HOP HING GROUP HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 47)

2015 ANNUAL RESULTS ANNOUNCEMENT

CHAIRMAN'S STATEMENT

In 2015, China's economy remained sluggish; the "four highs and one low", namely, high raw material, labor, rental and utility costs continued to adversely affect the profitability of the Quick Service Restaurant ("QSR") market players. In addition, the new "Internet +" era significantly impacted on and accelerated the transformation of the QSR industry, resulting in long-term ramifications. In this time of challenge and change, our management has developed and implemented various strategies to adapt to an evolving market and prepare the Group for capturing new opportunities for further growth.

While the revenue recorded by the Group in 2015 amounted to a decline of 5% when compared to 2014, which was mainly due to the difficult business environment and the management's efforts over the past years to improve the quality of the store network by closing underperforming stores has begun to reap rewards. To enable the Group to respond to the market change and needs of our customers swiftly, the management has flattened the organisational hierarchy to shorten the internal communication process. Together with the implementation of incentive and appraisal scheme to motivate staff and imbue them with a sense of ownership, the management has been able to deliver a profit of HK$65.8 million for the 2015 financial year, a growth of 86% when compared to the preceding year.

Every organisation has to prepare itself for operating in an ever-changing business environment. While change may sometime have adverse effects on a business, they usually bring opportunities that, if captured, allow an organisation to grow further. The new "Internet+" era that we are now entering poses challenges to organisations that are only accustomed to conduct business in a conventional manner as it brings changes hitherto unimagined, impacting on business and the economy. However, new opportunities have opened for enterprises that are prepared to accept and embrace change. Consequently, the "Collaborative Economy" (共享經濟) will definitely be one of the business directions that the management will steer the Group towards in the coming years. While accepting and adapting to changes will allow us to benefit from this new internet era, our management remains fully aware of the importance of food safety, which will always serve as the cornerstone of our QSR business. Hence, they are determined to provide the Group's customers with quality food, which is where our motto "Quality of Conscience (良心品質)" derives from.

Looking back, I joined the Group prior to its listing in 1988. At that time, the Group's business was mainly in Hong Kong. Since then, the Group has overcome numerous obstacles and undergone various developments, including expanding its business to China and transforming from an edible oil group to a QSR group with operations in Northern China. The turnover of the Group is now over HK$2 billion. Looking forward, I can see a lot of opportunities coming along with the collaborative economy. In addition, when the current market disturbance caused by the countless subsidies of the internet platform players who look for website traffic is over, the choice of the consumers will certainly be back to the quality of the food, whose production requires excellent operational and quality control which our Group is excel at. Hence, I am confident that, despite the current headwinds, the Group has immense growth potential.

Having served the Group for almost 40 years and been the Chairman of the Group for 26 years, it is now time to relinquish my responsibilities to a highly professional management team. I shall retire as the Chairman of the Board on 25 March 2016 and am pleased that Mr. Seto, John Gin Chung will take my place from tomorrow onwards. Mr. Seto has over 30 years of experience in the securities and futures industry, with expertise in corporate strategic development. Under his capable leadership, I am confident that the Company will continue to grow from strength to strength in the years to come.

I would also like to extend a very warm welcome to Mr. Wan Sai Cheong, Joseph who was appointed as an independent non-executive director of the Company in February 2016. Apart from being a seasoned accountant, Mr. Wan is highly knowledgeable about restaurant operations, department store retailing and mergers and acquisitions. I trust that the Board will benefit from his wealth of experience and expertise.

As this is my last report to the shareholders of the Company, I would like to take this opportunity to thank my fellow directors, management and staff for the unfailing support extended to me. I wish to also thank our customers, shareholders and business partners whom, without their continued support, Hop Hing would not be what it is today.

