HOP HING GROUP HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 47)

2020 ANNUAL RESULTS ANNOUNCEMENT

CHAIRMAN'S STATEMENT

In 2020, the world experienced social and economic turbulence on a scale unseen in a century. Indeed Hop Hing, like other food and beverage ("**F&B**") enterprises in China, was facing significant pressure from a complicated external environment including but not limited to the impact of Sino-US trade tension, escalating meat prices and operating costs, rapid development in technology and social media, as well as changing consumption habits of our customers in recent years. The outbreak of the COVID-19 pandemic has further made that environment extremely difficult for all market players in the industry. Hop Hing could not stay away from the crisis. Against this backdrop, our management team demonstrated its commitment in responding to the exceptional circumstances and in overcoming those unprecedented challenges.

The pandemic has severely impacted the operations of the F&B sector in China, our customers, our colleagues, our shareholders and the communities we serve. Our first priority was to safeguard the safety and wellbeing of our customers and our employees by adopting stringent hygiene and social distancing measures. Hop Hing also upheld its corporate social responsibilities to the communities by offering free meals to individuals and organizations fighting against the pandemic at the forefront. On the other hand, Hop Hing implemented a number of measures in responding to the crisis posed by the coronavirus to our business. These included tightening expense and cash flow control, negotiating with landlords for rental concessions, optimizing manpower deployment and adjusting store development plan etc. The government's implemented policies enabled the timely containment of the virus and stimulated the effective rebound of China's economic activities. With the initiatives taken by the management to transform its business model, Hop Hing was able to improve its financial performance in the second half of 2020 after being hard hit in the first half of the year.

Every crisis creates opportunities, the pandemic's impact on Hop Hing is no exception. In 2020, the "dine-at-home" new norm prompted the adjustment of Hop Hing's traditional "dine-in" operating model of its physical stores during such difficult times. The iteration of the "single-store profit model", which emphasizes customer experience in physical stores and offers services that feature "online transactions with offline experience", was an important strategy that Hop Hing pursued. In addition, Hop Hing's well-established delivery team was able to make timely "non-contact" delivery of food orders to its customers with a high level of customer satisfaction, making the delivery sales a key revenue source for the Group in 2020. More importantly, Hop Hing have seized opportunities to bring forward its New Retail business model for further development. Hop Hing launched its innovative "Family Kitchen" product line which enabled its customers to prepare high quality meals at home in a matter of minutes. While our extensive store network remained a key marketing platform, Hop Hing also made creative use of social media marketing, live streaming shows and social groups of staff and distributors to stimulate the sales of the "Family Kitchen" products.

For 2021, being mindful of its belief that digitalization is instrumental to consolidating Hop Hing's traditional operating model and strengthening the New Retail business model, we will continue to invest in technology, smart tools, social media and online platforms in order to attract new customers and increase retention rates among existing customers. Being an established branded catering enterprise and with a solid corporate culture and a stable professional team, the Group will continue to uphold its quality and product-oriented principles to provide customers with exceptional value, while advancing its innovative New Retail business model. In response to the anticipated post-pandemic growing demand for the packaged and convenience food products, the Group will continue to develop its "Family Kitchen" product line by way of dine-in, delivery, online and offline channels. Last but not least, we will continue to steadfastly adhere to our core value of quality and safety by strictly controlling quality and healthiness of our food products and ensuring the hygiene and wellbeing of our customers and employees.

Hon. Shek Lai Him, Abraham, *GBS, JP*, retired as an independent non-executive director of the Company with effect from the conclusion of the annual general meeting of the Company held on 2 June 2020. On behalf of the Board, I would like to take this opportunity to express my deepest thanks to Mr. Shek for his many years of dedicated service to the Company and wish him well in his future endeavor.

The past year was an extremely difficult year for Hop Hing. I would like to express my sincere gratitude and appreciation to our Board members, management and colleagues for their enormous dedication in overcoming the obstacles during such challenging times. I would also wish to thank our customers, shareholders and business partners for their continued support, trust and loyalty to the Group.

