



# HOP HING GROUP HOLDINGS LIMITED

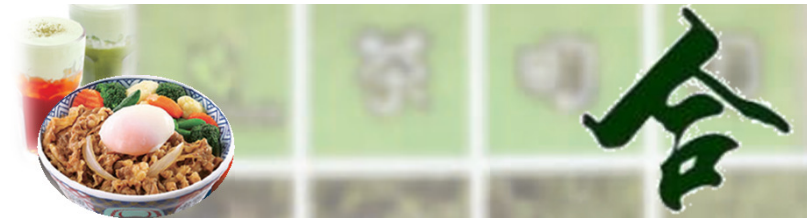
(HKEx Stock Code: 47)

## 2015 Q3 Highlights and 1H Operational Updates Corporate Presentation

October 2015



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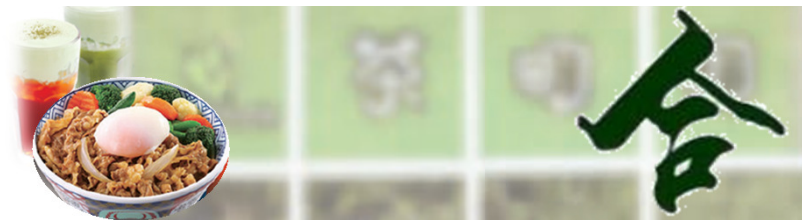
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# LATEST BUSINESS UPDATE

# 2015 Q3 Operational Update



## Overall Market Sentiment

- 👎 Relatively sluggish China economy
- 👎 Weak customer sentiment
- 👎 Change of consumption pattern and disruption to the market resulted from influence of the internet
- 👎 Rising operation costs
- 👎 Depreciation of the exchange rates of RMB

