hong Kong profits tax paid		**(130)**	(333)
Overseas tax paid		**(44,904)**	(22,610)
Net cash flows from operating activities		**325,919**	170,855
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(95,424)**	(90,317)
Increase in time deposits with original maturity of more than three months when acquired		**(23,980)**	(101,721)
Net cash flows used in investing activities		**(119,404)**	(192,038)

Consolidated Statement of Cash Flows

Year ended 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Finance costs paid		**(837)**	(1,507)
Dividends paid		**(25,176)**	(25,176)
Shares purchased under share award scheme		**(19,323)**	(328)
Net drawing/(repayment) of a bank loan		**10,000**	(30,000)
Net cash flows used in financing activities		**(35,336)**	(57,011)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**171,179**	(78,194)
Cash and cash equivalents at beginning of year		**208,734**	291,458
Effect of foreign exchange rates changes, net		**(13,586)**	(4,530)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**366,327**	208,734
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents as stated in the consolidated statement of financial position		**537,086**	355,513
Less: Time deposits with original maturity of more than three months when acquired	20	**(170,759)**	(146,779)
Cash and cash equivalents as stated in the consolidated statement of cash flows		**366,327**	208,734

Notes to Financial Statements

Year ended 31 December 2016

1. CORPORATE AND GROUP INFORMATION

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

The principal activity of the Company is investment holding. There was no significant change in the principal activities of the subsidiaries of the Company during the year, which mainly consisted of the operation of quick service restaurants ("QSR") business under the brand names of Yoshinoya and Dairy Queen in the Northern China.

Details of the principal subsidiaries are set out in note 32 to the financial statements.

2.1 BASIS OF PREPARATION

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2016. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements; and

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

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

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

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

2.1 BASIS OF PREPARATION *(Continued)*

Basis of consolidation *(Continued)*

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*
HKFRS 14	*Regulatory Deferral Accounts*
Amendments to HKAS 1	*Disclosure Initiative*
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*
Annual Improvements 2012–2014 Cycle	Amendments to a number of HKFRSs

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

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*[2]
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*[2]
HKFRS 9	*Financial Instruments*[2]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
HKFRS 15	*Revenue from Contracts with Customers*[2]
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*[2]
HKFRS 16	*Leases*[3]
Amendments to HKAS 7	*Disclosure Initiative*[1]
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*[1]

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 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.

Notes to Financial Statements

Year ended 31 December 2016

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business combinations and goodwill

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

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

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

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in the income statement. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Fair value measurement

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

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

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

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

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

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

Impairment of non-financial assets

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

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises in those expense categories consistent with the function of the impaired asset.

Notes to Financial Statements

Year ended 31 December 2016

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of non-financial assets *(Continued)*

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

Related parties

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

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

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

or

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment and depreciation

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

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

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

Motor vehicles and other equipment	20% to 33.33%
Furniture and fixtures	20% to 33.33%
Leasehold improvements	33.3% or over the shorter of the lease terms, if shorter

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

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Operating leases

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

Financial assets

Initial recognition and measurement

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

Notes to Financial Statements

Year ended 31 December 2016

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial assets *(Continued)*

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

Subsequent measurement

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

Derecognition of financial assets

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets

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

Financial assets carried at amortised cost

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

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

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

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

Notes to Financial Statements

Year ended 31 December 2016

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial liabilities

Initial recognition and measurement

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

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

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

Subsequent measurement

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

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

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

Shares held under share award scheme

Own equity instruments which are reacquired or issued to the trustee of the Company's share award scheme and held by the Group (treasury shares) are recognised directly in equity at cost. No gain or loss is recognised in the income statement on the purchase, sale, issue or cancellation of the Group's own equity instruments.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Income tax

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

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

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

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

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

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

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

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

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

Notes to Financial Statements

Year ended 31 December 2016

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax *(Continued)*

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

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

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

Government grants

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

Revenue recognition

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

(i) income from the operation of QSR business, when catering services have been provided to customer; and

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

Employee benefits

Share-based payments

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

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using an appropriate pricing model, further details of which are given in notes 23 and 24 to the financial statements.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Employee benefits *(Continued)*

Share-based payments (Continued)

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

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

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

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

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

Paid leave carried forward

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

Notes to Financial Statements

Year ended 31 December 2016

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Employee benefits *(Continued)*

Retirement benefit schemes

The Group operates defined contribution retirement benefit schemes, namely, the Mandatory Provident Fund Scheme (the "MPF Scheme"), for those employees who are eligible to participate. Contributions are made based on a percentage of the employees' salaries and are charged to the income statement as they become payable in accordance with the rules of the scheme. The assets of the scheme are held separately from those of the Group in independently administered funds. The employer contributions vest fully with the employees when contributed into the MPF Scheme.

