HOP HING GROUP HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 47)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2014

RESULTS

The Board of Directors (the "Board") of Hop Hing Group Holdings Limited (the "Company") herein present their unaudited condensed consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2014, together with the comparative amounts.

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

CONDENSED CONSOLIDATED INCOME STATEMENT

		Unaudited For the six months ended 30 June	
		2014	2013
	Notes	***HK$'000***	*HK$'000*
CONTINUING OPERATIONS			
TURNOVER	5	**1,056,888**	1,000,907
Direct cost of stocks sold		**(394,354)**	(387,136)
Other income and gains/(loss), net	5	**(966)**	4,699
Selling and distribution expenses		**(531,002)**	(479,632)
General and administrative expenses		**(106,134)**	(71,589)
PROFIT FROM OPERATING ACTIVITIES FROM CONTINUING OPERATIONS	6	**24,432**	67,249
Finance costs	7	**(848)**	(1,113)
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS		**23,584**	66,136
Income tax expense	8	**(6,106)**	(13,881)
Profit for the period from continuing operations		**17,478**	52,255
DISCONTINUED OPERATION			
Loss for the period from a discontinued operation	9	**–**	(51,696)
PROFIT FOR THE PERIOD		**17,478**	559
PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		**17,478**	559

	Note	Unaudited For the six months ended 30 June **2014** ***HK$'000***	 2013 *HK$'000*
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	11		
Basic			
– For profit for the period		**HK0.17 cent**	HK0.01 cent
– For profit for the period from continuing operations		**HK0.17 cent**	HK0.53 cent
Diluted			
– For profit for the period		**HK0.17 cent**	HK0.01 cent
– For profit for the period from continuing operations		**HK0.17 cent**	HK0.53 cent

Details of dividends paid in the period are disclosed in note 10.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited For the six months ended 30 June	
	2014	2013
	HK$'000	*HK$'000*
PROFIT FOR THE PERIOD	**17,478**	559
OTHER COMPREHENSIVE INCOME/(EXPENSE)		
Other comprehensive income/(expense) 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	**(7,448)**	5,812
OTHER COMPREHENSIVE EXPENSE FOR THE PERIOD	**(7,448)**	(27,325)
TOTAL COMPREHENSIVE INCOME/(EXPENSE) FOR THE PERIOD	**10,030**	(26,766)
TOTAL COMPREHENSIVE INCOME/(EXPENSE) ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	**10,030**	(26,766)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**Unaudited 30 June 2014** *HK$'000*	Audited 31 December 2013 *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment	12	**269,378**	301,148
Deferred tax assets		**17,014**	11,047
Prepayment and rental deposits		**49,651**	50,820
Total non-current assets		**336,043**	363,015
CURRENT ASSETS			
Stocks		**100,408**	111,530
Accounts receivable	13	**7,944**	8,098
Prepayments, deposits and other receivables		**55,756**	61,791
Tax recoverable		**11,250**	14,690
Other financial assets	14	**53,750**	–
Pledged bank deposits		**43,750**	44,872
Cash and cash equivalents		**252,075**	226,302
Total current assets		**524,933**	467,283
CURRENT LIABILITIES			
Accounts payable	15	**165,950**	131,514
Other payables and accrued charges		**244,844**	242,735
Interest-bearing bank loans	16	**35,202**	26,923
Total current liabilities		**445,996**	401,172
NET CURRENT ASSETS		**78,937**	66,111
TOTAL ASSETS LESS CURRENT LIABILITIES		**414,980**	429,126
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**12,301**	11,461
NET ASSETS		**402,679**	417,665
EQUITY			
Equity attributable to equity holders of the Company			
Issued share capital	17	**1,000,629**	1,000,629
Reserves		**(597,950)**	(582,964)
Total equity		**402,679**	417,665

NOTES

1. BASIS OF PREPARATION

The condensed consolidated interim financial statements are prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 *Interim Financial Reporting* and other relevant HKASs and Interpretations, Hong Kong Financial Reporting Standards (collectively, the "HKFRSs") issued by the HKICPA and the disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Save for the adoption of new and revised HKFRSs during the period as set out in note 2 below, and the following new accounting policy adopted by the Group during the period, the accounting policies and basis of preparation adopted in the preparation of the condensed consolidated interim financial statements are the same as those used in the preparation of the annual financial statements for the year ended 31 December 2013.

