HOP HING GROUP HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 47)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

RESULTS

The Board of Directors (the "**Board**") of Hop Hing Group Holdings Limited (the "**Company**") herein present their unaudited condensed consolidated results of the Company and its subsidiaries (the "**Group**") for the six months ended 30 June 2020, together with the comparative amounts.

These interim financial results have not been audited, but have been reviewed by the Company's audit committee and the Company's auditors.

CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	Unaudited For the six months ended 30 June **2020** *RMB'000*	2019 *RMB'000*
TURNOVER	*4*	**654,723**	1,027,632
Cost of sales		**(265,526)**	(382,516)
Other income and gains, net	*4*	**7,457**	6,951
Selling and distribution expenses		**(339,279)**	(464,075)
General and administrative expenses		**(73,579)**	(88,090)
(Impairment)/write-back of impairment of non-financial assets		**(45,683)**	4,516
Share of profits and losses of joint venture		**(1,030)**	(527)
PROFIT/(LOSS) FROM OPERATING ACTIVITIES	*5*	**(62,917)**	103,891
Finance costs	*6*	**(26,025)**	(21,021)
PROFIT/(LOSS) BEFORE TAX		**(88,942)**	82,870
Income tax credit/(expense)	*7*	**22,616**	(26,061)
PROFIT/(LOSS) FOR THE PERIOD		**(66,326)**	56,809
PROFIT/(LOSS) ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		**(66,326)**	56,809
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	*9*		
Basic		**RMB (0.68)cent**	RMB 0.58cent
Diluted		**RMB (0.68)cent**	RMB 0.58cent

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited For the six months ended 30 June 2020 *RMB'000*	2019 *RMB'000*
PROFIT/(LOSS) FOR THE PERIOD	**(66,326)**	56,809
OTHER COMPREHENSIVE INCOME/(EXPENSE)		
Other comprehensive income/(expense) that may be reclassified to income statement in subsequent periods:		
Exchange differences:		
Exchange differences on translation of financial statements of operations outside Mainland China	**3,962**	(3,270)
OTHER COMPREHENSIVE INCOME/(EXPENSE) FOR THE PERIOD	**3,962**	(3,270)
TOTAL COMPREHENSIVE INCOME/(EXPENSE) FOR THE PERIOD	**(62,364)**	53,539
TOTAL COMPREHENSIVE INCOME/(EXPENSE) ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	**(62,364)**	53,539

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**30 June 2020 RMB'000 Unaudited**	31 December 2019 RMB'000 Audited
NON-CURRENT ASSETS			
Property, plant and equipment		**182,080**	206,203
Right-of-use assets		**534,519**	626,080
Investment in a joint venture		**7,526**	8,556
Deferred tax assets		**114,990**	87,128
Prepayment and rental deposits		**43,437**	42,526
Total non-current assets		**882,552**	970,493
CURRENT ASSETS			
Stocks		**135,033**	146,536
Accounts receivable	*10*	**32,340**	18,473
Prepayments, deposits and other receivables		**108,189**	110,082
Tax recoverable		**1,979**	4,128
Deposit certificates		**60,000**	60,000
Other financial assets		**124,010**	242,988
Cash and cash equivalents		**326,411**	252,900
Total current assets		**787,962**	835,107
CURRENT LIABILITIES			
Accounts payable	*11*	**117,238**	129,166
Other payables, accrued charges and contract liabilities		**336,469**	328,696
Lease liabilities		**174,491**	185,977
Interest-bearing bank loan		**9,120**	–
Tax payable		**9,375**	12,859
Total current liabilities		**646,693**	656,698
NET CURRENT ASSETS		**141,269**	178,409
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,023,821**	1,148,902
NON-CURRENT LIABILITIES			
Lease liabilities		**568,291**	603,075
Deferred tax liabilities		**18,486**	22,666
Total non-current liabilities		**586,777**	625,741
NET ASSETS		**437,044**	523,161
EQUITY			
Equity attributable to equity holders of the Company			
Issued share capital		**820,284**	820,284
Reserves		**(383,240)**	(297,123)
Total equity		**437,044**	523,161

Notes

1. **BASIS OF PREPARATION**

The condensed consolidated interim financial statements are prepared in accordance with Hong Kong Accounting Standard ("**HKAS**") 34 Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and the disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"). Save for the adoption of revised HKFRSs during the period as set out in note 2 below, the accounting policies and basis of preparation adopted in the preparation of the condensed consolidated interim financial statements are the same as those used in the preparation of the annual financial statements for the year ended 31 December 2019.

