# HOP HING GROUP HOLDINGS LIMITED

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 47)**

## ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2012

The Board of Directors (the "Board") of Hop Hing Group Holdings Limited (the "Company") herein present their unaudited condensed consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2012, together with the comparative amounts.

These interim financial results have not been audited, but have been reviewed by the Company's audit committee and the Company's auditors.

## CONDENSED CONSOLIDATED INCOME STATEMENT

| | Notes | Unaudited For the six months ended 30 June 2012 HK$'000 | 2011 HK$'000 (Restated) |
|---|---|---|---|
| **TURNOVER** | *5* | **1,389,025** | 1,128,374 |
| Direct cost of stocks sold and services provided | | **(711,965)** | (581,041) |
| Other income and gains, net | *5* | **5,313** | 3,650 |
| Other production and service costs | | **(27,332)** | (27,188) |
| Selling and distribution costs | | **(453,191)** | (346,277) |
| General and administrative expenses | | **(84,308)** | (78,613) |
| **PROFIT FROM OPERATING ACTIVITIES** | *6* | **117,542** | 98,905 |
| Finance costs | *7* | **(6,113)** | (5,905) |
| **PROFIT BEFORE TAX** | | **111,429** | 93,000 |
| Income tax expense | *8* | **(37,552)** | (31,360) |
| **PROFIT FOR THE PERIOD** | | **73,877** | 61,640 |
| **PROFIT ATTRIBUTABLE TO:** | | | |
| Equity holders of the Company | | **59,516** | 30,080 |
| Non-controlling interests | | **14,361** | 31,560 |
| | | **73,877** | 61,640 |
| **EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY** | *9* | | |
| Basic | | **HK11.47 cents** | HK5.88 cents |
| Diluted | | **HK0.60 cent** | HK0.30 cent |

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | Unaudited For the six months ended 30 June | |
|---|---|---|
| | **2012** | 2011 |
| | ***HK$'000*** | *HK$'000* |
| | | (Restated) |
| **PROFIT FOR THE PERIOD** | **73,877** | 61,640 |
| **OTHER COMPREHENSIVE INCOME/(EXPENSE)** | | |
| Release of exchange fluctuation reserve upon disposal of a subsidiary | **(2,039)** | – |
| Release of exchange fluctuation reserve upon de-registration of a subsidiary | **(133)** | – |
| Exchange differences on translation of foreign operations | **–** | 8,718 |
| **OTHER COMPREHENSIVE INCOME/(EXPENSE) FOR THE PERIOD** | **(2,172)** | 8,718 |
| **TOTAL COMPREHENSIVE INCOME FOR THE PERIOD** | **71,705** | 70,358 |
| **TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:** | | |
| Equity holders of the Company | **58,343** | 35,570 |
| Non-controlling interests | **13,362** | 34,788 |
| | **71,705** | 70,358 |

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | Notes | **Unaudited 30 June 2012 *HK$'000*** | Unaudited 31 December 2011 *HK$'000* (Restated) |
|---|---|---|---|
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | *10* | **421,935** | 405,789 |
| Prepaid land lease payments | | **26,907** | 27,268 |
| Trademarks | | **125,154** | 124,310 |
| Deferred tax assets | | **476** | 476 |
| Rental deposits | | **38,046** | 32,629 |
| **Total non-current assets** | | **612,518** | 590,472 |
| **CURRENT ASSETS** | | | |
| Stocks | | **262,184** | 222,852 |
| Accounts receivable | *11* | **129,173** | 120,342 |
| Prepayments, deposits and other receivables | | **68,149** | 61,103 |
| Amounts due from related companies | | **–** | 185 |
| Tax recoverable | | **290** | 290 |
| Pledged bank deposits | | **37,379** | 44,907 |
| Cash and cash equivalents | | **240,268** | 465,461 |
| | | **737,443** | 915,140 |
| Non-current assets held for disposal | *12* | **3,693** | – |
| **Total current assets** | | **741,136** | 915,140 |
| **CURRENT LIABILITIES** | | | |
| Accounts payable | *13* | **163,978** | 173,955 |
| Bills payable | | **–** | 26,235 |
| Other payables and accrued charges | | **273,787** | 362,032 |
| Interest-bearing bank loans | *14* | **189,083** | 228,766 |
| Tax payable | | **11,311** | 8,109 |
| Amounts due to related companies | | **–** | 7,095 |
| Amount due to a then shareholder of a subsidiary | | **–** | 44,389 |
| **Total current liabilities** | | **638,159** | 850,581 |

| | Notes | Unaudited 30 June 2012 *HK$'000* | Unaudited 31 December 2011 *HK$'000* (Restated) |
|---|---|---|---|
| **NET CURRENT ASSETS** | | **102,977** | 64,559 |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | **715,495** | 655,031 |
| **NON-CURRENT LIABILITIES** | | | |
| Deferred tax liabilities | | **11,304** | 12,918 |
| **NET ASSETS** | | **704,191** | 642,113 |
| **EQUITY** | | | |
| **Equity attributable to equity holders of the Company** | | | |
| Issued share capital | *15* | **52,008** | 51,566 |
| Convertible securities and reserves | | **651,989** | 516,961 |
| | | **703,997** | 568,527 |
| **Non-controlling interests** | | **194** | 73,586 |
| **Total equity** | | **704,191** | 642,113 |

## NOTES

### 1. BUSINESS COMBINATIONS UNDER COMMON CONTROL AND BASIS OF PREPARATION

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 (formerly known as Summerfield Profits Limited ("SPL")) ("Hop Hing Fast Food"), an investment holding company of a group of companies that own rights to operate the Yoshinoya and Dairy Queen quick service restaurants ("QSR") in their franchised regions in the People's Republic of China (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 (the "Loan"). Details of the Acquisition have been set out in the Company's announcements made on 1 December 2011 and 12 March 2012 and circular dated 30 December 2011.

