



**HOP HING GROUP HOLDINGS LIMITED**  
**合興集團控股有限公司**

(Stock Code: 47)

**2014 Q3 Highlights &  
1H Operational Updates  
Corporate Presentation**

*October 2014*



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# ***LATEST BUSINESS UPDATE***



爱·生活

新鲜手做，精心烹煮，让您惬意享受每一餐





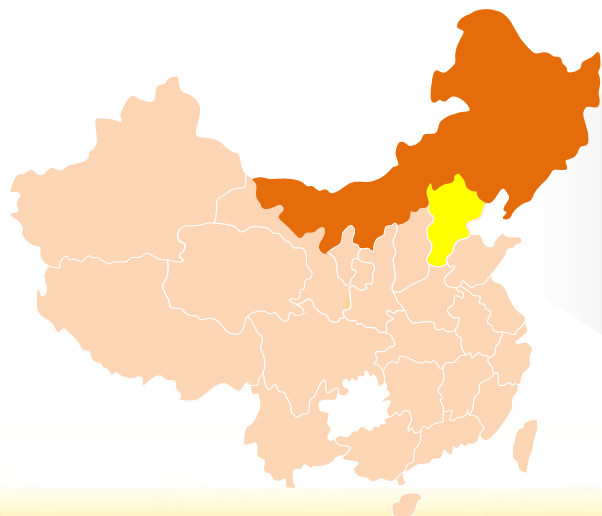
# 2014 Q3 Operational Update



## Weak Market Sentiment & Poor Customer Confidence

- ➡ Sluggish China economy
- ➡ Consumers' confidence on food safety further shaken and the whole QSR industry was impacted
- ➡ "Three Highs" (High food costs, labour costs and rental costs)
- ➡ Keen competition in the QSR sector

**Revenue: -0.3% YoY**  
**SSSG: -1.7% YoY**  
**Net store growth: -2**



**Focus on improving the performance of store network with prudent store opening plan**



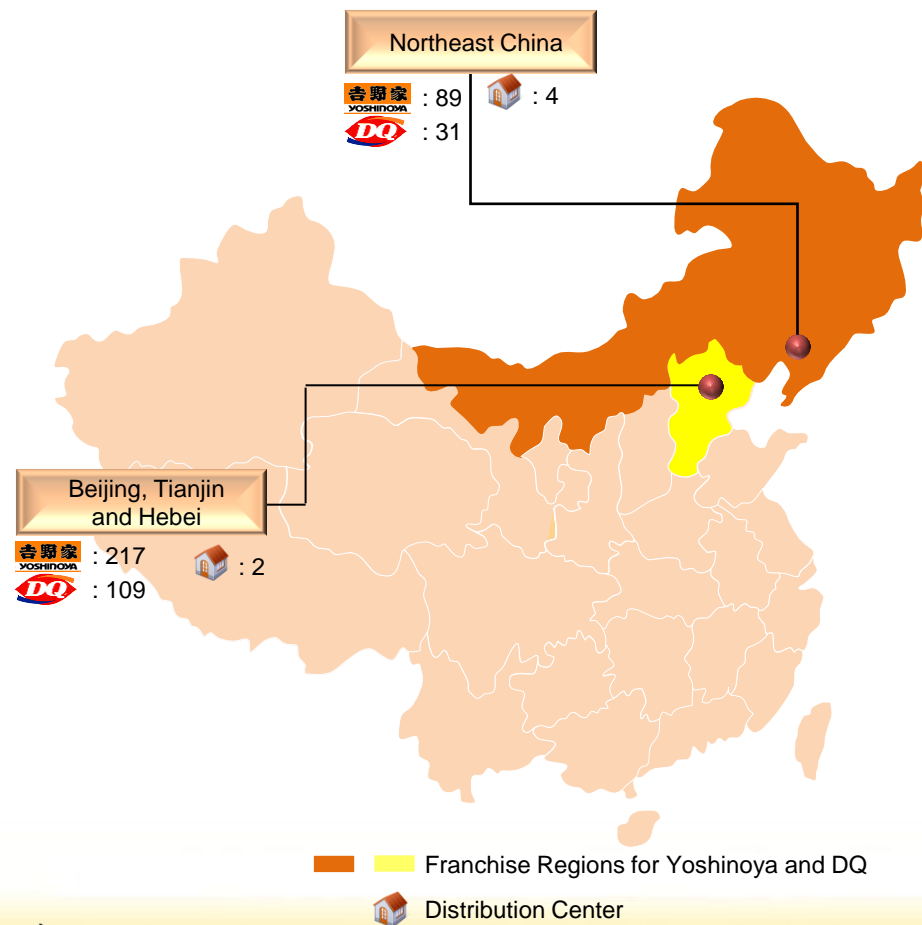


# Optimising and Expanding Restaurant Network



306 Yoshinoya Stores and 140 DQ Stores

As of 30 Sep 2014



Store Network: -2 Net New Stores in 2014 Q3

	吉野家 YOSHINOYA		DQ		Total	
	As of 30 Jun 2014	As of 30 Sep 2014	As of 30 Jun 2014	As of 30 Sep 2014	As of 30 Jun 2014	As of 30 Sep 2014
Beijing, Tianjin and Hebei	220	217	112	109	332	326
Northeast China	88	89	28	31	116	120
<b>Total</b>	308	306	140	140	448	446

