**[For Immediate Release]**

**Hop Hing Group Holdings Limited**

## Hop Hing Group Announces Annual Results 2012
## Steady Growth Despite Challenging Environment

Hong Kong – 20 March 2013 – Hop Hing Group Holdings Limited ("Hop Hing" or "the Group") (HKEx: 47) today announced its audited annual results for the year ended 31 December 2012.

**Financial Highlights:**

| **(HK$ million)** | **For the year ended 31 December** | | |
|---|---|---|---|
| | **2012** | **2011** (Restated) | **Change** |
| Turnover | 2,878 | 2,450 | +17.5% |
| Gross Profit | 1,403 | 1,206 | +16.3% |
| Profit from Operating Activities | 214 | 231 | (7.4%) |
| Reported Net Profit | 144 | 156 | (7.7%) |
| Adjusted Net Profit *(Excluding other income and gains and other expenses)* | 134 | 131 | +2.3% |
| Proposed final dividend per share (HK cent) | 0.25 | - | N/A |

**Business Highlights:**

- Successfully completed the acquisition of quick service restaurant ("QSR") business in March 2012, which accounted for about 68% and 94% of the Company's turnover and earnings before interest and taxes ("EBIT") and unallocated head office expenses in 2012 respectively.
- Revenue of HK$1,971.3 million was recorded in the QSR business, representing a growth of 19.9% to compared to 2011. Profit before unallocated head office expenses and taxation of HK$153.3 million was reported which was 0.9% higher than that in 2011.
- The Group recorded a same store sales growth of 7% in 2012.
- As at 31 December 2012, there were 405 stores in operation, including 270 Yoshinoya restaurants and 135 Dairy Queen stores. 88 net new stores were opened in 2012 which was in-line with management target and slightly adjusted due to macro-economic challenges.
- The directors recommended the payment of a final dividend of HK0.25 cent per ordinary share for the year ended 31 December, 2012.

Mr. Marvin Hung, Chief Executive Officer of Hop Hing, commented, "2012 was a challenging year for the Group. Despite the impact of the less-robust macro-economy, adverse weather conditions in northern China and the anti-Japan sentiment triggered by the Diaoyu Islands situation, we continued to achieve growth in revenue and same store sales ("SSS"), with our expansion plan on track."

**BUSINESS REVIEW**

**QSR business:** In order to meet these external challenges, the Group made great efforts to enhance the performance by strengthening the Group's store network with new restaurants in locations with high growth potential, while exploring the offer of a delivery service via online ordering. The latter not only reduces Hop Hing's rental pressure but also meets the ever-rising online demand in Mainland China, backed by a huge population of internet users. The Group also devoted much effort to improving customers' dining experience through new product introduction and promotional activities. As a result, the Group have been able to report a turnover growth of 19.9% and SSS growth of 7% in 2012.

Hop Hing has also invested in its operational system and improved productivity to offset part of the rising costs. During the year under review, the gross profit margin was maintained at a level of 60% and the profit before unallocated head office expense and after tax increased slightly to HK$153.3 million (2011: HK$152.0 million).

In 2012, the Beijing-Tianjin-Hebei metropolitan region continued to be the QSR Group's largest market, and Yoshinoya was the key contributor of the QSR business, accounting for 89.8% of its total turnover.

The rising raw material cost has always been a challenge to the QSR industry. While Hop Hing implemented its strategic procurement of key food ingredients to reduce the impact of rising costs, the Group did not and will never compromise on food quality. Together with improvement in operational efficiency, tight cost control measures and adjusting menu prices on a selective basis, the Group was able to maintain a gross profit margin at a stable level at approximately 60%.

There is a consistent shortage of QSR staff in mainland China, which keeps driving up the cost of labor. The salaries and wages of general staff have been increasing at a rate of approximately over 10% last year. During the year under review, the salary level was raised to ensure its competitiveness and enable Hop Hing's staff to share the benefit of the Group's business growth. The Group was able to keep the increase in the staff cost as a percentage of turnover to a minimal level of increase at around 0.1 percentage point.

