HOP HING GROUP HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 47)

ANNOUNCEMENT
PRICE SENSITIVE INFORMATION

This announcement is made by the Company pursuant to Rule 13.09(1) of the Listing Rules.

As disclosed in the announcement of the Company dated 12 March 2012, the Completion took place on 12 March 2012. Upon Completion, the Target Group became wholly-owned subsidiaries of the Company and the results, assets and liabilities of the Target Group are accounted for in the consolidated financial statements of the Enlarged Group using the principles of merger accounting starting from 12 March 2012. In order to provide the shareholders of the Company and potential investors a better understanding of the financial performance of the Target Group for the year ended 31 December 2011, the Board wishes to publish this announcement which includes the audited consolidated financial statements of the Target Group for the year ended 31 December 2011.

Shareholders of the Company and potential investors should note that the audited consolidated financial statements of the Target Group attached to this announcement do not form part of the Company's annual results for the year ended 31 December 2011.

Shareholders of the Company and potential investors are advised to exercise caution when dealing in the securities of the Company.

This announcement is made by Hop Hing Group Holdings Limited (the "**Company**") pursuant to Rule 13.09(1) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

References are made to the announcements of the Company dated 1 December 2011 and 12 March 2012, and the circular of the Company dated 30 December 2011 (the "**Circular**"), in connection with, among others, the very substantial acquisition and connected transaction in relation to the acquisition of the entire issued share capital of Summerfield Profits Limited and the Loan involving the issue of Convertible Securities. Unless otherwise stated, capitalized terms used in this announcement shall have the same meanings as those defined in the Circular.

As disclosed in the announcement of the Company dated 12 March 2012, the Completion took place on 12 March 2012. Upon Completion, the Target Group became wholly-owned subsidiaries of the Company and the results, assets and liabilities of the Target Group are accounted for in the consolidated financial statements of the Enlarged Group using the principles of merger accounting starting from 12 March 2012. In order to provide the shareholders of the Company and potential investors a better understanding of the financial performance of the Target Group for the year ended 31 December 2011, the Board wishes to publish this announcement which includes the audited consolidated financial statements of the Target Group for the year ended 31 December 2011.

Shareholders of the Company and potential investors should note that the audited consolidated financial statements of the Target Group attached to this announcement do not form part of the Company's annual results for the year ended 31 December 2011.

Shareholders of the Company and potential investors are advised to exercise caution when dealing in the securities of the Company.

By Order of the Board
Hop Hing Group Holdings Limited
Wong Kwok Ying
Executive Director and Company Secretary

Hong Kong, 21 March 2012

As at the date of this announcement, the executive directors of the Company are Mr. Hung Ming Kei, Marvin, Mr. Wong Kwok Ying and Ms. Lam Fung Ming, Tammy. The non-executive directors of the Company are Mr. Hung Hak Hip, Peter, Ms. Hung Chiu Yee and Mr. Lee Pak Wing. 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, Mr. Seto Gin Chung, John and Hon. Shek Lai Him, Abraham, SBS, JP.

Summerfield Profits Limited

REVIEW OF OPERATIONS FOR THE YEAR 2011

1. Overall

- Highlights of the consolidated results of Summerfield Profits Limited and its subsidiaries (the "Fast Food Group") for the year ended 31 December 2011:

  - ⇨ Revenue for the year: HK$1,644.7M (2010: HK$1,234.2M), representing 33% growth

  - ⇨ Profit for the year: HK$152.0M (2010: HK$120.4M), representing 26% growth

2. Significant Factors affecting Fast Food Group's Results of Operations

- Growth in the PRC economy and fast food industry

  - ⇨ The PRC has experienced significant economic growth in recent years. The fast food industry in the PRC is benefiting from compelling industry fundamentals such as rapid economic growth, urbanization, and increasing disposable income. According to Euromonitor, the PRC fast food industry has grown rapidly at a compound annual growth rate ("CAGR") of 14.9% from RMB313 billion in 2006 to RMB546 billion in 2010 and is expected to grow at a CAGR of 10.7% from 2011 to reach RMB938 billion in 2015.

  - ⇨ According to Euromonitor, among different types of fast food in the PRC, Asian cuisine is the most preferred, constituting approximately 88% of the overall fast food industry in PRC in terms of sales in 2010. At the same time, ice-cream product is also gaining popularity in the PRC. With an expected CAGR of 19.8% from 2011 to 2015, ice-cream fast food is expected to have the highest growth rate against the other segments within the fast food industry in PRC.

  - ⇨ The Fast Food group has achieved a higher CAGR of 28% in revenue from 2008 to 2011 when compared to the overall fast food industry CAGR of 13.5% from 2008 to 2010. The Fast Food Group's management believes that the continuing growth of the PRC economy and the fast food industry in the PRC will have a positive impact on the Fast Food Group's business prospects.

- Increase in number of Stores in operation

  - ⇨ The Fast Food Group generates its revenue from sale of food and beverage from its stores (the "Stores"). Food and beverage sales are affected to a significant extent by the number of Stores that the Fast Food Group has in operation and the number of total operating days of its Stores, which are in turn affected by the Fast Food Group's store opening and closing.

⇨ New Stores have contributed substantially to the Fast Food Group's revenue growth in the past. As of 31 December 2011, there were 317 stores, with an opening of 47 new stores (net opening of 39 after accounting for 8 stores relocation) in 2011, contributing to HK$96 million sales in 2011.

⇨ The table below shows the number of Stores in operation as of the dates indicated:

	As of 31 December	
	2011	2010
Yoshinoya:		
Beijing	141	119
Tianjin	12	9
Hebei	7	3
Shenyang	26	24
Dalian	16	15
HuHeHaoTe	6	6
Harbin	1	0
Subtotal	209	176
Dairy Queen:		
Beijing	76	71
Tianjin	8	8
Hebei	4	3
Shenyang	6	6
Dalian	10	10
HuHeHaoTe	4	4
Subtotal	108	102
Total:	317	278

⇨ The Fast Food Group has penetrated into its existing markets through new store openings in cities where it currently has operations as well as expanding into selected new regions in 2011, including Tangshan, Handan and Harbin.

- Same-store sales

⇨ Another significant growth driver is same stores sales. In 2011, the same store sales grew by 16.5% (8.6% in 2010) due to the Fast Food Group's continued innovation and execution of various initiatives in product improvement, delivery service, daytime expansion and menu price adjustment. Same store sales, together with the full year sales contribution of 2010 new store openings in 2011, accounts for HK$314 million in sales growth from all existing stores in 2011.