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

Cash and cash equivalents

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

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

Provisions

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgements

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

Impairment of assets

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

Estimation uncertainty

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

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

Estimation uncertainty *(Continued)*

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

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

Deferred tax assets

Deferred tax assets are recognised for deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and unused tax losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Details of the deferred tax assets are contained in note 18 to the financial statements.

Provision for slow-moving stocks and net realisable value of stocks

Management reviews the ageing analysis of stocks of the Group at the end of each reporting period, and make provisions for slow-moving stock items if needed. Net realisable value of stocks is the estimated selling price in the ordinary course of business less estimated selling expenses. These estimates are based on the current market condition and the historical experience of selling products of a similar nature. Management reassesses these estimates at each reporting date. The carrying amount of stocks at 31 December 2016 was HK$94,758,000 (2015: HK$126,133,000). Further details are contained in note 14 to the financial statements.

Notes to Financial Statements

Year ended 31 December 2016

4. OPERATING SEGMENT INFORMATION

The Group's primary operating segment is the QSR business. 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 People's Republic of China. Therefore, no analysis by geographical region is presented.

5. TURNOVER AND OTHER INCOME AND GAINS, NET

Turnover represents the net invoiced value received and receivable from the operation of QSR during the year.

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

	2016 HK$'000	2015 HK$'000
Turnover		
Sales	**2,091,313**	2,050,053
Other income and gains, net		
Interest income	**5,402**	6,504
Foreign exchange differences, net	**(6,100)**	(7,268)
Compensation	**3,457**	442
Government grant*	**3,453**	3,627
Others	**860**	977
	7,072	4,282

* Government grants represent the subsidies received from the local government for the Group's business activities carried out locally. There were no unfulfilled conditions during the year in which they were recognised.

6. PROFIT FROM OPERATING ACTIVITIES

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

	2016 HK$'000	2015 HK$'000
Foreign exchange differences, net	**6,100**	7,268
Direct cost of stocks sold*	**697,420**	758,055
Loss on disposal/write-off of items of property, plant and equipment, net	**4,304**	7,187
Employee benefit expenses (including directors' emoluments in note 8):		
Wages and salaries	**351,807**	304,244
Pension scheme contributions**	**92,074**	91,418
Equity-settled share-based payments	**4,329**	3,184
	448,210	398,846
Depreciation	**100,056**	109,359
Impairment of items of property, plant and equipment	**1,154**	1,509
Write-back of impairment of accounts receivable***	**(2,023)**	(290)
Lease payments under operating leases:		
— Minimum lease payments	**264,211**	276,420
— Contingent rents	**33,583**	37,517
Auditor's remuneration	**2,450**	2,388

Notes:

* Direct cost of stocks sold is included in "Cost of sales" in the consolidated income statement.

** At 31 December 2016, the Group had no forfeited contributions available to reduce its future contributions to the pension schemes in future years (2015: Nil).

*** Write-back of impairment of accounts receivable is included in "General and administrative expenses" in the consolidated income statement.

Notes to Financial Statements

Year ended 31 December 2016

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2016	2015
	HK$'000	HK$'000
Interest on bank loans	**38**	494
Bank financing charges and others	**799**	1,013
	837	1,507

8. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

Directors' and chief executive's emoluments for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, are as follows:

	2016					
	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary/ performance related bonuses HK$'000	Equity-settled share-based payment HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
(a) Independent non-executive directors						
Seto Gin Chung, John	323	–	–	–	–	323
Sze Tsai To, Robert	275	–	–	–	–	275
Wong Yu Hong, Philip	220	–	–	–	–	220
Cheung Wing Yui, Edward	275	–	–	–	–	275
Shek Lai Him, Abraham	220	–	–	–	–	220
Wan Sai Cheong, Joseph#	201	–	–	–	–	201
	1,514	–	–	–	–	1,514
(b) Executive directors and non-executive directors						
Executive directors:						
Hung Ming Kei, Marvin	2,000	2,910	–	–	–	4,910
Wong Kwok Ying	–	1,816	–	391	145	2,352
	2,000	4,726	–	391	145	7,262
Non-executive directors:						
Hung Hak Hip, Peter##	76	–	–	–	–	76
Lam Fung Ming, Tammy	30	–	–	–	–	30
	106	–	–	–	–	106