The Acquisition was completed on 12 March 2012 for a total consideration of HK$4,964,232,000 satisfying 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 16.

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 Hong Kong Institute of Certified Public Accountants ("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 condensed consolidated income statements, condensed consolidated statements of comprehensive income, condensed consolidated statements of changes in equity and condensed consolidated statements of cash flows of the Group for the six months ended 30 June 2012 and 2011 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 substantial shareholder, where this is a shorter period. The condensed consolidated statements of financial position of the Group as at 31 December 2011 and 30 June 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.

The condensed consolidated interim financial statements are prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 *Interim Financial Reporting* and other relevant HKASs and Interpretations, Hong Kong Financial Reporting Standards (collectively, the "HKFRSs") issued by the HKICPA and the disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Save for the adoption of new and revised HKFRSs during the period as set out in note 2 below and the Acquisition as set out above, the accounting policies and basis of preparation adopted in the preparation of the condensed consolidated interim financial statements are the same as those used in the preparation of the annual financial statements for the year ended 31 December 2011.

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

The Group has adopted the following new and revised HKFRSs for the first time for the current period's condensed consolidated interim 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* |
| HKFRS 7 Amendments | Amendments to HKFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets* |
| HKAS 12 Amendments | Amendments to HKAS 12 *Income Taxes – Deferred Tax: Recovery of Underlying Assets* |

The adoption of these new and revised HKFRSs has had no significant financial effect on these condensed consolidated interim financial statements and there have been no significant changes to the accounting policies applied in these condensed interim financial statements.

## 3. ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

| | |
|---|---|
| HKFRS 1 Amendments | Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Government Loans*[2] |
| HKFRS 7 Amendments | Amendments to HKFRS 7 *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*[2] |
| HKFRS 9 | *Financial Instruments*[4] |
| HKFRS 10 | *Consolidated Financial Statements*[2] |
| HKFRS 11 | *Joint Arrangements*[2] |
| HKFRS 12 | *Disclosure of Interests in Other Entities*[2] |
| HKFRS 13 | *Fair Value Measurement*[2] |
| HKAS 1 Amendments | Amendments to HKAS 1 *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*[1] |
| HKAS 19 (2011) | *Employee Benefits*[2] |
| HKAS 27 (2011) | *Separate Financial Statements*[2] |
| HKAS 28 (2011) | *Investments in Associates and Joint Ventures*[2] |
| HKAS 32 Amendments | Amendments to HKAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*[3] |
| HK(IFRIC)-Int 20 | *Stripping Costs in the Production Phase of a Surface Mine*[2] |
| Annual Improvement | *Annual Improvements to HKFRSs 2009 – 2011 Cycle*[2] |

[1] Effective for annual periods beginning on or after 1 July 2012
[2] Effective for annual periods beginning on or after 1 January 2013
[3] Effective for annual periods beginning on or after 1 January 2014
[4] Effective for annual periods beginning on or after 1 January 2015

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Group considers that these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

4. **OPERATING SEGMENT INFORMATION**

For management purposes, the Group is organised into business units based on their products and services and has two reportable operating segments as follows:

(a) the edible oils business; and

(b) the QSR business.

**For the six months ended 30 June 2012**

| | Edible oils | QSR | Inter-segment elimination | Total |
|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| **Segment revenue:** | | | | |
| Sales to external customers | 432,525 | 956,500 | | 1,389,025 |
| Direct cost of stocks sold and services provided | (327,602) | (384,363) | | (711,965) |
| Other income and gains, net | 2,989 | 2,935 | (611) | 5,313 |
| Other production and service costs | (27,332) | – | | (27,332) |
| Selling and distribution costs | (53,577) | (399,614) | | (453,191) |
| General and administrative expenses | (20,374) | (59,881) | | (80,255) |
| Profit from operating activities before unallocated head office expenses | 6,629 | 115,577 | | 121,595 |
| Finance costs | (5,240) | (1,484) | 611 | (6,113) |
| Profit before unallocated head office expenses and tax | 1,389 | 114,093 | | 115,482 |
| Income tax expense | (2,052) | (35,500) | | (37,552) |
| **Profit/(loss) before unallocated head office expenses and after tax** | **(663)** | **78,593** | | 77,930 |
| Unallocated head office expenses | | | | (4,053) |
| **Profit for the period** | | | | **73,877** |

## 4. OPERATING SEGMENT INFORMATION (continued)

**As at 30 June 2012**

| **Segment assets** | **Edible oils** *HK$'000* | **QSR** *HK$'000* | **Total** *HK$'000* |
|---|---|---|---|
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment and prepaid land lease payments | 225,581 | 223,261 | 448,842 |
| Trademarks | 125,154 | – | 125,154 |
| Other non-current assets | 476 | 38,046 | 38,522 |
| Total non-current assets | 351,211 | 261,307 | 612,518 |
| CURRENT ASSETS | | | |
| Stocks | 152,752 | 109,432 | 262,184 |
| Accounts receivable | 124,584 | 4,589 | 129,173 |
| Cash and cash equivalents and pledged bank deposits | 134,952 | 142,695 | 277,647 |
| Other current assets | 26,380 | 45,752 | 72,132 |
| Total current assets | 438,668 | 302,468 | 741,136 |
| CURRENT LIABILITIES | | | |
| Accounts payable | (43,520) | (120,458) | (163,978) |
| Interest-bearing bank loans | (163,157) | (25,926) | (189,083) |
| Other current liabilities | (48,383) | (236,715) | (285,098) |
| Total current liabilities | (255,060) | (383,099) | (638,159) |
| NET CURRENT ASSETS/(LIABILITIES) | 183,608 | (80,631) | 102,977 |
| NON-CURRENT LIABILITIES | | | |
| Deferred tax liabilities | (1,641) | (9,663) | (11,304) |
| **NET ASSETS** | **533,178** | **171,013** | **704,191** |

