



HOP HING GROUP HOLDINGS LIMITED

(HKEx Stock Code: 47)

2013 Interim Results Announcement

Corporate Presentation

August 2013





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Speakers



Mr. Hung Ming Kei, Marvin

Executive Director and Chief Executive Officer



Mr. Wong Kwok Ying, David

Executive Director and Group Comptroller



Ms. Yang Ling, Stella

Senior Manager, Investor Relationship



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BUSINESS REVIEW





Operational Update



Industry Overview in 1H 2013

- × Sluggish China economy → weakened consumer sentiment
- × Outbreak of H7N9 avian influenza
- × Adverse weather in Northern China

- Enhanced variety of food products
- Increase efforts in advertising & promotion to stimulate sales
- Extended opening hours
- Opening of new stores generating additional income

Revenue

+4.6%
YoY

- Customer traffic growth impacted by short-term macroeconomic & industry environment

SSSG

-10.3%
YoY

- Continued to expand restaurant network
- Adopted a cautious approach and regular review store opening strategy

Store
Number

+37
Net

- Divest underperforming edible oil business and focus resources on QSR sector
- Incurred one-off loss of HK\$46.3 million and a total provision of HK\$11.7 million for probable settlement amount in respect of a tax case

Disposal of
Edible Oils
Business



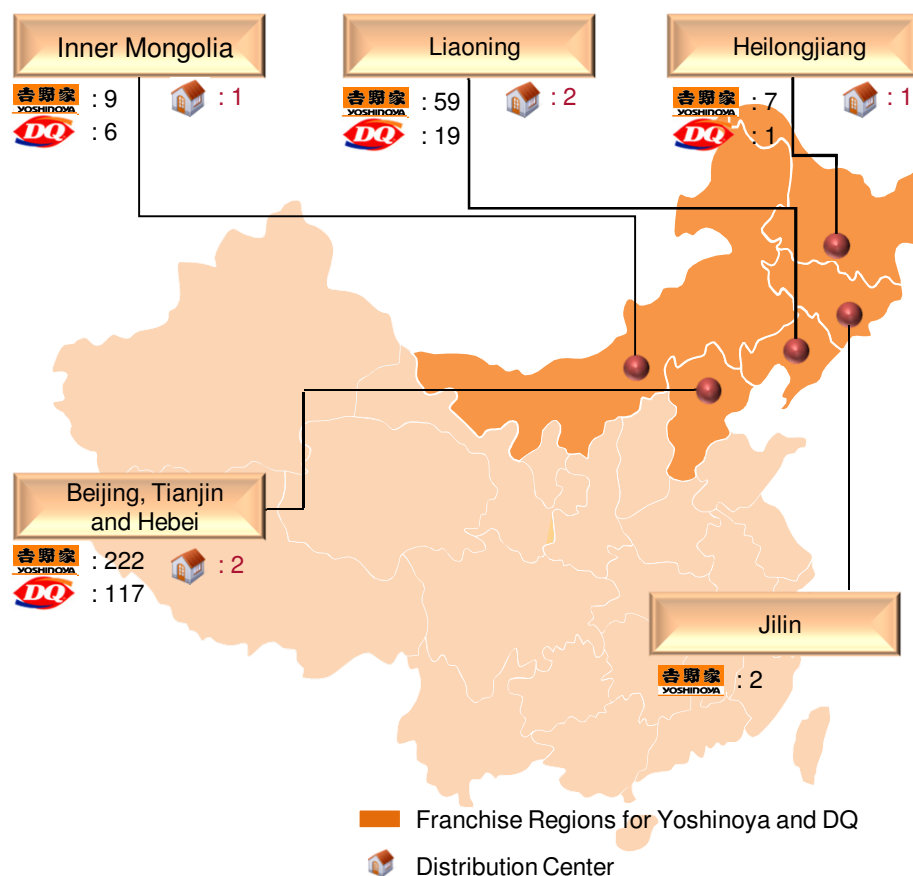


Continued to Expand Restaurant Network



299 Yoshinoya Stores and 143 DQ Stores

As of 30 June 2013



Store Network: 37 New Stores in 1H 2013

	吉野家 YOSHINOYA		DQ		Total	
	As of 30 Jun 2013	Net New Stores	As of 30 Jun 2013	Net New Stores	As of 30 Jun 2013	Net New Stores
Beijing, Tianjin and Hebei	222	23	117	8	339	31
Liaoning	59	4	19	-1	78	3
Jilin	2	-	-	-	2	-
Inner Mongolia	9	1	6	1	15	2
Heilongjiang	7	1	1	-	8	1
Total	299	29	143	8	442	37

