HOP HING GROUP HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 47)

2014 ANNUAL RESULTS ANNOUNCEMENT

CHAIRMAN'S STATEMENT

In 2014, China's economy continued to experience a slowdown in growth. The various food safety issues in the country during the year under review have brought the food safety of quick service restaurants into the spotlight again. In addition, the PRC government's austerity campaign to curb lavish spending and entertainment has resulted in fierce competition in the mid-price-to-low end catering market segments. All of these factors have combined to accelerate consolidation within the catering industry. Operating in a difficult business environment, our management has needed to be prudent and patient in executing our strategy and expansion plans.

In the year under review, we have continued our efforts to improve our sales revenue, including introducing new products, such as spicy vegetable pork bowls, chicken with wine cooked in Chinese style, stone pots in different styles, offering complete dinner sets including drinks and desserts and offering value meal items during off-peak hours. At the same time, in today's internet era, we cannot afford to overlook the impact of the change in spending patterns brought about by the increasing reach of the internet. To capture this trend, we have placed more advertisements online to attract internet users, and successfully implemented an internet ordering system for its first full year which helped complement our delivery services. As a collateral benefit, we have managed to build slightly smaller stores in the selected areas during the past year, which could in turn reduce our capital outlay for each new store.

During the year under review, we were prudent in the expansion of our store network. During 2014, 30 new stores were opened in various cities in Northern China. The Yoshinoya new stores were designed to convey a feeling of being at home while the Dairy Queen stores were built with the aim to reinforce ourselves as a fashionable, trendy ice-cream expert. At the same time we closed 45 stores which failed to meet either our internal profitability assessment or the business of which has been adversely affected by the massive redevelopment of areas around them. This reorganization of our store network should improve the quality of our network and enable us to build a more solid foundation for our future growth. As at the end of 2014, we had a total of 425 stores in operation.

In difficult times, a solid business foundation and efficient operations are the keys to success. In 2014, although the QSR industry was under the pressure of "four highs-one low", the management was able to deliver a stable performance in gross margin and selling and distribution expenses expressed as percentages of sales. The return of faster economic growth and further strengthening of cost control measures by the management should further help in reducing the general and administrative expense percentages down the road.

Food safety has always been a top priority of our Group. We purchase from reliable suppliers who care as much about food safety as we do. In addition, we conduct a review of our internal control system on food safety on a regular basis. Our "Sunshine Kitchen" concept also helps our customers to better understand how much we care about our products and their health.

It is believed that it may take some time before China's economy reaches the high growth rates of recent years, customers' confidence on quick service foods returns and the industry has found its way to cope with the Chinese government's austerity campaign. We however expect that, after the current trough, the catering industry in the Northern China will benefit from the release of economic and purchasing power brought by the unification of Beijing, Tianjin and Hebei metropolitan regions. The management has been undertaking various measures with an aim to build a solid foundation for the Group's future steady growth. Last but not least, we would seek and evaluate any opportunity that may maximize the value of our company and shareholders' returns.

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

Hung Hak Hip, Peter
Chairman

Hong Kong, 20 March 2015

RESULTS

The board of directors (the "Board") of Hop Hing Group Holdings Limited (the "Company") is pleased to announce the consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2014 together with the comparative figures for the previous year as follows:

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
CONTINUING OPERATIONS			
TURNOVER	4	**2,157,873**	2,110,664
Direct cost of stocks sold		**(817,752)**	(808,682)
Other income and gains, net	4	**5,702**	9,399
Selling and distribution expenses		**(1,080,995)**	(1,050,173)
General and administrative expenses		**(216,544)**	(174,306)
PROFIT FROM OPERATING ACTIVITIES FROM CONTINUING OPERATIONS	5	**48,284**	86,902
Finance costs	6	**(1,388)**	(2,441)
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS		**46,896**	84,461
Income tax expense	7	**(11,531)**	(18,785)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**35,365**	65,676
DISCONTINUED OPERATION			
Loss for the year from a discontinued operation	8	**–**	(51,696)
PROFIT FOR THE YEAR		**35,365**	13,980
PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		**35,365**	13,980