4. **OPERATING SEGMENT INFORMATION (continued)**

**For the six months ended 30 June 2011**
(Restated)

| | **Edible oils** | **QSR** | **Total** |
|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* |
| **Segment revenue:** | | | |
| Sales to external customers | 385,257 | 743,117 | 1,128,374 |
| Direct cost of stocks sold and services provided | (283,546) | (297,495) | (581,041) |
| Other income and gains, net | 1,238 | 2,412 | 3,650 |
| Other production and service costs | (27,188) | – | (27,188) |
| Selling and distribution costs | (50,130) | (296,147) | (346,277) |
| General and administrative expenses | (20,668) | (56,037) | (76,705) |
| Profit from operating activities before unallocated head office expenses | 4,963 | 95,850 | 100,813 |
| Finance costs | (5,001) | (904) | (5,905) |
| Profit/(loss) before unallocated head office expenses and tax | (38) | 94,946 | 94,908 |
| Income tax expense | (1,034) | (30,326) | (31,360) |
| **Profit/(loss) before unallocated head office expenses and after tax** | **(1,072)** | **64,620** | 63,548 |
| Unallocated head office expenses | | | (1,908) |
| **Profit for the period** | | | **61,640** |

## 4. OPERATING SEGMENT INFORMATION (continued)

**As at 31 December 2011**
(Restated)

| **Segment assets** | **Edible oils** *HK$'000* | **QSR** *HK$'000* | **Total** *HK$'000* |
|---|---|---|---|
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment and prepaid land lease payments | 234,422 | 198,635 | 433,057 |
| Trademarks | 124,310 | – | 124,310 |
| Other non-current assets | 476 | 32,629 | 33,105 |
| Total non-current assets | 359,208 | 231,264 | 590,472 |
| CURRENT ASSETS | | | |
| Stocks | 143,507 | 79,345 | 222,852 |
| Accounts receivable | 116,251 | 4,091 | 120,342 |
| Cash and cash equivalents and pledged bank deposits | 178,659 | 331,709 | 510,368 |
| Other current assets | 25,126 | 36,452 | 61,578 |
| Total current assets | 463,543 | 451,597 | 915,140 |
| CURRENT LIABILITIES | | | |
| Accounts payable | (51,876) | (122,079) | (173,955) |
| Interest-bearing bank loans | (191,729) | (37,037) | (228,766) |
| Other current liabilities | (78,304) | (369,556) | (447,860) |
| Total current liabilities | (321,909) | (528,672) | (850,581) |
| NET CURRENT ASSETS/(LIABILITIES) | 141,634 | (77,075) | 64,559 |
| NON-CURRENT LIABILITIES | | | |
| Deferred tax liabilities | (1,949) | (10,969) | (12,918) |
| NET ASSETS | **498,893** | **143,220** | **642,113** |

4. **OPERATING SEGMENT INFORMATION (continued)**

**Geographical information**

**(a) Revenue from external customers**

| | Unaudited For the six months ended 30 June | |
|---|---|---|
| | **2012** | 2011 |
| | ***HK$'000*** | *HK$'000* |
| | | (Restated) |
| Hong Kong and Macau | **319,804** | 226,516 |
| Mainland China | **1,069,221** | 901,858 |
| | **1,389,025** | 1,128,374 |

The revenue information from operations above is based on the location of the customers.

**(b) Non-current assets**

| | **Unaudited** | Unaudited |
|---|---|---|
| | **30 June** | 31 December |
| | **2012** | 2011 |
| | ***HK$'000*** | *HK$'000* |
| | | (Restated) |
| Hong Kong and Macau | **144,135** | 146,644 |
| Mainland China | **467,907** | 443,352 |
| | **612,042** | 589,996 |

The non-current assets information is based on the location of assets and excludes deferred tax assets.

## 5. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold and the value of services rendered during the period.

An analysis of revenue and other income and gains are as follows:

| | Unaudited For the six months ended 30 June | |
|---|---|---|
| | **2012** | 2011 |
| | ***HK$'000*** | *HK$'000* |
| | | (Restated) |
| **Revenue** | | |
| Sale of edible oils products and related business | **432,525** | 385,257 |
| Sale of QSR products | **956,500** | 743,117 |
| | **1,389,025** | 1,128,374 |
| **Other income and gains, net** | | |
| Bank interest income | **2,299** | 1,398 |
| Foreign exchange differences, net | **(239)** | 609 |
| Recovery of deposits written off in prior year | **1,500** | – |
| Compensation | **–** | 1,627 |
| Others | **1,753** | 16 |
| | **5,313** | 3,650 |

## 6. PROFIT FROM OPERATING ACTIVITIES

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

| | Unaudited For the six months ended 30 June | |
|---|---|---|
| | **2012** | 2011 |
| | ***HK$'000*** | *HK$'000* |
| | | (Restated) |
| Direct cost of stocks sold and services provided | **711,965** | 581,041 |
| Depreciation | **51,368** | 49,585 |
| Amortisation of prepaid land lease payments | **361** | 354 |
| Lease payments under operating leases in respect of lands and buildings | | |
| – minimum lease payments | **110,115** | 89,369 |
| – contingent rents | **18,317** | 14,507 |
| Loss on disposal of items of property, plant and equipment, net | **388** | 218 |

## 7. FINANCE COSTS

| | Unaudited For the six months ended 30 June | |
|---|---|---|
| | **2012** | 2011 |
| | ***HK$'000*** | *HK$'000* |
| | | (Restated) |
| Interest on bank loans wholly repayable within five years | **5,962** | 5,708 |
| Others | **151** | 197 |
| | **6,113** | 5,905 |

## 8. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2011: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

Pursuant to the Corporate Income Tax Law of the PRC being effective on 1 January 2008, the PRC corporate income tax rate for the Group's subsidiaries operated in Mainland China during the period was 25% (2011: 25%) on their taxable profits.

