[For immediate release]

Hop Hing Announces 2019 Annual Results
Revenue Up 5% to RMB2,103 million
as Net Profit Grew Slightly to RMB104 million

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Delivery Business Continued to Grow
Transformation to Smart Catering Enterprise and Leverage Technology to Increase Income Stream and Enhance Customer Satisfaction

Financial Highlights

- Revenue increased by 5.0% to RMB2,102.8 million
- Gross profit increased by 4.3% to RMB1,320.4 million and gross profit margin remained stable at 62.8%
- Delivery business continued to grow, revenue from Yoshinoya and Dairy Queen's delivery service increased by approximately 8% and 49% to RMB715 million and RMB32 million respectively, accounting for approximately 40% and 14% of the respective brands
- The Group's overall same-store sales increased by 1.3%. Growth in same-store sales of Yoshinoya and Dairy Queen was 1.3% and 1.9% respectively
- Despite the challenging environment, Hop Hing managed to slightly increase its net profit to RMB104.1 million
- Loyalty membership base is further strengthened, the number of members reached 8.5 million, and the repurchase rate increased 12% y-o-y
- The Board of Directors has recommended the payment of a final dividend of HK0.248 cent per share

(Hong Kong, 30 March 2020) – **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 2019 ("FY2019" or the "Year").

Despite the complex and challenging global economy, the Group continued to deliver satisfactory results in FY2019. Revenue increased by 5.0% to RMB2,102.8 million (FY2018: RMB2,003.6 million). Gross profit increased by 4.3% to RMB1,320.4 million (FY2018: RMB1,265.6 million), with gross profit margin remaining stable at 62.8%. Profit attributable to equity holders grew by 0.6% to RMB104.1 million (FY2018: RMB103.5 million). Basic earnings per share for the Year were RMB1.07 cents (FY2018: RMB1.05 cents).

The Board of Directors recommends the payment of a final dividend of HK0.248 cent per share for FY2019 (FY2018: HK0.61 cent per share) to share its success with its shareholders.

Mr. Marvin Hung, Executive Director and CEO of Hop Hing, said, "In 2019, we are pleased to see the Group's sales and profit continued to grow despite the challenging business environment. During the year, the Group has continued to adhere to its principles of dedication to boost customer satisfaction, which has always been our top priority. The Group has actively improved its products and services by analyzing customer feedback using the enhanced customer relationship management (CRM) system and optimised its workflow through sharing of resources. Furthermore, the Group has devoted considerable effort in technology empowerment during the year in order to improve operational efficiency and boost customer

satisfaction. In particular, the Group has upgraded its CRM system in order to conduct more precise marketing and sales to different customers according to their preferences and needs. On the other hand, the Group has continued to capture the huge business opportunities from delivery services through its diversified online marketing and sales activities as well as its own delivery service team, which enabled us to maintain stable revenue growth during the year."

Business review

As at 31 December 2019, the Group has 597 stores in operation, a net increase of 38 stores during the year (as at 31 December 2018: 559 stores). There were 385 stores under the Yoshinoya brand, 189 stores under the Dairy Queen brand, and 23 stores under other brands as at the end of year 2019.

The Group's delivery business under both Yoshinoya and Dairy Queen brands have continued to grow during the Year, primary attributable to various promotional activities which helped enhance interactions with customers, together with its own optimised motorcycle fleet. The Yoshinoya delivery business recorded revenue growth of 8% to RMB715 million (FY2018: RMB661 million), thereby accounting for 40% of Yoshinoya's total revenue (FY2018: 39%). In respect of the Dairy Queen delivery business, it recorded a significant growth of 49% to RMB32 million (FY2018: RMB22 million), thus contributing 14% of Dairy Queen's total revenue (FY2018: 10%).

During FY2019, the Group had implemented four business strategies, namely 1) boosting customer satisfaction by conducting daily tracking based on the customers' scores provided by the third-party internet platform and taking concrete action in response; 2) deepening the sharing system under the incentive scheme to actively improve the operation and service of the stores; 3) new development of value-for-money products to attract customers with different cuisine preferences and 4) deployment of technology to improve its operations and customer satisfaction. Through effective execution, these different strategies have contributed in varying degrees to the Group's improved operating efficiency and enhanced income streams.

Indeed, 2019 was a key year for the Group's technology empowerment. To improve its operation and customer satisfaction, the Group has upgraded its CRM system which included setting up cross-brand loyalty membership and labelling systems, building a more accurate customer database, better response to changes in consumer behaviour and extending its reach to customers in terms of time and location, all to facilitate more precise marketing activities. The total number of Hop Hing loyalty members exceeded 8.5 million in 2019.