⇨ The table below shows the Fast Food Group’s overall same-store sales for the years ended 31 December 2010 and 2011:

	2011 vs 2010		2010 vs 2009	
	2011	2010	2010	2009
No. of same stores	218	218	185	185
Sales for same stores (HK$’000)	1,291,421	1,108,178	946,372	871,215

	2011 vs 2010	2010 vs 2009
% increase in sales of same stores during comparison year:		
Overall	16.5%	8.6%
By business		
Yoshinoya	18.2%	9.9%
Dairy Queen	4.6%	0.7%

3. Sales breakdown

The table below sets forth the breakdown of the Fast Food Group’s revenue by different geographical areas and the business of the Fast Food Group (the “Business”) for the years ended 31 December 2010 and 2011:

	2011		2010	
a. Area	HK$’000	%sales	HK$’000	%sales
Beijing-Tianjin-Hebei metropolitan region(1)	1,258,715	76.5%	932,477	75.6%
Northeast China and Inner Mongolia (2)	386,027	23.5%	300,845	24.4%
Subtotal	1,644,742	100%	1,233,322*	100%

(1) Includes Beijing, Tianjin, Shijiazhuang, Tangshan, Langfang and Handan.

(2) Include Shenyang, Dalian, HuHeHaoTe and Harbin.

*In the first half of 2010, an immaterial portion (less than 0.1%) of the sales of the Fast Food Group was from two stores selling food and beverages with brands other than the Business. These two stores have been excluded from the Group since the second half of 2010.

b. Business

Yoshinoya	1,462,979	88.5%	1,081,201	87.7%
Dairy Queen	181,763	11.5%	152,121	12.3%
Subtotal	1,644,742	100%	1,233,322*	100%

4. Cost Inflation

- Food cost

  ⇨ From 2009 onwards, China Consumer Price Index has been rising, especially on food cost. Food cost for the main ingredients (beef, chicken, rice, milk) have risen 5-9% in 2011 over 2010. In 2011, food cost % has risen from 38.1% in 2010 to 39.7%. However, with strategic purchase of key food ingredient, improvement in logistics, effective tendering and balanced menu price adjustment, we have maintained food cost at 40% or below.

- Store and distribution centre labor cost

  ⇨ The salary level of employees in the consumer food service industry in China has generally been rising at an average of 10% growth per annum. Store and distribution centre labor cost as a percentage of sales has risen from 9.8% in 2010 to 10.4% in 2011. We expect the per head cost is expected to increase 10-15% in 2012. However, we have improved the work process and IT system and set and monitor multilevel productivity targets to improve labor productivity continuously.

- Store rental cost

  ⇨ With faster urbanization over the last few years, rental cost has gone up as well. Through strategic relationship with key landlords and improving business process, we have controlled rental cost increase within low range. Rental % has gone down from 13.0% in 2010 to 12.1% in 2011. We expect rental cost per square metre to grow moderately at 5-10% in 2012.

The table below sets forth the breakdown of the Fast Food Group's selling expenses in absolute amount and as a percentage of sales for the years ended 31 December 2010 and 2011:

	2011		2010	
	HK$'000	%sales	HK$'000	%sales
Rental	198,910	12.1%	160,173	13.0%
Labor cost	171,122	10.4%	121,378	9.8%
Other operation expenses	303,497	18.5%	220,627	17.9%
Subtotal	673,529	41.0%	502,178	40.7%

- Administrative expenses

  ⇨ The administrative expenses as a percentage of sales increased slightly from 7.2% in 2010 to 7.5% in 2011. This increase was primarily due to an increase in labor costs attributable to the Fast Food Group's administrative function as it expanded its business operations and an increase in other administrative expenses. In 2012, we shall continue to drive administrative efficiency through system and process improvement and setting and monitoring departmental productivity targets.

5. Bank borrowings and accounts payable

- As at 31 December 2011, the Fast Food Group had only interest-bearing bank loans of HK$37.0 million, which are unsecured; the Group's accounts payable amounted to HK$122.1 million or 57 days. The Group gearing ratio was 25.9% (expressed as a percentage of interest bearing bank loans over equity attributable to equity holders of the Company).

6. Stocks

- The Fast Food Group's stocks mainly comprises food ingredients used in its operations, including beef, other meats, rice, frozen and processed vegetables, milk and other dairy products, seasoning and other dried foods and beverages. The stock level increased from HK$53.9 million (41 days) as at 2010 year end to HK$79.3 million (37 days) at 2011 year end. The increase is due to store expansion, as well as, from a rising trend of beef cost which caused the Group to strategically purchase more beef to stock up to contain food cost increase.

OUTLOOK

It is expected that the business environment will continue to be challenging, given the psychological impact on consumption market from European financial crisis, food and labor cost pressure. However, the Fast Food Group believes that our multiple sales building strategies will continue to drive momentum in same store sales and new store expansion. Currently, we strive to maintain similar momentum in our same store sales growth as that in the past two years and we intend to open approximately 90 stores in 2012. In addition, we shall continue to drive efficiencies from innovation and system improvement so as to drive long term sustainable growth.

AUDITED FINANCIAL STATEMENTS

SUMMERFIELD PROFITS LIMITED
(Incorporated in the British Virgin Islands with limited liability)

31 December 2011

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SUMMERFIELD PROFITS LIMITED

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
REVENUE	5	1,644,742	1,234,212
Direct cost of stocks sold		(652,616)	(470,611)
Gross profit		992,126	763,601
Other income and gains, net	6	13,909	3,328
Selling expenses		(673,529)	(502,178)
Administrative expenses		(122,716)	(88,819)
Finance costs	7	(1,682)	(1,577)
PROFIT BEFORE TAX	8	208,108	174,355
Income tax expense	10	(56,119)	(53,917)
PROFIT FOR THE YEAR		151,989	120,438
Attributable to:			
Equity holder of the Company		122,045	98,613
Non-controlling interests		29,944	21,825
		151,989	120,438

Details of the dividends for the year are disclosed in note 11 to the financial statements.