Hung Hak Hip, Peter
Chairman

Hong Kong, 24 March 2016

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 2015 together with the comparative figures for the previous year as follows:

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2015

	Notes	**2015** **HK$'000**	2014 HK$'000
TURNOVER	*4*	**2,050,053**	2,157,873
Direct cost of stocks sold		**(758,055)**	(817,752)
Other income and gains, net		**4,282**	5,702
Selling and distribution expenses		**(989,607)**	(1,080,995)
General and administrative expenses		**(212,574)**	(216,544)
PROFIT FROM OPERATING ACTIVITIES	*5*	**94,099**	48,284
Finance costs	*6*	**(1,507)**	(1,388)
PROFIT BEFORE TAX		**92,592**	46,896
Income tax expense	*7*	**(26,804)**	(11,531)
PROFIT FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		**65,788**	35,365
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	*9*		
Basic		**HK0.66 cent**	HK0.35 cent
Diluted		**HK0.66 cent**	HK0.35 cent

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2015

	2015 *HK$'000*	2014 *HK$'000*
PROFIT FOR THE YEAR	**65,788**	35,365
OTHER COMPREHENSIVE EXPENSES		
Other comprehensive expenses to be reclassified to income statement in subsequent periods:		
Exchange differences on translation of foreign operations	**(16,059)**	(7,489)
OTHER COMPREHENSIVE EXPENSES FOR THE YEAR	**(16,059)**	(7,489)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	**49,729**	27,876

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**212,409**	250,870
Deferred tax assets		**26,789**	21,263
Prepayments and rental deposits		**45,945**	44,264
Total non-current assets		**285,143**	316,397
CURRENT ASSETS			
Stocks		**126,133**	121,106
Accounts receivable	*10*	**6,947**	6,335
Prepayments, deposits and other receivables		**53,702**	69,498
Tax recoverable		**5,808**	6,493
Cash and cash equivalents		**355,513**	336,516
Total current assets		**548,103**	539,948
CURRENT LIABILITIES			
Accounts payable	*11*	**101,479**	136,753
Other payables and accrued charges		**261,145**	256,072
Interest-bearing bank loans		**–**	30,000
Tax payable		**6,255**	–
Total current liabilities		**368,879**	422,825
NET CURRENT ASSETS		**179,224**	117,123
TOTAL ASSETS LESS CURRENT LIABILITIES		**464,367**	433,520
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**16,433**	12,995
NET ASSETS		**447,934**	420,525
EQUITY			
Equity attributable to equity holders of the Company			
Issued share capital		**1,007,043**	1,000,629
Reserves		**(559,109)**	(580,104)
TOTAL EQUITY		**447,934**	420,525

NOTES

1. BASIS OF PREPARATION

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2015. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements; and

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

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

Income statement and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, 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 above. 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 the income statement. The Group's share of components previously recognised in other comprehensive income is reclassified to the income statement or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKAS 19 *Defined Benefit Plans: Employee Contributions*
Annual Improvements to HKFRSs 2010-2012 Cycle
Annual Improvements to HKFRSs 2011-2013 Cycle

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

In addition, the Company has adopted the amendments to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") issued by The Stock Exchange of Hong Kong Limited (the "Stock Exchange") relating to the disclosure of financial information with reference to the Hong Kong Companies Ordinance (Cap. 622) during the current financial year. The main impact to the financial statements is on the presentation and disclosure of certain information in the financial statements.

3. OPERATING SEGMENT INFORMATION

The Group's primary operating segment is the QSR business. In addition, the QSR business' revenue and non-current asset, other than deferred tax assets, are predominantly attributable to a single geographical region, which is the People's Republic of China (the "PRC"). Therefore, no analysis by geographical region is presented.

4. TURNOVER

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

	2015	2014
	HK$'000	*HK$'000*
Turnover		
Sales	**2,050,053**	2,157,873

5. PROFIT FROM OPERATING ACTIVITIES

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

	2015	2014
	HK\$'000	*HK\$'000*
Foreign exchange differences, net	**7,268**	4,414
Direct cost of stocks sold	**758,055**	817,752
Loss on disposal/write-off of items of property, plant and equipment, net	**7,187**	9,002
Employee benefit expenses (including directors' emoluments):		
Wages and salaries	**304,244**	301,281
Pension scheme contributions**	**91,418**	88,287
Equity-settled share based payment	**3,184**	–
	398,846	389,568
Depreciation	**109,359**	137,191
Impairment of items of property, plant and equipment	**1,509**	911
Impairment/(write-back of impairment) of accounts receivable*	**(290)**	4,341
Lease payments under operating leases:		
– Minimum lease payments	**276,420**	284,930
– Contingent rents	**37,517**	38,767
Auditors' remuneration	**2,388**	2,450

Notes:

* Impairment/(write-back of impairment) of accounts receivable is included in "General and administrative expenses" in the consolidated income statement.

