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

**[For immediate release]**

# Hop Hing Announces 2017 Annual Results
# Net Profit Surges 34.3% to HK$167.4 million

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## Continues to Strengthen O2O Strategies and Delivery Capability
## Launches Membership Program to Penetrate Market and Boost Sales

**Financial Highlights**

- Revenue (in Renminbi) increased by 7.4% to RMB1,923.3 million, if expressed in Hong Kong dollar, up 6.1% to HK$2,218.3 million
- Gross profit increased by 5.3% to HK$1,408.8 million and gross profit margin remained stable at 63.5%
- EBITDA increased by 22.0% to HK$338.7 million, with EBITDA margin increasing by 2.0 percentage points to 15.3%
- Profit attributable to equity holders surged 34.3% to HK$167.4 million
- The Board of Directors recommends payment of a final dividend of HK0.83 cent per share

(Hong Kong, 27 March 2018) – **Hop Hing Group Holdings Limited** ("Hop Hing" or the "Group"; stock code: 47) today announced its audited annual results for the year ended 31 December 2017 ("FY2017").

During the year under review, the Group's sales revenue in Renminbi increased by 7.4% to RMB1,923.3 million (FY2016: RMB1,790.2 million), and when expressed in Hong Kong Dollars, revenue was up 6.1% to HK$2,218.3 million (FY2016: HK$2,091.3 million). The increase was attributable to the major business strategies implemented by the Group which resulted in greater revenue generated and further improvement in operational efficiency.

During the year, the Group's gross profit increased by 5.3% to HK$1,408.8 million (FY2016: HK$1,338.4 million), with gross profit margin remaining stable at 63.5%. The change in tax assessment applied to the Group, shifting from business tax to value-added tax together with the appreciation of the Renminbi in the latter half of 2017 all contributed to its favourable financial performance. Profit attributable to equity holders surged 34.3% to HK$167.4 million (FY2016: HK$124.6 million). Basic earnings per share for the year were up 35.7% to HK1.71 cents (FY2016: HK 1.26 cents).

The Board of Directors recommends the payment of a final dividend of HK0.83 cent per share for FY2017 (FY2016: HK0.62 cent per share).

**Mr. Hung Ming Kei, Executive Director and CEO of Hop Hing,** said, "We are glad that our financial performance has been satisfactory, realising solid growth during the year. During the year, the Group continued to implement its major business strategies, which have not only raised the efficiency of store operations, but also expanded our delivery business and generated more income. I am also delighted to see same-store sales continuing to rise at both the Yoshinoya and Dairy Queen operations, further highlighting the effectiveness of our business strategies. The incentive scheme we implemented to encourage supervisors to take greater responsibility for their stores has also made them more proactive as their interests are now better aligned with those of the Group."

***Business review and growth strategy***

As at 31 December 2017, the Group had 516 stores in operation (FY2016: 470 stores), including 329 stores under the Yoshinoya brand, 161 stores under Dairy Queen and 26 stores under other brands. The Group has a net total of 46 new stores (FY2016: net opening of 15 stores), including 16 new Yoshinoya stores, 18 new Dairy Queen store, and 12 new Uncle Fong stores, all of which opened in existing markets. The expanding delivery business model that was followed at the beginning of the year continued to bear fruit. The synergies created not only contributed to the strong sales growth but also to the significant sales jump of Yoshinoya's delivery business which accounted for 32% of Yoshinoya's sales in FY2017, contributing RMB528 million to the Group's total sales and achieving a CAGR of 44.2% between FY2015 and FY2017.

During the year under review, the Group has actively implemented innovative measures conducive to boosting the Group's business performance, and formulated six major business strategies at the beginning of the year, including 1) enhancing customer satisfaction and strengthening customer touch point management; 2) enhancing the O2O business model; 3) developing new stores and new brands; 4) exploring and evaluating merge and acquisition opportunities; 5) brand upgrade to enhance customers' dining experience; and 6) strategic human resources strategies. Through effective implementation, the different strategies have contributed in varying degrees to the improvement in sales and profits of the Group and staff morale.

As the Group persisted with the implementation of the six major business strategies during FY2017, same-store sales have improved, realising positive growth. During the year under review, the Group's overall same-store sales (denominated in Renminbi) increased by 4.5% (FY2016: 2.3%) with Yoshinoya recording same-store sales growth of 4.6% (FY2016: 3.1%). As for Dairy Queen, same-store sales rebounded due to the launch of the delivery service, rising by 4.2% for the year (FY2016: -5.2%).

In addition, the Group greatly enhanced the cost-effectiveness of operations with the help of an updated customer relationship management system. Meanwhile, with the Group actively opening smaller stores and benefiting from favourable conditions brought by the tax reform, its rental cost decreased in FY2017.

***Prospects***

Looking ahead, the quick service restaurant ("QSR") brand and chain development will be the main endeavours of the catering industry, while the delivery service market that mainly operates under the Online-To-Offline ("O2O") model will continue to boom. To meet changing consumption demand of the mainstream young consumer group and to cope with more intense competition within the catering industry, the Group will enrich its product offerings to satisfy the wide and increasingly diversified consumer preferences while leveraging big data. Through data analytics, the Group will better understand customers' needs and helping it to continuously revamp and upgrade different product lines, thereby raising the competitiveness of its products, as well as enhancing customers' experiences and building their loyalty.

In addition, the business model of combining Internet with catering is coming to the fore. In order to capture the resultant market opportunities, the Group will continue to invest in the customer relationship management system with accurate big data-based analysis and positioning.

**Mr. Hung** concluded, "To capture numerous business opportunities arising from the popularity of the Internet, we will focus more on implementing a strategy of combining e-commerce platforms with catering, which will lead to greater profitability. At the same time, we will develop new brands to enrich our brand portfolio and build an operation to support our multiple brands. With our thorough understanding of China's catering market and visionary growth strategies, we are confident in our ability to lead the Group to capture more opportunities in the fast-changing catering market in China and create satisfactory long-term and sustainable returns for our shareholders."

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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 other brand Uncle Fong (芳叔), together with 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 of history, while Dairy Queen is a popular ice-cream brand with over 70 years of 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 | Uncle Fong |
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