SUMMERFIELD PROFITS LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2011

	2011 HK$'000	2010 HK$'000
PROFIT FOR THE YEAR	151,989	120,438
OTHER COMPREHENSIVE INCOME:		
Exchange differences on translation of foreign operations	8,385	7,966
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	160,374	128,404
Attributable to:		
Equity holder of the Company	128,501	104,729
Non-controlling interests	31,873	23,675
	160,374	128,404

SUMMERFIELD PROFITS LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Year ended 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	12	198,635	170,941
Rental deposits	13	32,629	25,860
Total non-current assets		231,264	196,801
CURRENT ASSETS			
Stocks	15	79,345	53,894
Accounts receivable	16	4,091	3,329
Securities at fair value through profit or loss	17	-	1,512
Prepayments, deposits and other receivables	13	36,267	49,563
Due from the then immediate holding company	18	-	7,800
Due from related companies	18	185	32,908
Cash and cash equivalents	19	331,709	193,696
Total current assets		451,597	342,702
CURRENT LIABILITIES			
Accounts payable	20	122,079	83,139
Other payables and accrued charges	21	157,199	112,214
Due to the immediate holding company	18	44,389	-
Due to related companies	18	7,095	81,069
Dividend payable		155,496	-
Interest-bearing bank loans	22	37,037	24,722
Tax payable		5,377	3,563
Total current liabilities		528,672	304,707
NET CURRENT ASSETS/(LIABILITIES)		(77,075)	37,995
TOTAL ASSETS LESS CURRENT LIABILITIES		154,189	234,796
NON-CURRENT LIABILITIES			
Deferred tax liabilities	23	10,969	18,373
Net assets		143,220	216,423

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SUMMERFIELD PROFITS LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

Year ended 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
EQUITY			
Equity attributable to equity holder of the Company			
Issued share capital	24	363	-
Reserves		142,857	164,280
		143,220	164,280
Non-controlling interests		-	52,143
Total equity		143,220	216,423

SUMMERFIELD PROFITS LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2011

	Attributable to the equity holder of the Company									
	Issued share capital HK$'000	Share premium account* HK$'000	Capital and other reserves* HK$'000 (note a)	Merger reserve* HK$'000 (note b)	Statutory reserve* HK$'000 (note c)	Exchange fluctuation reserve* HK$'000	Retained profits* HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2010	-	-	-	-	18,211	13,904	117,116	149,231	39,459	188,690
Profit for the year	-	-	-	-	-	-	98,613	98,613	21,825	120,438
Exchange differences on translation of foreign operations	-	-	-	-	-	6,116	-	6,116	1,850	7,966
Total comprehensive income for the year	-	-	-	-	-	6,116	98,613	104,729	23,675	128,404
Loan from non-controlling interests	-	-	-	-	-	-	-	-	2,583	2,583
Disposal of subsidiaries (note 26)	-	-	10,617	-	-	457	-	11,074	56	11,130
Deregistration of a subsidiary	-	-	-	-	(285)	(269)	-	(554)	289	(265)
Transfer to statutory reserve	-	-	-	-	7,207	-	(7,207)	-	-	-
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	(2,519)	(2,519)
2010 interim dividends (note 11)	-	-	-	-	-	-	(100,200)	(100,200)	(11,400)	(111,600)
At 31 December 2010 and 1 January 2011	-	-	10,617	-	25,133	20,208	108,322	164,280	52,143	216,423
Profit for the year	-	-	-	-	-	-	122,045	122,045	29,944	151,989
Exchange differences on translation of foreign operations	-	-	-	-	-	6,456	-	6,456	1,929	8,385
Total comprehensive income for the year	-	-		-	-	6,456	122,045	128,501	31,873	160,374
Repayment of loan from non-controlling interests	-	-	-	-	-	-	-	-	(2,561)	(2,561)
2011 interim dividends (note 11)	-	-	-	-	-	-	(180,550)	(180,550)	(36,050)	(216,600)
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	(13,505)	(13,505)
Acquisition of subsidiaries pursuant to the Reorganisation	-	-	4,328	(35,863)	-	-	-	(31,535)	(31,900)	(63,435)
Issue of shares (note 24)	363	62,161	-	-	-	-	-	62,524	-	62,524
At 31 December 2011	363	62,161	14,945	(35,863)	25,133	26,664	49,817	143,220	-	143,220

* These reserve accounts comprise the consolidated reserves of HK$142,857,000 (2010: HK$164,280,000) in the consolidated statements of financial position.

Notes:

(a) The capital and other reserves included the difference of HK$10,617,000 between the consideration received for the disposal of subsidiaries to the then immediate holding company and the carrying value of the net assets of the respective subsidiaries net of non-controlling interests and the release of exchange fluctuation reserve pursuant to a group reorganisation on 18 June 2010.

The capital and other reserves also included the difference of HK$4,328,000 between the consideration of HK$27,572,000 and the carrying value of the non-controlling interests of HK$31,900,000 acquired during the group reorganisation on 28 December 2011 (the "Reorganisation").

(b) The merger reserve represented the difference between the nominal value of the aggregate of the share capital of the subsidiaries and the fair value of the consideration for the acquisition of the equity interest of the subsidiaries under common control during the Reorganisation. Pursuant to the Reorganisation, the Group had acquired the entire equity interests of Hop Hing Investment (Liaoning) Limited, Assets Paradise Limited and Hung's China (Beijing) Limited from their then shareholders at a total consideration of HK$63,435,000, which was settled by issuance of promissory notes of HK$62,524,000 and cash consideration of HK$911,000. Out of the total consideration of HK$63,435,000, HK$27,572,000 was the consideration for acquisition of the non-controlling interests of the Group.

(c) In accordance with the Company Law of the People's Republic of China (the "PRC"), the Company's subsidiaries registered in the PRC are required to appropriate 10% of the annual statutory net profit after tax (after offsetting any prior year' losses) to the statutory reserve fund. When the balance of the statutory reserve fund reaches 50% of each entity's registered capital, any further appropriation is optional. The statutory reserve fund can be utilised to offset prior year' losses or to increase the registered capital. However, such balance of the statutory reserve fund must be maintained at a minimum of 50% of the registered capital after such usages.