SETO GIN CHUNG, JOHN
Chairman

Hong Kong
30 March 2021

RESULTS

The board of directors (the "**Board**") of Hop Hing Group Holdings Limited (the "**Company**") is pleased to announce the consolidated results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2020 together with the comparative figures for the previous year as follows:

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2020

	Notes	**2020** *RMB'000*	2019 *RMB'000*
TURNOVER	*4*	**1,590,270**	2,102,814
Cost of sales		**(645,049)**	(782,446)
Other income and gains, net		**39,154**	17,698
Selling and distribution expenses		**(774,721)**	(955,892)
General and administrative expenses		**(169,463)**	(176,438)
Impairment of non-financial assets		**(83,290)**	(11,202)
Share of profits and losses of joint venture		**(2,577)**	(1,264)
PROFIT/(LOSS) FROM OPERATING ACTIVITIES	*5*	**(45,676)**	193,270
Finance costs	*6*	**(47,971)**	(41,523)
PROFIT/(LOSS) BEFORE TAX		**(93,647)**	151,747
Income tax credit/(expense)	*7*	**11,746**	(47,637)
PROFIT/(LOSS) FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		**(81,901)**	104,110
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	*9*		
Basic		**RMB(0.84) cent**	RMB1.07 cents
Diluted		**RMB(0.84) cent**	RMB1.06 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2020

	2020	2019
	RMB'000	*RMB'000*
PROFIT/(LOSS) FOR THE YEAR	**(81,901)**	104,110
OTHER COMPREHENSIVE INCOME/(EXPENSE)		
Other comprehensive income/(expense) that may be reclassified to income statement in subsequent periods:		
Exchange differences on translation of financial statements of operations outside Mainland China	**(8,795)**	2,330
OTHER COMPREHENSIVE INCOME/(EXPENSE) FOR THE YEAR	**(8,795)**	2,330
TOTAL COMPREHENSIVE INCOME/(EXPENSE) FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	**(90,696)**	106,440

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**164,272**	206,203
Right-of-use assets		**525,271**	626,080
Investment in a joint venture		**5,979**	8,556
Deferred tax assets		**132,531**	87,128
Prepayments, rental deposits and other asset		**45,891**	42,526
Total non-current assets		**873,944**	970,493
CURRENT ASSETS			
Stocks		**127,090**	146,536
Accounts receivable	*10*	**27,032**	18,473
Prepayments, deposits and other receivables		**102,687**	110,082
Tax recoverable		–	4,128
Deposit certificates		**60,000**	60,000
Other financial assets		**46,141**	242,988
Cash and cash equivalents		**402,621**	252,900
Total current assets		**765,571**	835,107
CURRENT LIABILITIES			
Accounts payable	*11*	**118,727**	129,166
Other payables and accrued charges		**312,971**	328,696
Lease liabilities		**176,907**	185,977
Tax payable		**23,382**	12,859
Total current liabilities		**631,987**	656,698
NET CURRENT ASSETS		**133,584**	178,409

	Notes	**2020**	2019
		RMB'000	*RMB'000*
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,007,528**	1,148,902
NON-CURRENT LIABILITIES			
Lease liabilities		**576,740**	603,075
Deferred tax liabilities		**17,379**	22,666
Total non-current liabilities		**594,119**	625,741
NET ASSETS		**413,409**	523,161
EQUITY			
Equity attributable to equity holders of the Company			
Issued share capital		**820,284**	820,284
Reserves		**(406,875)**	(297,123)
TOTAL EQUITY		**413,409**	523,161

NOTES

1. BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), accounting principles generally accepted in Hong Kong and the disclosure requirements of Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for other financial assets and deposit certificates which have been measured at fair value. These financial statements are presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand except when otherwise indicated.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the *Conceptual Framework for Financial Reporting 2018* and the following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 3	*Definition of a Business*
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	*Interest Rate Benchmark Reform*
Amendments to HKAS 1 and HKAS 8	*Definition of Material*

The nature and the impact of the *Conceptual Framework for Financial Reporting 2018* and the revised HKFRSs are described below:

(a) *Conceptual Framework for Financial Reporting 2018* (the "**Conceptual Framework**") sets out a comprehensive set of concepts for financial reporting and standard setting, and provides guidance for preparers of financial statements in developing consistent accounting policies and assistance to all parties to understand and interpret the standards. The Conceptual Framework includes new chapters on measurement and reporting financial performance, new guidance on the derecognition of assets and liabilities, and updated definitions and recognition criteria for assets and liabilities. It also clarifies the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The Conceptual Framework did not have any significant impact on the financial position and performance of the Group.

(b) Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.

(c) Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative risk-free rate ("**RFR**"). The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the introduction of the alternative RFR. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedging relationships.

(d) Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. The amendments did not have any significant impact on the financial position and performance of the Group.

3. OPERATING SEGMENT INFORMATION

The Group's primary operating segment is the quick service restaurants ("**QSR**") business. In addition, the QSR business' revenue and non-current assets, other than deferred tax assets, are predominantly attributable to a single geographical region, which is the PRC. Therefore, no analysis by geographical region is presented.