Financial assets

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets in listed and unlisted equity investments and debt securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial recognition, available-for-sale financial assets are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the income statement in other income, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to the income statement in other gains or losses. Interest and dividends earned whilst holding the available-for-sale financial assets are reported as interest income and dividend income, respectively and are recognised in the income statement as other income in accordance with the policies.

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the income statement.

Impairment of financial assets

Available-for-sale financial assets

For available-for-sale financial assets, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the income statement, is removed from other comprehensive income and recognised in the income statement.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement – is removed from other comprehensive income and recognised in the income statement. Impairment losses on equity instruments classified as available for sale are not reversed through the income statement. Increases in their fair value after impairment are recognised directly in other comprehensive income.

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

The Group has adopted the following new and revised HKFRSs for the first time for the current period's condensed consolidated interim financial statements.

HKFRS 10, HKFRS 12 and HKAS 27(2011) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) – *Investment Entities*
HKAS 32 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*
HKAS 36 Amendments	Amendments to HKAS 36 *Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets*
HK(IFRIC)-Int 21	*Levies*

The adoption of the new and revised HKFRSs has had no significant financial effect on these interim financial statements.

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

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

HKFRS 9	*Financial Instruments*[4]
HKFRS 9, HKFRS 7 and HKAS 39 Amendments	*Hedge Accounting and amendments to HKFRS 9, HKFRS 7 and HKAS 39*[4]
HKFRS 11 Amendments	Amendments to HKFRS 11 *Accounting for Acquisitions of Interest in Joint Operations*[2]
HKFRS 14	*Regulatory Deferral Accounts*[2]
HKFRS 15	*Revenue from Contracts with Customers*[3]
HKAS 16 and HKAS 38 Amendments	Amendments to HKAS 16 and HKAS 38 *Clarification of Acceptance Methods of Depreciation and Amortisation*[2]
HKAS 19 Amendments	Amendments to HKAS 19 *Employee Benefits – Defined Benefit Plans: Employee Contributions*[1]
Annual improvements 2010-2012 Cycle	Amendments to a number of HKFRSs issued in January 2014[1]
Annual improvements 2011-2013 Cycle	Amendments to a number of HKFRSs issued in January 2014[1]

1 Effective for annual periods beginning on or after 1 July 2014

2 Effective for annual periods beginning on or after 1 January 2016

3 Effective for annual periods beginning on or after 1 January 2017

4 No mandatory effective date yet determined but is available for adoption

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

4. OPERATING SEGMENT INFORMATION

The Group's primary operating segment is quick service restaurant ("QSR") business after the completion of 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 9 and 18. 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 People's Republic of China ("PRC"). Therefore, no analysis by geographical regions is presented.

5. TURNOVER AND OTHER INCOME AND GAINS/(LOSS), NET

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

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

	Unaudited For the six months ended 30 June	
	2014	2013
	HK$'000	*HK$'000*
Turnover		
Sales	**1,056,888**	1,000,907
Other income and gains/(loss), net		
Bank interest income	**1,551**	1,100
Foreign exchange differences, net	**(4,102)**	1,652
Others	**1,585**	1,947
	(966)	4,699

6. PROFIT FROM OPERATING ACTIVITIES FROM CONTINUING OPERATIONS

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

	Unaudited For the six months ended 30 June	
	2014	2013
	HK$'000	*HK$'000*
Direct cost of stocks sold	**394,354**	387,136
Depreciation	**62,262**	58,502
Impairment of items of property, plant and equipment	**3,910**	–
Lease payments under operating leases in respect of lands and buildings		
– minimum lease payments	**142,883**	126,543
– contingent rents	**19,018**	17,894
Loss on disposal of items of property, plant and equipment, net	**1,534**	788

7. FINANCE COSTS

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

	Unaudited For the six months ended 30 June	
	2014	2013
	HK$'000	*HK$'000*
Interest on bank loans wholly repayable within five years	**739**	914
Others	**109**	199
	848	1,113

8. INCOME TAX EXPENSE

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 period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