SUMMERFIELD PROFITS LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		208,108	174,355
Adjustments for:			
Interest income	6	(3,328)	(2,055)
Finance costs	7	1,682	1,577
Depreciation	8	78,804	62,601
Loss on disposal/write-off of items of property, plant and equipment	8	2,068	1,175
Gain on disposal of securities at fair value through profit or loss	8	(120)	(423)
		287,214	237,230
Increase in stocks		(25,451)	(1,892)
Increase in accounts receivable		(762)	(296)
Decrease/(increase) in prepayments, deposits and other receivables		6,527	(29,307)
Decrease in an amount due from a director		-	1,683
Decrease in amounts due from related companies		32,723	2,819
Increase in accounts payable		38,940	18,055
Increase in other payables and accrued charges		44,985	23,799
Increase/(decrease) in amounts due to related companies		(73,974)	74,833
Cash generated from operations		310,202	326,924
Interest received		3,328	2,055
Hong Kong profits tax paid		(907)	(108)
Overseas taxes paid		(61,506)	(47,837)
Net cash flows from operating activities		251,117	281,034
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		(99,615)	(89,186)
Decrease in an amount due from a related company		-	11,364
Disposal of subsidiaries	26	-	(9,540)
Decrease in an amount due from the then immediate holding company		7,800	-
Deregistration of a subsidiary		-	(265)
Proceed from securities at fair value through profit or loss		1,632	144
Cash consideration for acquisition of subsidiaries pursuant to the Reorganisation		(911)	-
Increase in non-pledged time deposits with original maturity of more than three months when acquired		(32,584)	(10,224)
Net cash flows used in investing activities		(123,678)	(97,707)

SUMMERFIELD PROFITS LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

Year ended 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of a loan from non-controlling interests		(2,561)	2,583
Increase in an amount due to the immediate holding company		44,389	-
Dividend paid to non-controlling interests		(49,555)	(13,919)
Interest paid		(1,682)	(1,577)
Increase in interest-bearing bank loans		12,315	870
Dividends paid		(25,054)	(100,200)
Net cash flows used in financing activities		(22,148)	(112,243)
NET INCREASE IN CASH AND CASH EQUIVALENTS		105,291	71,084
Cash and cash equivalents at beginning of year		158,379	84,546
Effect of foreign exchange rate changes, net		138	2,749
CASH AND CASH EQUIVALENTS AT END OF YEAR		263,808	158,379
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents as stated in the statements of financial position	19	331,709	193,696
Less: non-pledged time deposits with original maturity of more than three months when acquired	19	(67,901)	(35,317)
Cash and cash equivalents as stated in the statements of cash flows		263,808	158,379

1. CORPORATE INFORMATION

The Company is a limited liability company incorporated in the British Virgin Islands (the "BVI") on 23 March 2000 under the International Business Act of the BVI. The Company's registered office is located at Offshore Incorporations Limited, PO Box 957, Offshore Incorporations Centre, Road Town, Tortola, the BVI.

The Company is an investment holding company. During the year, the Group is principally engaged in the operation of fast food restaurants chain and ice-cream shops. In the opinion of the Directors, the ultimate holding company of the Company as at 31 December 2011 is Queen Board Limited, which was incorporated in the BVI.

2.1 GROUP REORGANISATION AND BASIS OF PREPARATION

Pursuant to the group reorganisation (the "Reorganisation") to rationalise the existing group structure for the purpose of the acquisition of entire issued share capital of the Company by Hop Hing Group Holdings Limited ("Hop Hing") as set out in the circular of Hop Hing dated 30 December 2011 (the "Circular"), the Company became the holding company of the companies now comprising the Group through Hawick Limited on 28 December 2011.

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 Reorganisation had been completed at the beginning of the year ended 31 December 2010 because the acquisition of the companies, except for Hung's China (Beijing) Limited and Amazing Limited (collectively referred as "Hung's China Group"), in the Reorganisation by Hawick Limited, a wholly-owned subsidiary of the Company, were regarded as a business combination under common control of The H H Hung (2000) Discretionary Trust, the ultimate controlling shareholder of the Company before and after the Reorganisation. The directors considered that The H H Hung (2000) Discretionary Trust, of which its wholly-owned subsidiary, Hop Hing (Ginger) Limited ("Ginger"), indirectly held 50% equity interest of the Company and Hop Hing Investment (Liaoning) Company Limited, had control over the Group because the non-controlling shareholder (the "MI") which indirectly held the remaining 50% equity interest of the Company and Hop Hing Investment (Liaoning) Company Limited, agreed to exercise its voting rights in accordance with the instructions of Ginger.

Miscellaneous (2008) Limited, which held 100% equity interest of Assets Paradise Limited, was also ultimately controlled by The H H Hung (2000) Discretionary Trust. Accordingly, the companies, except for Hung's China Group, now comprising the Group are controlled by The H H Hung (2000) Discretionary Trust, the ultimate controlling shareholder of the Company before and after the Reorganisation.

2.1 GROUP REORGANISATION AND BASIS OF PREPARATION (continued)

The consolidated income statements, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the Group for the years ended 31 December 2011 and 2010 include the results and cash flows of all companies now comprising the Group from the earliest date presented or since the dates when the subsidiaries first came under the common control of the controlling shareholder, where this is a shorter period. The consolidated statement of financial position of the Group as at 31 December 2010 has been prepared to present the assets and liabilities of the Group using the existing carrying values from the controlling shareholder perspective. No adjustments are made to reflect fair values, or recognise any new assets or liabilities as a result of the Reorganisation.

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

These financial statements have been prepared in accordance with HKFRSs (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the HKICPA and accounting principles generally accepted in Hong Kong. All HKFRSs effective for the accounting periods commencing from 1 January 2011, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the financial statement throughout the years ended 31 December 2011 and 2010.

These financial statements have been prepared under the historical cost convention, except for securities at fair value through profit or loss which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

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 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*[1]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets*[1]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*[5]
HKFRS 9	*Financial Instruments*[6]
HKFRS 10	*Consolidated Financial Statements*[4]
HKFRS 11	*Joint Arrangements*[4]
HKFRS 12	*Disclosure of Interests in Other Entities*[4]
HKFRS 13	*Fair Value Measurement*[4]
HKAS 1 Amendments	*Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*[3]
HKAS 12 Amendments	Amendments to HKAS 12 *Income Taxes – Deferred Tax: Recovery of Underlying Assets*[2]
HKAS 19 (2011)	*Employee Benefits*[4]
HKAS 27 (2011)	*Separate Financial Statements*[4]
HKAS 28 (2011)	*Investments in Associates and Joint Ventures*[4]
HKAS 32 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*[5]
HK(IFRIC)-Int 20	*Stripping Costs in the Production Phase of a Surface Mine*[4]

1 Effective for annual periods beginning on or after 1 July 2011
2 Effective for annual periods beginning on or after 1 January 2012
3 Effective for annual periods beginning on or after 1 July 2012
4 Effective for annual periods beginning on or after 1 January 2013
5 Effective for annual periods beginning on or after 1 January 2014
6 Effective for annual periods beginning on or after 1 January 2015

Further information about those changes that are expected to significantly affect the Group is as follows:

HKFRS 12 includes the disclosure requirements for subsidiaries, joint arrangements, associates and structured entities that are previously included in HKAS 27 *Consolidated and Separate Financial Statements*, HKAS 31 *Interests in Joint Ventures* and HKAS 28 *Investments in Associates*. It also introduces a number of new disclosure requirements for these entities.

