



**HOP HING GROUP HOLDINGS LIMITED**  
*(Incorporated in the Cayman Islands with limited liability)*

# 1Q 2013 Operational Update and Disposal of Edible Oils Business

April 25, 2013





## Disclaimer

---

**This presentation and the accompanying slides (the “Presentation”) which have been prepared by Hop Hing Group Holdings Limited (“Hop Hing” or the “Company”) do not constitute any offer or invitation to purchase or subscribe for any securities, and shall not form the basis for or be relied on in connection with any contract or binding commitment whatsoever. They are only being furnished to you and may not be photocopied, reproduced or distributed to any other persons at any time without the prior written consent of the Company. This Presentation has been prepared by the Company based on information and data which the Company considers reliable, but the Company makes no representation or warranty, express or implied, whatsoever, and no reliance shall be placed on, the truth, accuracy, completeness, fairness and reasonableness of the contents of this Presentation. This Presentation may not be all inclusive and may not contain all of the information that you may consider material. Any liability in respect of the contents of or any omission from this Presentation is expressly excluded.**

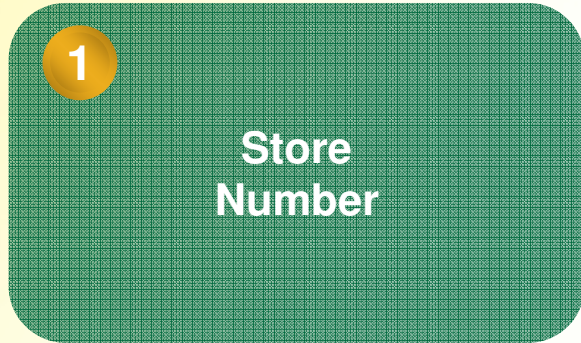
**Certain matters discussed in this presentation may contain statements regarding the Company's market opportunity and business prospects that are individually and collectively forward-looking statements. Such forward-looking statements are not guarantees of future performance and are subject to known and unknown risks, uncertainties and assumptions that are difficult to predict. The Company's actual results, levels of activity, performance or achievements could differ materially and adversely from results expressed in or implied by this Presentation. The Company assumes no obligation to update any forward-looking information contained in this presentation. Any forward-looking statements and projections made by third parties included in this Presentation are not adopted by the Company and the Company is not responsible for such third-party statements and projections.**



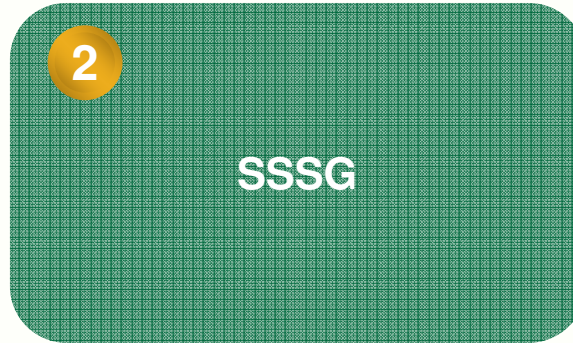
# 1Q 2013 Operational Update



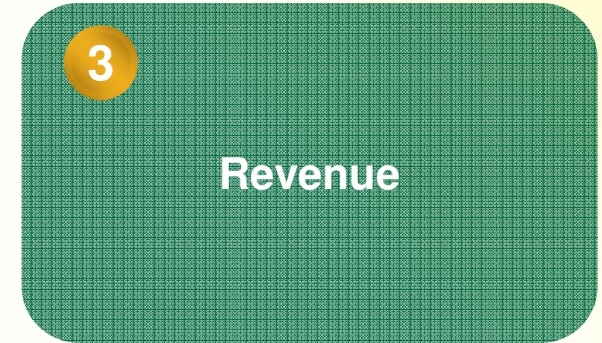
# QSR Business – 1Q 2013 Operational Update



- Adopt a cautious approach in 2013 and regularly review the store opening strategy during the year



- Customer traffic growth impacted by short-term macroeconomic and industry environment
  - Anti-Japanese sentiment over the Diaoyu Islands
  - Adverse air quality in Northern China
  - Sluggish Chinese economy
  - Avian flu situation



- Increase in no. of stores, product variety and marketing initiatives to enhance dining experience

# QSR Business – 27 New Stores in 1Q 2013



## Store Network as at March 31, 2013

	Total Population (mm) <sup>(1)</sup>	Yoshinoya		Dairy Queen		Total	
		Mar 31, 2013	Net New Stores	Mar 31, 2013	Net New Stores	Mar 31, 2013	Net New Stores
Beijing-Tianjin-Hebei Metropolitan Region	106.2	213	14	118	9	331	23
Northeast China	103.7	76	5	25	(1)	101	4
<b>Total</b>	<b>209.9</b>	<b>289</b>	<b>19</b>	<b>143</b>	<b>8</b>	<b>432</b>	<b>27</b>