	Notes	**2014**	2013
		HK$'000	*HK$'000*
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	10		
Basic			
– For profit for the year		**HK0.35 cent**	HK0.14 cent
– For profit from continuing operations		**HK0.35 cent**	HK0.66 cent
Diluted			
– For profit for the year		**HK0.35 cent**	HK0.14 cent
– For profit from continuing operations		**HK0.35 cent**	HK0.66 cent

Details of the dividends are disclosed in note 9.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2014

	2014	2013
	HK\$'000	*HK\$'000*
PROFIT FOR THE YEAR	**35,365**	13,980
OTHER COMPREHENSIVE INCOME/(EXPENSES)		
Other comprehensive income/(expenses) that have been reclassified or may be subsequently reclassified to income statement:		
Release of exchange fluctuation reserve upon disposal of subsidiaries	**–**	(33,137)
Exchange differences on translation of foreign operations	**(7,489)**	9,322
OTHER COMPREHENSIVE EXPENSES FOR THE YEAR	**(7,489)**	(23,815)
TOTAL COMPREHENSIVE INCOME/(EXPENSES) FOR THE YEAR	**27,876**	(9,835)
TOTAL COMPREHENSIVE INCOME/(EXPENSES) ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	**27,876**	(9,835)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**250,870**	301,148
Deferred tax assets		**21,263**	11,047
Prepayments and rental deposits		**44,264**	50,820
Total non-current assets		**316,397**	363,015
CURRENT ASSETS			
Stocks		**121,106**	111,530
Accounts receivable	11	**6,335**	8,098
Prepayments, deposits and other receivables		**69,498**	61,791
Tax recoverable		**6,493**	14,690
Pledged bank deposits		**–**	44,872
Cash and cash equivalents		**336,516**	226,302
Total current assets		**539,948**	467,283
CURRENT LIABILITIES			
Accounts payable	12	**136,753**	131,514
Other payables and accrued charges		**256,072**	242,735
Interest-bearing bank loans		**30,000**	26,923
Total current liabilities		**422,825**	401,172
NET CURRENT ASSETS		**117,123**	66,111
TOTAL ASSETS LESS CURRENT LIABILITIES		**433,520**	429,126
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**12,995**	11,461
NET ASSETS		**420,525**	417,665

	Notes	**2014** ***HK$'000***	2013 *HK$'000*
EQUITY			
Equity attributable to equity holders of the Company			
Issued share capital		**1,000,629**	1,000,629
Reserves		**(580,104)**	(582,964)
Total equity		**420,525**	417,665

NOTES

1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and accounting principles generally accepted in Hong Kong. These financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance relating to the preparation of financial statements, which for this financial year and the comparative period continue to be those of the predecessor Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 to that Ordinance. The financial statements have been prepared under the historical cost convention, except for certain land and buildings, classified as property, plant and equipment, which were carried at 1993 valuation. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2014. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

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

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

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

2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	*Investment Entities*
Amendments to HKAS 32	*Offsetting Financial Assets and Financial Liabilities*
Amendments to HKAS 36	*Recoverable Amount Disclosures for Non-Financial Assets*
Amendments to HKAS 39	*Novation of Derivatives and Continuation of Hedge Accounting*
HK(IFRIC)-Int 21	*Levies*
Amendment to HKFRS 2 included in *Annual Improvements 2010-2012 Cycle*	*Definition of Vesting Condition*[1]
Amendment to HKFRS 3 *included in Annual Improvements 2010-2012 Cycle*	*Accounting for Contingent Consideration in a Business Combination*[1]
Amendment to HKFRS 13 included in *Annual Improvements 2010-2012 Cycle*	*Short-term Receivables and Payables*
Amendments to HKFRS 1 included in *Annual Improvements 2011-2013 Cycle*	*Meaning of Effective HKFRSs*

[1] Effective from 1 July 2014

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

3. OPERATING SEGMENT INFORMATION

The Group's primary operating segment is QSR business after the disposal of the edible oils business ("the Disposal") during the year ended 31 December 2013. Further details of the Disposal are set out in notes 8 and 13. Since the QSR business is the only continuing operating segment of the Group, no further analysis thereof is presented.