* Net new stores as compared to the store numbers as of 31 December 2012



New Initiatives in 1H 2013



Introduce new food products to enhance varieties

Improve operating efficiency and automation

Extended opening hours to offer breakfast + late dinner menus

合
✓ Revenue +4.6%
✓ Gross profit + 7.3%
✓ GP Margin +1.5% pts to 61.3%

Opening of new stores bringing additional income

Boosted the frequency of advertising and promotional programs to enhance brand awareness





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FINANCIAL HIGHLIGHTS





2013 1H Financial Highlights



(HK\$ million)	For the 6 months ended 30 June	
	2013	2012
Continuing Operations		
Turnover	1,000.9	956.5
Gross Profit	613.8	572.1
Operating Profit	67.2	110.5
Profit for the Period from Continuing Operations	52.3	73.5
GP Margin (%)	61.3%	59.8%
OP Margin (%)	6.7%	11.6%
NP Margin (%)	5.2%	7.7%
Basic EPS (HK cents)	0.53	11.41
Diluted PES (HK cents)	0.53	0.59
Discontinued Operation		
Profit / (Loss) for the Period from a Discontinued Operation	(51.7)	0.4
Consolidated Net Profit	0.6	73.9
Basic EPS (HK cents)	0.01	11.47
Diluted EPS (HK cents)	0.01	0.60