4. TURNOVER

An analysis of turnover is as follows:

	2020	2019
	RMB'000	*RMB'000*
Turnover — revenue from contracts with customers		
Sale of products, at a point in time	**1,590,270**	2,102,814

Revenue from contracts with customers

(i) Disaggregated revenue information

	2020	2019
	RMB'000	*RMB'000*
Brands		
Yoshinoya	**1,350,326**	1,782,062
Dairy Queen	**177,337**	230,809
Others	**62,607**	89,943
	1,590,270	2,102,814
Geographical markets		
Beijing-Tianjin-Hebei Province Metropolitan Region	**1,167,975**	1,568,417
Other northern areas of China [Note]	**422,295**	534,397
	1,590,270	2,102,814

Note: Including Liaoning, Heilongjiang and Jilin provinces and Inner Mongolia autonomous region *(ii)* ***Performance obligations***

Sale of goods

The Group sells goods directly to customers via stores and online food order platforms. The performance obligation is satisfied when the products are delivered to the customers. Payment of a transaction price is due immediately when a customer purchases the goods. The payment is usually settled in cash or using online payment platforms.

5. PROFIT/(LOSS) FROM OPERATING ACTIVITIES

The Group's profit/(loss) from operating activities is arrived at after charging/(crediting):

	2020	2019
	RMB'000	*RMB'000*
Foreign exchange differences, net	**(11,400)**	5,020
Direct cost of stocks sold*	**586,387**	715,113
Loss on disposal/write-off of items of property, plant and equipment, net	**13,542**	10,308
Employee benefit expenses (including directors' and chief executive's emoluments):		
Wages and salaries	**310,242**	390,516
Pension scheme contributions**	**76,510**	90,621
Equity-settled share-based payments	**2,886**	6,431
	389,638	487,568
Depreciation of property, plant and equipment	**91,213**	91,977
Depreciation of right-of-use assets	**161,758**	196,061
Impairment/(write-back of impairment) of items of property, plant and equipment***	**11,523**	(1,031)
Impairment of right-of-use assets***	**71,767**	12,233
Impairment of accounts receivable	**539**	–
Amortisation of other asset	**2,325**	1,732
Lease payments not included in the measurement of lease liabilities	**23,655**	35,388
Gain on termination of leases	**(1,062)**	(3,454)
Auditor's remuneration	**2,385**	2,628
Fair value gain, net		
– Other financial assets at fair value through profit or loss	**(4,538)**	(8,851)

Notes:

* Direct cost of stocks sold is included in "Cost of sales" in the consolidated income statement.

** At 31 December 2020, the Group had no forfeited contributions available to reduce its future contributions to the pension schemes in future years (2019: Nil).

*** These items were included in "Impairment of non-financial assets" in the consolidated income statement.

6. FINANCE COSTS

An analysis of finance costs is as follows:

	2020	2019
	RMB'000	*RMB'000*
Bank financing charges and others	**253**	526
Interest on lease liabilities	**47,718**	40,997
	47,971	41,523

7. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2019: 16.5%) on the estimated assessable profits arising in Hong Kong during the year, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

The PRC corporate income tax rate for the Group's subsidiaries operated in Mainland China during the year was 25% on their taxable profits. One of the subsidiaries engaged in agricultural business was entitled to exemption from the standard income tax rate in 2019.

The major components of the income tax expense/(credit) for the year are as follows:

	2020	2019
	RMB'000	*RMB'000*
Current — Hong Kong		
Charge for the year	**2,855**	1,877
Over provision in prior years	**(247)**	(546)
	2,608	1,331
Current — Elsewhere		
Charge for the year	**23,500**	46,638
Under provision in prior years	**11,580**	1,538
	35,080	48,176
Deferred	**(49,434)**	(1,870)
Total income tax charge/(credit) for the year	**(11,746)**	47,637

8. DIVIDENDS

	2020	2019
	RMB'000	*RMB'000*
Dividends paid during the year:		
Final dividend for 2019		
– HK0.248 cent (2018: HK0.61 cent) per ordinary share*	**21,942**	51,356
Proposed final dividend: Nil (2019: HK0.248 cent)	**–**	22,327

* Final dividend for 2019 and 2018 paid during the years ended 31 December 2020 and 2019 represented the dividends paid for the issued ordinary shares, excluding treasury shares held by the trustee under the share award scheme.

9. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

(a) Basic earnings/(loss) per share

The calculation of basic loss per share is based on the consolidated loss for the year attributable to equity holders of the Company of RMB81,901,000 (2019: profit of RMB104,110,000), and the weighted average number of 9,754,557,802 (2019: 9,749,007,486) ordinary shares in issue during the year, as adjusted to reflect the number of shares of 304,473,930 (2019: 337,477,994) held under the share award scheme of the Company.