Notes to Financial Statements

Year ended 31 December 2016

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

	2015					
	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary/ performance related bonuses HK$'000	Equity-settled share-based payment HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
(a) Independent non-executive directors						
Seto Gin Chung, John	300	–	–	–	–	300
Sze Tsai To, Robert	275	–	–	–	–	275
Wong Yu Hong, Philip	220	–	–	–	–	220
Cheung Wing Yui, Edward	275	–	–	–	–	275
Shek Lai Him, Abraham	220	–	–	–	–	220
Siu Wai Keung*	90	–	–	–	–	90
	1,380	–	–	–	–	1,380
(b) Executive directors and non-executive directors						
Executive directors:						
Hung Ming Kei, Marvin	2,000	3,075	–	–	–	5,075
Wong Kwok Ying	–	1,816	–	413	145	2,374
	2,000	4,891	–	413	145	7,449
Non-executive directors:						
Hung Hak Hip, Peter##	330	–	–	–	–	330
Lam Fung Ming, Tammy	30	–	–	–	–	30
	360	–	–	–	–	360

Mr. Wan Sai Cheong, Joseph ("Mr. Wan") was appointed as independent non-executive director of the Company with effect from 2 February 2016. The emolument disclosed above represented Mr. Wan's director's fee from 2 February 2016 to 31 December 2016.

Mr. Hung Hak Hip, Peter ("Mr. Hung") retired from the position of the Chairman of the board with effect from 25 March 2016. The emolument disclosed above represented Mr. Hung's director's fee up to 25 March 2016.

* Mr. Siu Wai Keung ("Mr. Siu") resigned from his directorship of the Company on 1 May 2015. The emolument disclosed above represented Mr. Siu's director's fee up to 30 April 2015.

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

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

Certain directors were granted share options in respect of their services to the Group, further details of which are set out in note 23 to the financial statements. The fair value of such options, which is being recognised in the income statement over the vesting period, was determined as at the date of grant and the amounts included in the financial statements are included in the above directors' and chief executive's remuneration disclosures.

9. FIVE HIGHEST PAID EMPLOYEES

The aggregate emoluments of the five highest paid employees, including two (2015: two) directors whose emoluments are set out in note 8 above, for the year are as follows:

	2016 **HK$'000**	2015 HK$'000
Salaries, allowances and other emoluments	**9,823**	10,015
Discretionary/performance related bonuses	**2,139**	1,532
Equity-settled share-based payments	**1,677**	1,583
Pension scheme contributions	**507**	505
	14,146	13,635

The above emoluments are analysed as follows:

	Number of employees	
	2016	2015
HK$1,500,001 to HK$2,000,000	**1**	1
HK$2,000,001 to HK$2,500,000	**2**	3
HK$2,500,001 to HK$3,000,000	**1**	–
HK$4,500,001 to HK$5,000,000	**1**	–
HK$5,000,001 to HK$5,500,000	**–**	1
	5	5

During the year ended 31 December 2015, certain five highest paid employees who are neither directors nor chief executives were granted with share options in respect of their services to the Group, further details of which are included in the disclosures in note 23 to the financial statements. The fair values of such options, which have been recognised in the income statement over the vesting period, were determined as at the date of grant and the amounts included in the financial statements for the current year have been included in the above disclosure of the five highest paid employees' remuneration.

Notes to Financial Statements

Year ended 31 December 2016

10. INCOME TAX

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 year. 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 year was 25% on their taxable profits. One of the subsidiaries engaged in agricultural business was entitled to exemption from the standard income tax rate in 2016 and 2015.

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

	2016 **HK$'000**	2015 HK$'000
Current – Hong Kong		
Charge for the year	**1,980**	–
Underprovision/(overprovision) in prior years	**2,049**	(564)
	4,029	(564)
Current – Elsewhere		
Charge for the year	**50,441**	30,639
Underprovision/(overprovision) in prior years	**269**	(192)
	50,710	30,447
Deferred (note 18)	**(2,743)**	(3,079)
Total income tax charge for the year	**51,996**	26,804

10. INCOME TAX *(Continued)*

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

	2016 HK$'000	2015 HK$'000
Profit before tax	**176,611**	92,592
Tax at the applicable tax rate	**29,141**	15,278
Effect of different tax rates in other jurisdiction	**14,198**	6,483
Income not subject to tax	**(4,507)**	(6,061)
Expenses not deductible for tax	**4,076**	7,118
Underprovision/(overprovision) in respect of prior years	**2,318**	(756)
Effect of withholding tax on the distributable profits of the Group's PRC subsidiaries	**6,735**	3,438
Tax losses not recognised	**1,091**	1,304
Unrecognised tax losses utilised	**(1,056)**	–
Tax charge at the Group's effective rate	**51,996**	26,804

11. DIVIDENDS

	2016 HK$'000	2015 HK$'000
Dividends paid during the year:		
Final dividend for 2015 – HK0.25 cent (2014: HK0.25 cent) per ordinary share	**25,176**	25,176
Proposed final dividend:		
HK0.62 cent (2015: HK0.25 cent) per ordinary share	**62,437**	25,176

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

Notes to Financial Statements

Year ended 31 December 2016

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

(a) Basic earnings per share

The calculation of basic earnings per share is based on the consolidated profit for the year attributable to equity holders of the Company of HK$124,615,000 (2015: HK$65,788,000), and the weighted average number of 9,906,729,075 (2015: 10,006,270,304) ordinary shares in issue during the year, as adjusted to reflect the number of shares of 245,095,400 (2015: 66,903,400) held under the share award scheme of the Company.

