



Hop Hing Announces 2014 Interim Results

Turnover of QSR Business Up 5.6% to HK\$1,056.9 million
Same Store Sales Growth Improved to 4.1%

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Continues to expand and optimise business and restaurant network
Further enhances operational efficiency and profitability

(Hong Kong, 29 August 2014) – **Hop Hing Group Holdings Limited** (“Hop Hing” or the “Group;” stock code: 47) today announced its interim results for the six months ended 30 June 2014 (“2014 1H”).

Despite the slow recovery of the economy, persistent weak consumer sentiment and the reformation of the catering industry in China, the Group managed to steadily grow its business and restaurant network with improved same stores sales growth (“SSSG”). In the first half of 2014, turnover of the QSR business increased by 5.6% to HK\$1,056.9 million (2013 1H : HK\$1,000.9 million) which reflected gradual recovery of the Group’s SSSG from -10.3% in 2013 1H to 4.1% during the period under review, together with the increase in sales orders received by internet and WAP-based ordering systems.

On the other hand, thanks to the Group’s stringent cost control measures and optimised menus, gross profit of the QSR business increased by 7.9% to HK\$662.5 million (2013 1H : HK\$613.8 million) with gross profit margin improved to 62.7% (2013 1H : 61.3%). Basic and diluted earnings per share from the QSR business were both HK 0.17 cents (2013 1H: both HK 0.53 cents). Profit attributable to the equity holders of the Group surged to HK\$17.5 million (2013 1H: HK\$0.6 million), which was mainly due to the inclusion of the booked loss of the Group’s disposal of its edible oil operation in the first half of 2013.

Mr Marvin Hung, Executive Director and CEO of Hop Hing, said, “Facing the challenging business operating environment in the PRC, we are devoted to enhance and optimise our product mix with a key objective to drive our same store sales growth. During the period, we adopted a flexible yet prudent store opening strategy to steadily expand our restaurant network. We strived to optimise our existing restaurant network while expansion with a major aim to enhance the profitability of each store. We are pleased to see the gradual recovery of our customer traffics, sales revenue as well as SSSG.”

Business Review and Prospects

As at 30 June 2014, there were 448 stores in operation, including 308 Yoshinoya restaurants and 140 Dairy Queen stores. Operating against a challenging market environment, the Group has carried out detailed researches 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 the Group's stringent internal store opening requirements. During the period, a net total of 8 new stores (2013 1H: 37 net new stores), including 4 Yoshinoya restaurants and 4 Dairy Queen stores, were opened in the Franchise Regions.

New Yoshinoya restaurants opening since mid of 2013 adopted the "Sunshine Kitchen" concept to optimise the indoor environment and kitchen area with an aim to reinforce the perception of the Group's commitment in food safety and enhance customers' dining experience. Besides, the Group has also re-positioned the brand identity of "Dairy Queen" to reinforce its position as a fashion and trendy ice-cream expert.

In response to market changes, the Group has devoted a lot of efforts to enhance its product mix in order to provide of a full variety of food product portfolio ranging from value meal to new and innovative products. During the period, the Group continued to research and monitor the changing needs of the consumers in different cities and optimized its product mix accordingly to cater customers' ever-changing needs. For instance, the Group not only offers affordable value meal products to target younger groups but also actively promote full meal dining experience to those customers who prefer dining under cozy environment, such flexible promotional programs enabled the Group to attract and satisfy customers from different market segments.

Apart from developing more call centres for telephone ordering in more cities to cover a wider range of customers during the period, to address the modern trend, the Group not only started offering an internet ordering option to its customers in December 2013 but also launched a WAP-based ordering system in April this year to further enhance its delivery service. The launch of these new web online platform enabled the Group to broaden its customer base and bring in additional income stream during the period.

Looking ahead, the Group will adhere its value proposition, which is to provide tasty, safe, quick and convenient, yet inexpensive, food to expand its market base and enhance its good reputation. The Group will continue to launch more innovative products, and enhance its delivery and ordering services, while implementing a range of business strategies optimisation measures. Moreover, food safety continues to be the Group's top priority, so it will closely monitor the quality and food sources, in particular to exercise stringent control on the quality of raw materials which are all sourced from reliable and well-established suppliers with whom the Group has developed long-term cooperative relationships.

Mr Hung concluded, “Although we are still facing various challenges including the slow recovery of the economy, weak customer sentiment and escalating operational costs, we expect the Group would benefit from the catering industry consolidation as for its good reputation, well-established restaurant network and commitment to food safety. We are well-positioned to capture future business opportunities arising from the ongoing rapid urbanization 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. We remain cautiously optimistic about the growth of China catering industry in the medium-to-long-run. We are confident in our ability to achieve steady and long term growth with our experienced management team and solid foundation laid over the past decades.”

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

Hop Hing is a leading quick service restaurant (“QSR”) chain operator in the PRC. By entering into long term franchises, Hop Hing 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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