(b) Diluted earnings/(loss) per share

For the year ended 31 December 2020, no adjustment has been made to the basic loss per share amount presented in respect of a dilution as (i) the impact of the share options outstanding had no dilutive effect on the basic loss per share amount presented and (ii) the impact of the share awards of the Company had an anti-dilutive effect on the basic loss per share amount presented.

For the year ended 31 December 2019, the calculation of diluted profit per share is based on the consolidated profit for the year attributable to equity holders of the Company of RMB104,110,000 and the weighted average number of 9,853,728,801 ordinary shares in issue after adjusting for the effect of all dilutive potential ordinary shares of 104,721,315 calculated as follows:

	2020	2019
	RMB'000	*RMB'000*
Consolidated profit/(loss) attributable to equity holders of the Company	**(81,901)**	104,110

	Number of shares	
Shares	**2020**	2019
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**9,754,557,802**	9,749,007,486
Effect of dilution — weighted average number of ordinary shares:		
Share awards	**N/A**	100,973,224
Share options	**N/A**	3,748,091
	9,754,557,802	9,853,728,801

10. ACCOUNTS RECEIVABLE

The Group's QSR products are mainly sold on a cash basis. Accounts receivable of the Group's QSR business were mainly due from shopping malls and internet platform service providers with credit terms within 60 days. Overdue balances are reviewed regularly by senior management.

An ageing analysis of the accounts receivable as at the end of the reporting period, based on the transaction date and net of loss allowance, is as follows:

	2020	2019
	RMB'000	*RMB'000*
Within 1 month	**26,026**	17,769
1 to 2 months	**1,006**	704
	27,032	18,473

11. ACCOUNTS PAYABLE

An ageing analysis of the accounts payable as at the end of the reporting period, based on the payment due date, is as follows:

	2020	2019
	RMB'000	*RMB'000*
Current and less than 60 days	**111,753**	111,215
Over 60 days	**6,974**	17,951
	118,727	129,166

The accounts payable are non-interest-bearing and are normally settled within credit terms of 7 to 90 days.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERALL PERFORMANCE

For the year ended 31 December 2020, the Group's turnover amounted to RMB1,590.3 million (2019: RMB2,102.8 million). Loss attributable to equity holders of the Company for the year under review was RMB81.9 million as compared with profit attributable to equity holders of the Company of RMB104.1 million for last year. The business environment of the food and beverage industry has been the epicenter of the pandemic throughout the past year. While the Group had adopted a number of cost control measures to contain its operating costs, the Group's results were ineluctably affected by the COVID-19 pandemic. In addition, the impairment provisions of right-of-use assets made in respect of underperforming restaurants extended the losses of the Group during the year.

Basic and diluted loss per share for the year were RMB0.84 cent and RMB0.84 cent respectively (2019: Basic and diluted earnings per share were RMB1.07 cents and RMB1.06 cents respectively).

DIVIDEND

On 29 June 2020, the Company made a final dividend payment of HK0.248 cent per share for the year ended 31 December 2019. The directors of the Company (the "**Directors**") do not recommend the payment of a final dividend for the year ended 31 December 2020 (2019: HK0.248 cent per share).

BUSINESS REVIEW

Industry Review for 2020

In 2020, the global economy faced unprecedented challenges following the outbreak of the COVID-19. For China, the pandemic clearly had a severe impact on its economy in the first quarter of the year — the first time that the nation experienced a decline since it began keeping records nearly three decades ago. Unsurprisingly, retail sales fell dramatically during the same period. The catering industry was among those hit hardest by the pandemic. A large number of catering enterprises were required to suspend their operations during the first two months of 2020, although some gradually reopened their doors from March onwards. Consequently, the catering industry in the PRC recorded a year-on-year decline of 16.6% in cumulative total revenue from January to December 2020.

Although effective government policies ensured the timely containment of the virus, and many sectors were able to start resuming operations in March, many catering companies, especially those smaller in size, struggled amid financial pressure and were forced to close their doors for good. In contrast, leading catering enterprises with healthy capital management were able to ride out the storm relatively smoothly, and many of them actively seized opportunities from market consolidation and underwent rapid transformation, with traditional businesses forced to embrace a more digital approach and the adoption of a New Retail business model in order to stay afloat.

Moreover, the stimulus policies introduced by the Chinese government helped to jump-start the economy, which began its recovery in the latter half year. China consequently became one of the first countries to emerge from under the shadow of the pandemic, and many industries gradually recovered from the trough starting in the second half of the year.