In addition, the Group has made improvements targeting the "pain point" during different sales periods in the day to boost sales. The Group has not only added buffet and semi-buffet meals during breakfast and tea time, but also innovative value-for-money combinations bundling drinks and promotional offers. The Group has offered a wide array of non-rice meal choices such as a noodles series to attract customers with different cuisine preferences. Moreover, the Group has seized the opportunities emerging from the expanding delivery service market in order to diversify its delivery product mix. It has launched promotion activities that have enhanced interaction with customers, including allowing customers to freely "mix and match" their meal boxes. That plus other effective measures such as optimising its own motorcycle fleet, have all supported a rise in delivery services revenue.

On the other hand, the Group has set up a shared financial centre in Shenyang which provides centralised accounting procedures for the business of all of the subsidiary companies within the Group, creating a management advantage in terms of consolidation, improved efficiency and sharing of manpower. Meanwhile, the Group's independent supply chain company has also begun operations during the year, which helped lower procurement costs through sharing of resources and bulk purchase, thus securing more quality raw materials at reasonable prices for its new product R&D and offering value-for-money new menu items to customers.

Prospects

Looking ahead, China's economy may continue to face challenges. The COVID-19 outbreak is expected to heavily impact industries especially the catering and tourism sectors and it is likely that the Group would be in a loss position in the first quarter of 2020. Under the current pandemic situation,

the recovery of the business environment would be slow. Hence, the Group will set aside its store-opening plan in the first half of 2020 and resume exploring opportunities for opening store within first- and second-tier cities after the COVID-19 pandemic is well under control.

Meanwhile, the Group has adopted measures to coordinate and manage cash utilisation and relieve the capital pressure generated from the spread of the virus, such as negotiating with landlords and suppliers for rental reduction and longer credit period respectively. The Group will also consider adopting more technological elements into its stores moving onward, including the provision of self-ordering machines and WeChat Mini Program ordering function, in order to promote "non-contact" self-service options which are also welcomed by the Group's targeted young generation customers. After the COVID-19 pandemic abates, it is believed that delicious and convenient home meals will become more popular and bring another transformation to the catering industry. To satisfy customer's needs for home meals, the Group has launched a new "Family Kitchen" product line including a wide variety of ready-made food products so as to allow customers to conveniently enjoy its tasty products at home.

As for its management during 2020, in order to capture business opportunities amidst industry consolidation, the Group will concentrate on improving customer satisfaction. Towards that end, the Group will completely roll out the upgraded CRM system in 2020 to better respond to changes in consumer behaviour and strive for five-star positive ratings and zero negative rating across the three major ordering platforms. The Group will also strengthen its product competitiveness. Apart from raising both the food quality and its operational procedures of its signature products, the Group will concentrate on the R&D of diversified stewed products and drinks to drive new business growth. The Group will step up technological investment and build up a data analysis platform, a back-end CRM management system and upgrade the business intelligence (BI) system in order to speed up the pace and optimise data processing and analysis, providing stronger support for its decision making and improving its efficiency.

As for improving operating efficiency, the Group will further optimise the incentive scheme to achieve better performance according to the new industry development trend. The Group will implement reform of its processes to perfect and streamline procedures by leveraging technologies and systems for greater efficiency. The Group will continue to uphold the "Conscientious about Quality" operating philosophy and provide delicious, healthy, and safe food products to customers to their satisfaction and enjoyed with peace of mind.

Mr. Hung concluded, "We believe the pandemic outbreak is temporary and we are set to well-equip ourselves through technological advancement in order to capture business opportunities once the overall economy revives. Thus, the Group will continue to adhere to our best practices, guided by our basic principle of "Dedication to Customer Satisfaction" to provide consumers with delightful, safe and healthy products, complemented by quality services. We will capitalise on our various strengths, including renowned brands, scales of our stores, and financial strength, coupled with our dedication in technological empowerment for seizing business opportunities from the evolving catering sector. By leveraging our long-standing operational history in the country through different economic ups and downs in the past three decades, we are confident that Hop Hing can cope with the industry challenges and maintain our leading position in the PRC fast food industry and bring fair returns to 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 Uncle Fong (芳叔), together with its self-developed brands including "Take a Green Break" (野葉子) in the northern region 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 rice 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

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