\* Northeast China includes Liaoning, Jilin, Heilongjiang and Inner Mongolia





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# **2014 1H FINANCIAL HIGHLIGHTS**



爱·分享

让您时刻体验到温暖温馨的热情周到服务





# 2014 1H Financial Highlights



(HK\$ million)	For the 6 months ended 30 June	
	2014	2013
<b>Continuing Operations</b>		
Turnover	1,056.9	1,000.9
Gross Profit	662.5	613.8
Operating Profit <sup>1</sup>	25.4	62.6
Profit for the Period from Continuing Operations	17.5	52.3
GP Margin (%)	62.7%	61.3%
OP Margin (%) <sup>1</sup>	2.4%	6.2%
NP Margin (%)	1.7%	5.2%
Basic EPS (HK cents)	0.17	0.53
Diluted EPS (HK cents)	0.17	0.53
<b>Discontinued Operation</b>		
Profit / (Loss) for the Period from a Discontinued Operation	N/A	(51.7)
<b>Consolidated Net Profit</b>	17.5	0.6
Basic EPS (HK cents)	0.17	0.01
Diluted EPS (HK cents)	0.17	0.01

Note1: Excluding other income and gains





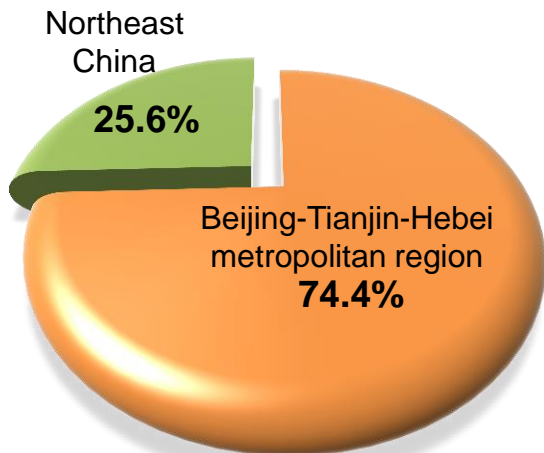
# 2014 1H Segmental Breakdown



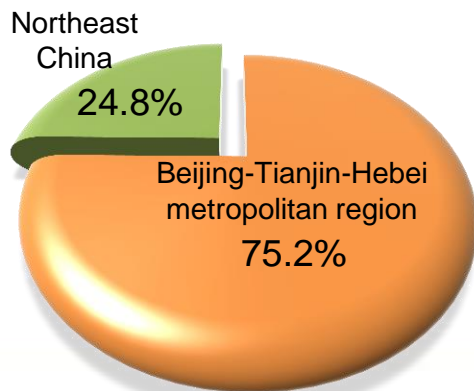
## Continuing Operations

### Revenue by Region

**2014 1H**

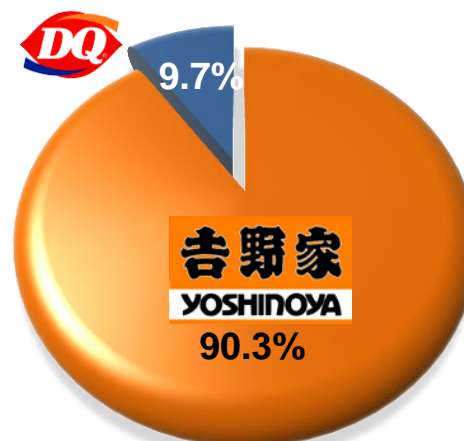


**2013 1H**



### Revenue by Brand

**2014 1H**



**2013 1H**







# Stable Structure of Costs & Expenses



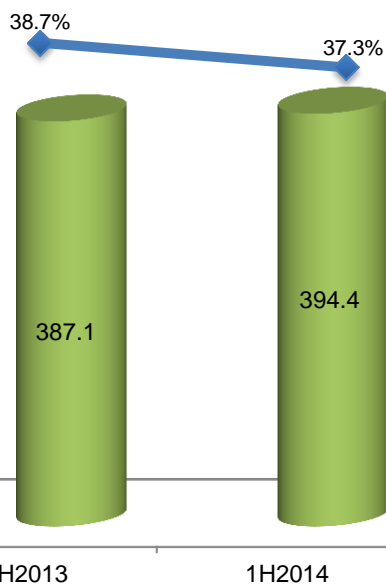
## Continuing Operations

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

✓ Maintained labor costs and rental expense at a reasonable level

### Direct Cost of Stocks Sold

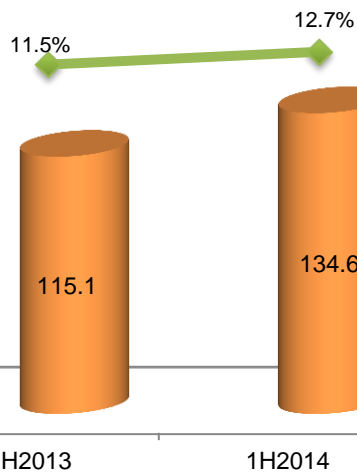
(HK\$ million)



■ Direct Cost of Stocks Sold  
— Direct Cost of Stocks Sold as % of turnover

### Labor Costs

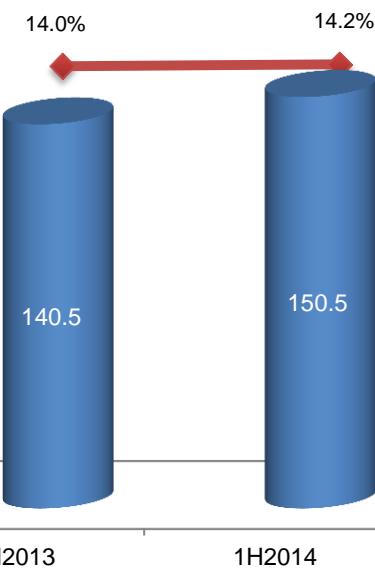
(HK\$ million)



■ Labour Costs  
— Labor costs as % of turnover

### Rental Expense

(HK\$ million)



■ Rental expense  
— Rental expenses as % of turnover





# Sound Working Capital Management



## Continuing Operations

(Days)	As of 30 Jun 2014	As of 31 Dec 2013	As of 30 Jun 2013
Receivable Turnover Days	1.4	1.1	1.1
Inventory Turnover Days	48.6	49.3	58.7
Payable Turnover Days	68.3	59.9	69.7
Cash Conversion Cycle	(18.3)	(9.5)	(9.9)