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

| | Unaudited For the six months ended 30 June | |
|---|---|---|
| | **2012** | 2011 |
| | ***HK$'000*** | *HK$'000* |
| | | (Restated) |
| Current – Hong Kong | | |
| Charge for the period | **3,313** | 1,582 |
| Current – Elsewhere | | |
| Charge for the period | **31,346** | 23,366 |
| Deferred tax | **2,893** | 6,412 |
| Total tax charge for the period | **37,552** | 31,360 |

## 9. EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

### a. Basic earnings per share

The calculation of basic earnings per share is based on the consolidated profit for the period attributable to equity holders of the Company of HK$59,516,000 (2011 (restated): HK$30,080,000), and the weighted average number of 518,718,724 (2011: 511,548,211) ordinary shares in issue during the period.

### b. Diluted earnings per share

The calculation of diluted earnings per share is based on the consolidated profit for the period attributable to equity holders of the Company of HK$59,516,000 (2011 (restated): HK$30,080,000) and the weighted average number of 9,977,053,275 (2011 (restated): 9,956,626,437) ordinary shares in issue after adjusting for the effect of all dilutive potential ordinary shares of 9,458,334,551 (2011 (restated): 9,445,078,226) for the period ended 30 June 2012 calculated as follows:

| | **Unaudited For the six months ended 30 June** | |
|---|---|---|
| | **2012** | 2011 |
| | ***HK$'000*** | *HK$'000* |
| | | (Restated) |
| Consolidated profit attributable to equity holders of the Company | **59,516** | 30,080 |

| | **Unaudited Number of shares** | |
|---|---|---|
| | **30 June 2012** | 30 June 2011 |
| | | (Restated) |
| **Shares** | | |
| Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation | **518,718,724** | 511,548,211 |
| Effect of dilution – weighted average number of ordinary shares: | | |
| Warrants | **56,561,886** | 49,616,142 |
| Share options | **9,880,773** | 3,570,192 |
| PSCS* | **9,391,891,892** | 9,391,891,892 |
| | **9,977,053,275** | 9,956,626,437 |

* The effect of 9,391,891,892 dilutive potential ordinary share of PSCS has been restated for the period ended 30 June 2011.

## 10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2012, the Group acquired items of property, plant and equipment with a cost of HK$75,076,000 (2011 (restated): HK$43,668,000). Items of property, plant and equipment with a net book value of HK$3,869,000 (2011 (restated): HK$344,000) were disposed of during the six months ended 30 June 2012.

## 11. ACCOUNTS RECEIVABLE

| | Unaudited 30 June 2012 *HK$'000* | Unaudited 31 December 2011 *HK$'000* (Restated) |
|---|---|---|
| Accounts receivable | **144,267** | 135,408 |
| Impairment | **(15,094)** | (15,066) |
| | **129,173** | 120,342 |

The Group's products are sold either on a cash on delivery basis, or on an open account basis with credit terms ranging from 7 to 70 days. Each customer has a maximum credit limit and overdue balances are 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 balance. Accounts receivable are non-interest-bearing.

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

| | Unaudited 30 June 2012 *HK$'000* | Unaudited 31 December 2011 *HK$'000* (Restated) |
|---|---|---|
| Current (neither past due nor impaired) | **100,201** | 91,801 |
| Within 60 days past due | **21,967** | 20,834 |
| Over 60 days past due | **7,005** | 7,707 |
| | **129,173** | 120,342 |

Included in the Group's accounts receivable are amounts totalling HK$5,138,000 (31 December 2011: HK$5,204,000) due from the Group's jointly-controlled entities which are repayable on credit terms comparable to those offered to other unrelated customers of the Group.

Certain of the above accounts receivable as at 31 December 2011, which were factored to a bank in exchange for cash and the related bank loans, had been included as "Interest-bearing bank loans" on the face of the condensed consolidated statement of financial position (note 14).

## 12. NON-CURRENT ASSETS HELD FOR DISPOSAL

The non-current assets held for disposal included properties in Hong Kong that a jointly-controlled entity resolved during the period to sell to a third party purchaser. The properties have been classified as non-current assets held for disposal in the condensed consolidated statement of financial position as at 30 June 2012.

## 13. ACCOUNTS PAYABLE

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

| | **Unaudited 30 June 2012 *HK$'000*** | Unaudited 31 December 2011 *HK$'000* (Restated) |
|---|---|---|
| Current and less than 60 days | **159,487** | 168,128 |
| Over 60 days | **4,491** | 5,827 |
| | **163,978** | 173,955 |

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

As at 31 December 2011, there were amounts totalling HK$4,665,000 due to certain companies associated with another venturer of the Group's jointly-controlled entities which were payable on credit terms comparable to those offered by other unrelated suppliers of the Group.

## 14. INTEREST-BEARING BANK LOANS

| | **Unaudited 30 June 2012 *HK$'000*** | Unaudited 31 December 2011 *HK$'000* (Restated) |
|---|---|---|
| Current (repayable within one year or on demand) | | |
| Bank loans – unsecured | **115,076** | 100,994 |
| Bank loans on factored accounts receivable – unsecured *(note 11)* | **–** | 22,294 |
| Bank loans – secured *(note a)* | **74,007** | 105,478 |
| | **189,083** | 228,766 |

*Notes:*

a. Certain of the Group's bank loans are secured by:

(i) legal charges over certain of the Group's land use rights, classified as prepaid land lease payments, and certain leasehold land and buildings and plant and machinery, which had aggregate carrying values as at 30 June 2012 of approximately HK$27,638,000 (31 December 2011: HK$27,999,000) and HK$87,190,000 (31 December 2011: HK$91,620,000), respectively; and

(ii) the pledge of certain of the Group's time deposits amounting to HK$37,379,000 (31 December 2011: HK$37,037,000).