## Progressive Store Opening Strategy to Capture Business Opportunities

Sales Growth Rate

-6.3% YoY

SSSG

-5.8% YoY

**Difficult business operating environment**

Net Store Opened

+21

吉野家  
YOSHINOYA

+9

DQ

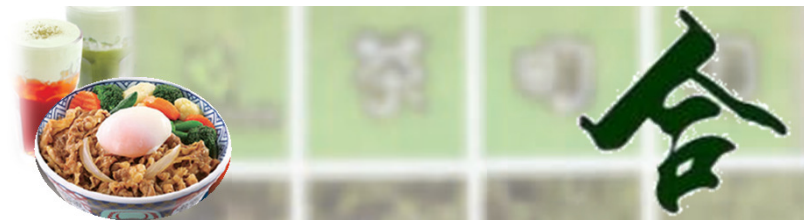
+8

茶町町  
Chatting

+4

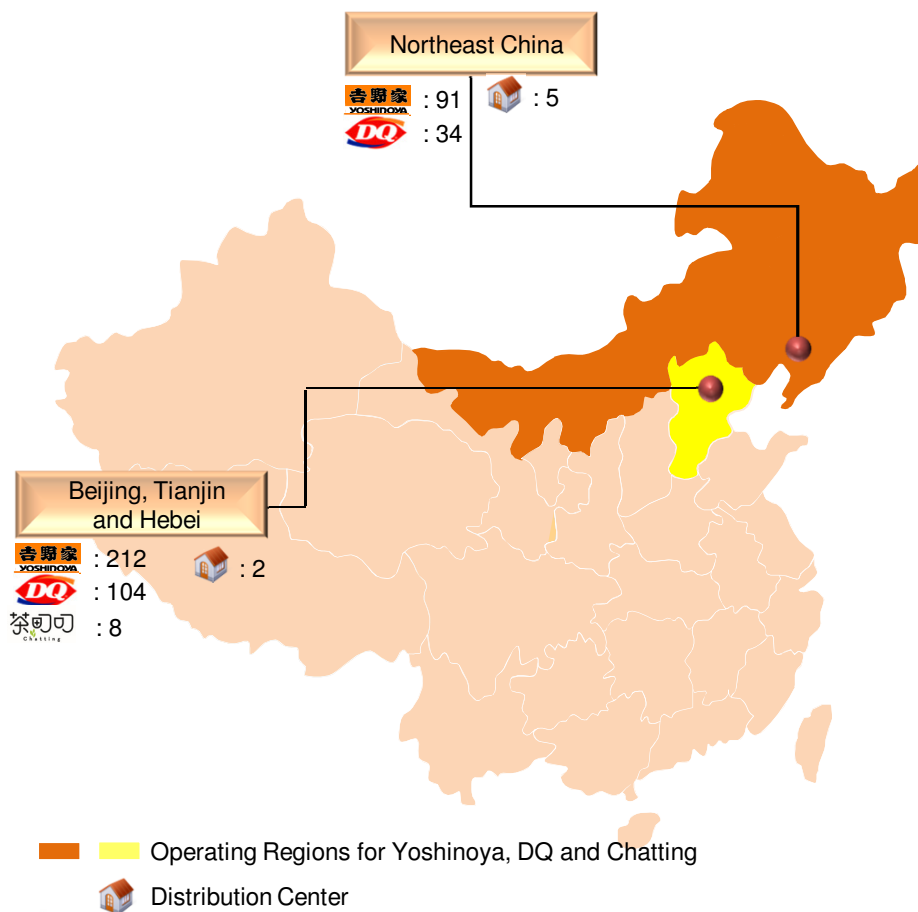


# Continued Efforts on Optimizing Our Store Network



303 Yoshinoya Stores, 138 DQ Stores and 8 Chatting Stores

As of 30 Sep 2015



Store Network: Net 21 New Stores in 2015 Q3

	吉野家 YOSHINOYA		DQ		茶町町* Chatting		Total	
	As of 30 Sep 2015	As of 30 Jun 2015	As of 30 Sep 2015	As of 30 Jun 2015	As of 30 Sep 2015	As of 30 Jun 2015	As of 30 Sep 2015	As of 30 Jun 2015
Beijing, Tianjin and Hebei	212	209	104	100	8	4	324	313
Northeast China	91	85	34	30	0	0	125	115
<b>Total</b>	<b>303</b>	<b>294</b>	<b>138</b>	<b>130</b>	<b>8</b>	<b>4</b>	<b>449</b>	<b>428</b>

\* New brand introduced in April 2015



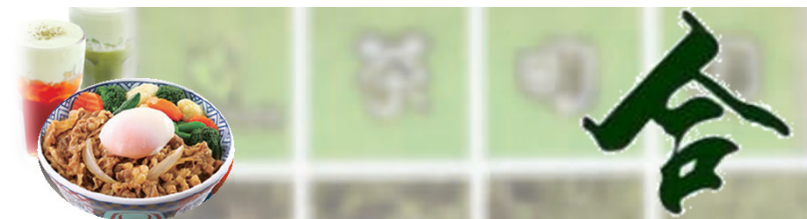
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# 2015 1H FINANCIAL HIGHLIGHTS



# 2015 1H Financial Highlights



(HK\$ million)	For the 6 months ended 30 June	
	2015	2014
<b>Turnover</b>	1,014.8	1,056.9
<b>Gross Profit</b>	632.6	662.5
Selling and distribution expenses <sup>1</sup>	(446.7)	(472.0)
General and administrative costs <sup>1</sup>	(100.7)	(102.9)
Depreciation	(53.6)	(62.3)
<b>Operating Profit<sup>2</sup></b>	31.6	25.4
<b>Profit for the Year</b>	25.7  +47.1%	17.5
<b>GP Margin (%)</b>	62.3%	62.7%
Selling and distribution expenses(%) <sup>1</sup>	-44.0%	-44.7%
General and administrative costs(%) <sup>1</sup>	-9.9%	-9.7%
Depreciation(%)	-5.3%	-5.9%
<b>OP Margin (%)<sup>2</sup></b>	3.1%	2.4%
<b>NP Margin (%)</b>	2.5%	1.7%
<b>Basic EPS (HK cents)</b>	0.26	0.17