** At 31 December 2015, the Group had no forfeited contributions available to reduce its future contributions to the pension schemes in future years (2014: Nil).

6. FINANCE COSTS

An analysis of finance costs is as follows:

	2015	2014
	HK\$'000	*HK\$'000*
Interest on bank loans	**494**	1,087
Bank financing charges and others	**1,013**	301
	1,507	1,388

7. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2014: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

Pursuant to the Corporate Income Tax Law of the PRC being effective on 1 January 2008, the PRC corporate income tax rate for the Group's subsidiaries operated in Mainland China during the year was 25% on their taxable profits. One of the subsidiaries engaged in agricultural business was entitled to exemption from the standard income tax rate in 2015 and 2014.

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

	2015	2014
	HK$'000	*HK$'000*
Current – Hong Kong		
Charge for the year	**–**	2,722
Overprovision in prior years	**(564)**	–
	(564)	2,722
Current – Elsewhere		
Charge for the year	**30,639**	17,777
Underprovision/(overprovision) in prior years	**(192)**	13
	30,447	17,790
Deferred	**(3,079)**	(8,981)
Total income tax charge for the year	**26,804**	11,531

8. DIVIDENDS

	2015	2014
	HK$'000	*HK$'000*
Dividends paid during the year:		
Final dividend for 2014 – HK0.25 cent (2013: HK0.25 cent) per ordinary share	**25,176**	25,016
Proposed final dividend:		
HK0.25 cent (2014: HK0.25 cent) per ordinary share	**25,176**	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.

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 year attributable to equity holders of the Company of HK$65,788,000 (2014: HK$35,365,000), and the weighted average number of 10,006,270,304 (2014: 10,006,288,386) ordinary shares in issue during the year, as adjusted to reflect the number of shares of 66,903,400 held under the share award scheme of the Company.

(b) Diluted earnings per share

For the year ended 31 December 2015, 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$65,788,000 and the weighted average number of 10,031,528,148 ordinary shares in issue after adjusting for the effect of all dilutive potential ordinary shares of 25,257,844 calculated as follows:

	2015	2014
	HK$'000	*HK$'000*
Consolidated profit attributable to equity holders of the Company	**65,788**	35,365

	Number of shares 2015	2014
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**10,006,270,304**	10,006,288,386
Effect of dilution – weighted average number of ordinary shares:		
Share award	**25,257,844**	–
Share options *	**–**	–
	10,031,528,148	10,006,288,386

* 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 2015 and 2014 as the impact of these options had an anti-dilutive effect on the Company's basic earnings per share.

10. 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 and internet platform service providers with credit terms within 60 days. The overdue balances are reviewed regularly by senior management.

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

	2015 *HK$'000*	2014 *HK$'000*
Current (neither past due nor impaired)	**6,806**	1,795
Within 60 days past due	**141**	1,495
Over 60 days past due	**–**	3,045
	6,947	6,335

11. 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:

	2015 *HK$'000*	2014 *HK$'000*
Current and less than 60 days	**97,797**	130,173
Over 60 days	**3,682**	6,580
	101,479	136,753

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

MANAGEMENT DISCUSSION AND ANALYSIS

OVERALL PERFORMANCE

For the year ended 31 December 2015, the turnover of the Group's business totalled HK$2,050.1 million (2014: HK$2,157.9 million). Earnings before interest, taxation, depreciation and amortisation ("EBITDA") for the year amounted to HK$203.5 million, representing an increase of 9.7% when compared to HK$185.5 million for the preceding year. Profit attributable to the equity holders of the Company for the year under review was HK$65.8 million, representing an increase of 86.0% or HK$30.4 million when compared to HK$35.4 million for the year ended 31 December 2014.