## 14. INTEREST-BEARING BANK LOANS (continued)

*Notes: (continued)*

b. Secured interest-bearing bank loans included certain of the Group's bank loans of approximately HK$74,007,000 (31 December 2011: HK$74,007,000) in Mainland China which were borrowed by a PRC subsidiary of the Group and secured by certain property, plant and equipment and prepaid land lease payments of certain PRC subsidiaries and have no recourse to the Group other than those PRC subsidiaries.

c. Fixed interest rate bank loans of HK$99,933,000 (31 December 2011 (restated): HK$111,044,000) and no floating interest rate bank loan (31 December 2011 (restated): HK$31,471,000) is denominated in Renminbi. All other bank loans are denominated in Hong Kong dollars with floating interest rates.

## 15. SHARE CAPITAL

a. During the period ended 30 June 2012, 3,990,764 ordinary shares of HK$0.10 each were issued for cash at a subscription price of HK$0.20 per share, pursuant to the exercise of the Company's warrants, for a total cash consideration, before expenses, of approximately HK$798,000.

   During the period ended 30 June 2012, 430,600 ordinary shares of HK$0.10 each were issued for cash at a subscription price of HK$0.35 per share, pursuant to the exercise of the Company's share options, for a total cash consideration, before expenses, of approximately HK$151,000.

b. During the period ended 30 June 2011, 9,955 ordinary shares of HK$0.10 each were issued for cash at a subscription price of HK$0.20 per share, pursuant to the exercise of the Company's warrants, for a total cash consideration, before expenses, of approximately HK$2,000.

## 16. 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 have no maturity date and the Company has no contractual obligation to redeem these PSCS. The fair value of these PSCS issued at the completion date of the Acquisition amounted to approximately HK$4,964,232,000, which is determined by reference to a valuation report on the PSCS prepared by an independent firm of valuers.

These PSCS constitute direct, unsecured and subordinated obligations of the Company and rank pari passu without any preference or priority among themselves. In the event of the winding-up of the Company, the rights and claims of the holders of the PSCS shall (i) rank ahead of those persons whose claims are in respect of any class of share capital (including preference shares) of the Company; (ii) at all times rank pari passu with each other and with all its other present and future unsecured and subordinated obligations but shall be subordinated in rights of payment to the claims of all other present and future senior and unsubordinated creditors of the Company.

## 16. PERPETUAL SUBORDINATED CONVERTIBLE SECURITIES (continued)

These PSCS confer 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 March 31, June 30, September 30 and December 31 each year, subject to the terms and conditions of the PSCS. However, the Company may at its sole discretion, elect to defer a distribution pursuant to the terms of the PSCS. If on any distribution payment date, payment of all distribution payments scheduled to be made on such date is not made in full, the Company shall not: (a) declare or pay any dividends on ordinary shares; (b) redeem, reduce, cancel, buy back any ordinary shares, unless and until the Company satisfied in full all outstanding arrears of distribution or it is permitted to do so by an extraordinary resolution of the holders of the PSCS. As at 30 June 2012, the PSCS distribution of HK$36,987,000 for the period ended 30 June 2012 was deferred by the Company and was accounted for as a transfer from the capital and other reserves to the PSCS distribution reserve.

## 17. COMMITMENTS

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

| | **Unaudited** | Unaudited |
|---|---|---|
| | **30 June** | 31 December |
| | **2012** | 2011 |
| | ***HK$'000*** | *HK$'000* |
| | | (Restated) |
| Property, plant and equipment: | | |
| Contracted, but not provided for | **2,936** | 2,890 |
| Authorised, but not contracted for | **–** | 13 |

## 18. CONTINGENT LIABILITIES

During the year ended 31 December 2010, the Hong Kong Inland Revenue Department (the "IRD") issued protective assessment for the year of assessment 2003/2004 to a jointly-controlled entity of the Group, in respect of which tax reserve certificate amounted to HK$2,800,000 was purchased. During the year ended 31 December 2011, the IRD issued protective assessments for the year of assessment 2004/2005 to the jointly-controlled entity and a subsidiary of the Group, in respect of which tax reserve certificates amounted to HK$4,000,000 and HK$1,500,000 were purchased respectively. During the period ended 30 June 2012, the IRD further issued protective assessments for the year of assessment 2005/2006 to certain jointly-controlled entities and certain subsidiaries of the Group, in respect of which tax reserve certificates amounted to HK$6,800,000 were purchased by the jointly-controlled entities. The Group has lodged objections with the IRD against these assessments.

In the opinion of the directors, the Group has grounds to contest the protective tax assessments, thus provision for Hong Kong profits tax in respect of these assessments at this information gathering stage is not considered necessary.

## 19. RELATED PARTY TRANSACTIONS

(a) In addition to those transactions and balances disclosed elsewhere in the condensed consolidated financial statements, the Group had the following material transactions with related parties during the interim period:

| | Notes | Unaudited For the six months ended 30 June **2012** ***HK$'000*** | 2011 *HK$'000* (Restated) |
|---|---|---|---|
| Transactions with jointly-controlled entities*: | | | |
| Sales of goods | *(i)* | **8,795** | 11,197 |
| Purchase of goods | *(i)* | **91,527** | 28 |
| Production and oil refinement income | *(ii)* | **14,079** | 32,123 |
| Royalty income | *(iii)* | **–** | 6,166 |
| Property rental income | *(iv)* | **86** | 181 |
| Management fee income | *(v)* | **692** | 2,383 |
| Purchase of items of property, plant and equipment | *(x)* | **2,395** | – |
| Transactions with companies associated with the controlling shareholder of the Company and/or a non-executive director of the Company: | | | |
| Sales of goods | *(i)* | **1,711** | 2,814 |
| Reimbursement of administrative expenses | *(ix)* | **973** | – |
| Rental expenses | *(vi)* | **2,388** | 1,958 |
| Management fee expense | *(vii)* | **–** | 1,606 |
| Expense charged | *(viii)* | **1,347** | 6,483 |

* The Group has proportionately consolidated 50% of its transactions with its jointly-controlled entities in the condensed consolidated income statement.

*Notes:*

(i) The sales and purchase of goods were based on mutually agreed terms.

