HOP HING GROUP HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 47)

2013 ANNUAL RESULTS ANNOUNCEMENT

CHAIRMAN'S STATEMENT

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

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

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

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

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

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

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

Hung Hak Hip, Peter
Chairman

Hong Kong, 28 March 2014

RESULTS

The board of directors (the "Board") of Hop Hing Group Holdings Limited (the "Company") is pleased to announce the consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2013 together with the comparative figures for the previous year as follows:

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2013

	Notes	**2013**	2012
		HK$'000	*HK$'000*
			(Re-presented)
CONTINUING OPERATIONS			
TURNOVER	4	**2,110,664**	1,971,321
Direct cost of stocks sold		**(808,682)**	(784,542)
Other income and gains, net	4	**9,399**	7,731
Selling and distribution expenses		**(1,050,173)**	(852,764)
General and administrative expenses		**(174,306)**	(136,740)
Other expenses		**–**	(1,544)
PROFIT FROM OPERATING ACTIVITIES FROM CONTINUING OPERATIONS	5	**86,902**	203,462
Finance costs	6	**(2,441)**	(2,648)
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS		**84,461**	200,814
Income tax expense	7	**(18,785)**	(56,255)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**65,676**	144,559
DISCONTINUED OPERATION			
Loss for the year from a discontinued operation	8	**(51,696)**	(364)
PROFIT FOR THE YEAR		**13,980**	144,195
ATTRIBUTABLE TO:			
Equity holders of the Company		**13,980**	129,834
Non-controlling interests		**–**	14,361
		13,980	144,195

	Notes	2013 HK$'000	2012 HK$'000 (Re-presented)
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	10		
Basic			
– For profit for the year		**HK0.14 cent**	HK4.39 cents
– For profit from continuing operations		**HK0.66 cent**	HK4.40 cents
Diluted			
– For profit for the year		**HK0.14 cent**	HK1.30 cents
– For profit from continuing operations		**HK0.66 cent**	HK1.30 cents

Details of the dividends are disclosed in note 9.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December 2013

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**301,148**	461,635
Prepaid land lease payments		**–**	26,889
Trademarks		**–**	125,299
Deferred tax assets		**11,047**	1,340
Prepayment and rental deposits		**50,820**	41,105
Total non-current assets		**363,015**	656,268
CURRENT ASSETS			
Stocks		**111,530**	240,795
Accounts receivable	11	**8,098**	147,808
Prepayments, deposits and other receivables		**61,791**	90,234
Tax recoverable		**14,690**	2,003
Pledged bank deposits		**44,872**	47,964
Cash and cash equivalents		**226,302**	192,091
Total current assets		**467,283**	720,895
CURRENT LIABILITIES			
Accounts payable	12	**131,514**	181,305
Bills payable		**–**	14,046
Other payables and accrued charges		**242,735**	305,572
Interest-bearing bank loans		**26,923**	149,239
Tax payable		**–**	4,554
Total current liabilities		**401,172**	654,716
NET CURRENT ASSETS		**66,111**	66,179
TOTAL ASSETS LESS CURRENT LIABILITIES		**429,126**	722,447
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**11,461**	7,400
NET ASSETS		**417,665**	715,047

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

NOTES

1. BASIS OF PREPARATION

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

Merger accounting for business combination under common control

On 1 December 2011, the Company and Queen Board Limited ("Queen Board"), a company controlled by a substantial shareholder of the Company, entered into an acquisition agreement (the "Acquisition") pursuant to which Queen Board has agreed to sell the entire issued share capital of Hop Hing Fast Food Group Holdings Limited ("Hop Hing Fast Food"), an investment holding company of a group of companies that own rights to operate QSR in their franchised regions in the PRC which include Beijing municipality, Tianjin municipality, the provinces of Hebei, Liaoning, Heilongjiang and Jilin, and the Inner Mongolia Autonomous Region (excluding airports, railway stations or highway service areas), and the loans of HK$44,389,000 owed by Hop Hing Fast Food to Queen Board and its associates. Details of the Acquisition were set out in the Company's announcements made on 1 December 2011 and 12 March 2012 and circular dated 30 December 2011.