Consequential amendments were made to HKAS 27 and HKAS 28 as a result of the issuance of HKFRS 10, HKFRS 11 and HKFRS 12. The Group expects to adopt HKFRS 10, HKFRS 11, HKFRS 12, and the consequential amendments to HKAS 27 and HKAS 28 from 1 January 2013.

2.2 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

Amendments to HKAS 1 change the grouping of items presented in other comprehensive income. Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items which will never be reclassified. The Group expects to adopt the amendments from 1 January 2013.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

These financial statements incorporate the financial statements of the Company and its subsidiaries for the years ended 31 December 2011 and 2010.

As explained in note 2.1 above, the acquisition of subsidiaries under common control has been accounted for using the merger method of accounting.

The merger method of accounting involves incorporating the financial statement items of the combining entities or businesses in which the common control combination occurs as if they had been consolidated from the date when the combining entities or businesses first came under the control of the controlling party. No amount is recognised in respect of goodwill or the excess of the acquirers' interest in the net fair value of acquirees' identifiable assets, liabilities and contingent liabilities over the cost of investment at the time of common control combination. The consolidated income statements include the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under common control or since their respective dates of incorporation/establishment, where this is a shorter period, regardless of the date of the common control combination.

All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for an equity transaction.

Subsidiaries

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

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

(i) the entity and the Group are members of the same group;

(ii) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(iii) the entity is controlled or jointly controlled by a person identified in (a); and

(iv) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation (continued)
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:

Leasehold improvements	Over the shorter of the lease terms and 33.33%
Furniture and fixtures	20% to 33.33%
Equipment	20% to 33.33%
Motor vehicles	10% to 25%

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 and 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 sale proceeds and the carrying amount of the relevant asset.

Impairment of non-financial assets
Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than stocks 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 to sell, 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.

An assessment is made at the end of the reporting period as to whether there is any 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) had no impairment loss been recognised for the asset in prior year. A reversal of such an impairment loss is credited to the income statement in the period in which it arises.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 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.

Investments and other financial assets

Initial recognition and measurement

Financial assets within the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss.

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

The Group's financial assets include cash and bank balances, time deposits, securities at fair value through profit or loss, accounts and other receivables, deposits and amounts due from the then immediate holding company and related companies.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by HKAS 39. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the income statement. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition" below.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Financial assets at fair value through profit or loss (continued)

The Group evaluates its financial assets at fair value through profit or loss (held for trading) to assess whether the intent to sell them in the near term is still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets and management's intent to sell them in the foreseeable future significantly changes, the Group may elect to reclassify these financial assets. The reclassification from financial assets at fair value through profit or loss to loans and receivables, available-for-sale financial assets or held-to-maturity investments depends on the nature of the assets.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the income statement. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

Loans and receivables

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 finance income in the income statement. The loss arising from impairment is recognised in the income statement in other expenses.

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 derecognised 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial assets (continued)
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 asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

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

Impairment of financial assets
The Group assesses at the end of the reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has 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 individually whether objective evidence of impairment exists 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.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss 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 yet 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). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Financial assets carried at amortised cost (continued)

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

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

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of HKAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

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

The Group's financial liabilities include accounts and other payables, accrued charges, interest-bearing bank loans, amounts due to the immediate holding company and related companies and dividend payables.

Subsequent measurement

Loans and borrowings

After initial recognition, interest-bearing bank loan is subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case it is 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

Stocks

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

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, 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Current tax assets and liabilities for the current and prior periods 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, and 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.

The carrying amount of deferred tax assets is reviewed at the end of the 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 the 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)
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 the 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.

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:

(a) from the sale of food and beverage products from fast food restaurants and ice-cream shops at the point of sale to customer;
(b) interest income, on an accrual basis using the effective interest rate method by applying the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset; and
(c) dividend income, when the shareholder's right to receive payment has been established.

Employee benefits
The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all of its employees. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statements as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's 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. The subsidiaries operating in Mainland China are required to contribute 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

The functional currency of the Company is Renminbi ("RMB") while the financial statements are presented in HK$. 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 ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. All differences arising on settlement or translating of monetary items are taken to 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 determined. The gain or loss arising on retranslation of a non-monetary item is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation differences on item whose fair value gain or loss is recognised in other comprehensive income or income statement is also recognised in other comprehensive income or income statement, respectively).

As at the end of the reporting period, the assets and liabilities of certain overseas subsidiaries are translated into the presentation currency of the Group at the exchange rates ruling at the end of the reporting period and their income statements are translated into HK$ 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 subsidiaries are translated into HK$ at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of subsidiaries which arise throughout the year are translated into HK$ at the weighted average exchange rates for each of the reporting periods.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS

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 the disclosure of contingent liabilities, at the end of the reporting period. However, 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 the 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 has a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, is described below.

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

In determining the useful lives and residual values of items of property, plant and equipment, the Group has to consider various factors, such as obsolescence arising from changes or improvements in the production and provision of services, or from a change in the market demand for the product or service output of the asset, expected usage of the asset, 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.

5. REVENUE

Revenue, which is also the Group's turnover, represents the net invoiced value of food and beverage products sold, net of relevant business tax and allowances for returns and trade discounts.

