[For immediate release]

Hop Hing Announces 2016 Interim Results
Profit Attributable to Equity Holders Surges 54.1% to HK$39.6 million

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Further Strengthen O2O Strategies and Enhance Delivery Business

Financial Highlights:

- The Group's Renminbi sales revenue increased by 5.3% to RMB 856.6 million
- Gross profit increased 1.4% to HK$641.3 million, with gross profit margin improved by 0.7 percentage point to 63.0%
- The Group's EBITDA increased by 19.1% to HK$106.3 million
- Profit attributable to equity holders surged 54.1% to HK$39.6 million

(Hong Kong, 26 August 2016) – **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 2016 (the "period under review").

During the period under review, the Group's Renminbi sales revenue increased by 5.3% to RMB856.6 million (approximately HK$1,017.4 million), as compared to RMB813.9 million (approximately HK$1,014.8 million) in the corresponding period last year. The increase in revenue was mainly attributable to the additional sales brought by new stores, the increase in sales of the delivery business, as well as the introduction of new flavour products which has continuously stimulated consumption. Gross profit increased 1.4% to HK$641.3 million (2015 interim: HK$632.6 million), with gross profit margin improved by 0.7 percentage point to 63.0% (2015 interim: 62.3%). The increase in gross profit was attributable to the Group's proven policy of strategic and bulk procurement of key food ingredients as well as the replacement of business tax with value-added tax which lowered the food cost.

Earnings before interest, tax, depreciation and amortization ("EBITDA") increased by 19.1% to HK$106.3 million (2015 interim: HK$89.3 million), and the profit attributable to equity holders of the Company for the period under review was HK$39.6 million, surging by 54.1% when compared to HK$25.7 million in the same period last year. The higher profit was mainly due to the Group's active adjustment of its operating strategies during the period under review, particularly with the strengthened online delivery business and establishment of smaller stores; coupled with the reduction in the cost of sales and effective cost control measures. Basic and diluted earnings per share for the period were HK0.40 cent and HK0.40 cent respectively (2015 interim: HK0.26 cent and HK0.26 cent respectively).

Mr Marvin Hung, Executive Director and CEO of Hop Hing, said, “We are delighted to see that the Group’s profitability improved during the period under review despite the business environment remained challenging. Our management team has been actively seeking innovative measures conducive to promoting performance growth and we are pleased to see that the six major business strategies laid down at the beginning of the year, including enhancing O2O strategies and delivery capability, upgrading the information system, opening stores at suitable locations and opportune time, improving operating efficiency, elevating customer satisfaction level and strengthening the image of the Group’s brands, contributed differently to the improvement in sales, profits and morale of the Group during the period under review.”

Business Review and Growth Strategies

Opening stores at opportune locations and time

As of 30 June 2016, there were 455 stores in operation (as at 31 December 2015: 455 stores). During the period under review, the Group actively adjusted its store opening strategy, with an emphasis on investment returns. It tended to open relatively smaller stores and ensured the design of these new stores can offer more comfort to customers. The Group opened five Yoshinoya stores (net) and one new store (net) under other brand names. It closed six Dairy Queen (“DQ”) stores (net) due to the change of consumption pattern in China which led to a decline of shopping malls traffics; but it has been paying more efforts on repositioning the DQ brand and strengthening the brand’s penetration at strategic locations.

Enhancing O2O Strategies and Delivery Capability

During the period under review, the Group has been strengthening its Online-To-Offline (“O2O”) marketing strategy and making good use of the internet platform to actively transform its online business. With an aim to provide more efficient and quality delivery services, the Group set up its own delivery team to provide customers with faster delivery and give them more satisfactory consumer experience. As a result, the Group recorded significant growth in delivery sales during the review period.

In addition, the Group began cooperation with more providers of e-payment tools in the first half of the year to seize e-commerce opportunities and further penetrated into customer groups that are younger and with high spending power. Apart from actively strengthening partnership with a number of domestic online restaurant platforms and search engines, in the second half this year, the Group will launch an official e-mall on a mobile communication platform in China to grasp the tremendous opportunities of online and offline orders and integrate e-commerce with physical stores, as complemented by its own growing delivery team.

With the upgraded information system to track and analyse the market and consumption data collected from different internet platforms, including the Group's official website, its mobile WAP ordering system and the social media platforms, it can analyse relevant data so as to better define market segments and swiftly cope with the changing consumers' needs and preferences. The objective of all these initiatives is to expand the Group's market share and increase sales.

Continuing to Improve Operating Efficiency with Careful Cost Control Measures
As a result of the Group's active implementation of measures to motivate its team, such as the "Virtual Partnership Scheme", the Group successfully encouraged store managers and supervisors to actively improve the efficiency of store operations. Hence, savings were made in many operating costs, such as utility and repair costs, which in aggregate offset partially the increase in labour costs. At the same time, the optimisation and reform of restaurant and kitchen designs will also effectively improve the utilisation of store area which will translate into returns to the Group. The Group is also committed to building smaller stores to reduce the investment costs with enhanced returns and it has been sparing no efforts to solidify relationship with landlords with an aim to negotiate a better rental rate in order to maintain its rental cost at a reasonable level.

Prospects
Looking ahead, as the internet gains increasing popularity, the Group will continue to strengthen its O2O marketing strategy and further enhance its delivery business to boost sales. It will continue to extend its menu portfolio based on the market data collected from various online platforms and it is committed to pursuing new ideas that can provide customers with fresh consumption experience. Apart from its existing quick service restaurant ("QSR") brands and business, the Group will continue to look for and evaluate strategic opportunities that can bring steady long term growth and see it advance to become a multi-brand QSR operator.

Mr Hung concluded, "Looking ahead, with the aid of online platforms, we are able to gather fans and gain a good understanding of the changing needs and preferences of consumers. We will continue to make active efforts to execute the newly developed O2O business model aiming for integration of our online and offline business to give customers a pleasant dining experience. Building on the many accomplishments made in the first half year and more still since after, we are confident about being able to deliver enhanced returns to our shareholders and sustain our business growth in the long run."

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<u>About Hop Hing Group Holdings Limited (stock code: 47)</u>

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 its self-developed brand Chatting (茶町叮) 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. To follow the QSR brands under Hop Hing, please scan the respective brands' WeChat QR codes below:

Yoshinoya　　Dairy Queen　　Chatting

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