Business Review for 2020

In response to the challenges posed by the outbreak of the COVID-19, Hop Hing implemented a number of measures to protect the safety of employees and customers, its top priority, and the Company's wellbeing. Correspondingly, the Group adopted stringent hygiene and social distancing measures to safeguard staff and patrons, which also enabled stores to remain open whenever practicable. In addition, the Group established an array of policies and protocols pertaining to its operations, including those aimed at encouraging cash flow management, facilitating better rental concessions with property owners, optimizing manpower deployment and distribution costs, etc. Furthermore, the management took voluntary pay cuts, and non-essential expenditures were either trimmed or cut, in order to husband financial resources for allocation to key operations and stabilize employment. The Group has nevertheless upheld its corporate social responsibility (CSR) and delivered free meals to organizations and hospitals engaged in the fight against the pandemic.

Seize opportunities from industry consolidation, strive to press ahead with comprehensive New Retail development model

The pandemic has brought about obstacles as well as opportunities. The Group seized new opportunities that emerged from the industry consolidation by adjusting its network based on the latest city development plans, mapping out the location of its stores to ensure service coverage through different models so as to enhance the potential for future development.

Although 2020 was difficult, it was also bountiful. Hop Hing launched its "Family Kitchen" product line, and began utilizing several new sales methods to capitalize on new trend, notably social media marketing and live streaming. These fresh initiatives brought forward our comprehensive New Retail development model.

Actively develops/explores New Retail business model, introduces "Family Kitchen" product line

With pandemic measures severely limiting the options available to the public in terms of eating out at restaurants, the Group introduced timely initiatives to take advantage of opportunities arising from the "dine-at-home" new norm. This included the launch of the "Family Kitchen" product line in February 2020, which enabled customers to prepare high-quality meals at home in a matter of minutes. With substantial early achievement, the new line has facilitated further business diversification and accelerated the recovery of the Company's sales.

In addition to utilizing the Group's extensive store network as key marketing platforms, it also made creative use of social media marketing, including live streams for the "Family Kitchen" product line. Staff and distributors also promoted products to their friends through social media. These offline and online channels stimulated the sales of "Family Kitchen" products. In 2020, the "Family Kitchen" product line, with less than a year's operation, already generated sales of RMB120 million, accounting for 7.6% of the Group's total sales.

Well-established delivery business model contributed notably during the COVID-19

Optimized in recent years, our delivery model further boosted sales during the pandemic. Food orders are delivered with "non-contact" service to ensure customer safety. Our well-established delivery team can make timely delivery with top-notch service and a high level of customer satisfaction. Consequently, the delivery business grew from representing 35.5% of the Group's total sales in 2019 to 44.6% in 2020. Revenue from the delivery business accounted for 49.1% and 26.0% of the total sales of Yoshinoya and DQ respectively. In Beijing, the contribution of the delivery business of Yoshinoya surged from 46.1% in the previous year to 55.5% in 2020, making the delivery sales one of the key revenue sources for the Group.

	Percentage of delivery sales	
	2020	2019
Overall	**44.6%**	35.5%
By Main Brands		
Yoshinoya	**49.1%**	40.1%
Dairy Queen	**26.0%**	13.9%

Although the Group had incurred much efforts and adopted measures to transform its business and extend the delivery business, the Group's total sales revenue was adversely impacted by the COVID-19 pandemic and decreased by 24.4% to RMB1,590.3 million (2019: RMB2,102.8 million) for the year ended 31 December 2020.

Overall sales at operating restaurants were severely and adversely affected during the first half of 2020. Meanwhile, recovery of delivery sales was driven by the Group's optimized delivery model from the second quarter of 2020. However, recovery of the dine-in customer traffic still experienced pressure due to the impact of regional resurgences of the COVID-19 in China. The Group consequently reported a decline in same-store sales of 23.0% (2019: increase of 1.3%) from the Yoshinoya network and a decrease in same-store sales of 27.1% (2019: increase of 1.9%) from the DQ network during the year. The Group's overall same-store sales contracted by 23.4% (2019: increase of 1.3%).

	Percentage Increase in Same-Stores Sales	
	2020	2019
Overall	**−23.4%**	1.3%
By Main Brands		
Yoshinoya	**−23.0%**	1.3%
Dairy Queen	**−27.1%**	1.9%

In 2020, the Beijing-Tianjin-Hebei Province Metropolitan Region remained the largest market of the Group based on revenue. Sales revenue from Yoshinoya products accounted for approximately 85% of the Group's total revenue.