2. **IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS**

The Group has adopted the following revised HKFRSs for the first time for the current period's condensed consolidated interim financial statements.

Amendments to HKFRS 3	*Definition of a Business*
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	*Interest Rate Benchmark Reform*
Amendments to HKAS 1 and HKAS 8	*Definition of Material*

The nature and impact of the revised HKFRSs are described below:

(a) Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.

(b) Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address the effects of interbank offered rate reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedge relationships.

(c) Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. The amendments did not have any impact on the Group's interim condensed consolidated financial information.

3. OPERATING SEGMENT INFORMATION

The Group's primary operating segment is quick service restaurants ("**QSR**") business. Since the QSR business is the only operating segment of the Group, no further analysis thereof is presented. All revenue from contracts with customers was recognised when the products were delivered at a point in time.

In addition, the QSR business' revenue and non-current assets, other than deferred tax assets, are predominantly attributable to a single geographical region, which is the PRC. Therefore, no analysis by geographical regions is presented.

4. TURNOVER AND OTHER INCOME AND GAINS, NET

An analysis of turnover and other income and gains, net is as follows:

	Unaudited For the six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
Turnover – revenue from contracts with customers		
Sale of products, at a point in time	**654,723**	1,027,632
Revenue from contracts with customers		
Disaggregated revenue information		
Brands		
Yoshinoya	**551,382**	860,508
Dairy Queen	**72,951**	122,353
Others	**30,390**	44,771
	654,723	1,027,632
Geographical markets		
Beijing-Tianjin-Hebei Province Metropolitan Region	**476,948**	760,849
Other northern areas of China[(1)]	**177,775**	266,783
	654,723	1,027,632

(1) Including Liaoning, Heilongjiang and Jilin provinces and Inner Mongolia autonomous region

Other income and gains, net		
Interest income	**3,427**	5,804
Fair value gain on other financial assets	**3,089**	-
Foreign exchange differences, net	**(4,290)**	(3,231)
Government grants*	**4,594**	4,030
Others	**637**	348
	7,457	6,951

* Government grants represent the subsidies received from the local government for the Group's business activities carried out locally. There were no unfulfilled conditions during the period in which they were recognised.

5. PROFIT/(LOSS) FROM OPERATING ACTIVITIES

The Group's profit/(loss) from operating activities is arrived at after charging/(crediting):

	Unaudited For the six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
Direct cost of stocks sold*	**239,751**	350,009
Depreciation of property, plant and equipment	**44,217**	40,844
Depreciation of right-of-use assets	**71,548**	93,803
Lease payments not included in the measurement of lease liabilities	**7,930**	17,696
Loss on write-off of items of property, plant and equipment, net	**5,962**	5,478
Impairment/(write-back of impairment) of items of property, plant and equipment**	**11,265**	(4,516)
Impairment of right-of-use assets**	**34,418**	–
Loss on termination of leases	**1,164**	–
Fair value gain, net		
– Other financial assets at fair value through profit or loss	**(3,089)**	–

* Direct cost of stocks sold is included in "Cost of sales" in the condensed consolidated income statement.

** Impairment/(write-back of impairment) of items of property, plant and equipment and impairment of right-of-use assets are included in "(Impairment)/write-back of impairment of non-financial assets" in the condensed consolidated income statement.

During the period ended 30 June 2020, the aggregate impairment loss of RMB45,683,000 represented the write-down of the carrying amount of right-of-use assets of RMB34,418,000 (period ended 30 June 2019: nil) and leasehold improvements of RMB11,265,000 (period ended 30 June 2019: write-back of RMB4,516,000) for certain underperforming stores to their recoverable amounts. The estimated recoverable amounts as at 30 June 2020 were determined based on their value in use amounts estimated by using a discount rate of 11.5%.