	2011 HK$'000	2010 HK$'000
Sale of food and beverage products from fast food restaurants and ice-cream shops	1,644,742	1,234,212

6. OTHER INCOME AND GAINS, NET

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

	2011 HK$'000	2010 HK$'000
Bank interest income	3,328	1,430
Loan interest income	-	625
Compensation	1,951	996
Exchange gains/(losses), net	7,304	(170)
Gain on disposal of securities at fair value through profit or loss	120	423
Others	1,206	24
	13,909	3,328

7. FINANCE COSTS

	2011 HK$'000	2010 HK$'000
Interest on bank loans wholly repayable within five years	1,460	1,188
Others	222	389
	1,682	1,577

8. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	2011 HK$'000	2010 HK$'000
Direct cost of stocks sold	652,616	470,611
Depreciation	78,804	62,601
Lease payments under operating leases in respect of land and buildings		
- Minimum lease payments	180,349	146,083
- Contingent rents	28,544	21,583
Employee benefit expenses (excluding directors' remuneration (note 9)):		
Wages and salaries	183,013	126,707
Retirement benefit scheme contributions	51,320	43,201
	234,333	169,908
Auditors' remuneration	1,430	1,897
Legal and professional fee in relation to group reorganisation	4,875	-
Loss on disposal/write-off of items of property, plant and equipment	2,068	1,175
Gain on disposal of securities at fair value through profit or loss	(120)	(423)
Exchange losses/(gains), net	(7,304)	170
Bank interest income	(3,328)	(1,430)
Loan interest income	-	(625)

9. DIRECTORS' REMUNERATION

Details of the directors' remuneration are as follows:

	2011 HK$'000	2010 HK$'000
Fees	240	240
Other emoluments:		
Salaries, bonuses, allowances and benefits in kind	1,590	1,517
Retirement benefit scheme contributions	34	-
	1,864	1,757

10. INCOME TAX

Hong Kong profits tax has been provided on the estimated assessable profits arising in Hong Kong at the rate of 16.5% (2010: 16.5%). Taxes on profits assessable elsewhere have been calculated at the rate of tax prevailing in the locations in which the Group operates.

Pursuant to the Corporate Income Tax Law (the "New PRC 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.

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

	2011 HK$'000	2010 HK$'000
Current - Hong Kong		
Charge for the year	920	955
Overprovision in prior years	(1)	(932)
Current - Elsewhere		
Charge for the year	52,339	43,554
Deferred (note 23)	2,861	10,340
Total tax charge for the year	56,119	53,917

10. INCOME TAX (continued)

A reconciliation of the tax expense applicable to profit before tax at the statutory tax rates for the regions in which the Company and its subsidiaries are domiciled to the tax expense at the effective tax rates is as follows:

	2011 HK$'000	2010 HK$'000
Profit before tax	208,108	174,355
Tax at the statutory tax rates	49,162	41,622
Adjustment in respect of current tax of prior year	(1)	(932)
Income not subject to tax	(7)	(32)
Expenses not deductible for tax	4,035	2,706
Effect of withholding tax on the distributable profits of the Group's PRC subsidiaries	2,861	10,340
Tax losses not recognised	69	213
Tax charge at the Group's effective tax rates	56,119	53,917

11. DIVIDENDS

The dividends paid by the Company and one of the Company's subsidiaries, Hop Hing Investment (Liaoning) Company Limited, to their shareholders during the year were as follows:

	2011 HK$'000	2010 HK$'000
Interim dividends	216,600	111,600

The interim dividends for the year of HK$144,500,000 (2010: HK$88,800,000) at a rate of HK$144,500,000 (2010: HK$88,800,000) per share and HK$72,100,000 (2010: HK$22,800,000) at a rate of HK$72,100,000 (2010: HK$22,800,000) per share were declared by the Company and Hop Hing Investment (Liaoning) Company Limited, respectively, to their then shareholders. Out of the total interim dividends, HK$36,050,000 (2010: HK$11,400,000) was paid to a non-controlling shareholder of Hop Hing Investment (Liaoning) Company Limited during the year.

12. PROPERTY, PLANT AND EQUIPMENT

	Furniture, fixtures and leasehold improvements HK$'000	Equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
2011				
Cost:				
At 1 January 2011	184,570	188,698	3,111	376,379
Additions	53,931	44,822	862	99,615
Disposal/write-off	(6,523)	(5,491)	(39)	(12,053)
Exchange realignment	10,568	10,484	179	21,231
At 31 December 2011	242,546	238,513	4,113	485,172
Accumulated depreciation:				
At 1 January 2011	113,938	89,916	1,584	205,438
Provided during the year	45,955	31,829	1,020	78,804
Disposal/write-off	(5,724)	(4,257)	(4)	(9,985)
Exchange realignment	6,887	5,282	111	12,280
At 31 December 2011	161,056	122,770	2,711	286,537
Net book value:				
At 31 December 2011	81,490	115,743	1,402	198,635
2010				
Cost:				
At 1 January 2010	132,877	156,179	2,725	291,781
Additions	52,392	36,508	286	89,186
Disposals/write-off	(4,208)	(7,395)	(7)	(11,610)
Disposal of subsidiaries (note 26)	(2,511)	(2,950)	-	(5,461)
Exchange realignment	6,020	6,356	107	12,483
At 31 December 2010	184,570	188,698	3,111	376,379
Accumulated depreciation:				
At 1 January 2010	79,182	69,634	1,063	149,879
Provided during the year	36,916	25,214	471	62,601
Disposals/write-off	(3,734)	(6,700)	(1)	(10,435)
Disposal of subsidiaries (note 26)	(2,113)	(1,205)	-	(3,318)
Exchange realignment	3,687	2,973	51	6,711
At 31 December 2010	113,938	89,916	1,584	205,438
Net book value:				
At 31 December 2010	70,632	98,782	1,527	170,941
At 31 December 2009	53,695	86,545	1,662	141,902

13. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2011 HK$'000	2010 HK$'000
Prepayments	27,869	43,213
Deposits	36,762	29,013
Other receivables	4,265	3,197
	68,896	75,423
Current portion included in prepayments, deposits and other receivables	(36,267)	(49,563)
Non-current portion: rental deposits	32,629	25,860

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.

14. PARTICULARS OF SUBSIDIARIES

Particulars of the principal subsidiaries of the Company

Company name	Place of incorporation/ establishment	Nominal value of issued ordinary share capital/paid-up registered capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Hawick Limited 夏域有限公司	Hong Kong ("HK")	HK$1,000,000	100	-	Investment holding
Hop Hing (Anegada) Limited	BVI/HK	US$1	-	100	Investment holding
Hop Hing Investment (Liaoning) Company Limited	BVI/HK	US$1	-	100	Investment holding
Asset Paradise Limited	BVI/HK	US$2	-	100	Investment holding
Hop Hing Fast Food China North Investment Co. Ltd 合興快餐(中國北方)投資有限公司	BVI/HK	US$1	-	100	Investment holding and provision of management services