**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)	2014 <sup>#</sup>	2013
Net cash inflows from operation before adjusting for other cash flow items	138.9	97.2
Purchase of property, plant and equipment items	(43.3)	(93.5)
<b>Other cash flow items</b>		
Receipt from the exercise of Warrants	-	17.8
Receipt from disposal of subsidiaries	-	394.6
Dividends paid	(25.0)	(305.2)
Dividends paid to former shareholders of a subsidiary	-	(57.3)
Others	7.8	4.8
<b>Net Increase in cash and other financial assets</b>	<b>78.4</b>	<b>58.4</b>

### Gearing Summary

(HK\$ million)	As of 30 Jun 2014 <sup>#</sup>	As of 31 Dec 2013
Cash	295.8	271.2
Other financial assets*	53.8	-
	<b>349.6</b>	<b>271.2</b>
Total Debt	35.2	26.9
<b>Net Cash and other financial assets</b>	<b>314.4</b>	<b>244.3</b>

<sup>#</sup> Including the cash flows / cash balance of Hop Hing Group Holdings Limited

\* Short term principal-guaranteed financial products with PRC banks

**Maintained a strong and healthy cash inflow from operations**





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# ***FUTURE PROSPECTS***



爱·味道

每一种食材都追本溯源确保安全健康



# Management Outlook



## Hop Hing's Core Competitive Strengths

Management Advantage

Passionate, Dedicated and Experienced Senior Management Team  
Sharing the Same Core Values and Philosophies

Local Roots

- ✓ Deep understanding of local markets
- ✓ Clear business blueprint
- ✓ Highly standardized business model

International Vision

- ✓ International vision and corporate governance
- ✓ Successful on-the-ground local retail experience
- ✓ With international management experience and industry knowledge

Internal Advantage

Proven Track Record of Creating Multiple QSR Brands

Cost Advantage

System Advantage

Conscientiousness towards Quality (良心品質)

High Quality and Safe Food Offering Sold at Affordable Price

External Advantage

Robust Industry Fundamentals & Favorable Industry Growth Dynamics

Franchise Regions will benefit from the three development plans being implemented by the Government:  
*Beijing-Tianjin-Hebei Economic Circle Plan, Northeast Revitalization Plan & Hu-Bao-Yin-Yu Economic Zone Plan*





