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

[For immediate release]

Hop Hing Announces 2014 Annual Results
Profit Attributable to Equity Holders of the Company Increases to HK$35.4 million

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Steady Revenue Growth Despite Challenging Operating Environment with Positive Same-Store-Sales Growth

(Hong Kong, 20 March 2015) – **Hop Hing Group Holdings Limited** ("Hop Hing" or the "Group"; stock code: 47) has today announced its annual audited results for the year ended 31 December 2014 ("FY2014").

The year 2014 was a challenging year for the whole catering industry in China due to the ongoing growth slowdown in China's economy and the shaken consumer confidence in the food safety of quick service restaurants ("QSR"). However, Hop Hing's QSR business managed to achieve steady revenue growth and a satisfactory gross profit margin due to the additional sales brought by the new stores and the growth in same store sales ("SSSG"). During the year under review, the Group's QSR business achieved a 2.2% increase in turnover to HK$2,157.9 million. Gross profit rose by 2.9% to HK$1,340.1 million with gross profit margin improving to 62.1% (FY2013: 61.7%). The Group was also managed to maintain a relatively stable store EBITDA of approximately 18%. The profit attributable to the equity holders of the Company for the year under review was HK$35.4 million (FY2013: HK$14.0 million). The basic and diluted earnings per share for the year from the QSR business were both HK0.35 cent (FY2013: both HK 0.66 cent).

The Board of Directors recommends the payment of a final dividend of HK0.25 cent per share for the year ended 31 December 2014 (FY2013: HK0.25 cent per share).

Mr Marvin Hung, Executive Director and CEO of Hop Hing, said, "Despite operating in such a challenging business environment, we are delighted that Hop Hing has maintained steady revenue growth with positive SSSG during the year under review. Our business strategy has continued to focus on food safety and enhancing the quality of our products in order to reinforce our image as a rice expert. Although the food safety issue in the middle of last year affected the QSR sector across the country, we continued our efforts to improve our sales revenue and optimize our store network, which enabled us to lay a solid foundation for steady future growth."

Business Review

During the year under review, Hop Hing continued optimization of its store network, only opening stores which fulfilled the Group's stringent assessment criteria. As at 31 December 2014, there were 425 stores in operation (2013: 440 stores), including 292 Yoshinoya restaurants (2013: 304 stores) and 133 Dairy Queen stores (2013: 136 stores). This approach enables the Group to direct greater focus on profit-making stores and nurture newly-built stores that have high business potential so as to achieve the goals of cost saving and improved management efficiency.

For Yoshinoya, the Group continued its core strategy of introducing innovative new products, such as spicy vegetable and pork bowls, and chicken with wine cooked in Chinese style, together with flexible promotional programs, to stimulate sales and enhance customers' loyalty. Meanwhile, the enhanced delivery services, including accepting orders by phone and over the internet, also enabled the Group to broaden its customer base. For Dairy Queen, the distinctive shop front, eye-catching signage and a young and trendy image combined with the new products introduced enabled the Group to improve the performance in same stores sales compared with the previous year. All of these initiatives added together enabled the Group to record a positive overall SSSG of 1.1% (FY2013: -8.1%).

At the same time, the Group has implemented stringent cost control measures in the face of the rising costs and strives to raise its operational efficiency. The effective bulk procurement strategy and flexible promotional programs have successfully mitigated the impact of the surge of the raw material costs, which enabled the Group to record an improvement in gross profit margin during the review year. Despite a market-wide annual increase of salaries and wages of staff and the escalation of rental costs, the Group was able to record a relatively stable percentage of operating expenses over sales. This success has validated the management's ongoing effort in controlling its costs and improving the operating efficiency of our stores.

Outlook

Looking ahead in 2015, it is expected that the operating environment of the QSR business in the PRC will remain challenging due to the intensified competition in the low-end catering market caused by the contraction of the high-end and mid-price market as the State Council's austerity campaign continues to drive market players downstream. However, Hop Hing will continue to devote resources with an aim to achieve sustainable long term growth for its existing QSR business, and evaluate opportunities that enable the Group to advance its goal of becoming a multi-brand QSR operator.

With this mission, the Group will continue to introduce new and innovative products aimed at expanding its customer base. In addition to offering value meal items during off-peak hours for the younger generation, the Group is also introducing complete dinner sets with drinks and desserts to cater to the customers who are looking for the full dining experience, with the aim to reach out to different market segments and boost revenue. The Group also strives to create a feeling of being at home to its stores in order to enhance its brand image. With the implementation of the new business information system, the Group can more quickly respond to the customers' needs by swiftly adjusting its menus and operating mode to suit their demand and the market environment.

Facing rising costs, the Group will also continue to implement various cost control measures to maintain reasonable profit margins. The Group has started the implementation of the "virtual partnership plan," where the store managers can operate their stores as if they were the owners. The program is intended to motivate the persons-in-charge by letting them share in the success of the stores. In the meanwhile, the Group will continue to improve the store operational efficiency by fully implementing the concept of separating the cashier counters and pick-up counters in all stores within 2015.

Mr Hung concluded, "We believe the weak China economy, ongoing austerity campaign of the Central Government and poor market sentiment last year will persist in 2015. Facing such headwind, we will continue to equip our business with a quality network, highly efficient operations and management style that is responsive to the market. This will enable us to develop a strong business platform for grasping opportunities that will emerge once the business environment has recovered from the current trough. We will continue to optimize and expand our store network and build more slightly smaller-sized stores with an aim to improve store efficiency and reduce investment costs. We will continue to seek and evaluate any opportunity that may maximize the value of our company and shareholders' returns."

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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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