Having established long-term strategic relationships with key landlords, Hop Hing was able to secure long term store leases running from 5 to 10 years, to minimize the impact of the rising rental cost brought about by urbanization. The rental cost as a percentage of turnover for the year was 12.9%, which is 0.8 percentage points higher than that of last year. The increase in rental and other related costs as percentage of sales, such as utility costs, were mainly due to expenses incurred for the new stores.

**Edible Oil:** The edible oil operating environment in 2012 remained challenging. Raw material costs have been one of the major cost components of the Group's products. Fluctuation in raw material cost impacted its profit margin significantly. During the year under review, turnover increased by 12.6% to compensate for a decrease in gross margin and deliver a slight increase gross profit of HK$216 million. After taking over the edible oil business in Hong Kong and Macau, which was previously operated by the Group's jointly controlled entity, the Group was able to drive the business according to its strategies. Hop Hing continued to introduce quality and healthy edible oil products for our customers. According to the data reported by

Nielsen, one of the most reputable international research companies, through its MarketTrack Service on the Edible Oil Category for Total Supermarket and Convenience Stores, the Group's flagship brand "Lion & Globe" was ranked first by sales value and sales volume (Tonnage) in 2012.

Despite the tough edible oil market environment in mainland China this year, the new management of its PRC edible oil operation was able to streamline the operational cost and deliver a positive EBITDA (earnings before interest, taxes, depreciation and amortisation), showing an improvement from last year.

**OUTLOOK**

As the challenges faced in 2012 may continue to impact the Group in the near future, the management will execute our strategies surrounding business expansion through both same store sales growth and new store opening. The Group will continue to enhance customer loyalty through product and service innovation as well as dining ambience improvement. In addition, the management will continue to improve its operating and system efficiency focusing on production processes automation.

Food safety will continue to be upheld by the Group through stringent up-stream supply chain management and increase the frequency of voluntary quality testing by third party organisation.

Commenting on the Group's future development strategy, Mr. Marvin Hung said, "I am very pleased that the QSR business had been fully integrated into Hop Hing last year, and it has started generating profit to our shareholders. As such, the Board recommended a dividend of HK0.25 cent per share. We remain committed to serving our customers with improved service and quality while partnering with our suppliers to enhance food safety processes. We remain equally committed to our shareholders and will continue to deliver profitable long term sustainable growth."

**About Hop Hing Group Holdings Limited**

In March 2012, Hop Hing completed the acquisition of a multi-brand quick service restaurant chain operator who are licensed to operate the "Yoshinoya (吉野家)" and "Dairy Queen" QSR restaurants in Northern China. On 31 December 2012, Hop Hing had 270 and 135 Yoshinoya restaurants and Dairy Queen stores respectively. The Company is also engaged in the purchasing, extracting, refining, blending, bottling, marketing and distribution of edible oils for consumption by households and restaurants and other catering establishments in Hong Kong, Macau and China with a range of well-known brands for instance "Lion & Globe" (獅球嘜) and "Camel" (駱駝嘜).

***Media Inquiries:***

**Brunswick Group Limited**

Tong Zhao / Crystal Chan / Monica Wong

Tel: +852 3512 5088 / +852 3512 5032 / +852 3512 5081

Email: hophing@brunswickgroup.com

**Appendix: Total Number of Stores**

| | As at | | |
|---|---|---|---|
| | 31 December | 30 June | 31 December |
| | 2012 | 2012 | 2011 |
| **Yoshinoya:** | | | |
| Beijing | 161 | 153 | 141 |
| Tianjin | 18 | 17 | 12 |
| Hebei | 20 | 14 | 7 |
| Shenyang | 38 | 30 | 26 |
| Dalian | 17 | 16 | 16 |
| Jilin | 2 | - | - |
| HuHeHaoTe | 8 | 7 | 6 |
| Harbin | 6 | 2 | 1 |
| Subtotal: | 270 | 239 | 209 |
| **Dairy Queen:** | | | |
| Beijing | 86 | 85 | 76 |
| Tianjin | 14 | 14 | 8 |
| Hebei | 9 | 9 | 4 |
| Shenyang | 10 | 7 | 6 |
| Dalian | 10 | 10 | 10 |
| HuHeHaoTe | 5 | 4 | 4 |
| Harbin | 1 | - | - |
| Subtotal: | 135 | 129 | 108 |
| **Total** | **405** | **368** | **317** |