	2020		2019	
	RMB'000	***% of sales***	*RMB'000*	*% of sales*
a. By Region				
Beijing-Tianjin-Hebei Province Metropolitan Region	**1,167,975**	**73.4%**	1,568,417	74.6%
Other northern areas of China [(1)]	**422,295**	**26.6%**	534,397	25.4%

(1) Including Liaoning, Heilongjiang and Jilin provinces and Inner Mongolia autonomous region

	2020		2019	
	RMB'000	***% of sales***	*RMB'000*	*% of sales*
b. By Main Brands				
Yoshinoya	**1,350,326**	**84.9%**	1,782,062	84.7%
Dairy Queen	**177,337**	**11.2%**	230,809	11.0%

To enhance resources allocation efficiency, the Group gradually closed down stores of minor brands. New restaurant openings were slowed down for the Group to exercise better control of expenditures and maintain a healthy balance sheet and strong cash position. As of 31 December 2020, the Group together with its joint venture, had 580 stores in operation.

	As at 31 December	
	2020	2019
Yoshinoya		
Beijing-Tianjin-Hebei Province Metropolitan Region	**256**	250
Other northern areas of China(1)	**127**	130
Henan province(2)	**7**	5
	390	385
Dairy Queen		
Beijing-Tianjin-Hebei Province Metropolitan Region	**142**	138
Other northern areas of China(1)	**47**	51
	189	189
Others		
Beijing-Tianjin-Hebei Province Metropolitan Region	**1**	21
Other northern areas of China(1)	**–**	2
	1	23
Total	**580**	597

(1) Including Liaoning, Heilongjiang and Jilin provinces and Inner Mongolia autonomous region

(2) Operated by Joint Venture

Due to the pandemic's adverse impact during the year under review, the Group undertook a number of price-driven promotion activities and digital campaigns to stimulate sales and promote new products, especially to bolster the "Family Kitchen" product line and speed up the recovery of its sales in the second half of 2020. Despite these efforts, gross profit in 2020 was adversely impacted and a gross profit margin of 59.4% has been recorded with a decline of 3.4 percentage points when compared with the 2019 level.

	2020	2019
Gross Profit Margin	**59.4%**	62.8%

During the year, the Group implemented tight cost control measures to cope with the impact from the COVID-19. The Group proactively enhanced operating cost structure realignment including optimizing manpower deployment, negotiating with landlords for rental concessions, communicating with authorities for the reduction and exemption of social insurance premiums. The operating costs of the Group therefore went down during the year under review. Since certain operating costs are fixed and not proportionate to sales revenue, operating costs as a percentage of sales recorded increases compared to last year's level.

	2020		2019	
	RMB'000	***% of sales***	*RMB'000*	*% of sales*
Selling and distribution expenses				
Labour costs	**237,801**	**15.0%**	310,512	14.8%
Rental expenses, depreciation of right-of-use assets and finance costs*	**217,991**	**13.7%**	256,709	12.2%
Depreciation of property, plant and equipment*	**84,944**	**5.3%**	86,595	4.1%
Other operating expenses	**278,393**	**17.5%**	340,468	16.2%

* Leases relating to depreciation and finance costs have been grouped with rental expenses for better understanding of the Group's total rental-related expenses

FINANCIAL REVIEW

Equity

The number of issued shares of HK$0.10 each of the Company as at 31 December 2020 was 10,070,431,786 (31 December 2019: 10,070,431,786).

Share Option

As at 1 January 2020, the Company had 948,513,000 outstanding share options. During the year, 130,914,000 share options were lapsed. No share option was granted nor exercised during the year.

Liquidity and gearing

The Group's gearing ratio (expressed as a percentage of interest-bearing bank loans over equity attributable to equity holders of the Company) as at 31 December 2020 was nil (31 December 2019: nil).

As at 31 December 2020, the Group recorded cash and cash equivalents of RMB402.6 million (2019: RMB252.9 million), deposit certificates of RMB60.0 million (2019: RMB60.0 million) and other financial assets of RMB46.1 million (2019: RMB243.0 million).

The Group's finance costs for the year was RMB48.0 million (2019: RMB41.5 million), which consisted of interest on lease liabilities of RMB47.7 million (2019: RMB41.0 million), and other finance costs totaling RMB0.3 million (2019: RMB0.5 million).

The Group's funding policy is to finance its business operations with internally generated cash and bank facilities. The Group's bank facilities are available in both Hong Kong dollars and Renminbi. The Group continues to adhere to the policy of hedging foreign currency liabilities with foreign currency assets.

REMUNERATION POLICIES

Staff remuneration packages consist of salary and discretionary bonuses which are determined with reference to market conditions and the performance of the Group and the individual concerned. The Group also provides other staff benefits including medical insurance, continuing education allowances, provident funds, share options and share awards to eligible staff. The total remuneration paid to employees (including pension costs and remuneration to the Directors) of the Group during the year under review was RMB389.6 million (2019: RMB487.6 million). As at 31 December 2020, the Group had approximately 7,400 full-time and temporary employees (31 December 2019: approximately 8,600).