(b) Diluted earnings per share

For the year ended 31 December 2016, the calculation of diluted earnings per share is based on the consolidated profit for the year attributable to equity holders of the Company of HK$124,615,000 and the weighted average number of 9,944,925,820 ordinary shares in issue after adjusting for the effect of all dilutive potential ordinary shares of 38,196,745 calculated as follows:

	2016 HK$'000	2015 HK$'000
Consolidated profit attributable to equity holders of the Company	**124,615**	65,788

	Number of shares	
	2016	2015
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**9,906,729,075**	10,006,270,304
Effect of dilution – weighted average number of ordinary shares:		
Share award	**38,196,745**	25,257,844
Share options*	**–**	–
	9,944,925,820	10,031,528,148

* The outstanding share options of the Company have not been included in the computation of diluted earnings per share for the years ended 31 December 2016 and 2015 as these options had no dilutive effect on the Company's basic earnings per share.

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Year ended 31 December 2016

13. PROPERTY, PLANT AND EQUIPMENT

	Motor vehicles and other equipment HK$'000	Furniture, fixtures and leasehold improvements HK$'000	Total HK$'000
31 December 2016			
Cost:			
At 1 January 2016	375,472	477,627	853,099
Additions	19,851	75,573	95,424
Disposals/write-off	(25,467)	(21,607)	(47,074)
Exchange realignment	(24,048)	(33,262)	(57,310)
At 31 December 2016	345,808	498,331	844,139
Accumulated depreciation and impairment:			
At 1 January 2016	251,845	388,845	640,690
Provided during the year	38,963	61,093	100,056
Disposals/write-off	(21,201)	(21,569)	(42,770)
Provision for impairment	–	1,154	1,154
Exchange realignment	(17,112)	(26,786)	(43,898)
At 31 December 2016	252,495	402,737	655,232
Net book value:			
At 31 December 2016	93,313	95,594	188,907

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Year ended 31 December 2016

13. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

	Motor vehicles and other equipment HK$'000	Furniture, fixtures and leasehold improvements HK$'000	Total HK$'000
31 December 2015			
Cost:			
At 1 January 2015	390,457	442,821	833,278
Additions	19,720	70,597	90,317
Disposals/write-off	(16,595)	(13,919)	(30,514)
Exchange realignment	(18,110)	(21,872)	(39,982)
At 31 December 2015	375,472	477,627	853,099
Accumulated depreciation and impairment:			
At 1 January 2015	234,669	347,739	582,408
Provided during the year	40,243	69,116	109,359
Disposals/write-off	(11,138)	(12,189)	(23,327)
Provision for impairment	–	1,509	1,509
Exchange realignment	(11,929)	(17,330)	(29,259)
At 31 December 2015	251,845	388,845	640,690
Net book value:			
At 31 December 2015	123,627	88,782	212,409

14. STOCKS

	2016 HK$'000	2015 HK$'000
Raw materials	**81,268**	111,379
Consumables	**13,490**	14,754
	94,758	126,133

15. ACCOUNTS RECEIVABLE

	2016 **HK$'000**	2015 HK$'000
Accounts receivable	**9,788**	10,775
Less: impairment	**(1,646)**	(3,828)
	8,142	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 the payment due date and net of provisions, is as follows:

	2016 **HK$'000**	2015 HK$'000
Current (neither past due nor impaired)	**7,592**	6,806
Within 60 days past due	**550**	141
	8,142	6,947

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

	2016 **HK$'000**	2015 HK$'000
At 1 January	**3,828**	4,303
Write-back of impairment	**(2,023)**	(290)
Exchange realignment	**(159)**	(185)
At 31 December	**1,646**	3,828

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

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

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16. ACCOUNTS PAYABLE

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

	2016 **HK$'000**	2015 HK$'000
Current and less than 60 days	**114,555**	97,797
Over 60 days	**3,867**	3,682
	118,422	101,479

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

17. INTEREST-BEARING BANK LOAN

	2016			2015		
	Effective interest rate per annum %	**Maturity**	**HK$'000**	Effective interest rate per annum %	Maturity	HK$'000
Current (repayable within one year or on demand)						
Bank loan – unsecured	**2.72%**	**2017**	**10,000**	–	–	–

Note:

Bank loan of HK$10,000,000 as at 31 December 2016 which carried floating interest rate was denominated in Hong Kong dollars.