# Future Growth Strategies



1



**Optimise & Expand Store Network**

2



**Strengthen the brand image**

3



**Raise operating efficiency with stringent cost control**

4



**Extend Product Portfolio**

5



**Enhance Delivery Service**

6



**Commit to Food Safety and Quality Continuously**



**Leading Multi-Brands Oriental Cuisine Specialist in the PRC**





1

# Optimise & Expand Store Network



- Based on the culture, demands and local markets to adjust store opening strategies to meet target growth
- Tailor-made menus for different stores to attract target customers in specific areas
- Regular store renovation to enhance dining experience
- Aim to enhance profitability and raise SSSG to maintain sustainable growth



*Prudent and flexible approach in expanding restaurant network but more on store network optimisation and profitability improvement*





# 2 Strengthen the brand image



- Incorporate “Sunshine Kitchen” concept
  - Allow customers to observe the operation of the kitchen and production process
  - Reinforce our food safety and quality image
  - Enhance customers’ dining experience



- Reposition the brand identity of Dairy Queen by reinforcing ourselves as a fashion and trendy ice-cream expert
- Retain and attract customers by
  - Increase new product varieties, eg. Hand-made waffles
  - Improve display and product varieties in the front counters



## PROMOTION & ADVERTISING

- Implementation of promotional advertising activities to:
  - Reinforce the “fresh and made on spot” unique image
  - Drive more traffics and grow revenue







3

# Raise Operating Efficiency with Stringent Cost Control Measures



## Maintain Gross Profit Margin

- Strategic bulk purchases
- Optimisation of product mix
- Flexible promotional strategies
- Launch new products with higher gross profit margin



## Cost-effective Manpower to Improve the Efficiency

- Enhance automation e.g. implementing KDS system to raise efficiency between placing order and food making
- Separation of “cashier” and “pick up counter” to receive more customer orders



## Initiatives to Better Rental Cost Control

- Identify strategic locations at the best possible rental rates with good traffics
- Solidify relationship with sizable landlords, and renegotiate the rental rate in some cases



种类丰富选择多					秘制浓汤更美味				
招牌猪脚饭	招牌猪脚饭	招牌猪脚饭	招牌猪脚饭	招牌猪脚饭	招牌猪脚饭	招牌猪脚饭	招牌猪脚饭	招牌猪脚饭	招牌猪脚饭
¥2.5	¥2.5	¥2.5	¥3.0	¥3.0	¥3.0	¥3.0	¥3.0	¥3.5	¥3.5
招牌猪脚饭	招牌猪脚饭	招牌猪脚饭	招牌猪脚饭	招牌猪脚饭	招牌猪脚饭	招牌猪脚饭	招牌猪脚饭	招牌猪脚饭	招牌猪脚饭
¥2.0	¥1.5	¥1.5	¥1.5	¥2.0	¥2.5	¥2.5	¥2.5	¥2.5	¥2.5





4

# Extend Product Portfolio



## Introduction of Value Meal

- Target younger generation who are price-sensitive
- Cater to those customers who are looking for value for money products

## Signature and New Products

- Offer customers full meals under a cozy environment
  - Beef bowl compliment with value-added side dishes
  - Stone pot
  - Pork rice
  - Colorful cones
  - Pop corns
  - New Hot dog

## Extension of Service Period

- Expand service into other day parts and offer value meal to bring in additional income
  - Early Lunch
  - Late Lunch



# Diversify and Broaden Customer Base





5

# Enhance Delivery Service



- Proactive customer outreach with online web and WAP ordering, call centre and delivery capabilities
- Call center for **telephone ordering** in more cities
  - Cover a wider range of customers
- Launched **“Web Online Platform”** at the end of year 2013 and **mobile WAP ordering system** in April 2014 to compliment the telephone delivery service
  - Broaden our customer base, such as younger generations who frequently use internet and mobiles





6

# Commitment to Food Safety and Quality Continuously



Provide whole food to minimal food processing



**Build in Food Safety Controls Throughout Operation**

Control the quality of raw materials from sources and establish long-term cooperative relationship with well-established suppliers

Diversified product categories covering beef, pork and chicken from quality suppliers





# Our Mission



*Leading Multi-Brands  
Oriental Cuisine Specialist  
in the PRC*





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## Q&A

### 爱·在吉野家



自1899年，我们始终做到：

每一种食材，都追本溯源，确保安全健康。

每一份饭食，都精心烹煮，执著营养美味。

每一个细节，都一丝不苟，满载安心体验。

每一刻服务，都真诚亲切，缔造温馨的家。