



**Hop Hing Announces 2019 Interim Results¹
Revenue Up 5.9% to RMB1,028 Million with
Net Profit at RMB56.8 Million**

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**Adopts “Superior Products” and “Value for Money”
Operating Strategies to Enhance Customer Satisfaction**

Results Highlights

- ◆ Turnover up by 5.9% to RMB1,028 million
- ◆ Gross profit increased by 4.0% to RMB645.1 million and gross profit margin remained stable at 62.8%
- ◆ Despite challenging operating environment, Hop Hing managed to achieve reasonable net profit of RMB56.8 million
- ◆ Delivery business remained as one of the key growth drivers. Revenue from the delivery business of Dairy Queen and Yoshinoya increased by 54 % and 12% to RMB15.3 million and RMB336.2 million respectively.
- ◆ The Group’ s overall same-store sales increased by 1.5%. Growth in same-store sales of Dairy Queen and Yoshinoya was 9.7% and 0.7% respectively.
- ◆ In addition to Yoshinoya, the Group’ s customer relationship management (CRM) system has also added the Dairy Queen and Uncle Fong brands this year with the total number of loyalty members exceeding 7 million. This has facilitated the Group’ s exercise of “precise marketing” and the marketing approach involving the cross-over of different brands.
- ◆ The Group continued to steadily expand its store network. As at 30 June 2019, the Group operated a total of 576 stores, a net increase of 17 stores when compared with the end of 2018.

(Hong Kong, 29 August 2019) – **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 2019 (the “period under review”).

During the period under review, the Group's revenue increased by 5.9% to RMB1,028 million (2018 interim: RMB971 million). The intense competition in the catering industry, the low price strategy adopted by industry peers to compete for market share, surging prices of raw materials

¹ Having considered that most of the Group’s transactions are denominated and settled in RMB and the change of presentation currency will reduce the impact of fluctuation in the exchange rate of HKD against RMB on the Group’s consolidated financial statements as well as allow shareholders and potential investors to have a clearer picture of the Group’s actual financial performance, the Group has changed to use RMB as the presentation currency of its financial statements starting from 2019.

and rising cost of third-party delivery platforms has led to erosion in industry profits. However, the Group was able to boost its sales revenue by improving the customer experience and steadily expanding its store network.

The Group's gross profit increased by 4.0% to RMB645.1 million (2018 interim: RMB620.5 million), with gross profit margin remaining stable at 62.8% (2018 interim: 63.9%). The Group's overall same-store sales increased by 1.5%, and growth in same-store sales of Dairy Queen and Yoshinoya was 9.7% and 0.7% respectively. Profit attributable to equity holders was RMB56.8 million (2018 interim: RMB61.6 million). Basic earnings per share for the period were RMB0.58 cent (2018 interim: RMB0.63 cent).

Mr Marvin Hung, Executive Director and CEO of Hop Hing, said, "In the first half of 2019, we are pleased that the Group achieved stable revenue growth and reasonable profit despite the challenging business environment. This was mainly attributable to our implementation of marketing strategies aimed at enhancing customer satisfaction, including introducing the sales of different retail products to improve the dining and shopping experience of customers in different scenarios. Besides, we have adopted the brand upgrade strategy to develop our brand and image from our customers' perspective, and make the brand more appealing to the young generation by strengthening our CRM system through the application of technologies such as self-ordering machine. These strategies have not only delivered satisfactory results, but has also enhanced customer loyalty to our brands and helped us maintain stable revenue growth."

Business Review and Growth Strategies

As at 30 June 2019, the Group had 576 stores in operation, a net increase of 17 stores when compared with 2018 (as at 31 December 2018: 559 stores), including 369 stores under the Yoshinoya brand (net increase of 12 stores), 175 stores under the Dairy Queen brand (net increase of two stores) and 32 stores under other brands (net increase of three stores).

During the period under review, the Group's delivery business continued to grow benefitting from the expansion of delivery services of Yoshinoya and Dairy Queen, which contributed revenues of RMB336 million and RMB15 million respectively and accounted for 39% and 13% of the overall sales revenue respectively. It is worth noting that revenue from the delivery business of Dairy Queen and Yoshinoya increased by 54% and 12% year-on-year respectively.

The Group regards enhancing customer satisfaction as one of its important strategies in 2019 and "value for money" as its key operating philosophy. In response to the low pricing strategies of competitors, the Group has launched promotion activities targeting its delivery products and "value-for-money" products, including driving dine-in consumption by providing special set lunch offers on working days and group purchase privileges. The Group has also initiated new regular time slots for offering products and set meals, including the introduction of afternoon tea time during which it sells leisure food such as snacks, as well as the extension of business hours at certain stores to increase revenue.

By utilizing the CRM system and technologies, external platforms and resources, the Group has managed to regularly collect information from customers for analysis and review, and

consequently made appropriate responses and adopted comprehensive measures to improve the experience of customers. These measures have proven to be effective in enhancing the Group's brand image and boosting business growth. The number of loyalty members served by the Group's CRM system has notably increased since the deployment of the system in the second half of 2017. As at 30 June 2019, the total number of members of Yoshinoya, Dairy Queen and Uncle Fong has already exceeded seven million. To strengthen promotion results, the Group will implement crossover and develop "precise marketing" promotion by utilizing the CRM system of Yoshinoya, Dairy Queen and other brands. In addition, to complement the rapid advancement in technologies and market conditions and maintain the core advantages in the catering industry, the Group will continue to integrate technologies and customer data analysis to adjust its marketing strategy and formulate and execute both online and offline market expansion plans. It will also adopt a new retail strategy by selling different retail products in its restaurants to improve the dining and shopping experience of customers in different scenarios.

Prospects

Looking into the second half of the year, the fast food chains in China would expect a relatively steady growth, benefitting from the financial and incentives policies of the PRC government. Facing the shifting demand of customers, Hop Hing will in a sense go "back to basics," which means to continuously optimize and upgrade its products and services under the principles of "Value for Money" and "Superior Products" as the main concepts of development. In addition, to address customers' needs and enhance customer satisfaction, the Group will fully harness the advantages of technology in its operations, including the Internet and interaction with customers. In the second half of 2019, the Group will adhere to its established operational and development strategies that prioritize customer satisfaction, and promptly adjust them based on market changes. Besides, Hop Hing will continuously introduce new product lines, and actively explore opportunities throughout the retail food industry, bringing new and sustainable profit growth for the Group.

Mr. Hung concluded, "Despite being affected by macroeconomic factors including slower global economic growth and the escalating trade conflict, Hop Hing, as a mature catering operator, has confidence to maintain stable and persistent growth. At the same time, the Group will continue to explore various opportunities, including advancing cooperation with its franchisors and existing business partners. It will also evaluate potential opportunities that facilitate it to develop into a leading multi-brand QSR operator in China and create satisfactory and sustainable returns for 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, 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.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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