18. DEFERRED TAX

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

Deferred tax liabilities

	Withholding taxes HK$'000
At 1 January 2015	12,995
Charged to the income statement during the year (note 10)	3,438
At 31 December 2015 and 1 January 2016	16,433
Charged to the income statement during the year (note 10)	6,735
At 31 December 2016	23,168

Deferred tax assets

	Tax credit not utilised HK$'000	Temporary difference of provisions, accruals and depreciation HK$'000	Total HK$'000
At 1 January 2015	2,253	19,010	21,263
Credited/(charged) to the income statement during the year (note 10)	(708)	7,225	6,517
Exchange realignment	–	(991)	(991)
At 31 December 2015 and 1 January 2016	1,545	25,244	26,789
Credited to the income statement during the year (note 10)	1,980	7,498	9,478
Exchange realignment	–	(1,743)	(1,743)
At 31 December 2016	3,525	30,999	34,524

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Year ended 31 December 2016

18. DEFERRED TAX *(Continued)*

Deferred tax assets *(Continued)*

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

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

At 31 December 2016, the Company had tax losses of HK$25,721,000 (2015: HK$19,109,000) arising in Hong Kong that were available indefinitely for offsetting against future taxable profits of the relevant company. The Group also had tax losses of HK$2,033,000 (2015: HK$6,257,000) arising in Mainland China for offsetting against future taxable profits of relevant company in one to five years. Deferred tax assets have not been recognised as it is not considered probable that taxable profits will be available.

19. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2016	2015
	HK$'000	HK$'000
Prepayments	**42,924**	37,429
Deposits	**51,812**	50,974
Other receivables	**21,270**	11,244
	116,006	99,647
Current portion included in prepayments, deposits and other receivables	**(68,990)**	(53,702)
Non-current portion: prepayments and rental deposits	**47,016**	45,945

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

20. CASH AND CASH EQUIVALENTS

	2016 **HK$'000**	2015 HK$'000
Cash and bank balances	**277,041**	131,001
Non-pledged time deposits with original maturity of less than or equal to three months when acquired	**89,286**	77,733
Non-pledged time deposits with original maturity of more than three months when acquired	**170,759**	146,779
	537,086	355,513

Cash and cash equivalents are denominated in:

	2016 **HK$'000**	2015 HK$'000
HK$	**5,649**	34,643
RMB	**531,157**	320,590
United States dollar	**280**	280
	537,086	355,513

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

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

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Year ended 31 December 2016

21. OTHER PAYABLES AND ACCRUED CHARGES

	2016 HK$'000	2015 HK$'000
Other payables	**59,173**	55,801
Accrued charges	**254,711**	205,344
Total	**313,884**	261,145

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

22. SHARE CAPITAL

	2016 HK$'000	2015 HK$'000
Authorised:		
14,800,000,000 (2015: 14,800,000,000) ordinary shares of HK$0.10 each	**1,480,000**	1,480,000
Issued and fully paid:		
10,070,431,786 (2015: 10,070,431,786) ordinary shares of HK$0.10 each	**1,007,043**	1,007,043

22. SHARE CAPITAL *(Continued)*

A summary of the movements in the Company's issued ordinary share capital and shares held under share award scheme during the year is as follows:

	Notes	Number of shares in issue	Issued share capital HK$'000	Share premium account HK$'000	Total HK$'000
Issued:					
At 1 January 2015		10,006,288,386	1,000,629	4,019,675	5,020,304
Issue of shares for share award scheme	24, (a)	64,143,400	6,414	1,732	8,146
Final 2014 dividend	11	–	–	(25,176)	(25,176)
At 31 December 2015 and 1 January 2016		10,070,431,786	1,007,043	3,996,231	5,003,274
Final 2015 dividend	11	–	–	(25,176)	(25,176)
At 31 December 2016		10,070,431,786	1,007,043	3,971,055	4,978,098

	Notes	Number of shares in issue	Shares held under share award scheme HK$'000
At 1 January 2015		–	–
Issue of shares for share award	(a)	64,143,400	(8,146)
Shares purchased under share award scheme	(b)	2,760,000	(328)
At 31 December 2015 and 1 January 2016		66,903,400	(8,474)
Shares purchased under share award scheme	(b)	178,192,000	(19,323)
At 31 December 2016		245,095,400	(27,797)

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Year ended 31 December 2016

22. SHARE CAPITAL *(Continued)*

Notes:

(a) During the year ended 31 December 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 (the "General Mandate") for the Company's share award scheme (the "Share Award 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 Share Award Scheme (the "Trustee") and have been classified as treasury shares. Details were set out in note 24 to the financial statements.