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

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

	Unaudited For the six months ended 30 June	
	2014	2013
	HK$'000	*HK$'000*
Current – Hong Kong		
Charge for the period	**3,089**	533
Current – Elsewhere		
Charge for the period	**7,881**	12,696
Deferred tax	**(4,864)**	652
Total tax charge for the period	**6,106**	13,881

9. 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 edible oils business (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	**Unaudited For the six months ended 30 June 2014** *HK$'000*	Audited For the period from 1 January to 28 June 2013 *HK$'000*
Turnover		–	438,283
Direct cost of stocks sold and services provided		–	(320,520)
Other income and loss, net		–	(136)
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 period from the discontinued operation		–	(5,387)
Loss on disposal of the discontinued operation	18	–	(46,309)
Loss for the period from the discontinued operation		–	(51,696)
Losses 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:

	Unaudited For the six months ended 30 June 2014 *HK$'000*	Audited For the period from 1 January to 28 June 2013 *HK$'000*
Loss attributable to equity holders of the Company from the discontinued operation	**–**	(51,696)

	Unaudited Number of shares	
	30 June 2014	30 June 2013
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation *(note 11)*	**10,006,288,386**	9,935,700,728

10. DIVIDENDS

	Unaudited For the six months ended 30 June	
	2014 *HK$'000*	2013 *HK$'000*
Dividends paid during the period:		
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

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

a. Basic earnings per share

The calculation of basic earnings per share is based on the consolidated profit for the period attributable to equity holders of the Company, and the weighted average number of 10,006,288,386 (2013: 9,935,700,728) ordinary shares in issue during the period.

b. Diluted earnings per share

For the period ended 30 June 2013, the calculation of diluted earnings per share is based on the consolidated profit for the period attributable to equity holders of the Company and the weighted average number of 9,968,104,150 ordinary shares in issue after adjusting for the effect of all dilutive potential ordinary shares of 32,403,422 calculated as follows:

	Unaudited For the six months ended 30 June	
	2014	2013
	HK$'000	*HK$'000*
Consolidated profit attributable to equity holders of the Company:		
From continuing operations	**17,478**	52,255
From a discontinued operation	**–**	(51,696)
	17,478	559

	Unaudited Number of shares	
	30 June 2014	30 June 2013
<u>**Shares**</u>		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	**10,006,288,386**	9,935,700,728
Effect of dilution – weighted average number of ordinary shares:		
Warrants	**–**	31,864,037
Share options*	**–**	539,385
	10,006,288,386	9,968,104,150

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

12. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2014, the Group acquired items of property, plant and equipment with a cost of HK$43,354,000 (2013: HK$94,327,000). Items of property, plant and equipment with a net book value of HK$1,534,000 (2013: HK$188,936,000) were disposed of during the six months ended 30 June 2014.

13. ACCOUNTS RECEIVABLE

	Unaudited	Audited
	30 June	31 December
	2014	2013
	HK$'000	*HK$'000*
Accounts receivable	**7,944**	8,098

The Group's QSR business is mainly traded on a cash basis and the accounts receivable as at the end of the reporting period were mainly due from shopping malls.

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

	Unaudited	Audited
	30 June	31 December
	2014	2013
	HK$'000	*HK$'000*
Current (neither past due nor impaired)	**7,114**	8,098
Within 60 days past due	**830**	–
	7,944	8,098

14. OTHER FINANCIAL ASSETS

Other financial assets represent unlisted principal-guaranteed financial products purchased from the banks in the PRC with maturity periods not more than three months. These financial products were classified as available-for-sale financial assets and stated at cost.

15. ACCOUNTS PAYABLE

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

	Unaudited 30 June 2014	Audited 31 December 2013
	HK$'000	*HK$'000*
Current and less than 60 days	**164,634**	118,741
Over 60 days	**1,316**	12,773
	165,950	131,514

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

16. INTEREST-BEARING BANK LOANS

	Unaudited 30 June 2014	Audited 31 December 2013
	HK$'000	*HK$'000*
Current (repayable within one year or on demand)		
Bank loans – unsecured	**35,202**	–
Bank loans – secured *(note a)*	**–**	26,923
	35,202	26,923

Notes:

a. Certain of the Group's bank facilities are secured by the pledge of certain of the Group's time deposits amounting to HK$43,750,000 as at 30 June 2014 (31 December 2013: HK$44,872,000).

b. Fixed interest rate bank loans of HK$5,202,000 (31 December 2013: HK$26,923,000) were denominated in Renminbi. All other bank loans were denominated in Hong Kong dollars with floating interest rates as at 30 June 2014.