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

The Acquisition was completed on 12 March 2012 with the total consideration being satisfied by an issue of Perpetual Subordinated Convertible Securities ("PSCS") by the Company to companies as directed by Queen Board. Details of the PSCS are set out in note 13.

The financial statements have been prepared in accordance with the principles of merger accounting as set out in Accounting Guideline 5 *Merger Accounting for Common Control Combinations* issued by the HKICPA, as if the Acquisition had been completed at the beginning of the earliest period presented because the Acquisition were regarded as a business combination under common control of the substantial shareholder of the Company before and after the Acquisition.

The consolidated income statements, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2012 include the results and cash flows of all companies comprising the Group from the earliest date presented or since the dates when the subsidiaries first came under common control of the substantial shareholder, where this is a shorter period. The consolidated statements of financial position of the Group as at 1 January 2012 have been prepared to present the assets and liabilities of the Group using the existing carrying values from the substantial shareholder perspective. No adjustments are made to reflect fair values, or recognise any new assets or liabilities as a result of the Acquisition.

Equity interests in subsidiaries and/or business held by parties other than the substantial shareholder prior to the Acquisition are presented as non-controlling interests in equity in applying the principles of merger accounting.

2.1 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

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

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

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

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

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

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

However, having considered the discontinued operation presentation of the disposal of the Group's joint ventures as part of the Group's disposal of edible oils business during current year (notes 8 and 14), and the impact on the statement of financial position of the Group as at 1 January 2012, the directors considered the adoption of equity accounting of its joint ventures under HKFRS 11 has no material impact to the Group's financial statements. Accordingly, no equity accounting is applied to account for the Group's joint ventures before the disposal as set out in notes 8 and 14.

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

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

2.2 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

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

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

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

3. OPERATING SEGMENT INFORMATION

The Group's primary operating segment is QSR business after the disposal of the edible oils business ("the Disposal") during the current year. Further details of the Disposal are set out in notes 8 and 14. Since the QSR business is the only continuing operating segment of the Group, no further analysis thereof is presented.

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

4. TURNOVER AND OTHER INCOME AND GAINS, NET

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

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

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

5. PROFIT FROM OPERATING ACTIVITIES FROM CONTINUING OPERATIONS

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

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

Notes:

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

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

6. FINANCE COSTS

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

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

7. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2012: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

Pursuant to the Corporate Income Tax Law of the PRC being effective on 1 January 2008, the PRC corporate income tax rate for the Group's subsidiaries operated in Mainland China during the year was 25% on their taxable profits. One of the subsidiaries engaged in agricultural business is entitled to exemptions from the standard income tax rate for a fixed term of one year in 2013.

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

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

8. DISCONTINUED OPERATION

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

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

		2013	2012
	Note	***HK$'000***	*HK$'000*
Turnover		**438,283**	907,065
Direct cost of stocks sold and services provided		**(320,520)**	(690,675)
Interest income		**86**	1,281
Other income and gains/(loss), net		**(222)**	4,777
Other production and services costs		**(32,270)**	(56,887)
Selling and distribution expenses		**(53,330)**	(109,398)
General and administrative expenses		**(23,482)**	(42,848)
Profit from operating activities		**8,545**	13,315
Finance costs		**(2,068)**	(9,682)
Profit before tax from the discontinued operation		**6,477**	3,633
Income tax expense		**(11,864)**	(3,286)
Profit/(loss) for the year before loss on disposal of subsidiaries		**(5,387)**	347
Loss on disposal of subsidiaries	14	**(46,309)**	(711)
Loss for the year from the discontinued operation		**(51,696)**	(364)
Loss per share:			
Basic, from the discontinued operation		**HK(0.52) cent**	HK(0.01) cent
Diluted, from the discontinued operation *		**HK(0.52) cent**	HK(0.01) cent

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

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

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

	Number of shares	
	2013	2012
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation *(note 10)*	**9,971,284,644**	2,957,694,053

9. DIVIDENDS

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

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

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

(a) Basic earnings per share

The calculation of basic earnings per share is based on the consolidated profit for the year attributable to equity holders of the Company of HK$13,980,000 (2012: HK$129,834,000), and the weighted average number of 9,971,284,644 (2012: 2,957,694,053) ordinary shares in issue during the year.

