STRATEGIC FINANCIAL RELATIONS LIMITED
縱橫財經公關顧問有限公司

[For immediate release]

Hop Hing Announces 2013 Interim Results

Steady Revenue and Gross Profit Growth in QSR Business Attributable to Enhanced Variety of Food Products and Stringent Cost Control Measures

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Focus Resources on Fast Growing QSR Segment to Sustain Long-term Development

(Hong Kong, 30 August 2013) – **Hop Hing Group Holdings Limited** ("Hop Hing" or the "Group"; stock code: 47) today announces its interim results for the six months ended 30 June 2013 ("1H 2013").

During the period under review, the catering industry was shadowed by the sluggish China economy, weakened consumer sentiment, the outbreak of H7N9 avian influenza and the adverse weather in Northern China. Nevertheless, Hop Hing managed to achieve steady revenue growth and satisfactory gross profit margin for its quick service restaurant ("QSR") business by enhancing the variety of its food products, extending opening hours of its branches and opening new stores in the Franchise Regions[1].

During 1H 2013, the Group's QSR business recorded a 4.6% growth in its turnover and smashed the HK$1 billion mark (1H 2012: HK$956.5 million). During the period, the Group implemented stringent cost control measures without compromising on food quality which enabled it to achieve a 7.3% increase in gross profit to HK$613.8 million (1H 2012: HK$572.1 million), while gross profit margin rose to 61.3% (1H 2012: 59.8%). Profit for the period from the QSR business amounted to HK$52.2 million (1H 2012: HK$73.5 million). Basic and diluted earnings per share for the period from the QSR business were both HK 0.53 cent (1H 2012: HK 11.41 cents and HK 0.59 cent respectively).

In order to concentrate its resources on the fast growing QSR business, the Group completed the disposal of its edible oil business ("discontinued operation") to its majority shareholders on 28 June 2013 at a consideration of HK$395 million (finalised consideration). The discontinued operation incurred a net loss of HK$51.7 million, including a loss on disposal of HK$46.3 million and a total provision of HK$11.7 million for probable settlement amount in respect of a tax case, which are both considered as one-off items. Taking into account of these one-off items, the Group's profit attributable to the equity holders during 1H 2013 was HK$0.6 million (1H 2012: HK$59.5 million). The Group continued to maintain a healthy financial position. As at 30 June 2013, the Group's cash balances amounted to HK$237.6 million.

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[1] *Franchise Regions refer to Beijing and Tianjin municipalities, Hebei, Liaoning, Heilongjiang and Jilin Provinces, and the Inner Mongolia Autonomous Region in the PRC*

Mr. Marvin Hung, Executive Director and CEO of Hop Hing, said, “Amidst the challenging business environment burdened by escalating costs and debilitated consumer confidence in the People’s Republic of China (“PRC”), the Group boosted its efforts to introduce new food products as well as brand advertisements and promotional programmes in order to stimulate sales. Meanwhile, the Group adopted a prudent yet flexible strategy in opening new stores which have brought additional stable income to the Group during the period under review. With our core value of “Quality with conscience”, we continued to pay our usual strict attention to enhance food quality and to improve flavour, with an aim to position ourselves as an “Oriental Cuisine Specialist” in the long run.”

Business Review

As at 30 June 2013, there were 442 stores in operation, including 299 Yoshinoya restaurants and 143 Dairy Queen stores. In view of the sluggish economic environment and macro-economic challenges, the Group has been cautious and slightly adjusted the opening of new stores to a net total of 37 in 1H 2013 (1H 2012: 51 net new stores). The Beijing-Tianjin-Hebei Province metropolitan region continued to be the largest market of the Group’s QSR business, accounting for about three quarters of its turnover, while Yoshinoya remained as the key revenue contributor, accounting for 89.5% of QSR sales.

Escalating staff salaries and wages as well as rising rental costs brought about by China’s rapid urbanisation have persistently affected the operating costs of the QSR sector. However, the Group’s investment in assisting staff to improve their efficiency and forging long-term strategic relationships with key business associates has mitigated the cost increases. Labor costs and rental expense as a percentage of QSR’s turnover during 1H 2013 were maintained at a reasonable level of 11.5% and 14.0% respectively (1H 2012: 10.6% and 12.5% respectively).

Outlook

The business environment in the PRC is expected to remain challenging in the second half of 2013 due to the relatively slow growth in China’s economy, weak consumer sentiment as well as the inclement weather conditions in various cities in Northern China especially during winter which may discourage customers go out to shop and deter foreign and domestic tourists. Hop Hing’s management, however, is cautiously optimistic about the Group’s prospects and has already prepared itself well for further growth in the future.

Product innovation has always been the key to Hop Hing’s success. Hence, the Group intends to continue its efforts in offering new product varieties to customers in order to accommodate different preferences. For instance, it has launched rice burgers in August and will introduce new flavours of rice in stone pots in the last quarter of the year. In addition, the Group will continue to strengthen its store network by prudently opening new stores in strategic locations with high growth potential, while at the same time, expanding its call delivery services to not only telephone ordering but also internet ordering in order to meet the ever-rising online demand within the country.

In order to boost customers' confidence in food safety, the Group launched "Sunshine Kitchen" with the first store opening in Xidan, Beijing in August 2013. The "Sunshine Kitchen", featuring an open kitchen and an LED monitor, enables customers to observe the entire food preparation process. On the other hand, the Group is also upgrading its enterprises resources planning system to analyze data more efficiently and hence formulate the most appropriate strategies for future business growth.

Mr. Hung concluded, "In view of the huge potential brought about by the fast pace of urbanisation in China, we are confident in the medium- to long- term prospects of the Group's QSR business. Looking ahead, we will continue to seek and evaluate opportunities that bring steady long term growth to the Group with an aim to become a leading multi-brand QSR operator in the Greater China region. We will continue to adhere to our core values and are committed to generating satisfactory sustainable returns to our shareholders."

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About Hop Hing Group Holdings Limited (stock code: 47)

In March 2012, Hop Hing completed the acquisition of a leading quick service restaurant ("QSR") chain operator in the PRC which possesses a history of more than 20 years. By entering into long term franchises, Hop Hing now owns the rights to operate the Yoshinoya (吉野家) and Dairy Queen ("DQ") QSR chains in the northern regions in the PRC, spanning across Beijing and Tianjin municipalities, Hebei, Liaoning, Heilongjiang and Jilin Provinces, and the Inner Mongolia Autonomous Region in the PRC. Yoshinoya is a well-known beef bowl brand with over 100 years' history, while Dairy Queen is a popular ice-cream brand with over 70 years' history.

For more details, please visit: http://www.hophing.com

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