



## Business Significantly Improved in 2H2020 Hop Hing's Revenue Amounts to RMB1,590.3 Million

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***Newly Launched “Family Kitchen” Already Contributed Notably  
Actively Promotes Value-for-money “Hot Pot” Series and  
Embraces “New Retail Model” to Seize Opportunities from Industry Consolidation***

### Results Highlights

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#### ***Financial Highlights***

- ◆ Revenue at RMB1,590.3 million with gross profit margin at 59.4%
- ◆ Sales picked up gradually since the second quarter of the year with net loss significantly narrowed in the second half of the year
- ◆ Launched “Family Kitchen” product line in February 2020, with less than a year’s operation, already generated sales of RMB120 million, accounting for 7.6% of the Group’s total sales
- ◆ Delivery business contributed 44.6% to the Group’s total revenue (FY2019: 35.5%), one of the key income sources for the Group

#### ***Business Strategies***

- ◆ Truly embraces “New Retail Model” and utilizes several new sales methods to capitalize on new trend, notably social media marketing and live streaming
  - ◆ Introduces “value-for-money” hotpot menu to capture mid-to-low price hotpot market opportunity and create a new consumption scenario satisfying customers’ huge demand
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(Hong Kong, 30 March 2021) – **Hop Hing Group Holdings Limited** (“Hop Hing” or the “Group”; stock code: 47) has today announced its annual results for the year ended 31 December 2020 (“FY2020” or the “Year”).

In 2020, the business environment of the food and beverage industry has been the epicentre of the pandemic. The Group had adopted a number of cost control measures, including those aimed at encouraging cash flow management, facilitating better rental concessions with property owners, optimizing manpower deployment and distribution costs, etc., to contain its operating costs. Furthermore, the Group launched its “Family Kitchen” product line in 2020 and the well-established delivery business model contributed notably during the pandemic. Nevertheless, the Group’s results were ineluctably affected by the COVID-19 pandemic. During the year, the Group’s revenue amounted to RMB1,590.3 million (2019: RMB2,102.8 million). Gross profit and gross profit margin were RMB 945.2 million and 59.4% respectively (FY2019: RMB 1,320.4 million and 62.8% respectively). Loss attributable to equity holders of the Company for the year was RMB81.9 million (FY2019: profit attributable to equity holders of the Company was RMB104.1 million), with net loss in the second half of the year significantly narrowed.

**Mr. Marvin Hung, Executive Director and CEO of Hop Hing,** said, “In response to the challenges posed by the outbreak of COVID-19 in 2020, the Group had exerted much efforts and adopted measures to transform its business. Worth to note is that the Group has launched “Family Kitchen” product line in February last year in order to capture the increasing “home meal” trend under the pandemic. With less than a year’s operation, the new line has facilitated further business diversification and accelerated the recovery of the Group’s sales. In addition, with our well-established delivery business model and self-operated motorcycle fleet, food orders can be delivered through “non-contact” delivery model to ensure customer safety. Consequently, the Group’s delivery business further boosted sales during the pandemic. All these substantial achievements have facilitated further business diversification and accelerated the recovery of the Group’s sales since the second quarter of the year when the coronavirus outbreak started to be under control.”

### **Business Review and Growth Strategies**

As at 31 December 2020, the Group together with its joint venture had 580 stores in operation. To enhance resources allocation efficiency, the Group gradually closed down stores of its minor brands. New store openings were slowed down for the Group to exercise better control of expenditures and maintain a healthy balance sheet and strong cash position. On the other hand, the Group seized new opportunities that emerged from the industry consolidation by adjusting its network based on the latest city development plans, mapping out the location of its stores to ensure service coverage through different models so as to enlarge the potential for future development.

#### *Launched “Family Kitchen” Product Line Combined with Digitalization Marketing Strategies Helped Stimulate Sales with Decent Income Contribution*

With pandemic measures severely limiting the options available to the public in terms of eating out at restaurants, the Group introduced timely initiatives to take advantage of opportunities arising from the “dine-at-home” new normal. This included the launch of the “Family Kitchen” product line in February 2020, which enabled customers to prepare high-quality meals at home in a matter of minutes.

During the year, the Group undertook a number of price-driven promotion activities and online campaigns to stimulate sales and promote new products. In addition to utilizing the Group’s extensive store network as key marketing platforms, it also made creative use of social media marketing, including live streams for the “Family Kitchen” product line. Staff and distributors also promoted products to their friends through social groups. These offline and online channels stimulated the sales of “Family Kitchen” products. Hence in 2020, the “Family Kitchen” product line, with less than a year’s operation, already generated sales of RMB120 million, accounting for 7.6% of the Group’s total sales.

*Well-established delivery business model contributed notably during COVID-19*

Optimized in recent years, the Group's well-established delivery team can make timely delivery with top-notch service and a high level of customer satisfaction. Food orders are delivered through "non-contact" delivery model to ensure customer safety. Consequently, the delivery business grew from representing 35.5% of the Group's total sales in 2019 to 44.6% in 2020, making the delivery sales one of key revenue sources for the Group.

**Prospects: Truly Embraces New Retail Model to Seize Opportunities from Industry Consolidation**

Looking ahead, the catering industry will focus primarily on increasing chained operation, fueling supply chain expansion, the use of New Retail elements and online-offline integration becoming more widespread. Hop Hing will continue to utilize its New Retail Model for its packaged food products by way of dine-in, delivery, online and offline channels, which constitute the core competitive strengths of the new retail model.

To become an innovative catering enterprise that truly embraces the "New Retail Model", Hop Hing will continue to capitalize on various smart tools such as proprietary mini-program, self-service ordering machines, apps and an array of marketing initiatives, all with the aim of providing an excellent user experience for customers. The Group will keep capitalizing on online platforms such as Wechat, Weibo, JD.com, Taobao, Kuaishou, and Douyin to attract new business traffic. The Group is also devoted to expanding its private domain traffic pool by attracting new customers and increasing the retention rates among existing buyers.

Driven by rising demand beyond the pandemic, an increasing number of opportunities are emerging for the convenience food business. Hence, the Group will continue to utilize its New Retail Model for its packaged food products with an aim to continue to boost sales from "Family Kitchen" product line. In addition, it'll also continue to optimize its delivery business by utilizing online data in order to achieve gains in integrated online-offline marketing initiatives as well as lowering costs and raising efficiency.

In terms of enhancement of dining experience in physical stores, worth to note is that the Group plans to expand its product offering by actively promoting its "value-for-money" hotpot menu with an aim to expand its income stream. Leverage the strong experience of its management team in operating hotpot business model, the Group is confident to capture the mid-to-low price hotpot blue sea with its diversified hotpot menu offering and become another strong growth driver in future. In addition, the Group also plans to add some innovative new features in stores, such as children's play areas, study room and reading corner to enhance customers' dining experience. Hop Hing will continue to introduce a variety of adjustments with an aim to optimize each store's profitability.

**Mr. Hung** concluded, “Although we expected that the impact of the pandemic will continue for some time in the near future, the Group will continue to accelerate the adoption of digitization across its operations, enhance the “New Retail” business model, and deepen its cooperation with franchisors and existing business partners. These endeavors are all aimed at elevating Hop Hing’s stature to that of the leading digitalized catering enterprise in China and creating sustainable 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) and Dairy Queen (“DQ”) in the northern region in the PRC, spanning across Beijing and Tianjin Municipalities, Hebei, Liaoning, Heilongjiang, Jilin, Henan, Shanxi and Shaanxi 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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