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

4. TURNOVER AND OTHER INCOME AND GAINS, NET

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

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

	Group	
	2014	2013
	HK$'000	*HK$'000*
Turnover		
Sales	**2,157,873**	2,110,664
Other income and gains, net		
Interest income	**4,995**	2,991
Foreign exchange differences, net	**(4,414)**	3,675
Compensation	**1,513**	1,213
Others	**3,608**	1,520
	5,702	9,399

5. PROFIT FROM OPERATING ACTIVITIES FROM CONTINUING OPERATIONS

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

	2014 *HK$'000*	2013 *HK$'000*
Foreign exchange differences, net	**4,414**	(3,675)
Direct cost of stocks sold	**817,752**	808,682
Loss on disposal/write-off of items of property, plant and equipment, net	**9,002**	5,325
Employee benefit expenses (including directors' emoluments):		
Wages and salaries	**301,281**	277,340
Pension scheme contributions*	**88,287**	81,915
	389,568	359,255
Depreciation	**137,191**	124,979
Impairment of items of property, plant and equipment	**911**	3,034
Impairment of accounts receivable**	**4,341**	–
Lease payments under operating leases in respect of land and buildings		
– Minimum lease payments	**284,930**	269,797
– Contingent rents	**38,767**	38,333
Auditors' remuneration	**2,450**	2,265

Notes:

* At 31 December 2014, the Group had no forfeited contributions available to reduce its future contributions to the pension schemes in future years (2013: Nil).

** Impairment of accounts receivable is included in "General and administrative expenses" in the consolidated income statement.

6. FINANCE COSTS

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

	Group	
	2014	2013
	HK$'000	*HK$'000*
Interest on bank loans wholly repayable within five years	**1,087**	1,812
Others	**301**	629
	1,388	2,441

7. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2013: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

Pursuant to the Corporate Income Tax Law of the People's Republic of China ("PRC") being effective on 1 January 2008, the PRC corporate income tax rate for the Group's subsidiaries operated in Mainland China during the year was 25% on their taxable profits. One of the subsidiaries engaged in agricultural business is entitled to exemption from the standard income tax rate for a fixed term of one year in 2014 and 2013.

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

	2014	2013
	HK$'000	*HK$'000*
Group:		
Current – Hong Kong		
Charge for the year	**2,722**	954
Current – Elsewhere		
Charge for the year	**17,777**	23,194
Underprovision/(overprovision) in prior years	**13**	(471)
	17,790	22,723
Deferred	**(8,981)**	(4,892)
Total income tax charge for the year	**11,531**	18,785

8. DISCONTINUED OPERATION

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

The results of the Edible Oils Group for the period from 1 January 2013 to 28 June 2013 (i.e. date of completion of the Disposal) were presented below:

	Note	**2014** **HK$'000**	2013 HK$'000
Turnover		–	438,283
Direct cost of stocks sold and services provided		–	(320,520)
Interest income		–	86
Other income and loss, net		–	(222)
Other production and services costs		–	(32,270)
Selling and distribution expenses		–	(53,330)
General and administrative expenses		–	(23,482)
Profit from operating activities		–	8,545
Finance costs		–	(2,068)
Profit before tax from the discontinued operation		–	6,477
Income tax expense		–	(11,864)
Loss for the year before loss on disposal of subsidiaries		–	(5,387)
Loss on disposal of subsidiaries	13	–	(46,309)
Loss for the year from the discontinued operation		–	(51,696)
Loss per share:			
Basic, from the discontinued operation		–	HK(0.52) cent
Diluted, from the discontinued operation *		–	HK(0.52) cent

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

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

	2014	2013
	HK$'000	*HK$'000*
Loss attributable to equity holders of the Company from the discontinued operation	**–**	(51,696)

	Number of shares	
	2014	2013
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation *(note 10)*	**10,006,288,386**	9,971,284,644

9. DIVIDENDS

	2014	2013
	HK$'000	*HK$'000*
Dividends paid during the year:		
Final dividend for 2013 – HK0.25 cent (2012: HK0.25 cent) per ordinary share	**25,016**	25,016
Special dividend for 2013 – HK2.8 cents per ordinary share	**–**	280,176
	25,016	305,192
Proposed final dividend:		
HK0.25 cent (2013: HK0.25 cent) per ordinary share	**25,016**	25,016

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

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

(a) Basic earnings per share

The calculation of basic earnings per share is based on the consolidated profit for the year attributable to equity holders of the Company of HK$35,365,000 (2013: HK$13,980,000), and the weighted average number of 10,006,288,386 (2013: 9,971,284,644) ordinary shares in issue during the year.