6. FINANCE COSTS

An analysis of finance costs is as follows:

	Unaudited For the six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
Bank financing charges and others	**158**	280
Interest on lease liabilities	**25,867**	20,741
	26,025	21,021

7. INCOME TAX CREDIT/(EXPENSE)

	Unaudited For the six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
Current – Hong Kong		
Charge for the period	**260**	379
Current – Elsewhere		
Charge for the period	**7,997**	23,868
Under-provision in prior years	**305**	–
Deferred tax	**(31,178)**	1,814
Total tax charge/(credit) for the period	**(22,616)**	26,061

8. DIVIDEND

	Unaudited For the six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
Dividend paid during the period:		
Final dividend for 2019 – HK0.248 cent (2018: HK0.61 cent) per ordinary share	**21,942**	51,356

Note:

Final dividend paid during the periods ended 30 June 2020 and 2019 represented the dividends paid for issued ordinary shares, excluding treasury shares held by the trustee under the share award scheme.

9. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

a. Basic earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the consolidated profit/(loss) for the period attributable to equity holders of the Company, and the weighted average number of 9,743,033,484 (2019: 9,765,327,262) ordinary shares in issue during the period, as adjusted to reflect the number of shares of 304,474,930 (2019: 337,477,994) held under the share award scheme of the Company.

b. Diluted earnings/(loss) per share

For the period ended 30 June 2020, no adjustment has been made to the basic loss per share amount presented in respect of a dilution as (i) the impact of the share options outstanding had no dilutive effect on the loss per share amounts presented and (ii) the impact of the share awards of the Company had an anti-dilutive effect on the basic loss per share amount presented.

For the period ended 30 June 2019, the calculation of diluted earnings per share is based on the consolidated profit for the period attributable to equity holders of the Company and the weighted average number of 9,858,682,865 ordinary shares in issue after adjusting for the effect of all dilutive potential ordinary shares of 93,355,603 calculated as follows:

	Unaudited For the six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
Consolidated profit/(loss) attributable to equity holders of the Company	**(66,326)**	56,809

	Unaudited Number of shares	
	30 June 2020	30 June 2019
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings/(loss) per share calculation	**9,743,033,484**	9,765,327,262
Effect of dilution – weighted average number of ordinary shares:		
Share options	**N/A**	10,361,842
Share awards	**N/A**	82,993,761
	9,743,033,484	9,858,682,865

10. ACCOUNTS RECEIVABLE

The Group's QSR products are mainly sold on a cash basis. Accounts receivable of the Group's QSR business were mainly due from shopping malls and internet platform service providers with credit terms within 60 days. The overdue balances are reviewed regularly by senior management.

An aged analysis of the accounts receivable as at the end of the reporting period, based on the transaction date, is as follows:

	Unaudited 30 June 2020	Audited 31 December 2019
	RMB'000	*RMB'000*
Within 1 month	**30,536**	17,769
1-2 months	**1,804**	704
	32,340	18,473

11. ACCOUNTS PAYABLE

An aged analysis of accounts payable as at the end of the reporting period, based on the payment due date, is as follows:

	Unaudited 30 June 2020	Audited 31 December 2019
	RMB'000	*RMB'000*
Current and less than 60 days	**92,022**	111,215
Over 60 days	**25,216**	17,951
	117,238	129,166

The accounts payable are non-interest-bearing and are normally settled within credit terms of 7 to 90 days.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERALL PERFORMANCE

For the period under review, the turnover of the Hop Hing Group's business amounted to RMB654.7 million (for the first half of 2019: RMB1,027.6 million). Loss attributable to equity holders of the Company for the period under review was RMB66.3 million as compared with profit attributable to equity holders of the Company of RMB56.8 million for the corresponding period last year. The Group's results were significantly and adversely affected by the COVID-19 pandemic which has placed unprecedented pressure on the Group's performance. In addition, the impairment provisions made in respect of underperforming restaurants extended the losses of the Group during the period under review.

Basic and diluted loss per share for the period were RMB0.68 cent and RMB0.68 cent respectively (six months ended 30 June 2019: Basic and diluted earnings per share were RMB0.58 cent and RMB0.58 cent respectively).

DIVIDEND

On 29 June 2020, the Company made a final dividend payment of HK0.248 cent per share for the year ended 31 December 2019. The directors of the Company (the "**Directors**") do not recommend the payment of an interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: Nil).