(b) During the year, 178,192,000 (2015: 2,760,000) ordinary shares of HK$0.10 each were purchased by the Trustee at prices ranging from HK$0.10 to HK$0.13 (2015: HK$0.11 to HK$0.12) per share at a total consideration of approximately HK$19,323,000 (2015: HK$328,000) by the Trustee. The shares have been classified as treasury shares.

Share options and share awards

Details of the Company's share option scheme and the Share Award Scheme and the share options and share awards issued under the schemes are included in notes 23 and 24 to the financial statements, respectively.

23. SHARE OPTIONS

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

The main purpose of the Share Option Scheme is to attract, retain and reward the participants and to provide the participants with a performance incentive for continued and improved services with the Group. The participants of the Share Option Scheme include any full-time employee and any director of the Group, and any person approved by the board of directors or shareholders of the Company.

The 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.

23. SHARE OPTIONS *(Continued)*

The offer of a grant of options shall be at a consideration of HK$1 and must be accepted within 21 days from the date of the offer. The exercise price of an option to subscribe for shares granted pursuant to the Share Option Scheme shall not be less than the higher of: (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date on which an offer is made to a participant, which must be a business day; and (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheet for the 5 business days immediately preceding the date on which an offer is made.

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

The following share options under the Share Option Scheme of the Company were outstanding during the year and as at 31 December 2016:

	Number of share options								Price of the Company's shares	
Name or category of participant	At 1 January 2016	Granted during the year	Lapsed during the year	Exercised during the year	At 31 December 2016	Date of grant (Note 3)	Exercise 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

Notes to Financial Statements

Year ended 31 December 2016

23. SHARE OPTIONS *(Continued)*

	Number of share options								Price of the Company's shares	
Name or category of participant	At 1 January 2016	Granted during the year	Lapsed during the year	Exercised during the year	At 31 December 2016	Date of grant (Note 3)	Exercise 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 (continued)										
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					

23. SHARE OPTIONS *(Continued)*

Notes:

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

(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 period 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 and 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 shall, 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.

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23. SHARE OPTIONS *(Continued)*

The fair value of the share options was HK$13,723,000 (2015: HK$12,164,000) which was estimated using a binomial option pricing model, taking into account the terms and conditions upon which the options were granted. The Company recognised a share option expense of HK$1,677,000 (2015: HK$1,583,000) during the year.

The fair value of share options was estimated using the following assumptions:

	2016	2015
Dividend yield (%)	**1.87–1.97**	1.97 – 2.08
Expected volatility (%)	**34.17–36.50**	34.17 – 34.85
Historical volatility (%)	**34.17–36.50**	34.17 – 34.85
Risk free interest rate (%)	**1.43–2.53**	1.43 – 1.88
Exercise Multiple – Director	**2.80**	2.80
Exercise Multiple – Employee	**2.20**	2.20

The expected life of the share options is not necessarily indicative of the exercise patterns that may occur.

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other feature of the share options was incorporated into the measurement of fair value.

As at 31 December 2016, the Company had 326,167,320 share options outstanding under the Share Option Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 326,167,320 ordinary shares of the Company and additional share capital of HK$32,617,000 and share premium of HK$14,642,000 (before issue expenses).

Save for the grant of share options on 9 April 2015, no options were granted or exercised during the current and last years.

24. SHARE AWARD SCHEME

On 20 March 2015, the Board of the Company adopted the Share Award 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 Share Award 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 Share Award Scheme (the "Award Shares") will either be acquired by the trustee of the Share Award Scheme (the "Trustee") from the open market or be new shares allotted and issued to the Trustee under general mandates granted by shareholders at the general meetings of the Company from time to time, both of which will be out from cash contributed by the Group. The Trustee will hold the Award Shares in trust for the awardees until such shares are vested with the awardees in accordance with the provisions of the Share Award Scheme. The Trustee shall not exercise the voting rights in respect of any shares held under the Trust.

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 any selected participant from time to time.

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

In 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 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 year ended 31 December 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 shares granted will be vested in the respective 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.