(b) Diluted earnings per share

For the year ended 31 December 2013, the calculation of diluted earnings per share is based on the consolidated profit for the year attributable to equity holders of the Company of HK$13,980,000 and the weighted average number of 9,986,268,833 ordinary shares in issue after adjusting for the effect of all dilutive potential ordinary shares of 14,984,189 calculated as follows:

	2014	2013
	HK$'000	*HK$'000*
Consolidated profit/(loss) attributable to equity holders of the Company:		
From continuing operations	**35,365**	65,676
From a discontinued operation	**–**	(51,696)
	35,365	13,980

	Number of shares	
	2014	2013
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**10,006,288,386**	9,971,284,644
Effect of dilution – weighted average number of ordinary shares:		
Warrants	**–**	14,984,189
Share options *	**–**	–
	10,006,288,386	9,986,268,833

* The outstanding share options of the Company have not been included in the computation of diluted earnings per share for the years ended 31 December 2014 and 2013 as the exercise prices of these options were higher than the average market prices of the Company's shares during the years and they therefore had no dilutive effect on the Company's earnings per share.

11. ACCOUNTS RECEIVABLE

The Group's QSR products are mainly sold on a cash basis. Accounts receivable of the Group's QSR business were mainly due from shopping malls with credit terms within 60 days. The overdue balances are reviewed regularly by senior management.

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

	Group	
	2014	2013
	HK$'000	*HK$'000*
Current (neither past due nor impaired)	**1,795**	8,098
Within 60 days past due	**1,495**	–
Over 60 days past due	**3,045**	–
	6,335	8,098

12. ACCOUNTS PAYABLE

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

	Group	
	2014	2013
	HK$'000	*HK$'000*
Current and less than 60 days	**130,173**	118,741
Over 60 days	**6,580**	12,773
	136,753	131,514

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

13. DISPOSAL OF SUBSIDIARIES

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

	2014	2013
	HK$'000	*HK$'000*
Net assets of the subsidiaries disposed of:		
Property, plant and equipment	–	188,148
Prepaid land lease payments	–	26,860
Trademarks	–	125,304
Deferred tax assets	–	893
Stocks	–	121,044
Accounts receivable	–	148,390
Prepayments, deposits and other receivables	–	21,657
Tax recoverable	–	1,408
Cash and cash equivalents	–	28,742
Accounts payable	–	(42,226)
Other payables and accrued charges	–	(35,950)
Interest-bearing bank loans	–	(100,627)
Tax payable	–	(12,035)
Deferred tax liabilities	–	(1,526)
Non-controlling interests	–	(194)
	–	469,888
Release of exchange fluctuation reserve	–	(33,137)
Transaction costs directly attributable to the disposal of the subsidiaries	–	4,171
Loss on disposal of the subsidiaries	–	(46,309)
	–	394,613
Satisfied by:		
Cash	–	394,613

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

	2014	2013
	HK$'000	*HK$'000*
Cash consideration	–	394,613
Cash and cash equivalents disposal of	–	(28,742)
Less: Transaction costs directly attributable to the disposal of the subsidiaries	–	(4,171)
Net inflow of cash and cash equivalents in respect of the disposal of the subsidiaries	–	361,700

MANAGEMENT DISCUSSION AND ANALYSIS

OVERALL PERFORMANCE

For the year ended 31 December 2014, the turnover of the Group's Quick Service Restaurant ("QSR") business increased by 2.2% to HK$2,157.9 million (2013: HK$2,110.7 million). Earnings before interest, taxation and depreciation and amortisation ("EBITDA") for the year amounted to HK$185.5 million, declining by 12.5% when compared to HK$211.9 million for the preceding year. Profit attributable to the equity holders of the Company totaled HK$35.4 million, compared to HK$14.0 million for the year ended 31 December 2013, which included a loss of HK$51.7 million from the discontinued operation.