REVIEW OF OPERATION AND PROSPECTS

Industry review

The global economy experienced unprecedented challenges with the outbreak of COVID-19 in late 2019, which subsequently was characterised as a pandemic by the World Health Organisation on 11 March 2020. Though epidemic prevention measures implemented by the Chinese Government proved effective at controlling the spread of the disease, the economy nonetheless faced considerable pressure. With respect to consumption, the retail sales of non-discretionary goods fell below expectations during the first half of 2020. Restrictions on social contact and gatherings as part of the China's epidemic prevention measures were introduced. Needless to say, the COVID-19 outbreak has caused adverse and extensive disruptions to the Chinese economy, operations of many enterprises in different sectors were significantly impacted.

Catering has been among the hardest hit industries by the pandemic. Its income fell by 32.8% year-on-year in the first half of 2020, which was far more significant than many other industries. Small catering companies, in particular, encountered tremendous difficulties, leading many to shut down their stores. Some of the companies in the industry also experienced cash flow difficulties, with the most immediate challenge being to survive, especially as the industry enters a phase of transformation and consolidation.

In the face of testing economic conditions resulting from the pandemic, the Central Government pushed ahead with the introduction of policies to promote economic stability. Starting from late February, trade, commerce, manufacturing and other activities were permitted to gradually resume to encourage economic development. The government also launched favourable policies, including tax and tariff cuts, financial loans and social security remissions as well as advocated rental concessions for members of the catering sector to lessen their burden.

With the pandemic coming under control more quickly in China than other parts of the world, the Chinese economy is gradually moving towards a path of recovery.

Business review

Adopt measures to control costs effectively

In the wake of COVID-19, Hop Hing promptly implemented a number of measures, including those aimed at facilitating cash flow planning and management; negotiating with landlords for rental concessions; cutting investment and capital expenditures; optimising labour deployment and delivery costs by restaurants; and facilitating communication with government authorities to advocate higher social security remissions and pandemic subsidies. In addition, the management took pay cuts and reduced expenditures as much as possible to ensure the Group had ample cash flow to overcome the unanticipated challenges. With respect to business operations, the Group decided to direct resources towards its two core brands, i.e. Yoshinoya and Dairy Queen ("**DQ**"), while at the same time considered suspending its other brand businesses through the gradual closure of those stores until the economy and consumption are back on track.

Seize opportunities arising from the pandemic

Crisis often brings opportunities, and such is the case with this pandemic which has brought about a change in consumption pattern, with more consumers forced to shop online. This has created tremendous opportunities for the Group's takeaway business as well, which had already accounted for approximately 40% of Yoshinoya's sales prior to the pandemic. To further encourage growth of its delivery business, the Group actively employed promotions via various social media channels, and highlighted that it operates its own delivery service team which adopts a "non-contact" delivery model to enhance safety. The Group's long-established sizable delivery service team also helped ensure timely delivery during such difficult time with quality service that earned customer satisfaction. Consequently, revenue from the delivery business had partially offset the drop in revenue from dine-in business and accounted for over 50% and 23.5% of the total sales of Yoshinoya and DQ respectively.

As pandemic prevention measures have restricted the public's ability to visit restaurants, consumers have no choice but to eat at home. This prompted the Group to launch the "Family Kitchen" product line in February, which has quickly become 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, allowing consumers to finish preparing a delicious and healthy meal in their own kitchen in just a few minutes. Capitalising on the Group's well-established and reliable supply chain management and innovative product research and development capability, the new product line has been well received due to its ability to create more choices for home dwellers as well as substantially shortening the time for those who choose to cook. Following five months of development, "Family Kitchen" has become a strong support for the Group's business recovery and laid a solid foundation for its business diversification.

Worth noting as well is that during the first half year, the Group completed trial operations of new sales channels and established a special project team to better develop online channels and to boost sales. As part of such efforts, it adopted New Retail models to tap social media marketing and launched live streaming shows for the "Family Kitchen" project. The team will closely review the performance of the project to ensure the right course of development is taken, and that business expansion can proceed further in the second half year.

In the first half of 2020, the COVID-19 pandemic adversely impacted the Group's revenue which decreased by 36.3% year-on-year to RMB654.7 million (first half of 2019: RMB1,027.6 million). The Group slowed down new restaurant openings and gradually closed down stores of minor brands to direct its resources towards its two major brands, and thereby achieved better cost efficiency. As at 30 June 2020, the Group together with its joint venture had 583 stores in operation.