17. SHARE CAPITAL

During the six months ended 30 June 2013, 89,417,356 ordinary shares of HK$0.10 each were issued for cash at a subscription price of HK$0.20 per share, pursuant to the exercise of the Company's warrants, for a total cash consideration, before expenses, of approximately HK$17,884,000.

18. DISPOSAL OF SUBSIDIARIES

	Unaudited	Audited
	30 June	28 June
	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 subsidiaries	–	4,171
Loss on disposal of the subsidiaries *(note 9)*	–	(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 was as follows:

Cash consideration	–	394,613
Cash and cash equivalents disposal of	–	(28,742)
Less: Transaction cost directly attributable to the disposal of subsidiaries	–	(4,171)
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	–	361,700

19. CAPITAL COMMITMENTS

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

	Unaudited 30 June 2014 *HK$'000*	Audited 31 December 2013 *HK$'000*
Property, plant and equipment:		
Contracted, but not provided for	**1,764**	1,625

20. CONTINGENT LIABILITIES

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

Taking into account of the development of the objections, the resources that would be required to pursue the case further and the advice of the tax consultant of the joint ventures and the Edible Oils Group, a total provision of HK$11.7 million was made in the financial statements of the Edible Oils Group for the period from 1 January 2013 to 28 June 2013 for the probable settlement amount of this tax case pursuant to the latest settlement communication with the IRD.

During the period ended 30 June 2014, 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 to certain joint ventures and subsidiaries of the Edible Oils Group accordingly.

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

21. RELATED PARTY TRANSACTIONS

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

		Unaudited For the six months ended 30 June	
		2014	2013
	Notes	***HK$'000***	*HK$'000*
Transactions with companies associated with the controlling shareholder of the Company and/or a non-executive director of the Company:			
Sales of goods	(i)	**–**	987
Rental expenses	(ii)	**237**	4,345
Interest expenses	(iii)	**–**	263

Notes:

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

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

(iii) The interest expenses were charged by reference to open market interest rate.

(b) On 25 April 2013, the Company and Harvest Trinity Limited, a company controlled by a substantial shareholder of the Company, entered into an agreement pursuant to which the Company has agreed to sell the entire issued share capital of Hop Hing Oil Group Limited (formerly known as Oleo Chartering Inc.) for a consideration of HK$400 million (subject to adjustment). Details of the Disposal have been set out in the Company's announcement made on 25 April 2013 and circular dated 20 May 2013. Further details of which are given in notes 9 and 18.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERALL PERFORMANCE

For the six months ended 30 June 2014, the turnover of the Group's quick service restaurant ("QSR") business was HK$1,056.9 million, an increase of 5.6% over the turnover of HK$1,000.9 million for the six months ended 30 June 2013. Earnings before interest, tax, depreciation and amortisation (EBITDA) for the period under review was HK$86.7 million, against HK$125.8 million for the same period in 2013. The profit for the period under review from the Group's QSR business was HK$17.5 million, compared to HK$52.3 million for the first half of last year.

The Group's profit attributable to the equity holders of the Company for the six months under review was HK$17.5 million (six months ended 30 June 2013: HK$0.6 million). The higher profit for the period compared to the corresponding period in 2013 was mainly due to the inclusion within the profit for the six months ended 30 June 2013 of a loss of HK$51.7 million from the edible oil operation of the Group (the "Discontinued Operation"), which represented a book loss of HK$46.3 million incurred upon disposal of the Discontinued Operation and the loss of HK$5.4 million incurred by the Discontinued Operation during the period from 1 January 2013 to the date of completion of the relevant disposal transaction.

Basic and diluted earnings per share for the period were HK0.17 cent and HK0.17 cent respectively (six months ended 30 June 2013: HK0.53 cent and HK0.53 cent respectively).

DIVIDEND

On 30 June 2014, the Company made payment of a final dividend of HK0.25 cent per share for the year ended 31 December 2013. The Directors do not recommend payment of an interim dividend for the six months ended 30 June 2014 (six months ended 30 June 2013: Nil).