Basic and diluted earnings per share for the year were HK0.35 cent and HK0.35 cent respectively (2013: HK0.14 cent and HK0.14 cent respectively). The basic and diluted earnings per share for the year from the continuing operations were HK0.35 cent and HK0.35 cent respectively (2013: HK0.66 cent and HK0.66 cent respectively).

DIVIDENDS

The Directors recommend the payment of a final dividend of HK0.25 cent per share for the year ended 31 December 2014 (2013: HK0.25 cent per share). On 28 June 2013, the Company paid a special dividend of HK2.80 cents per share upon completion of the disposal of the Group's edible oil business. Subject to the approval by the shareholders at the forthcoming Annual General Meeting of the Company, the final dividend will be distributed on 30 June 2015 to shareholders whose names appear on the register of members of the Company as at 8 June 2015.

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

BUSINESS REVIEW

Industry review

2014 was a challenging year for the catering industry as a whole in China. The weak economy and ongoing campaign by the State Council to combat corruption directly affected sentiment towards dining and spending on entertainment. For the catering industry, such sentiment was further weakened by concerns over the food safety of quick service restaurants. The change in business environment consequently forced certain high-end caterers to move downstream to compete in the mid-price and low-end catering segments, which resulted in fierce competition across the entire catering industry. Together with the "four highs and one low", namely, high raw material, labour, rental and utility costs leading to low profitability; consolidation of the market and reformation of the catering industry is inevitably taking place. Many caterers subsequently devoted considerable effort towards revising their business models to ensure survivability amid such challenging conditions, as well as prepare to maximise on returns once an upswing emerges.

Business review

In 2014, our sales revenue rose by 2.2% to HK$2,157.9 million (2013: HK$2,110.7 million) mainly attributable to growth in same store sales and additional sales generated by new stores opened in the preceding year. During the review year, we adopted a prudent approach towards new store openings, establishing 30 new stores (2013: 60 new stores) that fulfilled our stringent internal requirements. To operate in such challenging conditions, added effort was placed on improving the quality and growth potential of all existing stores. Provisions and write-offs were made in the review year covering stores that failed to meet either internal profitability requirements or, owing to massive redevelopment of areas surrounding certain stores, had impaired the business opportunities and growth potential of such stores. The closures have, however, enabled us to direct greater focus on profit-making stores and nurture newly-built stores that have high business potential. A total of 45 stores (2013: 25 stores) were closed in 2014, representing a net closure of 15 stores (2013: net opening of 35 stores). As at 31 December 2014, 425 stores (2013: 440 stores) were in operation.

	As at 31 December	
	2014	2013
Yoshinoya		
Beijing-Tianjin-Hebei metropolitan region	**206**	223
Liaoning	**67**	61
Inner Mongolia	**10**	9
Jilin	**1**	2
Heilongjiang	**8**	9
	292	304
Dairy Queen		
Beijing-Tianjin-Hebei metropolitan region	**103**	109
Liaoning	**20**	19
Inner Mongolia	**6**	6
Jilin	**1**	–
Heilongjiang	**3**	2
	133	136
Total	**425**	440

Our business strategy has continued to focus on food safety and enhancing the quality of our products in order to reinforce our image as a rice expert. Correspondingly, innovative new products, including spicy vegetable pork bowls and chicken with wine cooked in Chinese style, were introduced during the review year. Our delivery services, including accepting orders by phone and over the internet, have helped us to capture customers who prefer to stay at their workplace or at home. All of these initiatives have resulted in a modest 1.5% rise (2013: decrease of 8.3%) in the same store sales of our Yoshinoya restaurants, despite operating under challenging business conditions.

Being a kind of desserts, ice-cream products are more sensitive to the ups and downs of the economy. To sway the public towards Dairy Queen's offerings, the use of distinctive shop fronts, eye-catching signage and the adoption of a young and trendy image have been implemented, combined with several new products. Consequently, the decline in same stores sales has lessened when compared with the previous year.

	Percentage increase in same stores sales	
	2014	2013
Overall	**1.1%**	-8.1%
By business		
Yoshinoya	**1.5%**	-8.3%
Dairy Queen	**-3.2%**	-5.3%

In 2014, the Beijing-Tianjin-Hebei metropolitan region continued to be the QSR Group's largest market in terms of revenue, with sales revenue from Yoshinoya products accounting for roughly 90.6% of QSR sales.