14. PARTICULARS OF SUBSIDIARIES (continued)

Company name	Place of incorporation/ establishment	Nominal value of issued ordinary share capital/paid-up registered capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Best Realm Profits Limited	BVI/HK	US$1	-	100	Investment holding
Hop Hing Franchise Limited 合興特許有限公司	HK	HK$1	-	100	Provision of management services
Hop Hing Fast Food Limited 合興快餐有限公司	HK	HK$7,000,000	-	100	Provision of management services
Starwood Shine Limited 星活有限公司	HK	HK$1	-	100	Investment holding
Excel Leader Group Limited 智領集團有限公司	HK	HK$1	-	100	Investment holding
Bravo Gain Holdings Limited 佳得控股有限公司	HK	HK$1	-	100	Investment holding
Champ Base Investments Limited 迅機投資有限公司	HK	HK$1	-	100	Provision of management services
Beijing Yoshinoya Fast Food Company Limtied* 北京吉野家快餐有限公司	PRC	RMB18,770,000	-	100	Fast food restaurant operation
Liaoning Hop Hing Fast Food Company Limited * 遼寧合興快餐有限公司	PRC	HK$9,100,000	-	100	Fast food restaurant operation
Dalian Hexing Fast Food Company Limited * 大連合興快餐有限公司	PRC	US$800,000	-	100	Fast food restaurant operation
HuHeHaoTe Hop Hing Catering Management Company Limited * 呼和浩特合興隆餐飲管理有限公司	PRC	RMB500,000	-	100	Fast food restaurant operation

14. PARTICULARS OF SUBSIDIARIES (continued)

Company name	Place of incorporation/ establishment	Nominal value of issued ordinary share capital/paid-up registered capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Inner Mongolia Xingmeng Foods Development Company Limited ("Xingmeng") #, ∧ 內蒙古興蒙快餐開發有限公司	PRC	RMB3,800,000	-	84.21	Fast food restaurant operation
Harbin Hop Hing Catering Management Limited * 哈爾濱合興餐飲管理有限公司	PRC	RMB2,000,000	-	100	Fast food restaurant operation
Hung's China (Beijing) Limited	BVI/HK	US$100	-	100	Investment holding
Amazing Limited 美灝有限公司	HK	HK$1	-	100	Investment holding

During the year, Harbin Hop Hing Catering Management Limited ("哈爾濱合興餐飲管理有限公司") was established in the PRC with a registered capital of RMB2,000,000 on 5 August 2011.

Notes:

* Registered as wholly-foreign-owned enterprises under the laws of the PRC.

Registered as a Sino-foreign equity joint venture enterprises under the laws of the PRC.

∧ The subsidiary commenced its deregistration process in 2009 after the expiry of its operation period. Up to the date of approval of these financial statements, the deregistration process was still in progress.

15. STOCKS

	2011 HK$'000	2010 HK$'000
Food and beverage	61,821	43,450
Consumables	17,524	10,444
	79,345	53,894

16. ACCOUNTS RECEIVABLE

The Group's trading terms with its customers are mainly on cash. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Accounts receivable are non-interest-bearing.

Receivables were neither past due nor impaired and relate mainly to accounts receivable from shopping malls for whom there was no recent history of default.

17. SECURITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	2011 HK$'000	2010 HK$'000
Listed equity investments in the PRC, at market value	-	1,512

The above equity investments were classified as held for trading as at 31 December 2010.

18. BALANCES WITH THE THEN IMMEDIATE HOLDING COMPANY, THE IMMEDIATE HOLDING COMPANY AND RELATED COMPANIES

Balances with the then immediate holding company, the immediate holding company and related companies are unsecured, interest-free and have no fixed terms of repayment.

Certain directors of the related companies are also directors of the Company.

19. CASH AND CASH EQUIVALENTS

	2011 HK$'000	2010 HK$'000
Cash and bank balances	236,647	158,379
Non-pledged time deposits with original maturity of less than three months when acquired	27,161	-
Non-pledged time deposits with original maturity of more than three months when acquired	67,901	35,317
	331,709	193,696

Cash and cash equivalents are denominated in:

	2011	2010
HK$	6,161	4,613
RMB	325,353	184,224
United States Dollar ("US$")	195	4,859
	331,709	193,696

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

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

20. ACCOUNTS PAYABLE

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

	2011 HK$'000	2010 HK$'000
Within 3 months	111,037	81,205
3 to 6 months	4,964	1,237
6 to 12 months	3,238	294
Over 12 months	2,840	403
	122,079	83,139

The accounts payable are non-interest-bearing and have average payment terms of one to three months.

21. OTHER PAYABLES AND ACCRUED CHARGES

	2011 HK$'000	2010 HK$'000
Other payables	38,997	40,265
Accrued charges	118,202	71,949
	157,199	112,214

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

22. INTEREST-BEARING BANK LOANS

	2011 HK$'000	2010 HK$'000
Bank loans, unsecured	37,037	24,722

The Group's bank loans bear interest at fixed rates ranged from 4.9% to 6.7% per annum (2010: 4.9% per annum) were denominated in RMB.

23. DEFERRED TAX LIABILITIES

The movements in deferred tax liabilities during the year are as follows:

	Withholding taxes HK$'000
At 1 January 2010	9,017
Deferred tax charged to the consolidated income statement during the year (note 10)	10,340
Withholding tax paid on repatriation of earnings from PRC subsidiaries	(1,539)
Exchange realignment	555
At 31 December 2010 and 1 January 2011	18,373
Deferred tax charged to the consolidated income statement during the year (note 10)	2,861
Withholding tax paid on repatriation of earnings from PRC subsidiaries	(10,969)
Exchange realignment	704
At 31 December 2011	10,969

Pursuant to the New PRC Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in the PRC. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. 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%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in the PRC in respect of earnings generated from 1 January 2008.

24. SHARE CAPITAL

	2011 HK$'000	2010 HK$'000
Authorised:		
50,000 (2010: 50,000) ordinary shares of US$1 each	390	390
Issued and fully paid:		
46,509 (2010: 1) ordinary shares of US$1 each	363	-

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

	Number of shares in issue	Issued share capital HK$'000	Share premium account HK$'000	Total HK$'000
At 1 January 2010, 31 December 2010 and 1 January 2011	1	-	-	-
New issues (note)	46,508	363	62,161	62,524
At 31 December 2011	46,509	363	62,161	62,524

Note:
Pursuant to the Reorganisation, Hawick Limited acquired certain group companies now comprising the Group from their then shareholders ("Notes Holders") on 28 December 2011. Part of the consideration were settled by Hawick Limited through issuance of promissory notes ("Hawick Notes") of HK$62,524,000. The Hawick Notes were then assigned to Queen Board Limited, the ultimate holding company. In return to assuming this payment obligation, Queen Board Limited recorded an amount due from Hawick Limited of HK$62,524,000 and then assigned such receivable to the Company to settle the consideration of HK$62,524,000 for the subscription of 46,508 ordinary shares of US$1 each. Accordingly, the difference of HK$62,161,000 between the carrying value of such receivable of HK$62,524,000 and the nominal value of 46,508 ordinary shares of HK$363,000 was recorded as share premium.

