

[For immediate release]



**Hop Hing Announces 2018 Interim Results**  
**Revenue Up 14.1% to HK\$1,195.6 Million with Net Profit at HK\$75.8 Million**

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**Introduced “Take a Green Break” to Provide Healthy Food Products**  
**Developing a “New Retail” Business Model with Good Progress**

**Financial Highlights**

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- ◆ Revenue increased by 14.1% to HK\$1,195.6 million
  - ◆ Continued to achieve favorable profitability:
    - Gross profit increased by 13.5% to HK\$764.1 million, with gross profit margin remaining stable at 63.9%
    - Store EBITDA maintained stable at 21.4%
    - Net profit was HK\$75.8 million
  - ◆ Recorded about 4 million loyalty members as at 30 June 2018 since the launch of the CRM system in 2H2017
  - ◆ Introduction of new salad products “Take a Green Break” to provide healthy food products
  - ◆ Smooth progress to develop the “New Retail” business model to provide instant food, salad and pre-packaged products
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(Hong Kong, 24 August 2018) – **Hop Hing Group Holdings Limited** (“Hop Hing” or the “Group;” stock code: 47) has today announced its interim results for the six months ended 30 June 2018 (the “period under review”).

During the period under review, the Group's sales revenue increased by 14.1% to HK\$1,195.6 million (2017 interim: HK\$1,048.0 million). Despite the challenging operating environment including the involvement of e-commerce giants in the catering industry via new retail models as well as the low price strategy frequently adopted by industry peers to compete for market share, the Group was able to boost sales through the opening of new stores and precise marketing strategies through the loyalty membership program.

Consequently, the Group's gross profit increased by 13.5% to HK\$764.1 million (2017 interim: HK\$673.3 million), with gross profit margin remaining stable at 63.9%. Profit attributable to equity holders was HK\$75.8 million (2017 interim: HK\$86.3 million). Basic earnings per share for the period were HK0.77 cents (2017 interim: HK0.88 cents).

**Mr. Marvin Hung, Executive Director and Chief Executive Officer of Hop Hing**, said, “Despite the challenging environment we faced during the first half of 2018, we are pleased to have delivered satisfactory results with growing revenue and reasonable profitability. In the meantime, we are actively seeking to develop a new retailing business model in order to further expand our new integrated online-and-offline retail operations. We have been actively integrating our existing internet resources, including the customer data collected from our growing loyalty membership base, as well as the well-established mobile payment infrastructure; coupled with our mature logistic operations and extensive physical store network. We are delighted to see that our new retail business model has realized solid progress during the first half of 2018 and more accomplishments have subsequently been made.”

**Business review and growth strategy**

As at 30 June 2018, the Group had 521 stores in operation (As at 31 December 2017: 516 stores), including 334 stores under the Yoshinoya brand, 156 stores under Dairy Queen brand and 31 stores under other brands.

The Group's delivery business continued to grow during the review period with the expansion of both Yoshinoya and Dairy Queen's delivery business. These two brands contributed RMB299 million and RMB10 million of revenue respectively through their delivery businesses during 1H2018, accounting for 36% and 9% of their respective sales. It is worth noting that sales from Dairy Queen's delivery business jumped significantly by 94.1% as compared with the same period last year, while Yoshinoya's delivery business still recorded an impressive growth of 22.5% as compared with 1H2017.

During the period under review, the Group has earnestly implemented the following business strategies at the beginning of the year: 1) store upgrades, including service, brand image, and product enhancement; 2) self-owned brand expansion, which involves the creation and nurturing of new brands to expedite expansion of the self-owned brands; 3) ongoing organizational development to improve efficiency, including the allocation of more resources towards training potential staff to enhance their performance; 4) launch of a new retail business model, applying customer feedback data to stimulate "impulse purchasing through different scenarios," establishing a "full channel" service mode to provide "solutions for eating" and providing value-added services to increase customer satisfaction; and 5) modifying the Customer Relationship Management ("CRM") membership system, including enhancing customer data management and intelligent management of all networks. Through effective implementation, the different strategies have contributed in varying degrees to enhance operating efficiency via organizational evolution.

In order to enrich the product portfolio, the Group has intensified product development by enriching product categories and creating cost-effective products to combat the low-price strategies employed by rivals. The Group has also developed and increased the variety of beverage products offered to its customers. In view of the increasing awareness of green and healthy dining habits, the Group has launched salad products under the new brand of "Take a Green Break" during the review period, in order to satisfy consumers' desire for "natural" and "healthy" food options.

On the other hand, since the CRM system was launched in the second half of 2017, the number of loyalty members has notably increased. About 4 million members have been recorded as at 30 June 2018. This loyalty program has facilitated the analysis of the data captured and a better understanding of customers' consumption habits, which in turn enables the Group to support cross-brand membership, achieve more precise marketing, and cultivate and strengthen online sales.

### **Prospects**

Looking ahead, the Group will actively transform and innovate and continue to implement its five business strategies, in order to further optimize and upgrade its services, brand image and product quality. The Group will also strive to improve and optimize its new retail business model by integrating its well-established brands, extensive store network and high quality products, together with the new technology and artificial intelligence (“A.I.”). Having already launched artificial intelligence vending machines in the second quarter of 2018 to provide instant food, salad and pre-packaged products, the Group will aim to open about 50 A.I. vending machines by the end of 2018. The Group sees that integration of new technologies, such as artificial intelligence, mobile payment, and customer data analysis, are essential for the development and advancement of the new retail business model. At the same time, the Group will also seek to expand coverage of self-owned delivery teams, so as to facilitate further integration of online-and-offline operations, leading to a better business performance and service quality. Focusing on opening high-quality new stores is yet another objective, which will enable the Group to enhance total revenue contributions.

**Mr. Hung** concluded, “In spite of market challenges in China and worldwide, we are confident of maintaining a steady and continuous growth on the back of a trend of consumption upgrading leveraging our quick-service-restaurant (QSR) operating experience over more than 27 years. Besides, we will continue to explore various opportunities, including advancing cooperation with our franchisors and existing business partners, and exploring possible opportunities that enable the Group to develop into a leading multi-brand QSR operator in China. We also remain committed to creating satisfactory returns for our shareholders in the long run.”

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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 “Take a Green Break” (野葉子) 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 a century of history, while Dairy Queen is a popular ice-cream brand with a history of more than 70 years.

For more details, please visit: <http://www.hopping.com>. To follow the QSR brands under Hop Hing, please scan the respective brands’ WeChat QR codes below:

Yoshinoya



Dairy Queen



Uncle Fong



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