REVIEW OF OPERATION AND PROSPECTS

Industry review

In the first half of 2014, the recovery of China's economic growth was slower than expected. The ongoing campaign of China government against extravagance and corruption has resulted in the curbing of dining and entertainment spending by many of the enterprises which has in turn adversely affected consumer sentiment. With a substantial portion of their customers disappearing and concerned about their own business survival, caterers have used the most direct way to compete for customers – price cutting. This has intensified the competition amongst the market players. Together with the escalating rental costs, labour costs, food costs and utility expenses, the profitability of catering enterprises was under intense pressure. On the other hand, the severe competition does have the effect of accelerating the reformation of the catering industry and has forced restaurants and the catering service providers to re-evaluate the effectiveness of their business models under the existing business environment. Amidst consolidation, well-established quick service restaurants providing safe quality food are eventually expected to benefit.

Business review

In the first half of 2014, our sales revenue grew by 5.6% to HK$ 1,056.9 million (six months ended 2013: HK$1,000.9 million), which reflected the gradual recovery of our same store sales growth ("SSSG") and the increase in sales orders received by internet and WAP-based ordering systems. Operating against a challenging market environment, the Group has carried out detailed research in the various cities within its franchised region. Different, yet prudent, store opening strategies have been developed within individual cities accounting for the distinct identity, culture and eating habits of each city and at the same time meeting our stringent internal store opening requirements. The Group has also periodically monitored changes in the infrastructure and market environment in each city as the basis for evaluating its existing store network. Certain of our under-performing stores with little chance to get back to health within a reasonable time were closed down. This exercise enables us to optimise our store network. Corresponding write-offs and provisions have been made for those stores that have either been closed or would be closed in the near future.

During the period under review, a net total of eight new stores (six months ended 30 June 2013: 37 new stores), including four Yoshinoya restaurants and four Dairy Queen stores, were opened in existing markets and selected regions. As at 30 June 2014, there were 448 stores in operation.

	As at	
	30 June 2014	31 December 2013
Yoshinoya		
Beijing-Tianjin-Hebei Province Metropolitan Region	**220**	223
Liaoning	**67**	61
Inner Mongolia	**9**	9
Jilin	**2**	2
Heilongjiang	**10**	9
	308	304
Dairy Queen		
Beijing-Tianjin-Hebei Province Metropolitan Region	**112**	109
Liaoning	**19**	19
Inner Mongolia	**6**	6
Heilongjiang	**3**	2
	140	136
Total	**448**	440

In the first half of 2014, resources were allocated to market research and monitoring of the changing needs of the consumers in different cities. The market intelligence enables us to further optimise our product mix and offer appropriate products to meet the needs of each group of our target customers, such as value meal products for younger groups and full meals in a cozy environment for those who can afford it. To address the modern trend, we started offering an internet ordering option to our customers in December 2013. Starting from April this year, our customers could place their orders through our WAP-based ordering system. Together with various advertising and promotional activities carried out in the first six months of this year, we could see a gradual recovery of our customer traffic and sales revenue. The SSSG for the period under review was 4.1%, compared to -10.3% for the same period in 2013.

	Percentage Increase in Same Stores Sales Six months Ended 30 June	
	2014	2013
Overall	**4.1%**	–10.3%
By Business		
Yoshinoya	**4.6%**	–11.5%
Dairy Queen	**0.1%**	–3.9%

In the period under review, the Beijing-Tianjin-Hebei Province Metropolitan Region continued to account for about three quarters of the Group's revenue.

	Six Months Ended 30 June			
	2014		2013	
	HK$'000	***% of sales***	*HK$'000*	*% of sales*
a. By Region				
Beijing-Tianjin-Hebei Province Metropolitan Region	**786,688**	**74.4%**	752,886	75.2%
Northeast China [(1)]	**270,200**	**25.6%**	248,021	24.8%
	1,056,888	**100.0%**	1,000,907	100.0%

(1) Including Liaoning, Inner Mongolia, Jilin and Heilongjiang.

Yoshinoya products have been one of the favorite choices of the white-collar population and the expanding delivery service, gradual recovery of traffic count and sales performance has been encouraging. Dairy Queen is still in the process of implementing its revised brand image repositioning strategy. As a result, the contribution to the sales revenue of the Group by Yoshinoya products in the period under review has slightly increased to 90.3% while Dairy Queen products accounted for 9.7% of the Group's total sales.