Basic and diluted earnings per share for the year were HK0.66 cent and HK0.66 cent, respectively (2014: HK0.35 cent and HK0.35 cent, respectively).

DIVIDENDS

On 30 June 2015, the Company made a final dividend payment of HK0.25 cent per share for the year ended 31 December 2014. The Directors recommend the payment of a final dividend of HK0.25 cent per share for the year ended 31 December 2015 (2014: HK0.25 cent per share). Subject to approval by the shareholders at the forthcoming Annual General Meeting of the Company, the final dividend will be distributed on or about 30 June 2016 to shareholders whose names appear on the register of members of the Company as at 10 June 2016.

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

BUSINESS REVIEW

Industry review

In 2015, the catering industry continued to experience change, specifically in adapting to the influence of the Internet. One after another, traditional catering operators have begun adjusting their business to accommodate this technology, while branded enterprises have been exploring and building their own O2O platforms. In March 2015, Premier Li Keqiang included the "Internet+" action plan in the government's work report for the very first time. This underscored the growing importance of "Internet+" in the government's national economic and social development strategy. The impact of the Internet on members of the catering industry is immense and a revolution is being quietly conducted. The Group is well aware of the fact that the Internet and emerging payment methods have been the catalysts for driving the takeout industry's present growth. At the same time, traditional branded catering operators have sought to adopt O2O business models, including the introduction of online payment with enhanced offline experiences.

Aside from the fact that competition among members of the catering industry intensified with the emergence of Internet catering, traditional catering operators (including dine-in operations) continued to be confronted by various challenges, including the impact of the "four highs and one low", namely, high raw material, labour, rental and utility costs leading to continuously declining profitability. In addition, domestic consumers are paying increasing attention to food safety and tend to opt for quality branded catering operators.

Business review

To operate in this challenging business environment, the management developed three operational principles that are encapsulated in the maxim: "Efficiency, Effectiveness and Value Creation" (速度、實效及增值). With these principles in mind, financial benchmarks have been set to assist in steering the businesses in the right direction. Schemes have been devised to motivate team members to have a sense of ownership in the Company and strive for improvements in sales and profitability.

Looking back at 2015, which was a year full of challenge and change, a number of measures aimed at bolstering sales and managing and controlling costs and expenses were effectively implemented. In terms of sales growth, menu optimisation, marketing campaigns, introduction of dinner sets and various new launches all contributed in varying degrees to the enhancement in sales.

As for managing and controlling costs and expenses, effective controls over the purchase price of bulk raw materials and the adjustment and optimisation of the product sales structure allowed the Group to grapple with food costs. Yet other measures included assigning individuals to be responsible for multiple functions to enhance efficiency per man hour, and similarly, assigning one manager to oversee two stores to help control labour costs. More favourable rental rates and new-store rent control measures also contributed to the management of rental costs. The management employed other strategies to control expenses, including the introduction of energy conservation projects, optimising distribution routes and streamlining the support centre.

The difficult operating environment has nonetheless resulted in a 5.1% decline in same store sales in the year under review, compared to a 1.1% rise in 2014. In addition, the closure of certain under-performing stores since the second half of 2014 and the depreciation of the Renminbi during the year under review were also reasons for the decrease in revenue in 2015, when compared to 2014.

In the review year, our store opening strategy was adjusted, with emphasis placed on establishing smaller size stores to increase operating efficiency and to cater for rising delivery and takeaway orders. The latest version of our store design (version 3.0), the theme of which is to fuel up customers for achieving their dreams has been used in renovating our new stores and stores that are up for renovation. In 2015, a net total of 30 new stores (2014: net closure of 15 stores), including 11 new Yoshinoya stores (net) and nine new Dairy Queen stores (net), were opened in existing markets and selected regions. As of 31 December 2015, there were 455 stores in operation.