	2014		2013	
	HK$'000	***% of sales***	*HK$'000*	*% of sales*
a. By region				
Beijing-Tianjin-Hebei metropolitan region	**1,608,997**	**74.6%**	1,582,526	75.0%
Northeast China[1]	**548,876**	**25.4%**	528,138	25.0%
	2,157,873	**100.0%**	2,110,664	100.0%

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

	2014		2013	
	HK$'000	***% of sales***	*HK$'000*	*% of sales*
b. By business				
Yoshinoya	**1,955,226**	**90.6 %**	1,901,668	90.1%
Dairy Queen	**202,647**	**9.4 %**	208,996	9.9%
	2,157,873	**100.0%**	2,110,664	100.0%

The effective bulk procurement strategy implemented by the management, which emphasises purchases of quality food ingredients in a timely manner, complemented by flexible promotional programs have successfully mitigated the impact of the surge in raw material costs – particularly the cost of beef – on the cost of goods sold. The gross profit margin stood at a level similar to the preceding financial period at 62.1% (2013: 61.7%) while the gross profit recorded an increase of 2.9% compared to last year.

	2014	2013
Gross profit margin	**62.1%**	61.7%

Despite an annual increase of more than 10% on salaries and wages of staff, and the escalation of rental costs experienced by the market, the percentages of expenses over sales have remained relatively stable. Such stability has highlighted the management's success in controlling selling and distribution costs and enhancing the efficiency of the Group's stores.

	2014		2013	
	HK$'000	***% of sales***	*HK$'000*	*% of sales*
Labour costs	**270,564**	**12.5%**	259,322	12.3%
Rental expense	**300,551**	**13.9%**	291,119	13.8%
Depreciation	**126,747**	**5.9%**	120,961	5.7%
Other operation expenses	**383,133**	**17.8%**	378,771	18.0%
Total selling and distribution costs	**1,080,995**	**50.1%**	1,050,173	49.8%

While selling and distribution expenses are to a certain extent variable costs, general and administrative expenses are not business-volume dependent. Operating in a difficult business environment, apart from adjusting salaries and wages to ensure their competitiveness, the Group has also implemented incentive and bonus programs to motivate staff to achieve pre-set targets. In respect of the rental cost component of general and administrative expenses, the cost of rent for the new head office in Beijing was also included, having been occupied by the Group since the last quarter of 2013. This cost is significantly higher than that of the previous office which had been rented by the QSR business for nine years.

Overall, the Group has been able to record a modest rise in turnover and gross profit, and maintained a relatively stable store EBITDA of approximately 18%. The decline in profit from the continuing operations of the Group was mainly due to the increase in labour and rental costs, write-off costs associated with store closures, and provisions within general and administrative expenses. The management trusts that further strengthening of cost control procedures will help to minimise the impact of labour and rental costs on the performance of the Group in the future.

Operating amid highly challenging conditions, the QSR Business has had to endure pressure on its profitability over the past two years. The cost of investment in subsidiaries engaged in the QSR Business has been adjusted to reflect its estimated net realisable value as at 31 December 2014. An impairment of HK$1,473 million, which does not have any impact on the consolidated accounts of the Group for the year ended 31 December 2014, has been reflected in the books of the Company.

FINANCIAL REVIEW

Equity

The number of issued shares of HK$0.10 each of the Company as at 31 December 2014 was 10,006,288,386 (2013: 10,006,288,386).

As at 1 January 2014, the Company had 27,719,520 outstanding share options. During the year, 1,552,200 share options were lapsed.

Liquidity and gearing

As at 31 December 2014, the Group's bank borrowing was a bank loan of HK$30.0 million (2013: HK$26.9 million), which was HK unsecured bank loan borrowed by the Company and were either repayable or subject to renewal within one year.

The Group's gearing ratio (expressed as a percentage of interest-bearing bank loans over equity attributable to equity holders of the Company) as at 31 December 2014 was 7.1% (2013: 6.4%).

The Group's finance costs from the continuing operations for the year was HK$1.4 million (2013: HK$2.4 million).