	As at 30 June 2020	As at 31 December 2019
Yoshinoya		
Beijing-Tianjin-Hebei Province Metropolitan Region	**247**	250
Other northern areas of China(1)	**130**	130
Henan province(2)	**6**	5
	383	385
Dairy Queen		
Beijing-Tianjin-Hebei Province Metropolitan Region	**136**	138
Other northern areas of China(1)	**51**	51
	187	189
Others		
Beijing-Tianjin-Hebei Province Metropolitan Region	**13**	21
Other northern areas of China(1)	**–**	2
	13	23
Total	**583**	597

(1) Including Liaoning, Heilongjiang and Jilin provinces and Inner Mongolia autonomous region
(2) Operated by Joint Venture

In the first half of 2020, the COVID-19 pandemic's devastating effects rippled across the market. Customer demand declined significantly due to health and hygiene concerns and quarantine measures, leading to a dramatic drop in customer traffic. The overall sales at restaurants that were in operation were significantly and adversely affected during the period under review. After the launch of new pre-packed frozen products and delivery through "non-contact" delivery services, sales of the Group improved during the second quarter of 2020. However, dine-in sales still faced pressure due to low customer traffic. The Group consequently reported a decline in same-store sales of 35.4% (first half of 2019: increase of 0.7%) from the Yoshinoya network and a decrease in same-store sales of 47.0% (first half of 2019: increase of 9.7%) from the DQ network during the period under review. The Group's overall same-store sales contracted by 37.0% (first half of 2019: increase of 1.5%).

	Percentage Increase in Same Stores Sales Six months ended 30 June	
	2020	2019
Overall	**-37.0%**	1.5%
By Main Brands		
Yoshinoya	**-35.4%**	0.7%
Dairy Queen	**-47.0%**	9.7%

During the period under review, the Beijing-Tianjin-Hebei Province Metropolitan Region remained the largest market of the Group based on revenue. Sales revenue from Yoshinoya products accounted for approximately 84% of the Group's total revenue.

	Six months ended 30 June			
	2020		2019	
	RMB'000	***% of sales***	*RMB'000*	*% of sales*
a. By Region				
Beijing-Tianjin-Hebei Province Metropolitan Region	**476,948**	**72.8%**	760,849	74.0%
Other northern areas of China[1]	**177,775**	**27.2%**	266,783	26.0%

[1] Including Liaoning, Heilongjiang and Jilin provinces and Inner Mongolia autonomous region

	Six months ended 30 June			
	2020		2019	
	RMB'000	***% of sales***	*RMB'000*	*% of sales*
b. By Main Brands				
Yoshinoya	**551,382**	**84.2%**	860,508	83.7%
Dairy Queen	**72,951**	**11.1%**	122,353	11.9%

Since the prices of most of the major food ingredients did not drop immediately after the COVID-19 outbreak, overall material cost remained high in the review period. In order to expedite sales recovery, the Group implemented a number of measures to promote and stimulate sales, especially for delivery services, including the launch of new pre-packed frozen products, special offers for delivery sales and offering online promotional activities to customers, all of which impacted the gross profit in the first half of this year. As a result, a gross profit margin of 59.4% has been recorded for the period under review, a decline of 3.4 percentage points when compared with the corresponding period of 2019.

	Six months ended 30 June	
	2020	2019
Gross Profit Margin	**59.4%**	62.8%

To cope with the impact from COVID-19, the Group has implemented a number of cost control measures, including the redeployment of staff to reduce the number of temporary employees, actively negotiating with landlords for rental concessions and proactively communicating with authorities for the reduction and exemption of social insurance premiums. Despite the significant efforts to contain costs, the decrease in operating costs was still insufficient to offset the sales revenue shortfall sustained by the Group and the additional costs associated with anti-epidemic measures. Consequently, operating costs, expressed as a percentage of revenue, have risen during the period under review.