	As at 31 December	
	2015	2014
Yoshinoya		
Beijing-Tianjin-Hebei Province Metropolitan region	**212**	206
Liaoning	**69**	67
Inner Mongolia	**10**	10
Heilongjiang	**10**	8
Jilin	**2**	1
	303	292

	As at 31 December	
	2015	2014
Dairy Queen		
Beijing-Tianjin-Hebei Province Metropolitan region	**106**	103
Liaoning	**22**	20
Inner Mongolia	**6**	6
Heilongjiang	**6**	3
Jilin	**2**	1
	142	133
Others		
Beijing-Tianjin-Hebei Province Metropolitan region	**10**	–
Total	**455**	425

	Percentage increase in same stores sales	
	2015	2014
Overall	**-5.1%**	1.1%
By business		
Yoshinoya	**-5.0%**	1.5%
Dairy Queen	**-6.2%**	-3.2%

In 2015, the Beijing-Tianjin-Hebei Province Metropolitan Region continued to be the Group's largest market in terms of revenue, with sales income from Yoshinoya products accounting for roughly 90% of the Group's sales.

	2015		2014	
	HK$'000	***% of sales***	*HK$'000*	*% of sales*
a. By region				
Beijing-Tianjin-Hebei Province Metropolitan region	**1,522,984**	**74.3%**	1,608,997	74.6%
Northeast China[1]	**527,069**	**25.7%**	548,876	25.4%

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

	2015		2014	
	HK$'000	***% of sales***	*HK$'000*	*% of sales*
b. By major business				
Yoshinoya	**1,846,867**	**90.1%**	1,955,226	90.6 %
Dairy Queen	**200,809**	**9.8%**	202,647	9.4 %

Cost control remains one of the most important areas of focus by management, particularly in the light of such challenging operating conditions. Although the magnitude of increase in raw material costs that we experienced in 2015 was less than in 2014, the Group continued to execute its proven policy of strategically procuring in bulk key food ingredients without compromising on food quality. Together with our proactive management of the sales product mix by introducing product promotion programmes in a timely manner, the gross profit margin of the Group has further been improved by 0.9 percentage point from 62.1% in 2014 to 63.0% in 2015.

	2015	2014
Gross profit margin	**63.0%**	62.1%

While the decrease in turnover has to a certain extent increased the percentage of expenses to sales, the Group has been able to achieve a decrease in total selling and distribution expenses, both in terms of absolute amount and expressed as a percentage of sales. Although the shortage of labour in the catering industry and the annual increase of more than 10% in salaries and wages in the PRC have kept the labour cost as a percentage of sales on an upward trend, the management's proactive negotiation with landlords for rental adjustments amid the difficult business environment has reduced the rental costs of the Group in the year under review. Moreover, the change in business strategy to build stores of smaller size has helped to reduce rental costs and improve operational efficiency. Other store operating costs, including utility and repair expenses, have recorded decreases as well, once the store managers and supervisors were encouraged to take greater ownership at work. In addition, the cost effectiveness of advertising and promotions has improved through the implementation of successful marketing strategies, including strategies that tap internet media, which wields significant influence and has extensive coverage. Furthermore, the closure of some underperforming stores in the second half of 2014 and in 2015 has contributed to rental cost savings and the decrease in depreciation and amortisation charges in the review year.

	2015		2014	
	HK$'000	***% of sales***	*HK$'000*	*% of sales*
Labor Costs	**280,193**	**13.7%**	270,564	12.5%
Rental Expense	**289,673**	**14.1%**	300,551	13.9%
Depreciation and Amortisation	**96,769**	**4.7%**	126,747	5.9%
Other Operation Expenses	**322,972**	**15.8%**	383,133	17.8%
Total Selling and Distribution Costs	**989,607**	**48.3%**	1,080,995	50.1%

While the management will continue to review the performance of the Group's stores from time to time, the majority of provisions for closure costs for underperforming stores were made in 2014. There was a decrease in such provisions made in the year under review and the general and administrative expenses have declined by approximately HK$4.0 million.