During the year ended 31 December 2020, the Board resolved to grant share awards in respect of 48,293,487 shares to selected participants who were not a director, chief executive or substantial shareholder of the Company, nor an associate (as defined under the Listing Rules) of any of them.

OPERATING SEGMENT INFORMATION

Details of the operating segment information are set out in Note 3.

CONTINGENT LIABILITIES

The Group had no material contingent liability outstanding as at 31 December 2020.

PLEDGE OF ASSETS

The Group had no pledge of assets as at 31 December 2020.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND AFFILIATED COMPANIES

The Group did not make any material acquisition or disposal of subsidiaries or affiliated companies during the year under review.

EVENTS AFTER THE REPORTING PERIOD

Save for the events disclosed in this announcement, no material events occurred after the end of the reporting period and up to the date of this announcement.

FUTURE BUSINESS DEVELOPMENT PLAN

F&B industry development trend

In light of the different spending scenarios and innovative models, leaders in the F&B industry have started to map out their second growth driver.

In 2019, chain stores accounted for a share of just 10.3% of China's F&B industry. While that percentage has been rising, when compared with the US' figure of 54.3% in 2019, it becomes clear that there remains a lot of room for expansion. Following the outbreak of the COVID-19, the pace of growth of chain stores exceeded that of individual stores. The former demonstrated stronger resilience, resulting from better management, more capital support and the positive branding impacts of large chain store groups, which together enabled them to fight off the COVID-19's adverse effects and survive in the increasingly tough market. Many small companies closed down, enabling chain stores to gain access to better store locations which, in turn, improved the quality of newly opened stores.

Seize opportunities arising from digitization beyond the COVID-19

Driven by rising demand beyond the pandemic, an increasing number of opportunities are emerging for the convenience food business. These types of products have had to meet enormous customer demand during the pandemic, and sales have increased substantially as the dining habits of consumers have been forced to change considerably. This has led to the acceleration of its market penetration, and in the long term, these changes in consumer habits and demands will facilitate the further development of convenience food products.

The catering industry has begun to pay attention to different consumption scenarios and is adjusting business models accordingly, a key development which has driven the industry's diversification. Restaurants and retailers have created unlimited imaginary space for the industry's further development.

Digitalized companies with delivery service capabilities have rebounded relatively quickly following the COVID-19 outbreak, accelerating a change in consumption patterns from offline to online. This change has prompted catering enterprises to promptly enhance their digitization capabilities. It has also become clear that enterprises need to utilize online data in order to achieve gains in integrated online-offline marketing initiatives.

Digitization also helps catering companies to lower costs and raise efficiency throughout the entire business chain. This involves the addition of smart facilities, such as proprietary mini-programs, utilizing delivery and cooking robots to standardize production, and cloud services integration.

Looking ahead, the catering industry will focus primarily on increasing chained operation, fueling supply chain expansion, the use of New Retail elements and online-offline integration becoming more widespread. With the pandemic yet to be fully controlled and with lingering economic uncertainty, catering operators will have to monitor market dynamics closely and react accordingly.

Future development strategies

The "New Retail Model"

The Group began working on its innovative New Retail business model in 2019, and after undertaking comprehensive research over the year, it was launched in 2020. Consequently, the Group has the ability to seize the opportunities brought about by the industry's transformation during the COVID-19 pandemic and fully leverage its technology capabilities in order to further enhance its New Retail business model.

The launch of the "Family Kitchen" product line in 2020 has demonstrated Hop Hing's strengths in innovation. The Group will continue to utilize its New Retail Model for its packaged food products by way of dine-in, delivery, online and offline channels, which constitute the core competitive strengths of the New Retail model.

To become an innovative catering enterprise that truly embraces the "New Retail Model", Hop Hing will continue to capitalize on various smart tools such as proprietary mini-program, self-service ordering machines, apps and an array of marketing initiatives, all with the aim of providing an excellent user experience for our customers. The Group will keep capitalizing on online platforms such as Wechat, Weibo, JD.com, Kuaishou, and Douyin to attract new business traffic. The Group is also devoted to expanding its private domain traffic pool by attracting new customers and increasing the retention rates among existing consumers. These digitization strategies will be instrumental to consolidating the Group's traditional operating model and strengthening the New Retail business model.

In the post-pandemic era, consumers' consumption habits are changing rapidly. Therefore, traditional catering enterprises will not only be confronted with soaring rents, labor, and food costs, and third-party delivery platform service fees, all of which will squeeze their profits, but they will also have to grapple with the thornier issue of a declining number of dine-in customers. Therefore, the iteration of the "single-store profit model", which includes emphasizing customer experience in physical stores and offering services that feature "online transactions with offline experience", is of paramount importance. In order to enhance customers' dining experience, the Group plans to add some innovative new features in stores, such as hotpot zone, children's play areas, study room and reading corner. In addition, the Group will actively promote "value-for-money" hotpot series to create a new consumption scenario satisfying the strong consumption demand of mid-to-low price hotpot menus in the PRC. With the compounded sales model — "catering income + New Retail income + online and offline integration", Hop Hing will continue to introduce a variety of adjustments with an aim to optimize each store's profitability.

