

[For immediate release]



Hop Hing Announces 2018 Annual Results
Revenue Up 7% to HK\$2,374 million with Net Profit at HK\$122.6 million

* * * * *

Obtains Exclusive Operating Rights to Yoshinoya in Henan, Shanxi and Shaanxi
Further Expands Store Network in Northern China with All Brands

Financial Highlights

- ◆ Revenue increased by 7.0% to HK\$2,374 million
 - ◆ Gross profit increased by 6.4% to HK\$1,499.6 million and gross profit margin remained stable at 63.2%
 - ◆ Strong growth from delivery sales: revenue from Yoshinoya and Dairy Queen's delivery service increased by approximately 25.2% and 87.7% to RMB661 million and RMB22 million respectively
 - ◆ Despite challenging operating environment, Hop Hing managed to achieve net profit of HK\$122.6 million
 - ◆ The Board of Directors has recommended the payment of a final dividend of HK0.61 cent per share
-

(Hong Kong, 28 March 2019) – **Hop Hing Group Holdings Limited** (“Hop Hing” or the “Group”; stock code: 47) has today announced its audited annual results for the year ended 31 December 2018 (“FY2018” or the “Year”).

Despite the highly competitive environment of the catering business in the PRC, Hop Hing has achieved satisfactory financial performance in FY2018 due to effective business strategies that were set in the beginning of the year. The Group's revenue increased by 7.0% to HK\$2,374 million (FY2017: HK\$2,218 million). Gross profit increased by 6.4% to HK\$1,499.6 million (FY2017: HK\$1,408.8 million), with gross profit margin remaining stable at 63.2%. Profit attributable to equity holders totalled HK\$122.6 million (FY2017: HK\$167.4 million). Basic earnings per share for the Year were HK1.25 cents (FY2017: 1.71 cents).

The Board of Directors recommends the payment of a final dividend of HK0.61 cent per share for FY2018 (FY2017: HK0.83 cent per share) to share the fruits with its shareholders.

Mr. Marvin Hung, Executive Director and CEO of Hop Hing, said, “We are pleased to see the Group achieve stable sales growth and reasonable profitability despite the challenging business environment. Our sales have exceeded the RMB 2 billion mark in 2018. During the year, we strictly adhered to business strategies that we set at the beginning of the year, as well as formulated marketing campaigns for new products that have not only increased overall sales, but also enhanced our brand image and increased our delivery service. I am also delighted to see the Group enter into a new cooperative agreement with Yoshinoya Group, one of our major licensors in Japan, for the exclusive operating rights to “Yoshinoya” stores in Henan, Shanxi and Shaanxi provinces. The agreement demonstrates once again the strong ties that we have with Yoshinoya's mother company, which has been built over the past decades.”

Business review and growth strategy

As at FY2018, the Group has 559 stores in operation (FY2017: 516 stores), including 357 stores under the Yoshinoya brand, 173 stores under the Dairy Queen brand, and 29 stores under other brands. Thanks to the goodwill the Group has built in the past decades and the trust it gained from Yoshinoya Japan, Hop Hing obtained exclusive operating rights to Yoshinoya stores in Northern China, expanding from “Five provinces and two cities” to “Eight provinces and two cities”. Two Yoshinoya stores were opened in Henan in the fourth quarter of 2018.

The Group’s delivery business under both Yoshinoya and Dairy Queen brands have continued to grow during the Year. The Yoshinoya delivery business recorded revenue growth of 25.2% to RMB661 million (FY2017: RMB526 million), thereby accounting for 39% of Yoshinoya’s total revenue (FY2017: 32%). In respect of the Dairy Queen delivery business, it experienced significant growth, with revenue surging by 87.7% to RMB22 million (FY2017: RMB11 million), thus accounting for 10.2% of Dairy Queen’s total revenue versus 5.9% in FY2017.

During FY2018, the Group strictly followed its five major business strategies that were set in the beginning of the year, including 1) store upgrades, which involved the enhancement of services, brand image, and products; 2) brand expansion, which entailed development through innovation and evolution; and 3) human resources reform, such as the improvement in organizational structure to raise efficiency; 4) targeted sales strategy through CRM membership to collect and analyze customer data to know the needs of the customer is essential for enhancing customer loyalty and consumption in the current internet economy; 5) formation of joint-venture with Yoshinoya group to expand its exclusive franchise regions to Henan, Shanxi and Shaanxi provinces. Through effective implementation, the different strategies have contributed in varying degrees to improved operating efficiency via organizational development.

In addition, the Group has introduced new product lines which have helped enrich its existing product portfolio and optimized sales strategies. Also, in view of the diverse tastes of customers and the booming beverage market, the Group launched new beverage products by using self-developed technologies. Furthermore, the Group introduced a new retail model during the Year. Through the use of smart vending machines, the Group has commenced the trial sale of pre-packed food, frozen food and salad products in existing stores. In promoting this new form of retailing, the Group has recorded higher turnover, better operating environment and greater productivity per unit area.

Worth noting as well, the Group has further developed the CRM system for higher customer satisfaction and loyalty. As at FY2018, its membership has exceeded the 5 million mark. This loyalty program has greatly enhanced the delivery platform, resulting in higher operating efficiency.

Prospects

Looking ahead, the Group will make good use of its own brand advantages and capitalize on its store network and strong management. It will also continue to improve and enhance usage of the CRM system and establish customer-oriented technology model, organizational structure, and working procedures and practices so as to better understand its customers and promptly satisfy their needs. With the CRM system in place, the Group will be able to swiftly respond to customers’ needs and improve the brand design and image of products as well as upgrade products and services according to customer feedback. Through the research, acquisition of brands, technologies and equity, the Group will continue to bolster its brand portfolio and diversify product offerings, and thereby satisfy the different tastes of customers, which in turn will ultimately lead to the establishment of a food and product ecosystem that can help its businesses thrive. At the same time, the Group will open new stores and renovate existing stores. This includes flagship store, stylish experience store, specialized store with delivery focus and dine-in focus, convenience store, and small size store. This will expand its operation network and improve return on investment.

Mr. Hung concluded, “Going forward, we will continue to seize business opportunities in the catering industry and maintain our leading position in the QSR chain market in the PRC. We will also abide by our operating principle of “Quality with Conscience” and “Value for Money”, as we seek to provide delicious, safe and healthy products and quality services to our consumers. We are confident that through this approach we can generate satisfactory and sustainable returns to our shareholders.”

- End -

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 (茶町町), as well as “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, the Inner Mongolia Autonomous Region and Henan Province 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.hophing.com>. To follow the QSR brands under Hop Hing, please scan the respective brands’ WeChat QR codes below:

Yoshinoya



Dairy Queen



Uncle Fong



For press enquiries:

Strategic Financial Relations Limited

Heidi So

Tel: (852) 2864 4826

Email: heidi.so@sprg.com.hk

Maggie Au

Tel: (852) 2864 4815

Email: maggie.au@sprg.com.hk