	Six Months Ended 30 June			
	2014		2013	
	HK$'000	***% of sales***	*HK$'000*	*% of sales*
b. By Business				
Yoshinoya	**954,047**	**90.3%**	895,988	89.5%
Dairy Queen	**102,841**	**9.7%**	104,919	10.5%
	1,056,888	**100.0%**	1,000,907	100.0%

The "Three Highs" phenomena, namely high food costs, high labour costs and high rental costs, have always been a dominant issue for the catering industry in these years. The measures implemented by the management to alleviate the impact brought about by the ever-increasing raw material costs have included strategic and bulk procurement of key food ingredients without compromising on food quality and proactive flexible product promotional programmes. These measures have enabled the Group to maintain its gross margin at a reasonable and stable percentage. Our gross profit margin recorded an improvement of 1.4% from 61.3% in the first six months of 2013 to 62.7% in the period under review.

	Six Months Ended 30 June	
	2014	2013
Gross Profit Margin	**62.7%**	61.3%

High labour costs and rental costs are the other two major challenges that QSR players have to tackle. Apart from raising the salaries and wages to meet the minimum wage requirement in the PRC, the Group has devised incentive schemes to further motivate our staff and reward those who are able to meet the targets assigned by their supervisors. To mitigate the impact of ever-rising labour costs, various measures have been implemented by the management to improve the operating efficiency of our labour force, including automation, revisiting the efficiency of the working lines and simplifying operational procedures without compromising on quality of food and internal controls. The labour cost under selling and distribution costs expressed as a percentage of sales has gone up by 1.2% to 12.7% in the period under review.

Operating under a slowly recovering economy and a high cost business environment, the rate of increase in the Group's sales income was less than the rates of increase in expenses and higher expenses expressed as percentages of sales resulted. It is believed that the increases in these percentages would be slower when the economy is growing at a faster pace.

	Six Months Ended 30 June			
	2014		2013	
	HK$'000	***% of sales***	*HK$'000*	*% of sales*
Labour Costs	**134,618**	**12.7%**	115,116	11.5%
Rental Expense	**150,536**	**14.2%**	140,459	14.0%
Depreciation and Amortisation	**59,012**	**5.6%**	56,492	5.6%
Other Operation Expenses	**186,836**	**17.7%**	167,565	16.8%
Total Selling and Distribution Costs	**531,002**	**50.2%**	479,632	47.9%

In the first half of 2014, the Renminbi ("RMB") depreciated against the Hong Kong dollar. As the Group's operation is mainly in China, such depreciation in RMB has resulted in a currency exchange loss being recorded by the Group in the period under review.

Overall, the management's effort in improving the SSSG during the review period and the launch of internet ordering at the end of last year and WAP-based ordering systems in April this year have enabled the Group to report an increase in revenue. However, the resulting increase in the gross profit of the Group in the first half of 2014 could only partially offset the rising operational costs caused by new stores, the escalation of operational costs in the PRC environment, provisions and write-offs for stores closure costs and the depreciation of the RMB during the period. As a result, the Group's QSR business reported a profit for the period which was lower than that of the corresponding period in 2013.

Financial Review

Equity

The number of issued shares of HK$0.10 each of the Company as at 30 June 2014 was 10,006,288,386 (31 December 2013: 10,006,288,386). As at 1 January 2014, the Company had 27,719,520 outstanding share options. During the period under review, 1,552,200 share options were lapsed.

Liquidity and gearing

As at 30 June 2014, the Group's total bank borrowings were bank loans of HK$35.2 million (31 December 2013: HK$26.9 million), which were unsecured bank loans borrowed by subsidiaries of the Group 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 30 June 2014 was 8.7% (31 December 2013: 6.4%).

The interest expense for the period was HK$0.8 million (six months ended 30 June 2013: HK$1.1 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 staff of the Group are comprised of salary and discretionary bonuses and are determined with reference to the market conditions and the performance of the Group and the individuals concerned. The Group also provided other staff benefits including medical insurance, continuing education allowances, provident funds and share options to eligible staff of the Group. The total remuneration paid to the employees (including pension costs and the directors' remuneration) of the Group in the period under review was HK$193 million (six months ended 30 June 2013: HK$186 million), of which, HK$193 million (six months ended 30 June 2013: HK$158 million) the total staff cost in QSR business. As at 30 June 2014, the Group had 8,470 full time and temporary employees (30 June 2013: 8,733).