**289 Yoshinoya Stores and 143 Dairy Queen Stores**

(1) CEIC and National Bureau of Statistics; 2011 data. Northeast China includes Liaoning, Jilin, Inner Mongolia and Heilongjiang



## Disposal of Edible Oils Business



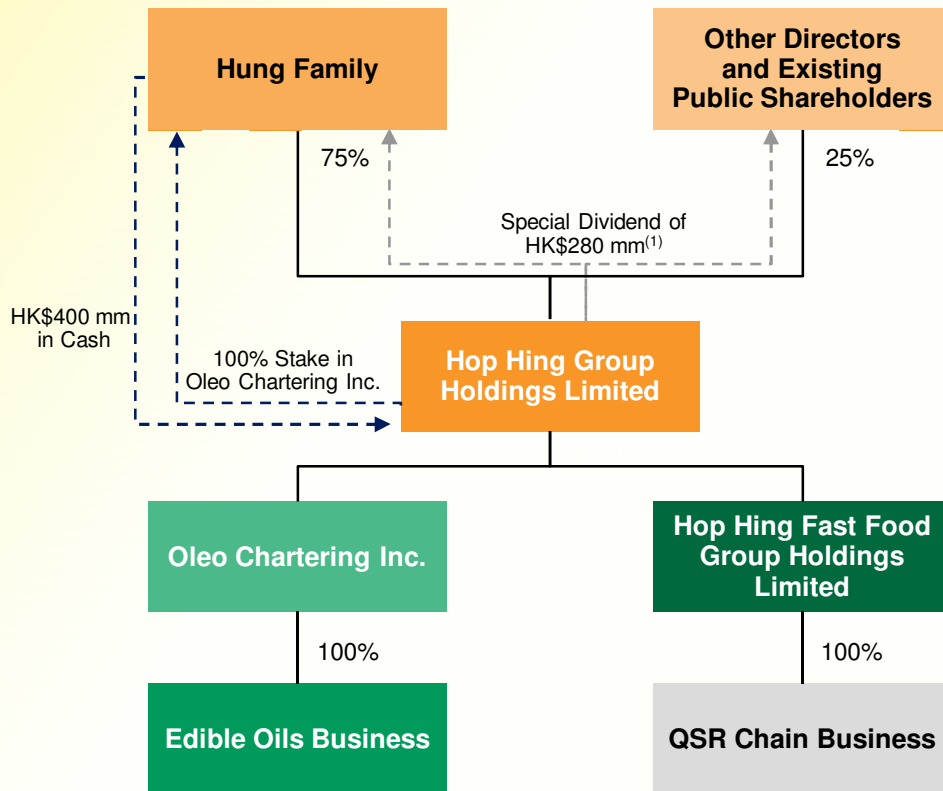
## Transaction Overview

<b>Acquirer</b>	<ul style="list-style-type: none"><li>■ Harvest Trinity Limited, a wholly-owned subsidiary of the Hung Family</li></ul>
<b>Seller</b>	<ul style="list-style-type: none"><li>■ Hop Hing Group Holdings Limited (“Hop Hing”)</li></ul>
<b>Target</b>	<ul style="list-style-type: none"><li>■ 100% equity interest in Oleo Chartering Inc., which in turn holds the edible oils business of Hop Hing</li></ul>
<b>Consideration Amount</b>	<ul style="list-style-type: none"><li>■ HK\$400 million, representing<ul style="list-style-type: none"><li>■ 2012 EV/EBITDA multiple: ~20x</li><li>■ 2012 P/E multiple: not meaningful (given net loss)</li><li>■ P/B multiple of ~0.85x</li></ul></li></ul>
<b>Form of Consideration</b>	<ul style="list-style-type: none"><li>■ Consideration will be settled entirely by cash</li></ul>
<b>Consideration Payment Schedule</b>	<ul style="list-style-type: none"><li>■ 10% upon execution of the SPA</li><li>■ 90% on the Completion Date</li></ul>
<b>Special Dividend</b>	<ul style="list-style-type: none"><li>■ Conditional on the successful closing of the disposal transaction, Hop Hing’s management proposes a special dividend of HK\$280 million (~HK2.8 cents per share) to Hop Hing’s shareholders</li></ul>