Overall, the challenging business environment has affected the Group's turnover, and hence, gross profit. However, the management's decisive action to adjust the business and operation model, as well as its commitment to maintain a high-quality store network and employ effective management controls has resulted in an improvement in store EBITDA percentage by 1.6 percentage points from 17.9% in 2014 to 19.5% in the year under review. Also, the net profit of the Group has improved by 86.0% from HK$35.4 million last year to HK$65.8 million in the review year.

FINANCIAL REVIEW

Equity

The number of issued shares of HK$0.10 each of the Company as at 31 December 2015 was 10,070,431,786 (31 December 2014: 10,006,288,386). During the year ended 31 Decemeber 2015, 64,143,400 ordinary shares of HK$0.10 each were issued to the trustee of the share award scheme adopted by the Company on 20 March 2015 under the general mandate approved by the shareholder of the Company on 5 June 2014. Details of the issue of shares were set out in the Company's announcement dated 9 April 2015.

As at 1 January 2015, the Company had 26,167,320 outstanding share options. During the year, 300,000,000 share options were granted.

Liquidity and gearing

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 2015 was 0% (31 December 2014: 7.1%). The decrease in gearing ratio was mainly attributable to the repayment of the interest bearing bank loans during the year.

As at 31 December 2015, the Group recorded a net cash position of HK$355.5 million (2014: HK$306.5 million) (being cash and cash equivalents less interest-bearing bank loans). The increase in net cash position of the Group was mainly due to the profits earned during the year.

The Group's finance costs for the year was HK$1.5 million (2014: HK$1.4 million).

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

REMUNERATION POLICIES

Staff remuneration packages 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, share-based payment and the directors' remuneration) of the Group in the year under review was HK$398.8 million (2014: HK$389.6 million). As at 31 December 2015, the Group had 7,705 full time and temporary employees (2014: 7,946).

During the year ended 31 December 2015, 300,000,000 share options and 64,143,400 new shares under general mandate (after netting off share awards forfeited during the year, there were 45,023,579 share awards outstanding under the share award scheme as at 31 December 2015) of the Company, the vesting of which are subject to the meeting of certain performance indicators, were granted to the eligible grantees under the share option scheme of the Company and the selected participants under the share award scheme of the Company, respectively.

Details of share options and share awards granted under the share option schemes and the share award scheme of the Company were set out in the Company's announcement dated 9 April 2015.

All 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 then joint ventures and subsidiaries of Hop Hing Oil Group Limited, which 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 Hop Hing Oil Group Limited and its subsidiaries (collectively, 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.

During the year ended 31 December 2014, the IRD agreed to the above compromise settlement amounts and issued revised assessments for the years of assessment 2003/2004, 2004/2005, 2005/2006 and 2006/2007 to those joint ventures and subsidiaries of the Edible Oils Group accordingly.

Pursuant to the agreement entered into between the Company and Harvest Trinity Limited for the disposal of the edible oils business (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.

PLEDGE OF ASSETS

The Group did not have any pledge of assets as at 31 December 2015.

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.

FUTURE DEVELOPMENT IN THE GROUP'S BUSINESS

Catering Industry Development Trends in 2016

In recent years, Internet platform operators of all kinds have successively engaged the catering industry, leaving an enormous impact on the industry in Mainland China. Though their influence in the traditional catering industry which has gradually receded due to an ever-changing Internet world and evolving business environment, we expect that in 2016, the Chinese fast food industry will face a tougher operating environment and that industry consolidation will continue.

In 2015, all major catering brands began to quickly adopt e-commerce marketing. The adoption of e-commerce to boost marketing among catering brands is becoming a major trend and the takeout market is viewed as an important opportunity going forward. According to the latest information, online food ordering is becoming a mainstream practice in China. Given the common preferences and values of certain Netizens, restaurant information is being shared and disseminated by social groups on their own accord, which has consequently formed a new business model in China.