	Six months ended 30 June			
	2020		2019	
	RMB'000	***% of sales***	*RMB'000*	*% of sales*
Selling and distribution expenses				
Labour costs	**104,987**	**16.0%**	153,143	14.9%
Rental expenses, depreciation of right-of-use assets and finance costs*	**98,100**	**15.0%**	124,679	12.1%
Depreciation of property, plant and equipment*	**40,981**	**6.3%**	40,039	3.9%
Other operating expenses	**119,243**	**18.2%**	165,924	16.1%

* Leases relating to depreciation and finance costs of lease liabilities have been grouped with rental expenses for better understanding of the Group's total rental related expenses

Financial Review

Equity

The number of issued shares of HK$0.10 each of the Company as at 30 June 2020 was 10,070,431,786 (31 December 2019: 10,070,431,786).

Share Option

No share option was granted during the period under review (first half of 2019: 72,500,000 share options were granted).

Fair value of share options granted is estimated by using a binomial option pricing model, taking into account the terms and conditions upon which the options are granted. The fair value of the 72,500,000 share options granted to employee in 2019 was considered immaterial and therefore not disclosed in the 2019 annual report.

Liquidity and gearing

As at 30 June 2020, the Group's total bank borrowing of RMB9.1 million (31 December 2019: nil), which was in the form of a bank loan, was unsecured, denominated in Hong Kong dollars and repayable within one year.

The Group's gearing ratio (expressed as a percentage of interest-bearing bank loans over equity attributable to equity holders of the Company) as at 30 June 2020 was 2.1% (31 December 2019: nil).

The finance costs for the period amounted to RMB26.0 million (six months ended 30 June 2019: RMB21.0 million), which consisted of interest on lease liabilities of RMB25.9 million (six months ended 30 June 2019: RMB20.7 million), and other finance costs totaling RMB0.1 million (six months ended 30 June 2019: RMB0.3 million).

The Group's funding policy is to finance its business operations with internally generated cash and bank facilities. The Group's bank facilities are available in both Hong Kong dollars and Renminbi. The Group continues to adhere to the policy of hedging foreign currency liabilities with foreign currency assets.

Remuneration policies

Staff remuneration packages consist of salary and discretionary bonuses which are determined with reference to market conditions and the performance of the Group and the individual concerned. The Group also provides other staff benefits including medical insurance, continuing education allowances, provident funds, share options and share awards to eligible staff. The total remuneration paid to employees (including pension costs and remuneration to the Directors) of the Group during the period under review was RMB176 million (six months ended 30 June 2019: RMB209 million). As at 30 June 2020, the Group had approximately 7,400 full-time and temporary employees (30 June 2019: approximately 8,700).

During the period ended 30 June 2020, the Board resolved to grant share awards in respect of 7,941,756 shares to selected participants who were not a director, chief executive or substantial shareholder of the Company, nor an associate (as defined under the Listing Rules) of any of them.

Operating segment information

Details of the operating segment information are set out in Note 3.

Contingent liabilities

The Group had no material contingent liability outstanding as at 30 June 2020.

Pledge of assets

The Group had no pledge of assets as at 30 June 2020.

Future Development of the Group's Business

Development trends in the catering industry

After a sharp economic decline in the first quarter due to lockdowns resulting from the coronavirus, the Chinese economy began to make a recovery in the second quarter. With the resumption of trade, commerce and other activities across the nation, a rebound in domestic consumption is expected in the second half year, and the catering industry will play an important role in this respect. At present, the quick service restaurant ("**QSR**") sector is shifting its focus more rapidly from size and speed to quality and efficiency. The development of technology and e-commerce in the catering industry has been expedited by the pandemic, though its benefits may not necessarily be enjoyed evenly among players. Particularly, renowned brands with strong customer acquisition ability, high flexibility to quickly undergo business transformation and better meet market demand will enter a more optimistic path of recovery.

A clear example of capitalizing on market opportunities is convenience food, which has embraced current market developments. Since the pandemic, convenience food has tapped public demand driven by the need to stay at home, resulting in explosive sales growth and rapid development as well as securing a firm place in the hearts and minds of consumers. In the medium to long-term, as consumption habits continue to evolve and demand grows, development of convenience food will gather still greater momentum.

As for the development direction of the catering industry, chain-store operations will rise in popularity while supply chains will experience greater vertical expansion. Horizontally, focus will be towards a multi-brand strategy that involves the migration of New Retail elements in the catering business and the promotion of online-offline integration.