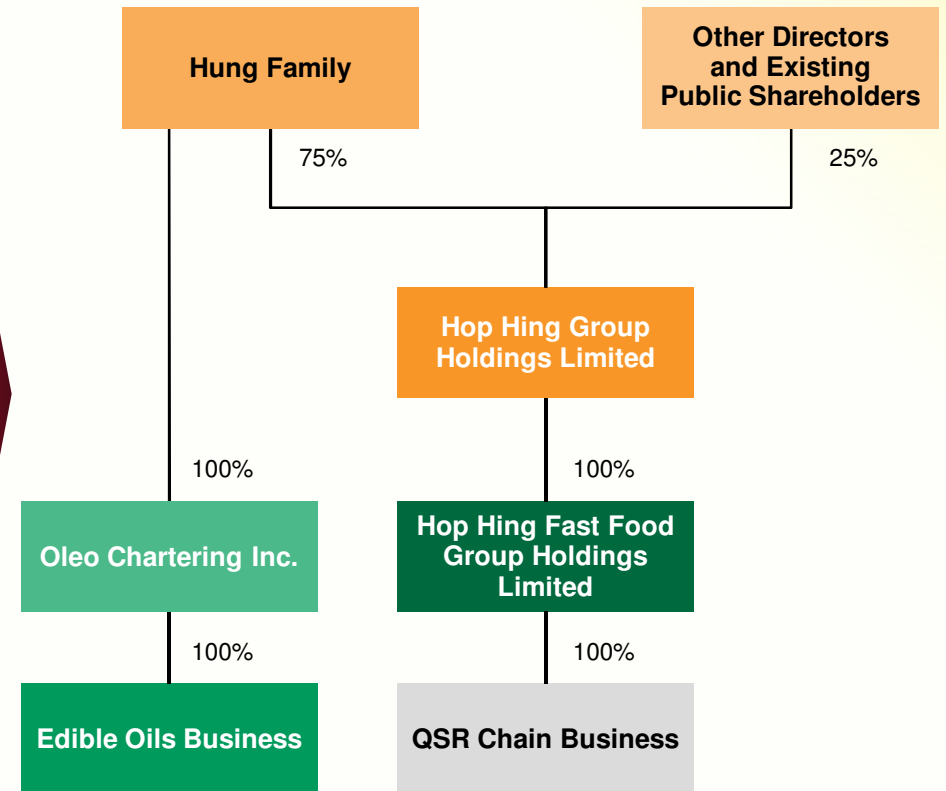


# Transaction Structure

## Existing Structure and Proposed Transaction



## Post-Transaction



(1) The rest of the sale proceeds will be retained for other working capital purposes





## Key Dates

---

**4/25/2013 (Thur)**

- Announce disposal transaction

---

**No later than  
5/20/2013 (Mon)**

- Dispatch Shareholder Circular

---

**6/6/2013 (Thur)**

- Convene Extraordinary General Meeting (“EGM”)

---

**By end of June<sup>(1)</sup>**

- Closing and payment of special dividend

*(1) Expected date subject to satisfaction of all conditions precedent*



# Compelling Rationale for Disposal of Edible Oils Business

Significant  
Transaction  
Benefits

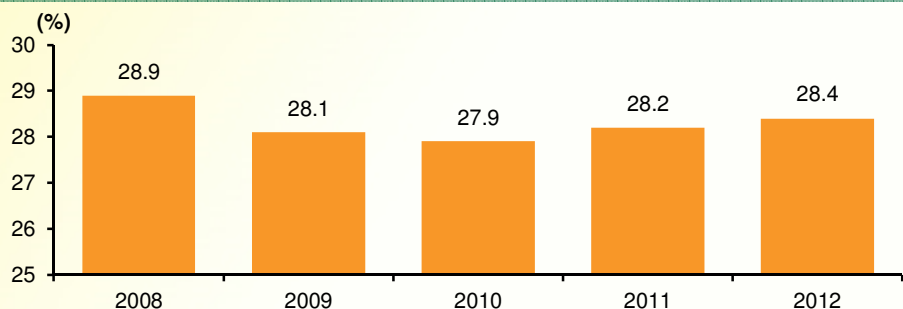
- 1 Divest underperforming Edible Oils Business amidst the continually challenging operating environment (with severe market competition and rising costs)
- 2 Allow Hop Hing to focus its resources on the fast growing QSR business
- 3 Enhance Hop Hing's growth, operating profitability and returns
- 4 Improve capital structure and reduce gearing of Hop Hing
- 5 Fair and reasonable valuation for the disposal compared to peers
- 6 Generate cash return to shareholders by paying special cash dividend



# 1 Divest Underperforming Edible Oils Business Amidst the Continually Challenging Operating Environment

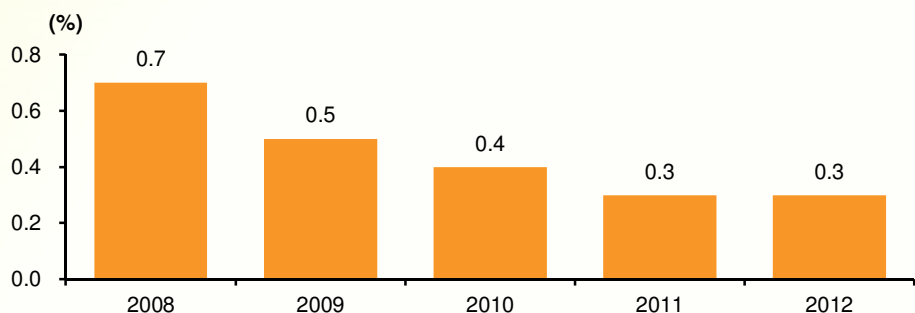
## Severe Market Competition...