(ii) The production and oil refinement income was based on agreements entered into with a jointly-controlled entity after an arm's length negotiation and was at rates not less favourable than those offered to other unrelated customers of the Group.

(iii) Pursuant to trademark license agreements entered into between the Group and certain jointly-controlled entities, the royalties received for the use of the trademarks are calculated based on a percentage, as agreed between the parties from time to time, on the gross sales value of licensed products sold by the Group's jointly-controlled entities within Hong Kong and Macau.

(iv) The property rental income related to subletting of certain properties. The property rental income was charged by reference to open market rental and was subject to review on a regular basis.

(v) The management fee income was based on the cost incurred for providing such services.

## 19. RELATED PARTY TRANSACTIONS (continued)

(a) (continued)

*Notes: (continued)*

(vi) The rental expenses were paid by reference to open market rental and were subject to the terms of the relevant tenancies.

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

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

(ix) Reimbursement of administrative expenses was charged on an actual incurred basis by the related companies of which certain directors were also directors of the Company.

(x) The purchase of items of property, plant and equipment were purchased at the carrying amounts.

(b) On 1 December 2011, the Company and Queen Board, a company controlled by a substantial shareholder of the Company, entered into an acquisition agreement pursuant to which Queen Board has agreed to sell the entire issued share capital of Hop Hing Fast Food and the Loan for a consideration satisfying by an issue of the PSCS by the Company (note 16). Details of the Acquisition have been set out in note 1 and the Company's announcements made on 1 December 2011 and 12 March 2012 and circular dated 30 December 2011.

## 20. COMPARATIVE AMOUNTS

As explained in note 1, the Acquisition is regarded as common control combinations and accounted for using the principles of merger accounting in accordance with the Accounting Guideline No. 5 issued by the HKICPA. Upon completion, the financial statements of Hop Hing Fast Food and its subsidiaries are included in the unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2012 as if the combinations had occurred from the date when Hop Hing Fast Food and its subsidiaries first came under common control of the substantial shareholder. Comparative figures as at 31 December 2011 and for the six months ended 30 June 2011 were also restated to present on the same basis.

## BUSINESS REVIEW AND OUTLOOK

Our corporate strategy to diversify the Group's business into the quick service restaurant ("QSR") industry was materialized in the period upon completion of the Acquisition. Apart from being able to diversify from the edible oil business into high quality QSR business, the Acquisition enabled the Group to acquire immediate and additional earnings and cash flow, create long-term value for shareholders and further strengthen the quality of the senior management team through the addition of high caliber management with extensive QSR industry experience.

After the Acquisition, the QSR business constitutes a predominant portion of the Group's earnings and cash flow. Almost 69% of the Group's sales turnover and about 95% of the Company's operating earnings before interest and taxation ("EBIT") in the first half of 2012 were contributed by the QSR business.

### QSR business

#### Industry review

During the period under review, the macro-economic growth across the globe slowed down. This was mainly attributable to the Eurozone debt crisis as well as the sluggish economy in the United States. The global macro-environment also affected the economic growth in China. This is evidenced by the declining GDP growth rate of 8.1% in the first quarter of 2012 to 7.6% in the second quarter of this year, which was the lowest in the past three years. Such market volatility also affected consumption sentiment in China, which was reflected in the declining Consumer Confidence Index from the 1996-2012 historical average of 108.9 to 99.3 in June 2012. The year-on-year monthly retail sales growth also recorded a declining trend, from over 15% earlier this year to 13.7% in June 2012. All these contribute to the challenging market environment in China in the first half of this year.

#### Business review

In addition to the impact of the global macro-economy, the QSR industry faced other challenges, such as the increasing labor and food costs. As a result, competition became fierce when industry peers began to offer deeper discounts to tap into the lower-price market. In general, the QSR industry in Mainland China recorded a slower growth in the first six months of this year.

Despite this competitive environment, the Group's QSR business was able to record a surge of revenue to HK$956.5 million during the period under review, representing a growth of 28.7% from the corresponding period in 2011. Such satisfactory growth in revenue was achieved by successful implementation of the Group's strategy of achieving a steady and long term growth by improving its same stores sales and expanding store network. With effective cost control measures in place, the QSR business reported a profit before unallocated head office expenses and taxation of HK$114.1 million which was 20.2% higher than that of HK$94.9 million for the same period in 2011. The encouraging financial performance is a testimony of the Group's QSR business' resilience to market volatilities.

Among the 90 new stores planned for 2012, 51 net new stores were opened (1H 2011: 16 net new stores) in existing markets and selected regions during the period under review. These 51 stores included 30 Yoshinoya restaurants and 21 Dairy Queen stores. On 30 June 2012, there were 368 stores in operation.

| | | As at | |
|---|---|---|---|
| | **30 June 2012** | **31 December 2011** | **30 June 2011** |
| Yoshinoya | | | |
| Beijing | 153 | 141 | 130 |
| Tianjin | 17 | 12 | 10 |
| Hebei | 14 | 7 | 3 |
| Shenyang | 30 | 26 | 25 |
| Dalian | 16 | 16 | 16 |
| HuHeHaoTe | 7 | 6 | 6 |
| Harbin | 2 | 1 | – |
| | 239 | 209 | 190 |
| Dairy Queen | | | |
| Beijing | 85 | 76 | 72 |
| Tianjin | 14 | 8 | 8 |
| Hebei | 9 | 4 | 4 |
| Shenyang | 7 | 6 | 6 |
| Dalian | 10 | 10 | 10 |
| HuHeHaoTe | 4 | 4 | 4 |
| | 129 | 108 | 104 |
| Total | 368 | 317 | 294 |

Apart from increasing our store penetration, the QSR Group managed to increase the same-store sales of the business by implementing various initiatives in product improvement, delivery service, daytime expansion, menu mix and price adjustment. In the first half of 2012, the QSR business recorded a growth of 11.8% (six months ended 30 June 2011: 16.9%) in its same store sales.