While the takeout industry is on the rise, during the past two years the overall domestic catering industry has been bidding farewell to an era of rapid growth – affected by the macroeconomic environment and policy implications. Some high-end catering operators that have experienced a sharp decline in business have shifted their focus to the mass market, with some developing well in their new environment. Casual restaurants that offer a romantic mood and more sophisticated atmosphere have started to become popular among white-collar workers. Personalised "fast-fashion" catering has begun to do well, and signature dishes served in a stylish setting is becoming favored among young consumer groups. A leisurely environment, relaxed atmosphere, exquisite meals and personalised services are all elements for better meeting customers' needs.

Future Development Strategy

Though faced with new obstacles in the market, we believe that fresh opportunities also exist. We therefore have confidence in the Group's ability to further strengthen its position as one of the leaders in the fast food industry amid ongoing consolidation.

Looking ahead, in terms of marketing strategy, we will take advantage of Internet platforms and tools to directly communicate and interact with customers to improve timeliness. To execute O2O marketing strategy, the Group will carefully analyse and use the data (such as customer preferences) gathered from networks and social platforms to formulate its precise marketing plans to meet ever-changing market needs. In respect of the operating model, the Group will vigorously promote the "collaborative economy" to demonstrate the full potential of O2O. Offline, we will fully utilise the existing areas of our physical stores, taking into account all of the Group's current brands. Besides seeking to improve the efficient use of store area, our objective will be to maximise the productivity of every store. On the online front, we will make every effort to improve the quality and timeliness of associated deliveries in the course of vigorously promoting the delivery business.

Risk management and control is another area that we will continue to bolster. Already, our food safety and occupational health and safety management systems have earned ISO22000 and OHSAS18001 certifications. We will also maintain stringent controls over the quality of raw materials and work with suppliers who share a similar commitment to food safety.

The success of a business is ultimately dependent on its ability to retain and motivate its workforce. Recognising this, we have employed an incentive scheme which is designed to encourage our staff to take ownership at work. Implemented in the second quarter of 2015, the positive effect of this scheme has begun to appear. The full impact of the scheme on the performance of the Group is expected to be much more significant within one or two years after full-scale implementation.

Apart from the existing QSR brands and business, the Group will continue to look for and evaluate opportunities that bring steady long-term growth and advance its strategy to become 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 2015.

The principles as set out in the CG Code have been adopted into our corporate governance practice. To ensure strict compliance with the latest CG Code, the Board will review and regularly update the corporate governance policies and practices of the Company; review and oversee the continuous training of the directors and the senior management; and examine 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 2015.

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 2015.

The figures in respect of the Group's results for the year ended 31 December 2015 as set out in this preliminary results announcement have been agreed by the Group's independent auditors, Ernst & Young, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently, no assurance has been expressed by Ernst & Young on this preliminary results announcement.

PURCHASE, SALE OR REDEMPTION OF OWN LISTED SECURITIES

During the year ended 31 December 2015, neither the Company nor any of its subsidiaries had purchased, sold or redeemed the Company's listed securities, except that the trustee of the Company's share award scheme ("Share Award Scheme") as adopted on 20 March 2015 purchased on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") a total of 2,760,000 shares of the Company at a total consideration of HK$327,973.54 as shares held by the trustee for award of shares pursuant to the Share Award Scheme and the trust deed, and therefore these shares were not cancelled.

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 3 June 2016. 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 31 May 2016 to 3 June 2016 (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 2015, the register of members of the Company will be closed from 9 June 2016 to 10 June 2016 (both days inclusive), during which period no share transfers will be registered. The final dividend will be distributed on or about 30 June 2016 to shareholders whose names appear on the register of members of the Company as at 10 June 2016.

In order to qualify for attending and voting at the forthcoming AGM, and the entitlement for the final dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Branch Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 30 May 2016 and 8 June 2016 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.

I would like to take this opportunity to especially thank Mr Peter Hung, our Chairman, for his excellent leadership and invaluable contributions to the Group over the past years and wish him a happy retirement.

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

Hong Kong, 24 March 2016

As at the date of this announcement, 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, John Gin Chung (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. Wan Sai Cheong, Joseph.