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

REMUNERATION POLICIES

Staff remuneration packages of the Group are comprised of salary and discretionary bonuses and are determined with reference to the market conditions and the performance of the Group and the individuals concerned. The Group also provided other staff benefits including medical insurance, continuing education allowances, provident funds and long-term incentives to eligible staff of the Group. The total remuneration paid to the employees (including pension costs and the directors' remuneration) of the Group in the year under review was HK$389.6 million (2013: HK$359.3 million). As at 31 December 2014, the Group had 7,946 (2013: 9,242) full time and temporary employees.

Subsequent to 31 December 2014, the annual remuneration of Mr. Wong Kwok Ying, an executive director of the Company, was revised to HK$1,816,200 with discretionary bonuses payable according to the terms of the relevant bonus entitlement scheme of the Company.

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

OPERATING SEGMENT INFORMATION

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

CONTINGENT LIABILITIES

Group

During the years ended 31 December 2010, 2011, 2012 and 2013, the Hong Kong Inland Revenue Department (the "IRD") issued protective assessments for the years of assessment 2003/2004, 2004/2005, 2005/2006 and 2006/2007 to certain joint ventures and subsidiaries of the Edible Oils Group, who had lodged objections with the IRD against these assessments. Taking into account of the then development of the objections, the resources that would be required to pursue the case further and the advice of the tax consultants of the joint ventures and the Edible Oils Group, a total provision of HK$11.7 million was made in the financial statements of the Edible Oils Group for the period from 1 January 2013 to 28 June 2013 for the probable settlement amounts of this tax case.

Pursuant to the agreement entered into between the Company and Harvest Trinity Limited for the Disposal in 2013, the Company undertook to indemnify Harvest Trinity Limited for further tax liabilities, including the aforesaid protective assessments, relating to periods prior to the date of completion of the Disposal. In the opinion of the management, adequate tax provision had been made by the Edible Oils Group before the date of completion of the Disposal.

During the year, the IRD agreed the above compromise settlement amounts and issued the revised assessments for the years of assessment 2003/2004, 2004/2005, 2005/2006 and 2006/2007 for certain joint ventures and subsidiaries of the Edible Oils Group accordingly.

PLEDGE OF ASSETS

Certain of the Group's bank loans as at 31 December 2013 were secured by the pledge of certain of the Group's time deposits amounting to HK$44,872,000.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND AFFILIATED COMPANIES

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

OUTLOOK

Neither the overall economic conditions nor the related policies anticipated to change in the near future. We can therefore expect to see competition intensifying in the low-end market, caused by the contraction of the high-end and mid-price market as the State Council's austerity campaign continues to drive market players downstream. Down the road, such severe competition will not only be among the retail brands, but all other brands as well. For the catering industry, players will also have to face weak consumption sentiment and escalating operational costs in the coming year. Moreover, the influence of the internet has resulted in a change in consumption pattern that will bring short-term disturbance to the market. In addition, the significant and continual increase in raw material costs will challenge our ability to maintain gross profit margin at a stable level in the upcoming financial year.

Operating under such difficult conditions, our newly established business information system will be of particular value, enabling us to keep abreast of market developments and rapidly respond to the needs of our customers. Further, our menus and operating mode can be promptly adjusted to suit the ever-changing demands of customers and the environment. Aside from leveraging the business information system, however, we will continue to introduce new and innovative products as part of our strategy to maintain our loyal customers while attracting new customers to the fold. Correspondingly, complete dinner sets with drinks and desserts will be offered to customers who are looking to unwind after a busy day at work. Certainly, off-peak hours are time slots that cannot be ignored. Hence, offering value-meal items during these periods will enable us to build our customer base and increase revenue at the same time. Apart from developing our menu, enhancing the dining experience for our customers is equally important. The design of our new stores have consequently incorporated elements that create a home-like atmosphere, thereby encouraging them to visit any time they want to enjoy meals in a relaxed manner. Home is also a place where everything is simple and straight forward. We will therefore implement in all our stores the proven practice of separating the cashier counters and pick-up counters to reduce the waiting time of our customers, which can potentially improve the operating efficiency of our stores as well. Given that we are well into the internet era, and that many of our daily activities can be completed by accessing the net, we will seek to fully leverage this development. With an effective internet ordering system in place that is complemented by our delivery services, we will be able to build more slightly smaller sized stores, and thereby reduce investment costs while at the same time capitalise on higher store efficiency.