Market Share of Hop Hing (by Retail Sales Value) – Hong Kong<sup>(1)</sup>



The Hong Kong market is saturated and Hop Hing's market share is expected to remain stagnant

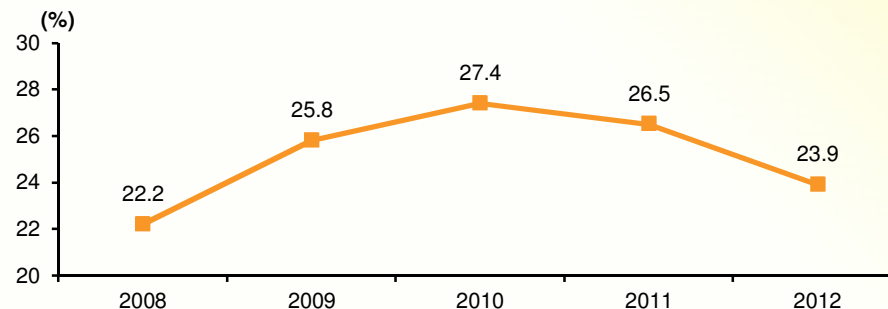
Market Share of Hop Hing (by Retail Sales Value) – PRC<sup>(1)</sup>



Hop Hing has been experiencing a decreasing trend in market share in the PRC and is expected to remain in a weak competitive position

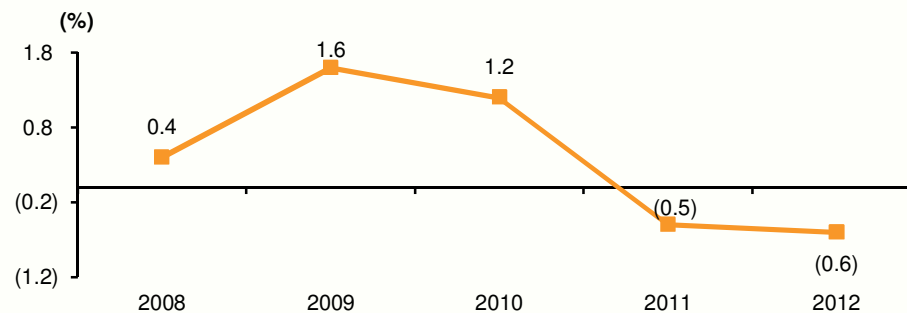
## ... With Rising Costs

Gross Margin of Edible Oils Business



Rising raw materials costs together with a virtual selling price cap under PRC government's influence have exerted pressure on gross margin

Net Margin of Edible Oils Business<sup>(2)</sup>



The lack of economies of scale coupled with increasing general costs have led to a continuous trend of net margin

(1) Euromonitor

(2) Net income excludes exceptional items such as gain on disposal and recovery of deposits written off in prior years; 2008 and 2009 based on Hop Hing's "edible oils business segment" published annual reports

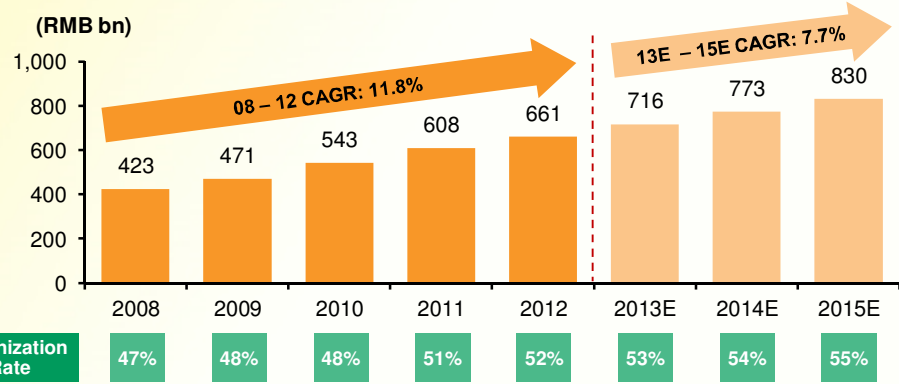


2

# Allow Hop Hing to Focus its Resources on the Fast Growing QSR Business

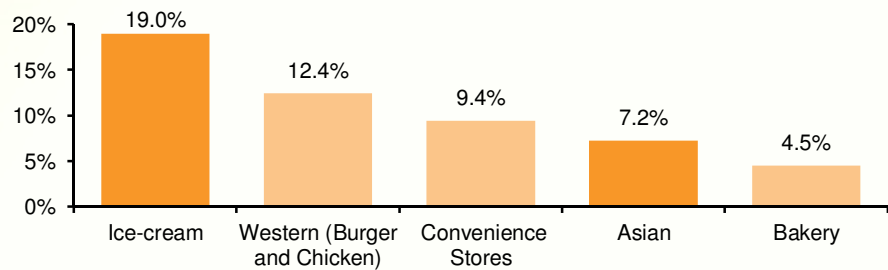
## Solid Growth Momentum of China QSR Industry