Being an established branded catering enterprise and with a solid corporate culture and a stable professional team, the Group will continue to adopt prudent risk management and health and hygiene measures, enabling it to continue to offer healthy and safe food to consumers.

Looking ahead, while it is expected that the impact of the pandemic will continue for some time in the near future, the Group will continue to reinforce its traditional operating model, accelerate the adoption of digitization across its operations, enhance the "New Retail" business model, and deepen its cooperation with franchisors and existing business partners. These endeavors are all aimed at elevating Hop Hing's stature to that of the leading digitalized catering enterprise in China.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining a high standard of corporate governance practices and procedures. The Company has complied with the code provisions ("**CP**") of the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") during the financial year ended 31 December 2020.

The principles as set out in the CG Code have been adopted into our corporate governance practices. To ensure strict compliance with the latest CG Code, the Board will (a) review and regularly update the corporate governance policies and practices of the Company; (b) review and oversee the continuous training of the directors and the senior management; (c) examine and monitor the compliance of and disclosure under legal and regulatory requirements; (d) develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors; and (e) review the Company's compliance with the code and disclosure in the corporate governance report of the 2020 annual report.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 of the Listing Rules as its code of conduct of dealings in securities of the Company by the directors. The Model Code also applies to "relevant employees" as defined in the CG Code.

Based on specific enquiry of the Company's directors, the directors confirmed that they complied with the required standards in the Model Code adopted by the Company throughout the financial year ended 31 December 2020.

AUDIT COMMITTEE

The Company has established an audit committee with terms of reference aligned with the CP of the CG Code for the purpose of reviewing and providing supervision over the Group's financial reporting process and risk management and internal control systems. For details of the role and function of the committee, please refer to its terms of reference which align with the CP of the CG Code and have also been posted on the websites of both the Hong Kong Exchanges and Clearing Limited (the "**HKEx**") and the Company.

The audit committee of the Company has met the external auditor of the Company, Messrs. Ernst & Young, and reviewed the Group's results for the year ended 31 December 2020.

The figures in respect of the Group's results for the year ended 31 December 2020 as set out in this preliminary results announcement have been agreed by the Group's independent auditor, Ernst & Young, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently, no assurance has been expressed by Ernst & Young on this preliminary results announcement.

PURCHASE, SALE OR REDEMPTION OF OWN LISTED SECURITIES

During the year ended 31 December 2020, there were no purchases, sales or redemptions by the Company or any of its subsidiaries of the Company's listed securities.

AGM AND PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This results announcement is published on the Company's website at www.hophing.com and the website of the HKEx at www.hkexnews.hk. The AGM of the Company is expected to be held on 1 June 2021. A notice convening the AGM and the annual report will be published on the Company's website and the website of the HKEx and will be despatched to all shareholders in due course. Would Shareholders please note that there may be changes to the usual AGM arrangements of the Company if new laws, regulations and measures in relation to the COVID-19 promulgated by the Hong Kong SAR government are effective as and when our AGM is held and are applicable. The Company shall inform the Shareholders of such resulting changes in its AGM arrangements, if any, prior to the convening of the AGM.

CLOSURE OF THE REGISTER OF MEMBERS

In order to determine the shareholders who are entitled to attend the AGM, the register of members of the Company will be closed from 27 May 2021 to 1 June 2021 (both days inclusive), during which period no share transfers will be registered.

In order to qualify for attending and voting at the forthcoming AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Branch Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 26 May 2021.

VOTE OF THANKS

On behalf of the Group, I would like to thank all of our customers, suppliers, business associates and bankers for their unwavering support. I wish to also express my gratitude to members of our management team and staff for their diligence and perseverance during the past year.

On Behalf of the Board
Hop Hing Group Holdings Limited
Hung Ming Kei, Marvin
Chief Executive Officer

Hong Kong, 30 March 2021

As at the date of this announcement, the executive directors of the Company are Mr. Hung Ming Kei, Marvin and Mr. Wong Kwok Ying. The independent non-executive directors of the Company are Mr. Seto Gin Chung, John (Chairman), Mr. Sze Tsai To, Robert and Mr. Wan Sai Cheong, Joseph. The non-executive director of the Company is Ms. Lam Fung Ming, Tammy.