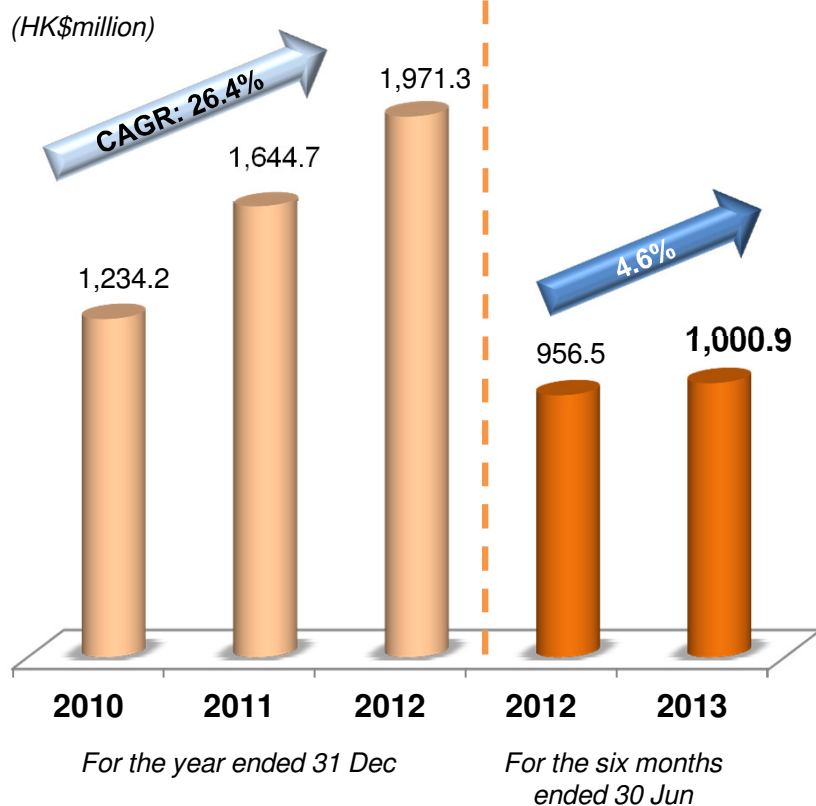


Revenue & Gross Profit

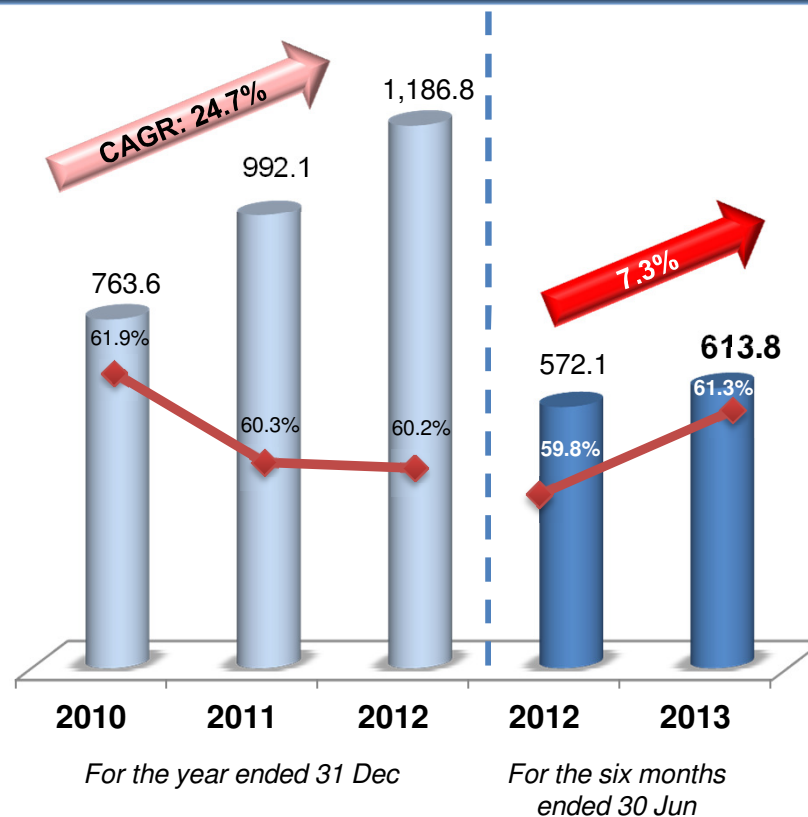


Continuing Operations

Revenue



Gross Profit & GP Margin





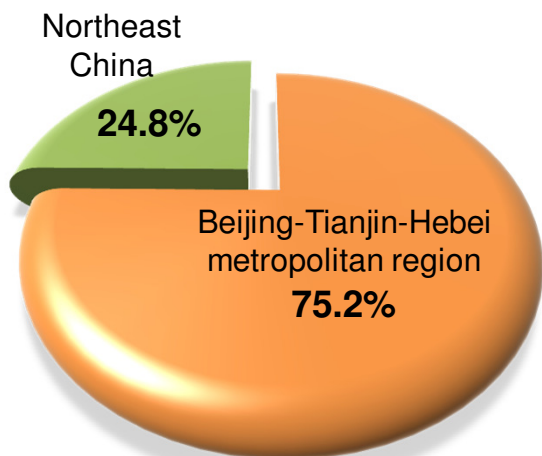
Segmental Breakdown



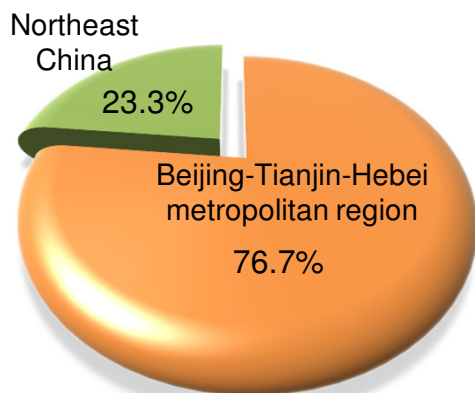
Continuing Operations

Revenue by Region

2013 1H

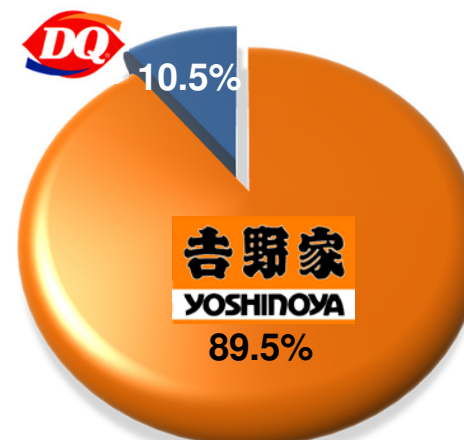


2012 1H

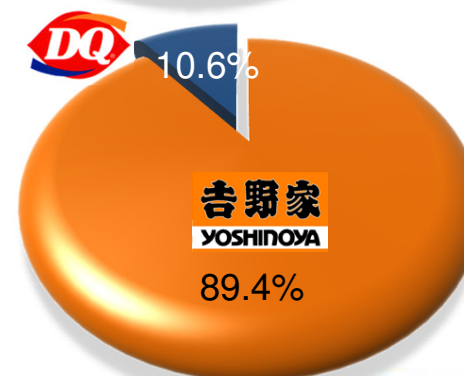


Revenue by Brand

2013 1H



2012 1H





Stable Structure of Costs & Expenses



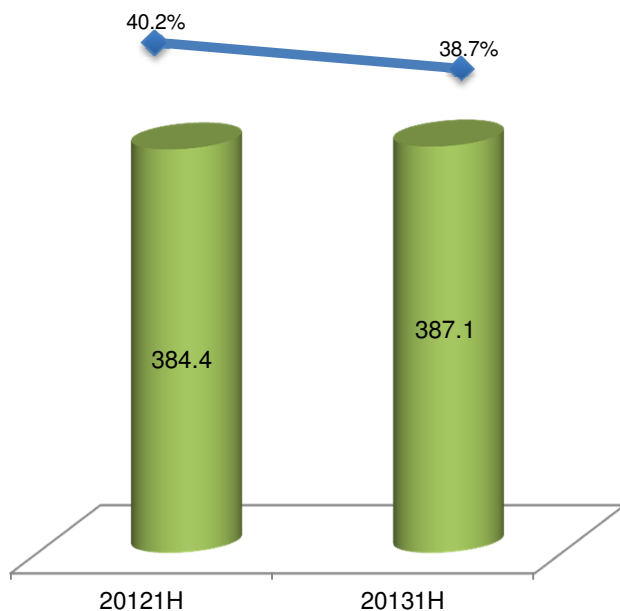
Continuing Operations

✓ Implementation of stringent cost control measures to maintain stable GP margin

✓ Rising operating costs in line with the increase of number of stores operating during the period