Operating segment information

Details of the operating segment information are set out in note 4.

Contingent liabilities

Details of the contingent liabilities are set out in note 20.

Pledge of assets

Details of the pledge of assets are set out in note 16.

Outlook

With all the challenges we have faced, including the slow recovery of the economy, weak customer sentiment and escalating operational costs, the management has taken a prudent approach in operating within such a difficult environment in near term. After the current consolidation of the catering industry is completed in the next few years, the Group expects that it would benefit from the implementation of a range of reform policies by China's government, ongoing rapid urbanisation and the continuous increase of salaries and wages in China which will raise the living standard and the disposable income of the general public who will ultimately be our target customers. Hence, the Group remains cautiously optimistic about the growth of the catering industry in China in the medium-to-long-run.

Nowadays, consumers are getting more and more conscious about food quality. In line with this concern, we shall continue to exercise stringent control on the quality of raw materials which are all sourced from reliable and well-established suppliers with whom we have long-term cooperative relationships. Our business model of having minimal food processing steps and cooking and serving our customers at the spot where they place their orders enables us to present to our customers the value proposition of the Group, which is to provide tasty, safe, quick and convenient, yet inexpensive, food. This image of quality and customer loyalty together with the Group's standardised and relatively efficient operational and control systems built up over the last 20 years are valuable assets. These assets form a solid platform for us to move forward, open new stores and expand our network coverage swiftly when the economy has recovered and the current food safety issues affecting the QSR market have passed.

Our successful delivery platform has given the Group a solid foundation to reach customers who prefer to stay at their offices or homes thereby expanding our customer base. The Group will continue to enhance its delivery service by expanding the geographical coverage of its Web and mobile WAP ordering networks.

New items will continuously be added to our menus to satisfy the ever-changing needs of our customers and attract customers from different market segments. While our value meal products target the younger generation who are price-sensitive, our tasty stone pot series are for customers who enjoy having a full meal in a cozy environment. Our efforts here are important to boost our position as an "Oriental Cuisine Specialist."

As for our ice-cream business, we shall reposition the brand identity of Dairy Queen by reinforcing ourselves as a fashionable, trendy ice-cream expert. New stores will be built to align our in-store brand context to express and strengthen the ice-cream expert image. To retain our customers and attract younger crowds, we shall continue to increase our product varieties and launch new products, such as hand-made waffles, and improve the display of the varieties of our menu at the front counters.

The Group is in the process of implementing a series of programmes to optimise its menus, creating new store décor and procuring new equipment, devising staff operational procedures and extending store networks with a view to improve operating efficiency and profitability of the Group as a whole. Other appropriate initiatives pioneered in our flagship "Sunshine Kitchen" and will be adopted in building our new stores include separating the food ordering counters and the food pick-up counters so as to improve the efficiency of the front line operation and maintain the fresh taste of our food by shortening the serving and delivery time for freshly prepared food to our customers.

Apart from the existing QSR 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

Corporate governance code

The Company is committed to maintaining a high standard of corporate governance practices and procedures. The Company has complied with the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Listing Rules for the period from 1 January 2014 to 30 June 2014. The principles as set out in the CG Code have been applied in our corporate governance practice.

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 have complied with the required standards in the Model Code adopted by the Company throughout the accounting period covered by the interim report.

PURCHASE, SALE OR REDEMPTION OF OWN LISTED SECURITIES

During the six months ended 30 June 2014, there were no purchases, sales or redemptions by the Company or any of its subsidiaries of the Company's listed securities.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This interim results announcement is published on the Company's website at *www.hophing.com* and the website of Hong Kong Exchanges and Clearing Limited at *www.hkexnews.hk*. The interim report will be despatched to shareholders of the Company and made available at the aforesaid websites in due course.

VOTE OF THANKS

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

By Order of the Board
Hop Hing Group Holdings Limited
Hung Hak Hip, Peter
Chairman

Hong Kong, 29 August 2014

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 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.