Total Sales of the PRC Fast Food Industry in 2008A – 2015E



## Asian and Ice-cream Chained Fast Food Segments Have Relatively High Growth Rate Expected

2012 to 2015E CAGR of China Chained Fast Food Segments



## Leading Position in China and Home Markets

Market Ranking	YOSHINOYA (1)	DQ (1)
China (National)	#5	#3
Beijing	#4	#1
Dalian	#5	#1
Shenyang	#4	#3

The China QSR industry possesses tremendous growth potentials and Hop Hing's QSR business is well-positioned to further expand and capitalize on the robust industry fundamentals

Source: Euromonitor, EIU

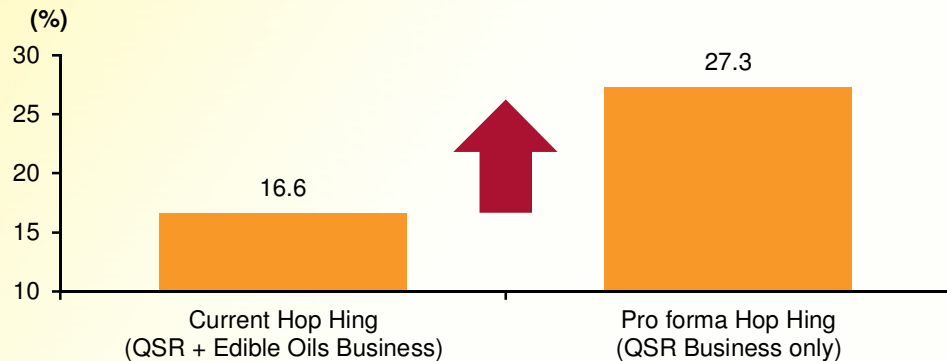
(1) Based on number of stores as of December 31, 2011; Dalian market includes Yingkou and Panjin

3

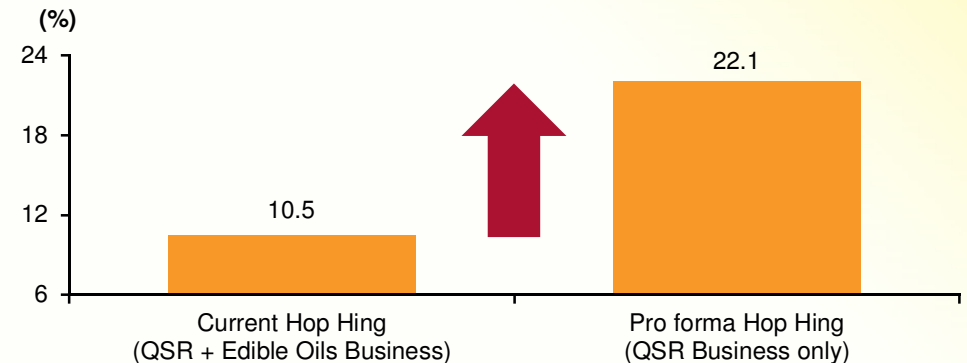
## Enhance Hop Hing's Growth, Operating Profitability and Returns



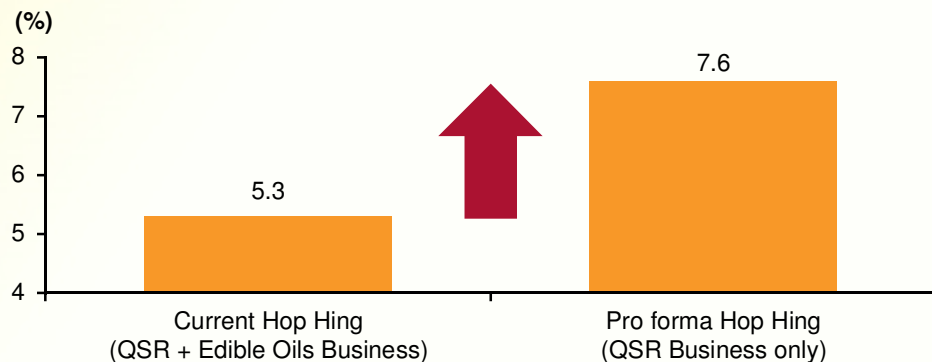
### Revenue Growth (2009 – 2012 CAGR)



