



Hop Hing Announces 2015 Interim Results

Profit Attributable to Equity Holders of the Group Surges 47.1% to HK\$25.8 million

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Launches New Brand “Chatting” to Capture New Customer Segment

(Hong Kong, 28 August 2015) – **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 2015 (“2014 1H”).

In the first half of 2015, the economy in China showed a slow recovery and weak consumption sentiment persisted. Due to the closure of certain under-performing stores in 2014 and during the period under review and the decrease in customer traffic, the Group’s turnover of its QSR business slightly decreased by 4.0% to HK\$1,014.8 million (2014 1H: HK\$1,056.9 million). However, with the reinforcement of its efforts in controlling costs in response to the challenging operating environment, the Group was able to maintain gross profit margin at a healthy level of 62.3% (2014 1H: 62.7%). In addition, profit attributable to the equity holders of the Group surged by 47.1% to HK\$ 25.8 million (2014 1H: HK\$17.5 million). The basic and diluted earnings per share for the period from QSR business were both HK0.26 cents (2014 1H: both HK0.17 cents).

Mr Marvin Hung, Executive Director and CEO of Hop Hing, said, “The catering industry in the PRC has remained competitive and challenging during the period under review and is subject to consolidation and restructuring. However, Hop Hing has coped with the changes through flexible strategies. During the period, we have steadfastly strived to raise the efficiency of our operational systems and procedures. We have not only enhanced our product mix to cater for our different customers’ changing needs but also introduced a new brand “Chatting” during the period to capture a new customer segment. We have also worked diligently to optimize our store network with an aim to raise our profitability. All of these efforts have enabled us to deliver satisfactory results during the period under review amidst the difficult operating environment.”

Continued to optimize store network and launched the new “Chatting” brand

During the period under review, the Group continued to open new stores guided by a prudent approach, while closing certain under-performing stores in order to optimize its store network. In addition, “Chatting,” a new line of the Group was established in April this year, offering fresh

and healthy drinks, such as fresh fruit tea and pearl milk tea. A net total of three new stores (2014 1H: eight new stores) were opened during the period under review. There were 428 stores in operation as at 30 June 2015. Apart from the four Chatting stores newly built, it also included 294 Yoshinoya restaurants and 130 Dairy Queen stores.

Besides, the call delivery and internet and WAP-based ordering systems have become more significant alternative sources to capture orders during the period under review, in particular, in the North East China region. The Group has continued to add new food items onto menus to maintain the loyalty of customers while attracting new customers.

In response to market changes, the Group has employed stringent cost control measures during the period under review. It has continued with the execution of its proven policy of strategic and bulk procurement of key food ingredients, while emphasizing food quality. While high labor cost and rental cost continued to adversely affect the catering industry in the PRC, the Group's streamlining of its network has enabled it to maintain these costs at reasonable level. Moreover, the "Virtual Partnership Scheme" has been fully implemented in the first half of this year and started to bear fruit. The "Virtual Partnership Scheme" allows the store managers to implement measures within the framework set by the management with an aim to improve the performance of their stores, which has achieved significant savings in certain operational costs, including utility and repair costs, during the period under review. The Group has also established a Share Award Scheme in April 2015 to motivate and retain selected senior staff who have potential to climb further up their career ladder, which creates a win-win situation where the staff are motivated and its performance is consequently expected to be improved.

Prospects

Looking ahead, the management will continue to take a cautious and prudent approach in operating within such a challenging environment in the near term. The Group will introduce new menu items to meet the preferences of our customers and take advantage of the convenience offered by the internet through its internet and WAP-based ordering systems while exploring other potential sales channels.

On the other hand, the Group strives to deliver a feeling of being at home within its stores in order to enhance its brand image as Yoshinoya stores built and renovated with the "Home" theme have been well-received by customers. Dairy Queen's fashionable and trendy ice-cream expert image has been gradually accepted amongst the younger generation, thus the repositioning of the brand identity of Dairy Queen stores will persist. In addition, the initial performance of Chatting, the Group's new brand, has been encouraging. More Chatting stores are expected to open to offer customers greater variety of drink choices, including linking up with various online platforms.

Mr Hung concluded, “Although we are still encountering a range of challenges, including the slow recovery of the economy, weak customer sentiment and escalating operational costs, the Group believes it can benefit from the government’s plan to realign of functions and priorities of the areas and cities surrounding the capital and in the Northern China region in the medium-to-long run, therefore we remain prudently optimistic about future business opportunities. We are well-positioned to equip our business with quality network, highly efficient operations and management styles that are responsive to the market and will continue to actively 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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