25. RELATED PARTY TRANSACTIONS

(i) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year:

	Notes	2011 HK$'000	2010 HK$'000
Management fee to a related company	(a)	3,328	3,094
Interest income from a related company	(b)	-	625
Expenses charged by a related company	(c)	10,307	5,022
Purchases from a related company	(d)	178	137

Notes:

(a) Management fee to a related company of which certain directors were also directors of the Company was based on mutually agreed terms.

(b) Interest income was charged at a rate of 5.3% per annum on an amount due from a related company of which a director was also a director of the Company. The amount due from the related company was fully repaid in last year.

(c) The expenses were charged on an actual incurred basis by a related company of which certain directors were also directors of the Company.

(d) The purchases of materials were on normal commercial terms in the ordinary and usual course of business of the Group. A director of the Company is also a director of the related company.

(ii) Compensation of key management personnel of the Group, including directors' remuneration as disclosed in note 9 to the financial statements, is as follows:

	2011 HK$'000	2010 HK$'000
Short-term employee benefits	8,676	6,146
Post-employment benefits	146	171
	8,822	6,317

26. DISPOSAL OF SUBSIDIARIES

On 18 June 2010, the Group disposed of its equity interest in Advance Move International Limited and its subsidiaries, Canary Glory Limited and its subsidiaries, Onknight Holdings Limited and its subsidiary, Hop Hing Fast Food Franchise Holdings Limited and Yoshinoya Franchise Holdings Limited to the then immediate holding company of the Company at an aggregate consideration of HK$7,800,000. The management considered that such disposal was a distribution of the subsidiaries to the immediate holding company as the principal activities of the subsidiaries were not related to the principal activities of the Group. Thus, the difference between the consideration and the net liabilities of the subsidiaries being disposed of, net of the non-controlling interests and release of exchange fluctuation reserve was credited as a shareholder's contribution under capital reserve.

	HK$'000
Net assets/(liabilities) disposed of:	
Property, plant and equipment (note 12)	2,143
Stocks	1,017
Accounts receivable	9
Prepayments, deposits and other receivables	192
Due from related companies	13,618
Cash and bank balances	9,540
Accounts payable	(303)
Due to related companies	(28,139)
Other payables and accrued charges	(369)
Tax payable	(1,038)
Non-controlling interests	56
	(3,274)
Release of exchange fluctuation reserve upon disposal	457
Shareholder's contribution under capital reserve	10,617
	7,800
Satisfied by:	
Amount due from the then immediate holding company	7,800

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

	HK$'000
Cash and bank balances disposed of and net cash outflow in respect of the disposal of subsidiaries	(9,540)

27. OPERATING LEASE COMMITMENTS

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

As at 31 December 2011, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2011 HK$'000	2010 HK$'000
Within one year	206,752	152,009
In the second to fifth years, inclusive	657,177	471,018
Beyond five years	591,831	435,655
	1,455,760	1,058,682

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 the minimum lease commitments have been included in the above table.

28. COMMITMENTS

In addition to the operating lease commitments detailed in note 27 above, the Group had contracted but not provided for capital commitments in relation to the acquisition of property, plant and equipment of HK$624,000 (2010: Nil) at the end of the reporting period.

29. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

Financial assets

	2011 HK$'000	2010 HK$'000
Financial assets at fair value through profit or loss		
Securities at fair value through profit or loss	-	1,512
	-	1,512
Loans and receivables		
Accounts receivable	4,091	3,329
Financial assets included in prepayments, deposits and other receivables	41,032	32,210
Due from the then immediate holding company	-	7,800
Due from related companies	185	32,908
Cash and cash equivalents	331,709	193,696
	377,017	269,943
	377,017	271,455

Financial liabilities

	2011 HK$'000	2010 HK$'000
Financial liabilities at amortised cost		
Accounts payable	122,079	83,139
Other payables and accrued charges	157,199	112,214
Due to the immediate holding company	44,389	-
Due to related companies	7,095	81,069
Interest-bearing bank loans	37,037	24,722
	367,799	301,144

30. FAIR VALUE HIERARCHY

The Group uses the following hierarchy for determining and disclosing the fair values of financial instruments:

Level 1: fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: fair values measured based on valuation techniques for which any inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs)

As at 31 December 2010, the Group's securities at fair value through profit or loss are under Level 1.

During the years ended 31 December 2011 and 2010, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash and cash equivalents and interest-bearing bank loans. The Group has various other financial assets and liabilities such as accounts receivable, other receivables, accounts payable, other payables, accrued charges and balances with related parties.

The main risks arising from the Group's financial instruments are foreign currency risk, credit risk and liquidity risk. The directors review and agree policies for managing each of these risks and they are summarised below.

Foreign currency risk

The Group's monetary assets, liabilities and transactions are principally denominated in Hong Kong dollars or Renminbi. Given that fluctuations between Renminbi and Hong Kong dollars are under the control of the PRC government, the foreign currency risk is considered not material and the Group therefore does not have a foreign currency hedging policy. However, the management monitors the Group's foreign exchange exposure and will consider hedging significant foreign currency exposure when the need arises.

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral.

The credit risk of the Group's other financial assets, which comprise accounts receivable, other receivables, deposits, amounts due from related parties and cash and cash equivalents, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank borrowings. The Group regularly reviews its major funding positions to ensure that it has adequate financial resources in meeting its financial obligations.

The maturity profile of the financial liabilities of the Group as at 31 December 2011 and 2010, based on the contractual undiscounted payments, was less than one year.

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 the shareholder's 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 the shareholder, return capital to the shareholder or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the year.

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

	2011 HK$'000	2010 HK$'000
Interest-bearing bank loans	37,037	24,722
Equity attributable to the equity holder of the Company	143,220	164,280
Gearing ratio	25.9%	15.0%

32. EVENT AFTER THE REPORTING PERIOD

On 12 March 2012, Hop Hing Group Holdings Limited completed its acquisition of entire issued share capital of the Company.

Further details of the completion of the acquisition were disclosed in Hop Hing Group Holding Limited's announcement dated 12 March 2012.

33. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 21 March 2012.