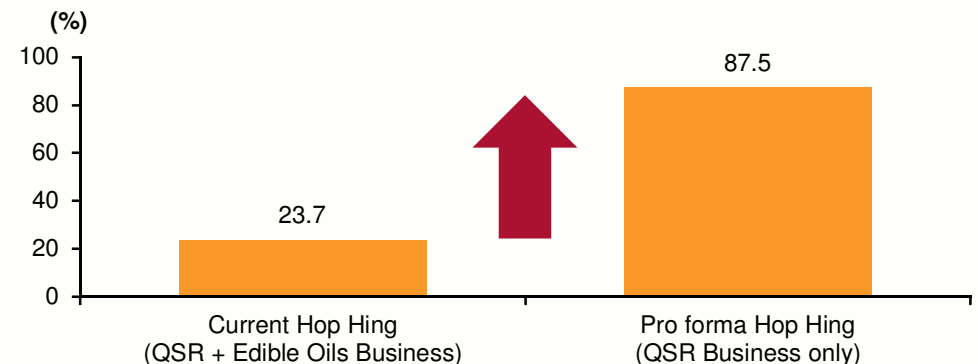
### Return on Assets<sup>(1)(2)(3)</sup>



### Operating Net Margin<sup>(1)</sup>



### Return on Equity<sup>(1)(3)(4)</sup>



**Currently, inclusion of the edible oils business understates the attractive fundamentals of Hop Hing's QSR business. Post-transaction, Hop Hing's overall growth, operating profitability and returns will be substantially enhanced**

Source: Company filings and information

(1) Excludes exceptional items such as gain on disposal and recovery of deposits written off in prior years and without taking into account the estimated loss on disposal of ~HK\$46 mm

(2) Assets based on segmental breakdown from 2012 annual results announcement

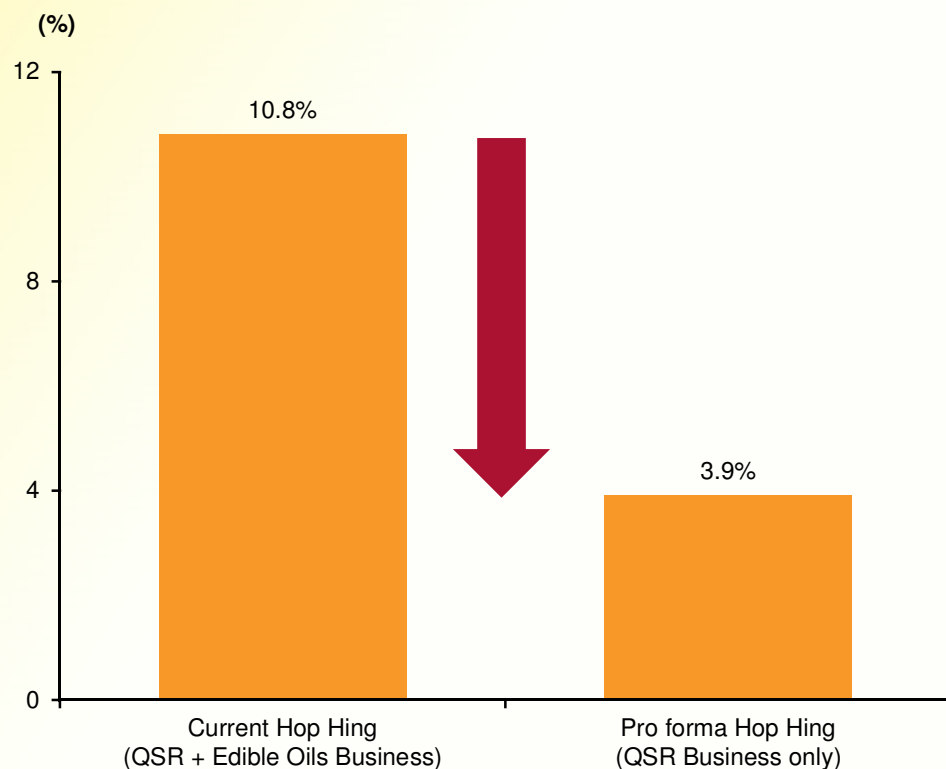
(3) Calculated as LTM net profit divided by average balances

(4) Equity based on equity attributable to shareholders of Hop Hing from 2012 annual results announcement and the same of edible oils business from Company information