✓ The Group has maintained labor costs and rental expense at a reasonable level

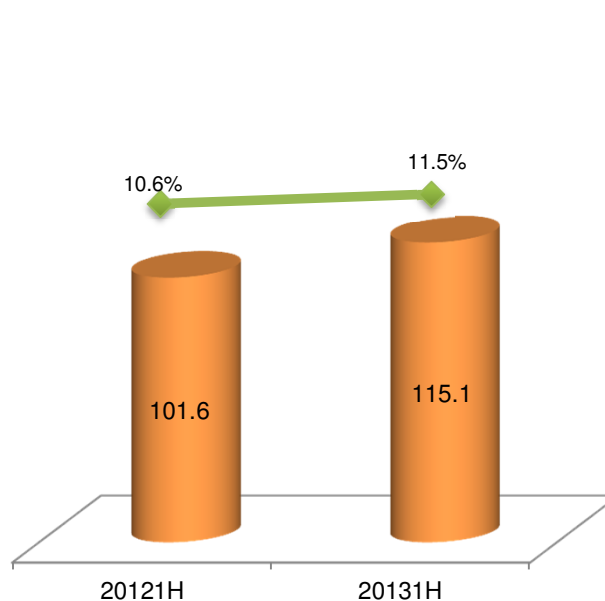
Direct Cost of Stocks Sold

(HK\$ million)



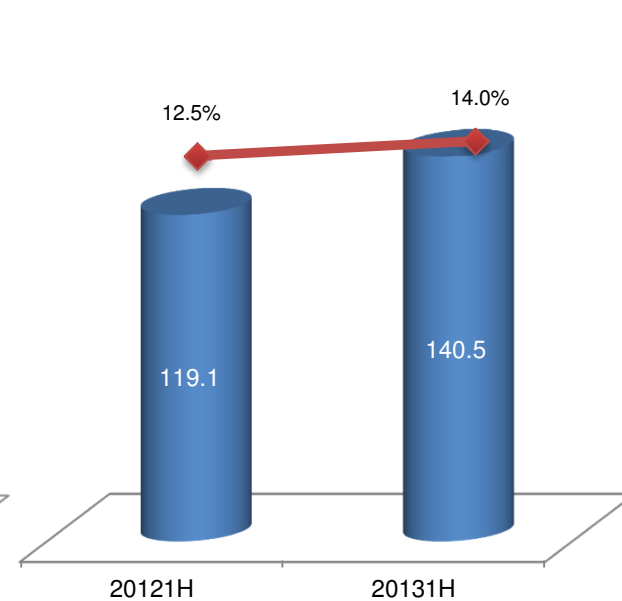
Labor Costs

(HK\$ million)



Rental Expense

(HK\$ million)



■ Direct Cost of Stocks Sold

— Direct Cost of Stocks Sold as % of turnover

■ Labour Costs

— Labor costs as % of turnover

■ Rental expense

— Rental expenses as % of turnover





Sound Working Capital Management



Continuing Operations

(Days)	As of 30 Jun 2013	As of 31 Dec 2012	As of 30 Jun 2012
Receivable Turnover Days	1.1	0.8	0.9
Inventory Turnover Days	58.7	43.3	52.7
Payable Turnover Days	69.7	59.6	52.0
Cash Conversion Cycle	(9.9)	(15.5)	1.6

