



Leverages New Retail Model to Expedite Business Repositioning and Seize Opportunities From a Dynamic Industry Revenue Amounts to RMB654.7 Million in 1H2020

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Introduces “Non-contact” Delivery Service and Launches “Family Kitchen” Product Line to Boost Sales

Results Highlights

- ◆ Revenue from delivery business partially offset the revenue decline from dine-in business. In 1H2020, delivery business accounted for over 50% and 23.5% of the total sales of Yoshinoya and DQ, respectively
 - ◆ Launched “Family Kitchen” product line in early February, quickly becoming a new income stream. Revenue from “Family Kitchen” swiftly increased by more than 230% in 2Q2020
 - ◆ First-mover advantage in adopting New Retail Model to tap social media marketing; the launch of live streaming shows for the “Family Kitchen” project successfully boosted sales
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(Hong Kong, 31 August 2020) – **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 2020 (“1H2020” or the “period under review”).

For the period under review, the Group’s results were dealt a blow by the COVID-19 pandemic (the “Pandemic”), posing unprecedented pressure on the Group’s performance. Despite the fact that Hop Hing has promptly implemented a number of measures to boost sales and save costs, such as enhancing delivery business through “non-contact” delivery service, the launch of new pre-packed frozen products, negotiating rent with property owners and optimising labour deployment, the Group’s operating results were inevitably impacted by the temporary closure of certain restaurants during the review period as well as reduced dine-in sales due to the exceptionally low customer flows. Consequently, turnover of the Group’s business amounted to RMB654.7 million in 1H2020 (1H2019: RMB1,027.6 million). Loss attributable to equity holders of the Company for the period under review was RMB66.3 million compared to profit attributable to equity holders of the Company of RMB56.8 million for the corresponding period last year.

Mr. Marvin Hung, Executive Director and CEO of Hop Hing, said, “Despite facing the toughest business operating environment in history, we expedited business repositioning with our rapid transformation of business model and successful identification of certain key focus areas, such as the introduction of “non-contact” delivery service, new retail model and it was worth noting that our launch of “Family Kitchen” product line in February eventually became a strong revenue booster during the review period. All these originated from our in-depth understanding of the consumption market in China. For instance, our own delivery service team with well-equipped motorcycle fleet was set up in 2016, thereby facilitating our timely delivery service during the COVID-19 outbreak. What’s more, our customer relationship management (CRM) system

established in 2016 turned out to be a valuable contribution to our New Retail Model given the meaningful private traffic pool, conducive to supporting this year's social media marketing strategies when more and more consumers shifted to online."

Business Review and Growth Strategies

As at 30 June 2020, the Group together with its joint venture had 583 restaurants in operation. Due to the adverse business environment caused by the Pandemic, the Group slowed down new restaurant openings and gradually closed down the restaurants of minor brands to direct greater resources towards the two major brands, thereby achieving better cost efficiency.

After a sharp economic downturn in the first quarter due to lockdowns and containment measures resulting from the coronavirus, the Chinese economy began to see a mild recovery in the second quarter. Hop Hing's operating performance also started picking up in the second quarter of 2020, particularly with the aid of its own delivery team and the launch of "Family Kitchen" product line, which helped reduce the overall sales decline of the Group.

Strengthening delivery business through "non-contact" delivery model

With the restrictions on visiting restaurants due to the pandemic prevention measures, Hop Hing swiftly shifted to strengthen delivery business by actively undertaking promotions via various social media channels, highlighting the operation of its own delivery service team on a "non-contact" delivery model to enhance safety. The Group's long-established sizable delivery service team helped ensure timely delivery during such difficult times with quality service that earned customer satisfaction. Consequently, during the period under review, revenue from the delivery business had partially offset the decline in revenue from dine-in business and accounted for over 50% and 23.5% of the total sales of Yoshinoya and DQ, respectively.

Launch of "Family Kitchen" product line in February, quickly becoming a new growth driver

In addition, the Group launched its "Family Kitchen" product line in February, quickly becoming a new income stream and growth driver. The new product line sells convenient, frozen and cooked products, as well as some semi-finished and seasoning products, soup stock and ingredients online and offline. Capitalising on the Group's well-established and reliable supply chain management and innovative product research and development team, the new product line has received good responses given its ability for home dwellers to create more food choices as well as substantially shortening the cooking time needed. "Family Kitchen" provides strong support for the Group's business recovery and laying a solid foundation for its business diversification.

First-mover advantage of New Retail Model, successfully driving sales growth

During the period under review, the Group completed its trial operation of new sales channels and established a special project team to better develop online channels, all in a bid to drive up sales. With the well-established private traffic pool, the Group adopted its New Retail Model to tap social media marketing and launch live streaming shows for the "Family Kitchen" project, proved to be success in boosting sales growth during 1H2020.

Prospects

In the wake of the COVID-19 pandemic, there was a significant change in consumption pattern with more consumers being forced to shop online. As the development of technology and e-commerce in the catering industry has been expedited by the pandemic, the Group will capitalise on its intelligent technology platform of smart business to improve data collection and analytics so that it will be able to understand the latest consumption habits, forecast the upcoming trends, perform regular reviews and timely adjust its business strategies.

On top of tapping the existing third-party delivery platform and the proprietary mini program, Hop Hing will continue to develop its multi-platform sales strategy. Capitalising on new platforms such as youzan.com, WeChat, Weibo, kuaishou, douyin, jd.com and Taobao to attract new business traffic, the Group will continue to utilise its private traffic pool for the New Retail model, in order to capture opportunities arising from the technological transformation of the catering industry. In addition, staff and distributors can promote products to customers through social groups to earn commissions based on calculation at a certain percentage of their sales. This mechanism not only significantly motivates staff and distributors in driving sales, but also acts as a catalyst for stimulating the sales of “Family Kitchen” products. Further to the trial livestream marketing in 1H2020 which has received positive responses, the Group will promote sales via a live stream marketing channel in full swing in the second half.

Mr. Hung concluded, “As a mature branded catering enterprise, Hop Hing will continue to honour its well-established corporate culture and ensure the stability of its team despite the impacts by the COVID-19 outbreak, and as always, will adopt prudent risk management as well as health and hygiene controls to ensure the provision of healthy and safe food to our consumers. We will continue to actively explore various opportunities, including those for accelerating technological transformation so as to enable us to emerge as a leading digitalised multi-brand QSR operator in China.”

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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) and Dairy Queen (“DQ”) in the northern region in the PRC, spanning across Beijing and Tianjin Municipalities, Hebei, Liaoning, Heilongjiang, Jilin and Henan Provinces and the Inner Mongolia Autonomous Region 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



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