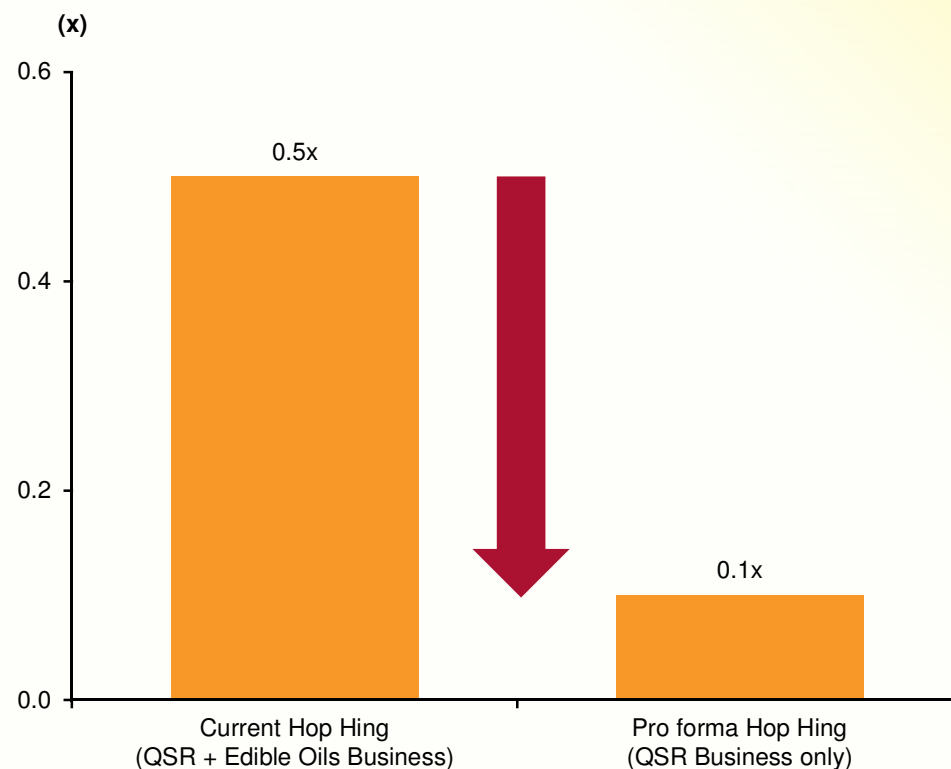


## 4 Improve Capital Structure and Reduce Gearing of Hop Hing

### Total Debt / Total Assets<sup>(1)</sup>



### Total Debt / LTM EBITDA<sup>(1)(2)</sup>



**Post-transaction, Hop Hing's capital structure and gearing position is expected to be substantially improved**

Source: Company filings and information

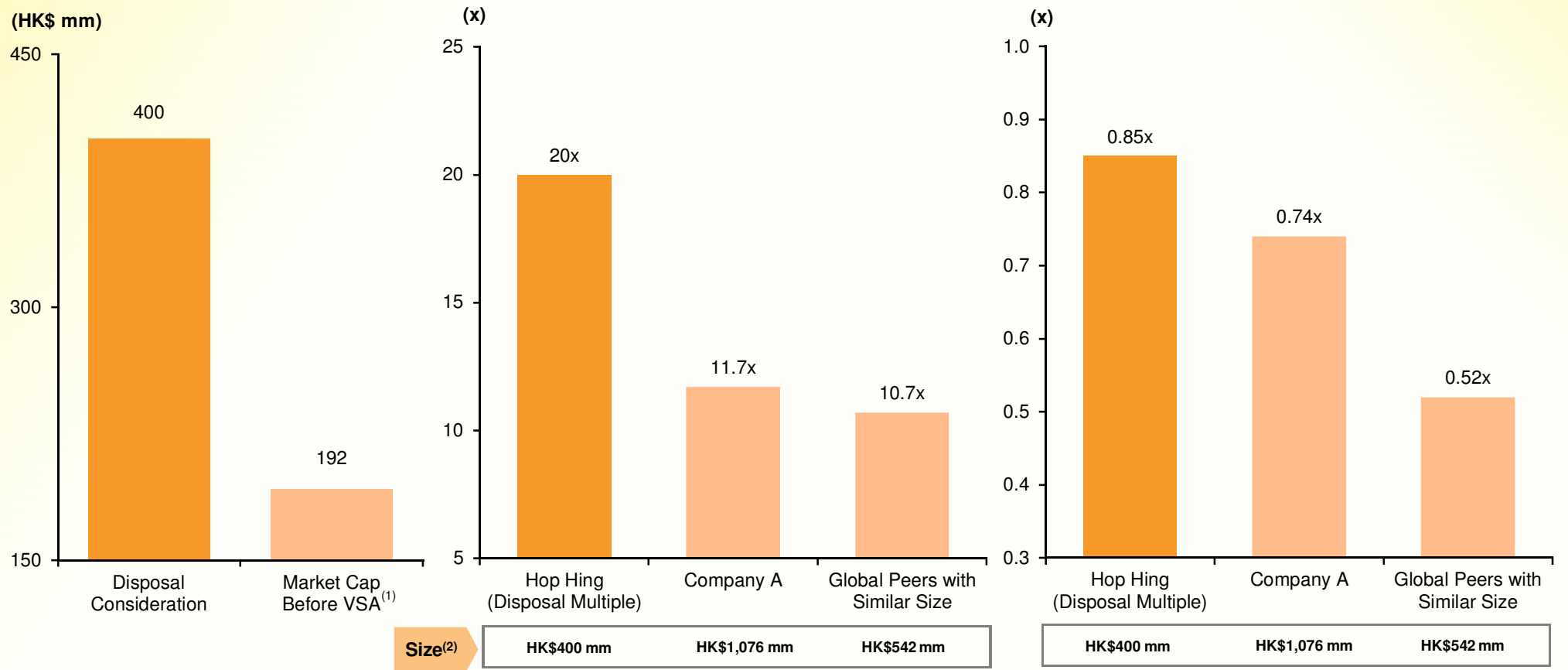
(1) Year ended/as at December 31, 2012

(2) Excludes other income and gains and other expenses



# 5 Attractive Valuation for the Disposal Compared to Peers

Compared to Hop Hing's Own Market Cap Before VSA      2012 EV/EBITDA      Latest P/B Ratio

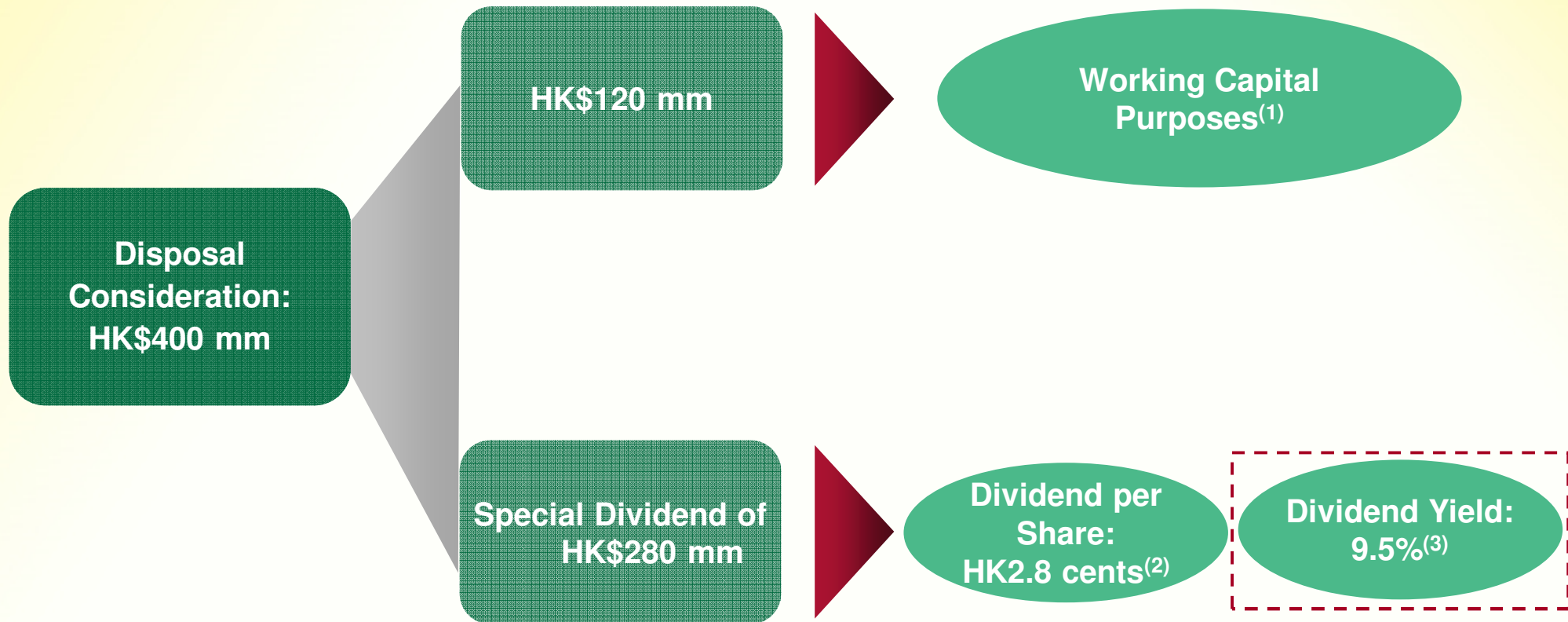


**The transaction implies fair and reasonable EV/EBITDA and P/B multiples compared to comparable HK-listed and global edible oils peers**

Source: Company filings, FactSet as of April 19, 2013  
 (1) Based on closing price of HK\$0.37 of Hop Hing on November 16, 2011 before abnormal share price movement  
 (2) Disposal Consideration for Hop Hing; market capitalization for Company A and average global peers, as of April 19, 2013

6

## Generate attractive cash return to shareholders by paying special cash dividend



The disposal is expected to generate cash returns to shareholders by way of a special cash dividend

(1) Including transaction expenses

(2) Based on 9,921 mm shares outstanding as of April 25, 2013

(3) Based on a closing price of HK\$0.295 as of April 24, 2013