Active Cash Management Results in Healthy Cash Conversion Cycle





Healthy Cash-flow & Financial Position



Continuing Operations

Cash Flow Generation

As of 30 June

(HK\$ million)	2013 [#]	2012
Net cash inflows from operation before adjusting for other cash flow items	97.2	85.7
Purchase of property, plant and equipment items	(93.5)	(68.6)
Interest payments and repayment of bank and non-controlling shareholder loans	(1.1)	(12.8)
Other cash flow items		
Fund movements with companies in discontinued operation	5.9	(45.3)
Receipt from the exercise of Warrants	17.8	-
Receipt from disposal of subsidiaries	394.6	-
Dividends paid	(305.2)	-
Dividends paid to former shareholders of a subsidiary	(57.3)	(148.0)
Net Increase / (Decrease) in Cash	58.4	(189.0)

Gearing Summary

(HK\$ million)	As of 30 Jun 2013 [#]	As of 31 Dec 2012
Cash	237.6	178.4
Total Debt	26.6	26.3
Net Cash	211.0	152.1

Return on Equity *

(HK\$ million)	As of 30 Jun 2013	As of 31 Dec 2012
ROE	50.2%	76.3%

* Calculated as net profit divided by average total equity

[#] Including the cash flows / cash balance of the continuing operations (i.e. QSR business) and others from Hop Hing Group Holdings Limited



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FUTURE PROSPECTS





Industry Outlook



Short to medium term

Medium to long term

Relatively slow growth in China's economy and weakened consumer sentiment

Adverse weather discourages customers to go out

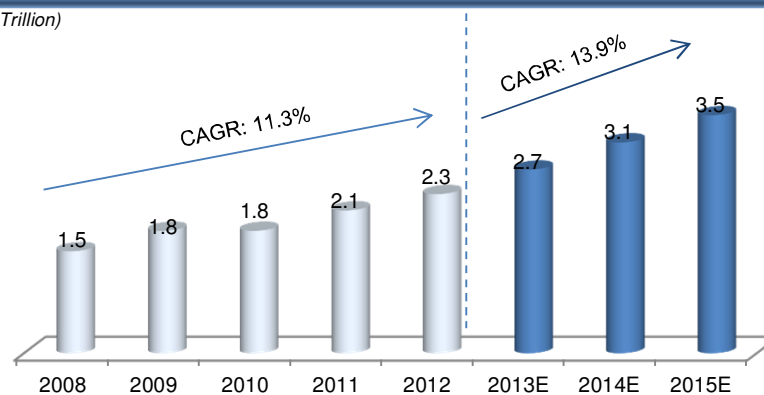
Robust industry fundamentals

Hop Hing's effective business model

Experienced management team

Total Revenue of Catering Industry in the PRC

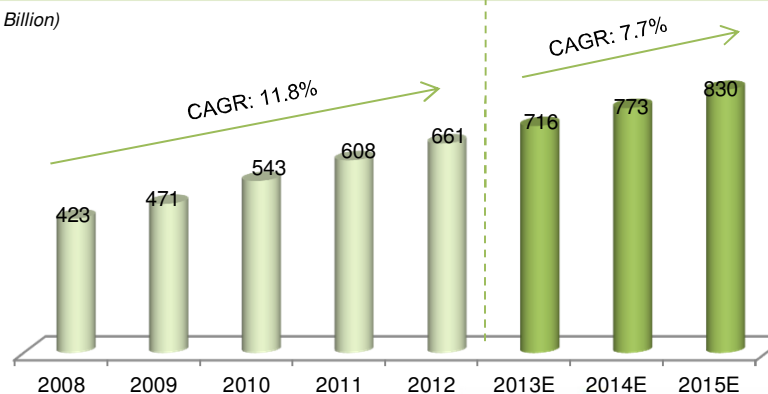
(RMB Trillion)



Source: National Bureau of Statistics and Frost & Sullivan Report

Total Sales of the PRC Fast Food Industry

(RMB Billion)



Source: Euromonitor, EIU





Future Growth Strategies



Future Strategies



Our Core Values and Key Focus





Our Key Growth Drivers



Food Safety & Quality



Extend our product portfolio



吉野家
YOSHINOYA



Oriental Cuisine Specialist
Aims to become a Leading Multi-brand QSR Chains Operator in Greater China Region



Expand our restaurant network



Enhance Delivery Service



Improve efficiency and optimize existing store network





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Q&A