Taking into consideration the lackluster economic growth in Mainland China and growth rates recorded by other players in the QSR market, the double-digit growth in the Group's same-store sales demonstrates the management's ability to deliver satisfactory results and achieve steady growth amid a challenging macroeconomic environment.

| | **Percentage increase in same stores sales** | |
|---|---|---|
| | **1H 2012** | 1H 2011 |
| Overall | **11.8%** | 16.9% |
| By business | | |
| Yoshinoya | **13.1%** | 18.0% |
| Dairy Queen | **1.8%** | 9.2% |

In the first half of 2012, Beijing-Tianjin-Hebei metropolitan region continued to be the QSR Group's largest market in terms of revenue.

| | **Six months ended 30 June** | | | |
|---|---|---|---|---|
| | **2012** | | 2011 | |
| | ***HK\$'000*** | ***% of sales*** | *HK\$'000* | *% of sales* |
| a. By region | | | | |
| Beijing-Tianjin-Hebei metropolitan region [(1)] | **733,853** | **76.7%** | 561,514 | 75.6% |
| Northeast China and Inner Mongolia [(2)] | **222,647** | **23.3%** | 181,603 | 24.4% |
| | **956,500** | **100.0%** | 743,117 | 100.0% |

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

(2) Including Shenyang, Dalian, Tongliao, HuHeHaoTe and Harbin.

| | | | | |
|---|---|---|---|---|
| b. By business | | | | |
| Yoshinoya | **855,303** | **89.4%** | 654,759 | 88.1% |
| Dairy Queen | **101,197** | **10.6%** | 88,358 | 11.9% |
| | **956,500** | **100.0%** | 743,117 | 100.0% |

Managing and minimizing the impact of the continuous increase in three major cost elements, namely labor cost, food cost, and rental cost, was the major challenge for the food industry as a whole during the period under review. Apart from adjusting our menu prices on a selective basis, the management was able to maintain the gross profit margin at a stable level of 60% of sales by implementing strategic procurement of key food ingredients, improvement in logistics efficiency, effective tendering and tight cost control measures.

The salary level of employees in the QSR industry in China has generally been rising at a growth rate of more than 10% per annum. The Group continues to revise the salary level of our staff to ensure its competitiveness, enabling them to share the benefit of the business growth and at the same time upkeep their commitment and loyalty to the Group. Meanwhile, the management has set multi-level targets for our staff to continue to improve their productivity, creating a win-win situation for both the staff and the Group. During the first half of this year, the store and distribution centre labor and related costs went up by 0.4% of sales. This was mainly due to the hiring of additional staff to pave the way for the opening of 51 net new stores, which operated for only part of the six month period, as well as additional labor costs incurred for meeting the increasing demand for delivery services.

The long-term strategic relationship with key landlords built up by the management allowed us to minimize the impact of the rising rental cost, which has been brought about by urbanization over the last few years. Together with improvement in business processes, we were able to contain the increase in rental percentage within 0.4% of sales to 12.5% in the first six months of this year.

| | **Six months ended 30 June** | | | |
|---|---|---|---|---|
| | **2012** | | 2011 | |
| | ***HK$'000*** | ***% of sales*** | *HK$'000* | *% of sales* |
| Labor costs | **101,604** | **10.6%** | 75,747 | 10.2% |
| Rental expense | **119,103** | **12.5%** | 90,065 | 12.1% |
| Other operation expenses | **178,907** | **18.7%** | 130,335 | 17.6% |
| Total selling and distribution costs | **399,614** | **41.8%** | 296,147 | 39.9% |

**Edible Oil**

During the period under review, the edible oil operating environment remained challenging. Escalating edible oil costs remained one of the major factors that affected the edible oil market. The upward trend of edible oil costs that started in the latter half of 2010 continued, and the cost of certain types of edible oil in the current period was one-third higher than that in the first half of last year. Despite these challenging factors, the management's persistence in providing our health conscious customers with healthy and quality products over the years enabled the Group to record a growth in sales. Such growth was mainly achieved by optimizing its product mix to cater to the needs of health conscious customers, enabling us to counter the adverse effect brought about by the rising costs and severe market competition. According to the data reported by Nielsen, one of the most reputable international research companies in Hong Kong, through its MarketTrack Service on The Edible Oil Category in Total Supermarket and Convenience Stores for the period between May 2011 and April 2012, the brand "Lion & Globe" was ranked first in sales value and sales volume (Tonnage) for the given period.

In Mainland China, the edible oil market environment remained difficult. The rising cost during the period under review affected our business volume negatively and squeezed our profit margin. Although positive EBITDA (earnings before interest, taxation and depreciation and amortization) was recorded by this segment in the six months ended 30 June 2012, the performance of our operation in Mainland China did not match the Company's expectation.

## Financial Review

### *Equity*

The number of issued shares of HK$0.10 each of the Company as at 30 June 2012 was 520,082,552 (31 December 2011: 515,661,188). At 1 January 2012, the Company had outstanding 97,402,895 units of warrants carrying rights to subscribe for an aggregate of 97,402,895 new shares of HK$0.10 each at an initial subscription price of HK$0.20 per share. During the period under review, 3,990,764 units of the warrants of the Company were exercised for 3,990,764 shares of HK$0.10 each at a price of HK$0.20 per share.

As at 1 January 2012, the Company had 33,568,000 outstanding share options. During the period, 430,600 share options were exercised for 430,600 shares of HK$0.10 each at a price of HK$0.35 per share and 169,400 share options were lapsed.

### *Liquidity and gearing*

As at 30 June 2012, the Group's Hong Kong bank borrowing was bank loans of HK$89.2 million. The Group's PRC bank borrowings as at the period end were bank loans of HK$100 million, of which approximately HK$74 million were borrowed by a PRC subsidiary of the Group and secured by certain property, plant and equipment and prepaid land lease payments of certain PRC subsidiaries of the Group and have no recourse to the Group other than those PRC subsidiaries.