(b) Diluted earnings per share

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

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

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

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

11. ACCOUNTS RECEIVABLE

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

The Group's edible oil products were sold either on a cash on delivery basis, or on an open account basis with credit terms ranging from 7 to 70 days. The maximum credit limit and overdue balances of each customer were regularly reviewed by the senior management.

In view of the aforementioned and the fact that the Group's accounts receivable relate to a number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its accounts receivable balances. Accounts receivable are non-interest-bearing.

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

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

12. ACCOUNTS PAYABLE

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

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

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

13. PERPETUAL SUBORDINATED CONVERTIBLE SECURITIES

On 1 December 2011, the Company entered into an acquisition agreement in respect of the Acquisition at a consideration of HK$3,475,000,000 to be satisfied by issuing PSCS carrying the rights to convert into 9,391,891,892 new ordinary shares of the Company at an initial conversion price of HK$0.37 per share. The transaction was completed and the Company issued the PSCS on 12 March 2012. These PSCS had no maturity date and the Company had no contractual obligation to redeem these PSCS. The fair value of these PSCS issued on the completion date of the Acquisition amounted to approximately HK$4,964,232,000, which was determined by reference to a valuation report on the PSCS prepared by an independent firm of valuers.

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

These PSCS conferred a right to receive distribution from and including the date of the issue of the PSCS at 3.5% per annum on any outstanding principal amount of the PSCS payable quarterly in arrears on 31 March, 30 June, 30 September and 31 December each year, subject to the terms and conditions of the PSCS. However, the Company might at its sole discretion, elect to defer a distribution pursuant to the terms of the PSCS.

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

14. DISPOSAL OF SUBSIDIARIES

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

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

OVERALL PERFORMANCE

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

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

DIVIDEND

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

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

BUSINESS REVIEW

QSR business

Industry review

During the year under review, the slowdown of China's economy, adverse weather, reported avian flu cases and the austerity campaign launched by PRC government had adversely impacted the catering industry. According to the National Bureau of Statistics of the PRC, the revenue of the catering industry in China in 2013 was RMB 2.53 trillion, a year-on-year growth of 9%, the lowest in the last decade. "Three Highs," namely high food costs, high labour costs and high rental costs, were ongoing challenges faced by all QSR players. All these factors combined indicate that 2013 was a tough year.

Business review

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

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

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

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

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

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

[1] Including Liaoning, Inner Mongolia, Jilin and Heilongjiang provinces.

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

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

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

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

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

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

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

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

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

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

Edible oils business (Discontinued operation)

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

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

FINANCIAL REVIEW

Equity

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

As at 1 January 2013, the Company had 29,604,000 outstanding share options. During the year, 1,884,480 share options were lapsed.

Liquidity and gearing

As at 31 December 2013, the Group's total bank borrowing was bank loan of HK$26.9 million (31 December 2012:HK$149.2 million), which was PRC bank loan borrowed by a PRC subsidiary of the Group and secured by the pledge of certain time deposits and were either repayable or subject to renewal within one year.

The Group's gearing ratio (expressed as a percentage of interest-bearing bank loans over equity attributable to equity holders of the Company) as at 31 December 2013 was 6.4% (31 December 2012: 20.9%). The decrease in gearing ratio was mainly attributable to the repayment of certain interest bearing bank loans and the decrease in the bank loans resulted from the disposal of the Group's edible oils business during the year.

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

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

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

* Included the cashflow of Hop Hing Group Holdings Limited

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

The Group's funding policy is to finance the business operations with internally generated cash and bank facilities. The Group's bank borrowings are basically denominated in Hong Kong dollars and Renminbi. The Group continues to adopt the policy of hedging foreign currency liabilities with foreign currency assets.