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Year ended 31 December 2016

24. SHARE AWARD SCHEME *(Continued)*

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

	Average fair value per share HK$	Number of shares awards
Outstanding at 1January 2015		–
Awarded	0.10	64,143,400
Forfeited	0.10	(19,119,821)
Outstanding at 31 December 2015 and 1 January 2016	0.10	45,023,579
Awarded	0.11	17,030,499
Outstanding at 31 December 2016	0.10	62,054,078

The fair value of the share awards granted during the year ended 31 December 2015 was 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 used in deriving the fair value of the Put Options which was estimated on the date of grant using the following assumptions:

	2015
Expected volatility (%)	29.01
Risk fee interest rate (%)	0.68
Lock-up period (years)	3

25. RESERVES

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

26. OPERATING LEASE COMMITMENTS

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

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

	2016 HK$'000	2015 HK$'000
Within one year	**261,166**	276,935
In the second to fifth years, inclusive	**681,903**	802,563
Beyond five years	**194,107**	311,192
	1,137,176	1,390,690

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

27. CAPITAL COMMITMENTS

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

	2016 HK$'000	2015 HK$'000
Contracted, but not provided for:		
Property, plant and equipment	**2,473**	1,886

28. CONTINGENT LIABILITIES

Pursuant to the agreement entered into between the Company and Harvest Trinity Limited for the disposal of the edible oils business (the "Disposal") in 2013, the Company undertook to indemnify Harvest Trinity Limited for further tax liabilities relating to periods prior to the date of completion of the Disposal. In the opinion of the management, adequate tax provision had been made by the Hop Hing Oil Group Limited and its subsidiaries and joint ventures before the date of completion of the Disposal.

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29. RELATED PARTY TRANSACTIONS

In addition to those related party transactions and balances disclosed elsewhere in the financial statements, the Group had the following compensation to key management personnel during the year:

	2016	2015
	HK$'000	HK$'000
Short-term employee benefits	**6,726**	6,891
Post-employment benefits	**145**	145
Equity-settled share-based payments	**391**	413
Total compensation paid to key management personnel	**7,262**	7,449

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

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

Interest rate risk

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

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Foreign currency risk

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

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

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

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

	Increase/ (decrease) RMB rate %	Increase/ (decrease) in in the Group's profit after tax HK$'000
2016		
If Hong Kong dollar weakens against RMB	**5**	**4,396**
If Hong Kong dollar strengthens against RMB	**(5)**	**(4,396)**
2015		
If Hong Kong dollar weakens against RMB	5	4,797
If Hong Kong dollar strengthens against RMB	(5)	(4,797)

Credit risk

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

Further quantitative data in respect of the Group's exposure to credit risk arising from accounts receivable are disclosed in note 15 to the financial statements.

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30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Liquidity risk

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

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

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

Commodity price risk

The major raw materials used in the production of the Group's products include beef, chicken meat and pork. The Group is exposed to fluctuations in the prices of these raw materials which are subject to global as well as regional supply and demand and other factors. Fluctuations in the prices of raw materials could adversely affect the Group's financial performance. The Group did not enter into any commodity derivative instruments to hedge the potential commodity price changes during the years ended 31 December 2016 and 2015.

Capital management

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

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2016 and 2015.

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Capital management *(Continued)*

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

	2016 HK$'000	2015 HK$'000
Interest-bearing bank loan	**10,000**	–
Equity attributable to equity holders of the Company	**503,797**	447,934
Gearing ratio	**2%**	–

31. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2016 HK$'000	2015 HK$'000
NON-CURRENT ASSETS		
Investments in subsidiaries	**3,475,462**	3,507,941
CURRENT ASSETS		
Due from subsidiaries	**42,797**	21,474
Prepayments and other receivables	**2,787**	1,016
Cash and cash equivalents	**391**	510
Total current assets	**45,975**	23,000
CURRENT LIABILITIES		
Other payables and accrued charges	**5,264**	5,042
Interest-bearing bank loan	**10,000**	–
Total current liabilities	**15,264**	5,042
NET CURRENT ASSETS	**30,711**	17,958
NET ASSETS	**3,506,173**	3,525,899
EQUITY		
Issued share capital	**1,007,043**	1,007,043
Reserves (note)	**2,499,130**	2,518,856
Total equity	**3,506,173**	3,525,899

Notes to Financial Statements

Year ended 31 December 2016

31. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

Note:

A summary of the Company's reserves is as follows:

	Share premium account HK$'000	Share-based payment reserve HK$'000	Contributed surplus HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2015	4,019,675	5,155	16,674	(1,502,696)	2,538,808
Profit and total comprehensive income for the year	–	–	–	308	308
Issue of shares for share award scheme	1,732	–	–	–	1,732
Equity-settled share-based payments	–	3,184	–	–	3,184
Final 2014 dividend (note 11)	(25,176)	–	–	–	(25,176)
At 31 December 2015 and 1 January 2016	3,996,231	8,339	16,674	(1,502,388)	2,518,856
Profit and total comprehensive income for the year	–	–	–	1,121	1,121
Equity-settled share-based payments	–	4,329	–	–	4,329
Final 2015 dividend (note 11)	(25,176)	–	–	–	(25,176)
At 31 December 2016	3,971,055	12,668	16,674	(1,501,267)	2,499,130