As at 30 June 2012, the Group's total bank loans amounting to HK$189 million (31 December 2011: HK$229 million) 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 30 June 2012 was 27% (31 December 2011: 40%).

As at 31 December 2011, the Group's edible oil business had a net bank borrowing position of HK$39.3 million (interest-bearing bank loans and bills payable less cash and cash equivalents and pledged bank deposits). After the completion of the Acquisition of the QSR business on 12 March 2012, the Group recorded a net cash position of HK$88.6 million (being cash and cash equivalents and pledged bank deposits less interest-bearing bank loans). The improvement in net cash position of the Group was due to the strong cashflow contribution by the QSR business whose cash flow movements in the period under review are analyzed below:

| | **Unaudited For the six months ended 30 June** | |
|---|---|---|
| | **2012** | 2011 |
| | ***HK$'000*** | *HK$'000* |
| Net cash inflow from operation before adjusting for the other cash flows items below | **85,691** | 84,680 |
| Purchase of items of property, plant and equipment items | **(68,558)** | (42,832) |
| Interest payments and repayment of bank and non-controlling shareholder loans | **(12,793)** | (2,926) |
| Other cash flow items | | |
| Fund movements between group companies | **(45,391)** | – |
| Dividends paid | **(147,963)** | – |
| Net increase/(decrease) in cash and bank balances | **(189,014)** | 38,922 |
| Cash and bank balances at beginning of period | **331,709** | 193,696 |
| Effect of foreign exchange rates changes, net | **–** | 2,266 |
| Cash and bank balances at the end of period (see note 4 to the interim financial statements) | **142,695** | 234,884 |

The interest expense for the period was HK$6.1 million (2011: HK$5.9 million). The increase in interest expenses was mainly attributable to the increase in interest rates for the loans during the period under review.

The Group's funding policy is to finance the business operations with internally generated cash and bank facilities. The Group's bank borrowings are 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 period under review was HK$168.0 million (2011: HK$132.1 million), of which, HK$139.0 million (2011: HK$104.3 million) was the total staff cost of the QSR business. As at 30 June 2012, the Group had 8,047 full time and temporary employees (30 June 2011: 7,706).

### *Operating segment information*

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

### *Contingent liabilities*

Details of the contingent liabilities are set out in note 18 to the condensed consolidated interim financial statements.

### *Pledge of assets*

Details of the pledge of assets are set out in note 14 to the condensed consolidated interim financial statements.

## Outlook

Economic uncertainty in the first half of this year is likely to continue in the short-run, despite this, the management is cautiously optimistic about the medium to long term economic growth of Mainland China. To address future market challenges, the management will continue its strategy of achieving steady long term sustainable growth by executing a strategic store expansion plan. We aim to penetrate cities with high potential for quality returns and enhance relationships with key landlords as well as property developers that have development projects in the pipeline. The Group's plan to open 90 stores this year will further enhance its economies of scale and in turn, support the maintenance of a stable cost level despite the rising cost in general. The management will continue to uphold its standard of food safety by deploying monitoring resources and through stringent up-stream supply chain management. The management will also continue to drive the growth momentum by further improving same store sales growth through various initiatives, such as, standardizing the production process to ensure consistent quality and attracting more customers during non-peak hours, e.g. offering breakfast choices. For continuous growth, we believe it's critical to enhance customer experience by improving the in-store environment, increasing service speed during peak hours as well as developing new products. With efficient operation and effective cost control in place, the impact of the increasing food and labor costs can be minimized. The management believes that the above strategies and measures will bring us steady and sustainable long term growth.

The sales performance of the Group's edible oil flagship brand in Hong Kong, "Lion & Globe", in the period under review was encouraging. It reaffirms our management's belief that adhering to the strategy of providing our customers with popular quality products will enable the Group to stand against any challenges that may arise. For the operation in Mainland China, having already strengthened its management team and enhanced its staff incentive scheme to put focus on profitable sales regions, the management of the Group will also continue to explore opportunities to improve its contribution to the Group.

After the completion of the Acquisition in March this year, the profitability and financial position of the Group have been substantially improved. The management will continue to look for opportunities that may bring us steady long term growth and fit with our strategy to become a multi-brand QSR operator.

## 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 period under review.

## CORPORATE GOVERNANCE

### Corporate Governance Code

The Company is committed to maintaining a high standard of corporate governance practices and procedures. The Company has adopted the Code on Corporate Governance Practices (the "Old CG Code") (effective until 31 March 2012) and the Corporate Governance Code (the "New CG Code") (effective from 1 April 2012) contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") as its code on corporate governance.

Save as disclosed below, none of the directors of the Company is aware of any information that would reasonably indicate that the Company did not meet the applicable code provisions set out in the Old CG Code for the period from 1 January 2012 to 31 March 2012 and the New CG Code for any part of the period from 1 April 2012 to 30 June 2012.

In respect of Code Provision A.6.7 of the New CG Code, Dr. Wong Yu Hong, Philip, *GBS* and Mr. Sze Tsai To, Robert, independent non-executive directors, and Ms. Hung Chiu Yee, a non-executive director, were unable to attend the Company's annual general meeting held on 4 June 2012 ("2012 AGM") due to oversea or other business engagement.

In respect of Code Provision E.1.2 of the New CG Code, Mr. Sze Tsai To, Robert, the chairman of the audit committee of the Company, was unable to attend the 2012 AGM due to oversea engagement. All other members of the audit committee attended the 2012 AGM.

**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 New CG Code.

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

## PURCHASE, SALE OR REDEMPTION OF OWN LISTED SECURITIES

During the six months ended 30 June 2012, there were no purchases, sales or redemptions by the Company or any of its subsidiaries of the Company's listed securities.

## PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This interim 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 interim report will be despatched to shareholders of the Company and made available at the aforesaid websites in due course.

## BOARD OF DIRECTORS

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*.

By Order of the Board
**Hung Hak Hip, Peter**
*Chairman*

Hong Kong, 30 August 2012