REMUNERATION POLICIES

Staff remuneration packages of the Group are comprised of salary and discretionary bonuses and are determined with reference to the market conditions and the performance of the Group and the individuals concerned. The Group also provided other staff benefits including medical insurance, continuing education allowances, provident funds and share options to eligible staff of the Group. The total remuneration paid to the employees (including pension costs and the directors' remuneration) of the Group in the year under review was HK$359.3 million (2012: HK$294.4 million (re-presented)). As at 31 December 2013, the Group had 9,242 full time and temporary employees (2012: 8,444).

Subsequent to 31 December 2013, the annual remuneration of Mr. Wong Kwok Ying, an executive director of the Company, was revised to HK$1,730,000 with discretionary bonuses payable according to the terms of the relevant bonus entitlement scheme of the Company.

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

OPERATING SEGMENT INFORMATION

Details of the operating segment information are set out in note 3.

CONTINGENT LIABILITIES

Group

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

Taking into account of the development of the objections, the resources that will be required to pursue the case further and the advice of the tax consultant of the joint ventures and the Edible Oils Group, a total provision of HK$11.7 million was made in the financial statements of the Edible Oils Group for the period from 1 January 2013 to 28 June 2013 for the probable settlement amounts of this tax case pursuant to the latest settlement communication with the IRD. Subsequent to 31 December 2013, the IRD has agreed the above compromise settlement amounts and issued the revised assessments for the years of assessment 2003/2004, 2004/05, 2005/06 and 2006/07 to certain joint ventures and subsidiaries of the Edible Oils Group accordingly.

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

Company

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

PLEDGE OF ASSETS

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

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

  (i) legal charge over certain of the Group's leasehold land and buildings and plant and machinery, which had aggregate carrying value of approximately HK$12,617,000;

  (ii) floating charges over certain of the Group's stocks amounting to HK$97,483,000; and

  (iii) floating charges over certain of the Group's accounts receivable amounting to HK$4,278,000.

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

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND AFFILIATED COMPANIES

On 25 April 2013, the Company entered into an agreement with Harvest Trinity Limited, a company incorporated in the British Virgin Islands and wholly-owned by a substantial shareholder of the Company and together with its associates, pursuant to which the Company agreed to sell its entire equity interest in Hop Hing Oil Group Limited (formerly known as Oleo Chartering Inc.) and its subsidiaries. The disposal was completed on 28 June 2013. Details of the disposal are set out in notes 8 and 14.

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

OUTLOOK

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

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

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

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

CORPORATE GOVERNANCE PRACTICES

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS

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

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

AUDIT COMMITTEE

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

The audit committee of the Company has met the external auditors of the Company, Messrs. Ernst & Young, and reviewed the Group's results for the year ended 31 December 2013.

PROPOSAL TO REFRESH THE SHARE OPTION SCHEME MANDATE LIMIT

A resolution to refresh the mandate limit of the Company's share option scheme, which was adopted on 12 March 2008 and became effective on 25 April 2008, will be proposed for shareholders' approval at the AGM of the Company. Details of the proposal will be contained in the circular which will be despatched to shareholders together with the Annual Report of the Company in due course.

PURCHASE, SALE OR REDEMPTION OF OWN LISTED SECURITIES

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

AGM AND PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This results announcement is published on the Company's website at *www.hophing.com* and the website of Hong Kong Exchanges and Clearing Limited at *www.hkexnews.hk*. The AGM of the Company is expected to be held on 5 June 2014. A notice convening the AGM and the annual report will be published on the Company's website and the website of Hong Kong Exchanges and Clearing Limited and will be despatched to all shareholders in due course.

CLOSURE OF THE REGISTER OF MEMBERS

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

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

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

VOTE OF THANKS

We would like to thank all of our customers, suppliers, business associates and bankers for their continued support and members of our management team and staff for their hard work during the year.

By Order of the Board
Hung Ming Kei, Marvin
Chief Executive Officer

Hong Kong, 28 March 2014

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