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

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

Pursuant to the Companies Law of the Cayman Islands, the net amount of reserves distributable to shareholders of the Company as at 31 December 2016 was HK$2,486,462,000 (2015: HK$2,510,517,000), the distribution of which is subject to the condition that, immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

32. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued/ registered and fully paid share capital	Percentage of equity attributable to the Company	Principal activities
Hop Hing Fast Food Group Holdings Limited	British Virgin Islands	US$46,509	100	Investment holding
Beijing Nanhe Hua Nong Agricultural Company Limited*	People's Republic of China/ Mainland China	RMB2,000,000	100	Agricultural operation
Beijing Yoshinoya Fast Food Company Limited*	People's Republic of China/ Mainland China	RMB18,770,000	100	Fast food restaurant operation
Champ Base Investments Limited	Hong Kong	HK$1	100	Provision of management services
Dalian Hexing Fast Food Company Limited*	People's Republic of China/ Mainland China	US$800,000	100	Fast food restaurant operation
Harbin Hop Hing Catering Management Limited*	People's Republic of China/ Mainland China	RMB2,000,000	100	Fast food restaurant operation
Hawick Limited	Hong Kong	HK$1,000,000	100	Investment holding
Hop Hing Fast Food China North Investment Company Limited	British Virgin Islands	US$1	100	Provision of management services
Hop Hing Fast Food Limited	Hong Kong	HK$7,000,000	100	Provision of management services
Hop Hing Franchise Limited	Hong Kong	HK$1	100	Provision of management services
Hop Hing QSR Investments Limited	Hong Kong	HK$1	100	Provision of management services

Notes to Financial Statements

Year ended 31 December 2016

32. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Name	Place of incorporation/ registration and operations	Nominal value of issued/ registered and fully paid share capital	Percentage of equity attributable to the Company	Principal activities
HuHeHaoTe Hop Hing Catering Management Company Limited*	People's Republic of China/ Mainland China	RMB500,000	100	Fast food restaurant operation
Liaoning Hop Hing Fast Food Company Limited*	People's Republic of China/ Mainland China	HK$9,100,000	100	Fast food restaurant operation

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

Except for Hop Hing Fast Food Group Holdings Limited, all the above principal subsidiaries are indirectly held by the Company. There was no change in the percentage of equity attributable to the Company for the above subsidiaries during the year ended 31 December 2016.

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

33. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 28 March 2017.

Five Year Financial Summary

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

	Year ended 31 December				
	2016	2015	2014	2013	2012
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
RESULTS					
CONTINUING OPERATIONS					
Turnover	**2,091,313**	2,050,053	2,157,873	2,110,664	1,971,321
Profit from operating activities from continuing operations	**177,448**	94,099	48,284	86,902	203,462
Finance costs	**(837)**	(1,507)	(1,388)	(2,441)	(2,648)
Profit before tax from continuing operations	**176,611**	92,592	46,896	84,461	200,814
Income tax expense	**(51,996)**	(26,804)	(11,531)	(18,785)	(56,255)
Profit for the year from continuing operations	**124,615**	65,788	35,365	65,676	144,559
DISCONTINUED OPERATION					
Loss for the year from a discontinued operation	**–**	–	–	(51,696)	(364)
Profit for the year	**124,615**	65,788	35,365	13,980	144,195
Attributable to:					
Equity holders of the Company	**124,615**	65,788	35,365	13,980	129,834
Non-controlling interests	**–**	–	–	–	14,361
	124,615	65,788	35,365	13,980	144,195

Five Year Financial Summary

	As at 31 December				
	2016	2015	2014	2013	2012
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
ASSETS					
Property, plant and equipment	**188,907**	212,409	250,870	301,148	461,635
Prepaid land lease payments	**–**	–	–	–	26,889
Trademarks	**–**	–	–	–	125,299
Deferred tax assets	**34,524**	26,789	21,263	11,047	1,340
Prepayment and rental deposits	**47,016**	45,945	44,264	50,820	41,105
Current assets	**710,763**	548,103	539,948	467,283	720,895
TOTAL ASSETS	**981,210**	833,246	856,345	830,298	1,377,163
LIABILITIES					
Current liabilities	**454,245**	368,879	422,825	401,172	654,716
Deferred tax liabilities	**23,168**	16,433	12,995	11,461	7,400
TOTAL LIABILITIES	**477,413**	385,312	435,820	412,633	662,116
NET ASSETS	**503,797**	447,934	420,525	417,665	715,047