

[For immediate release]

**Hop Hing Announces 2015 Annual Results**
Net Profit Surges 86.0% to HK\$65.8 million

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**Further Grow Business with Improving Operating Efficiency
and O2O Strategies****Financial Highlights**

- ◆ Stable turnover at HK\$2,050.1 million amidst challenging business environment
 - ◆ Satisfactory gross profit at HK\$1,292.0 million with gross profit margin improved by 0.9 percentage points to 63.0%
 - ◆ The Group's EBITDA increased by 9.7% from HK\$185.5 million in FY2014 to HK\$203.5 million in FY2015; EBITDA margin improved to 9.9% in FY2015 (FY2014: 8.6%)
 - ◆ Net profit surged 86.0% to HK\$65.8 million
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(Hong Kong, 24 March 2016) – **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 2015 (“FY2015”).

In 2015, China's economy remained sluggish and the catering industry continued to experience change specifically in adapting to the influence of the Internet. Despite the challenging business environment, Hop Hing managed to achieve a stable turnover of HK\$2,050.1 million (FY2014: HK\$2,157.9 million) and achieved satisfactory gross profit of HK\$1,292.0 million (FY2014: 1,340.1 million). With the Group's persistent efforts in executing proven policy of strategically procuring in bulk key food ingredients without compromising on food quality, the Group recorded an improved gross profit margin of 63.0% during the year under review (FY2014: 62.1%).

In addition, the management's decisive action to adjust the business and operation model, as well as its commitment to maintain a high-quality store network and employ effective management controls has resulted in an improvement in store EBITDA percentage by 1.6 percentage points from 17.9% in 2014 to 19.5% in the year under review. Consequently, the Group's EBITDA increased by 9.7% from HK\$185.5 million in FY2014 to HK\$203.5 million in FY2015; and the Group's net profit surged by 86.0% to HK\$65.8 million in FY2015 (FY2014: HK\$35.4 million). The basic earnings per share for the year from the QSR business were HK0.66 cent (FY2014: HK 0.35 cent).

The Board of Directors recommends the payment of a final dividend of HK0.25 cent per share for the year ended 31 December 2015 (FY2014: HK0.25 cent per share).

Mr Marvin Hung, Executive Director and CEO of Hop Hing, said, “We are delighted to see that Hop Hing was able to improve its profitability amidst the challenging business environment. Guided by the three operational principles: *Efficiency, Effectiveness* and *Value Creation*, we’ve set different financial benchmarks to steer the businesses in the right direction. We’ve devised incentive schemes to motivate team members to have a sense of ownership in the Company and strive for improvements in sales and profitability. During the year, we’ve also implemented a number of measures aimed at bolstering sales, including menu optimisation, marketing campaigns, and introduction of comprehensive dinner sets etc., which all contributed to the Group’s improved financial performance.”

Business Review

Prudent store opening strategy

As of 31 December 2015, there were 455 stores in operation. A net total of 30 new stores were opened in existing markets and selected regions (2014: net closure of 15 stores), including 11 new Yoshinoya stores (net), nine new Dairy Queen (“DQ”) stores (net) and ten new stores under other brand names. During the year, the Group has adjusted its store opening strategy with emphasis on establishing smaller size stores to increase operating efficiency and to cater for rising delivery and takeaway orders. The latest version of our store design, with the theme to fuel up customers for achieving their dreams, has been used in renovating the new stores and stores that are up for renovation. In addition, the Group launched “Chatting” brand in April 2015, offering fresh and healthy drinks to attract younger generation.

Collaboration with online platforms to penetrate takeout market and boost sales

In 2015, all major catering brands in the PRC began to quickly adopt e-commerce marketing. The adoption of e-commerce to boost marketing among catering brands is becoming a major trend and the takeout market is viewed as an important opportunity going forward. In the second half of 2015, Hop Hing started to collaborate with various popular online platforms to increase its brands’ and products’ exposure in order to reach out to more customers and boost the sales. More efforts have also been devoted in strengthening the Group’s delivery capabilities with an aim to enhance customer outreach and broaden the income stream.

Stringent cost control measures with improved profit margins

Cost control remained one of the most important areas of focus by the Group, particularly in the light of challenging operating conditions. The Group continued to execute its proven policy of strategically procuring in bulk key food ingredients without compromising on food quality. Together with the Group’s proactive management of the sales product mix by introducing product promotion programmes, the Group’s gross profit margin has been improved last year. On the other hand, although the shortage of labour in the catering industry and general uptrend of salaries in the PRC have pressurized the Group’s labour cost, Hop Hing’s proactive negotiation with landlords for rental adjustments amid the difficult business environment has reduced the rental costs. The change in business strategy to build stores of smaller size has also helped to reduce rental costs and improve operational efficiency. Other store operating costs, including utility and repair expenses, have recorded decreases as well with the implementation of “Virtual Partnership Scheme” as the store managers and supervisors were encouraged to take greater ownership at work.

Future Development in the Group's Business

Looking ahead to 2016, Hop Hing will take advantage of Internet platforms and tools to directly communicate and interact with customers to improve timeliness. The Group will also carefully analyze customers' data and preferences gathered from networks and social platforms in order to deploy precise marketing strategy to meet ever-changing market needs. In respect of the operating model, the Group will vigorously promote the "collaborative economy" to demonstrate the full potential of online-to-offline ("O2O") strategies. On the online front, the Group will make every effort to improve the quality and timeliness of associated deliveries in the course of vigorously promoting the delivery business. On the offline front, the Group will seek to improve the efficient use of store area with an objective to maximize the production efficiency of every store.

In addition, the Group will continue to employ appropriate incentive scheme to encourage its staff to take ownership at work and dedicate more responsibilities to its store managers to flatten the organizational hierarchy in order to further enhance the overall operational efficiency. At the same time, the Group will maintain stringent controls over the quality of raw materials and work with suppliers who share a similar commitment to food safety.

Mr Hung concluded, "While we foresee that the business environment remains challenging in 2016, we are confident that Hop Hing is well-positioned to capture market opportunities during difficult business environment with its solid foundation, high operational efficiency and experienced management team. We will continue to implement effective cost control measures and extend our menu portfolio as well as leverage O2O to elevate customers' satisfaction. Apart from the existing QSR brands, we will continue to look for and evaluate opportunities that bring steady long-term growth and advance its strategy to become a multi-brand QSR operator."

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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 QSR chains of the Yoshinoya (吉野家), Dairy Queen ("DQ") and newly launched brand Chatting (茶町町) 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>. For more details about the QSR brands under Hop Hing, please scan the respective brands' Wechat QR code below:

Yoshinoya



Dairy Queen



Chatting



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