Food safety remains an area where we will continue to place our greatest emphasis. We will maintain stringent controls over the quality of raw materials and work with suppliers who share a similar commitment to food safety. When stores are due for renovation, we will implement appropriate "Sunshine Kitchen" concepts that highlight our commitment to food safety.

While the Group's gross margin has remained at a similar level to last year, we will strive to further enhance the breadth and depth of our bulk purchasing strategy to minimise the potential erosion of our gross profit margin, caused by escalating raw material costs, in particular, rising beef costs. To counter the ever-increasing cost of labour in China, raising the efficiency of human resources and the organisation will take top priority. In addition to keeping compensation packages competitive, the Group has started implementing a "Virtual Partnership Plan" where the heads of stores are allowed, under certain pre-set conditions, to operate their establishments as if they were the owners. The plan not only raises the morale of the persons in charge by giving them a sense of ownership, but also allows them to share in the success of the stores.

In respect of our ice-cream business, new stores are being created that will help reposition the brand identity of Dairy Queen; reinforcing it as a fashionable, trendy ice-cream expert. The Group will also continue to expand the products offered and launch new products to maintain market momentum, as well as prepare Dairy Queen ahead of faster pace economic growth in the future.

Taking a macro level perspective of our operations in China, the average number of stores under our brand names per fixed amount of the population in our franchise regions is much lower than that of our counterparts in developed countries. On a micro level, the consumption and economic power of Beijing, Tianjin and Hebei province will be further bolstered once economic unification among these metropolitan centers is completed. We have already witnessed such synergy occur in cities that lie within the periphery of Shanghai and Guangdong, all of which have benefited from the reformation of Eastern China and Southern China respectively. In respect of the Group, the management has equipped the business with a quality network, highly efficient operations and management style that is responsive to the market. This will enable us to develop a strong business platform for grasping opportunities that will emerge once the business environment has recovered from the current trough. In view of the aforementioned factors, we therefore remain cautiously optimistic about the growth of the catering industry in China in the medium-to-long term.

Apart from devoting resources to achieve sustainable long-term growth for our existing QSR business, we will continue to look for and evaluate opportunities that enable us to advance our goal of becoming a multi-brand QSR operator.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining a high standard of corporate governance practices and procedures. The Company complied with the code provisions ("CP") of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") during the financial year ended 31 December 2014.

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

MODEL CODE FOR SECURITIES TRANSACTIONS

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

Based on specific enquiry of the Company's directors, the directors confirmed that they complied with the required standards in the Model Code adopted by the Company throughout the financial year ended 31 December 2014.

AUDIT COMMITTEE

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

The audit committee of the Company has met the external auditors of the Company, Messrs. Ernst & Young, and reviewed the Group's results for the year ended 31 December 2014.

PURCHASE, SALE OR REDEMPTION OF OWN LISTED SECURITIES

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

AGM AND PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This results announcement is published on the Company's website at www.hophing.com and the website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk. The AGM of the Company is expected to be held on 1 June 2015. A notice convening the AGM and the annual report will be published on the Company's website and the website of Hong Kong Exchanges and Clearing Limited and will be despatched to all shareholders in due course.

CLOSURE OF THE REGISTER OF MEMBERS

In order to determine the shareholders who are entitled to attend the AGM, the register of members of the Company will be closed from 28 May 2015 to 1 June 2015 (both days inclusive), during which period no share transfers will be registered.

In addition, in order to determine the shareholders who are entitled to receive the final dividend for the year ended 31 December 2014, the register of members of the Company will be closed from 5 June 2015 to 8 June 2015 (both days inclusive), during which period no share transfers will be registered. The final dividend will be distributed on 30 June 2015 to shareholders whose names appear on the register of members of the Company as at 8 June 2015.

In order to qualify for attending and voting at the forthcoming AGM, and the entitlement for the final dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Branch Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 27 May 2015 and 4 June 2015 respectively.

VOTE OF THANKS

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

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

Hong Kong, 20 March 2015

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