Exiting the trough: Technological innovation to drive future development

Hop Hing was able to quickly switch its business positioning amid the toughest challenge in its history to tap opportunity on industry dynamics changes, mainly by developing differentiable features in operations which allowed the Group to undergo rapid transformation. Consequently, the Group was able to undergo rapid transformation and identify key areas of focus. Right after many cities were placed on lockdown, Hop Hing rolled out its "Family Kitchen" products quickly in early 2020. As a result, it received highly encouraging response from the market. What was more, the Group set up its own delivery service team in 2016, complete with well-equipped motorcycle fleet, to ensure timely delivery during critical periods, such as the COVID-19 outbreak. Furthermore, it started developing its proprietary customer relationship management (CRM) system back in 2016 and "private traffic pool" of customers during the period under review, which were valuable in supporting this year's social media marketing strategies.

2020 is the first year of the 5G era. Mindful of this, Hop Hing will continue to uphold its quality and product-oriented principles to provide customers with exceptional value, while advancing its innovative New Retail business model. Correspondingly, the Group will capitalise on its smart business intelligent technology platform to improve data collection and analytics so that it will be able to understand the latest consumption habits and forecast upcoming trends, perform regular reviews and timely adjust its business strategies. Furthermore, on top of tapping the existing third-party delivery platform and proprietary mini program, Hop Hing will continue to develop its multi-platform sales strategy. In detail, the Group will capitalise on new platforms such as youzan.com, WeChat, Weibo, kuaishou, douyin, jd.com and Taobao to attract new business traffic, and employ the New Retail model to capture opportunities arising from the transformation of the catering industry. In addition, staff and distributors can promote products to customers through social groups to earn commissions. This mechanism not only can significantly motivate staff and distributors in driving sales, but also act as a catalyst for stimulating the sales of "Family Kitchen" products.

During the first half year, Hop Hing also adopted livestream marketing on a trial basis. As this new sales method has proved to be a success, the Group will promote sales via a live stream marketing channel that will be in full swing in the second half year.

Being a mature branded catering enterprise, Hop Hing will continue to honour its well-established corporate culture and ensure the stability of its team, and as always, adopt prudent risk management and health and hygiene controls to ensure the provision of healthy and safe food to consumers.

Looking ahead, the Group will explore different opportunities, including those for accelerating its technological transformation, so that it can evolve into a dynamic, e-commerce-adept catering enterprise that is able to further strengthen co-operation with franchisors and existing business partners. The Group will also explore possible mergers and acquisitions to develop into a leading digitalised multi-brand QSR operator in China.

On Behalf of the Board
Hop Hing Group Holdings Limited
Hung Ming Kei, Marvin
Chief Executive Officer

Hong Kong, 31 August 2020

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE CODE

The Company is committed to maintaining a high standard of corporate governance practices and procedures. The Company complied with the code provisions of the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 of the Listing Rules for the period from 1 January 2020 to 30 June 2020. The principles as set out in the CG Code have been adopted into our corporate governance practice.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 of the Listing Rules as its code of conduct of dealings in securities of the Company by the directors. The Model Code also applies to "relevant employees" as defined in the CG Code.

Based on specific enquiry of the Company's directors, the directors confirmed that they complied with the required standards in the Model Code adopted by the Company throughout the accounting period covered by the interim report.

PURCHASE, SALE OR REDEMPTION OF OWN LISTED SECURITIES

During the six months ended 30 June 2020, there were no purchases, sales or redemptions by the Company or any of its subsidiaries of the Company's listed securities.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This interim results announcement is published on the Company's website at www.hophing.com and the website of the Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk. The interim report will be despatched to shareholders of the Company and made available at the aforesaid websites in due course.

VOTE OF THANKS

On behalf of the Group, I would like to thank all of our customers, suppliers, business associates and bankers for their unwavering support. I wish to also express my gratitude to members of our management team and staff for their diligence and perseverance during the period under review.

On Behalf of the Board
Hop Hing Group Holdings Limited
Seto Gin Chung, John
Chairman

Hong Kong, 31 August 2020

As at the date of this announcement, the executive directors of the Company are Mr. Hung Ming Kei, Marvin and Mr. Wong Kwok Ying. The independent non-executive directors of the Company are Mr. Seto Gin Chung, John (Chairman), Mr. Sze Tsai To, Robert and Mr. Wan Sai Cheong, Joseph. The non-executive director of the Company is Ms. Lam Fung Ming, Tammy.