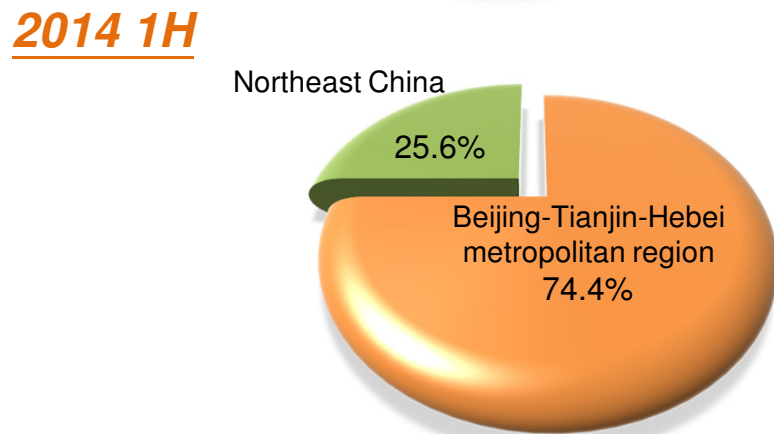
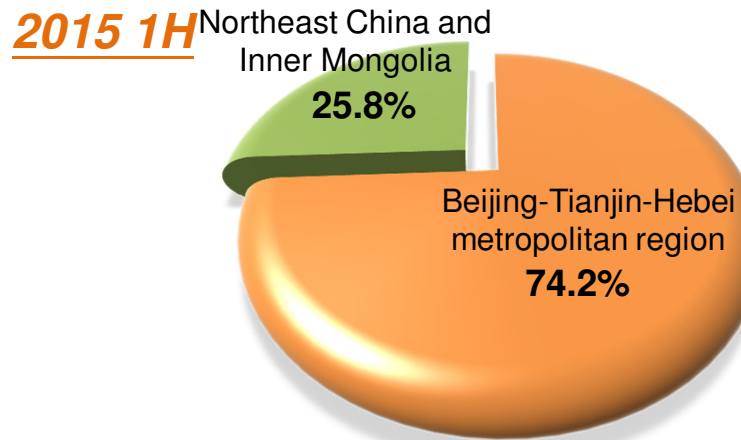
Note1: Excluding depreciation

Note2: Excluding other income and gains

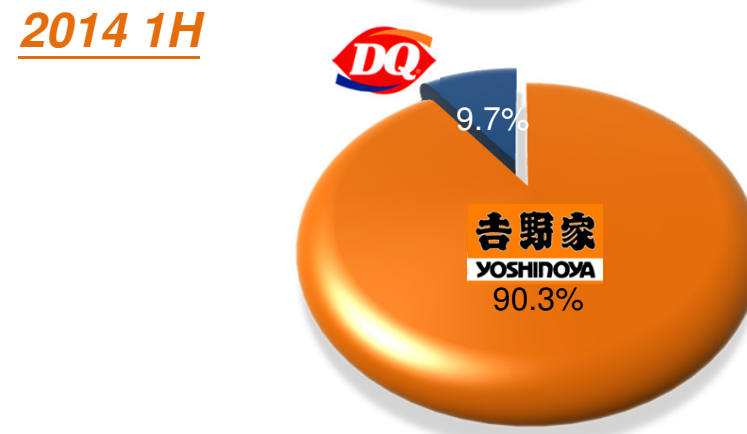
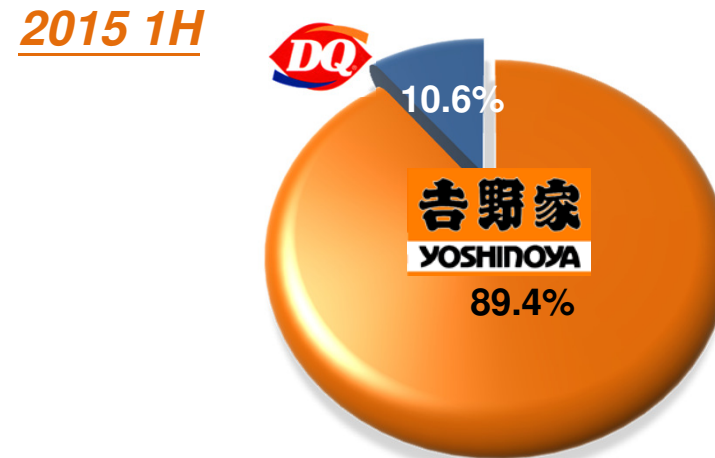
# Segmental Breakdown



## Revenue by Region

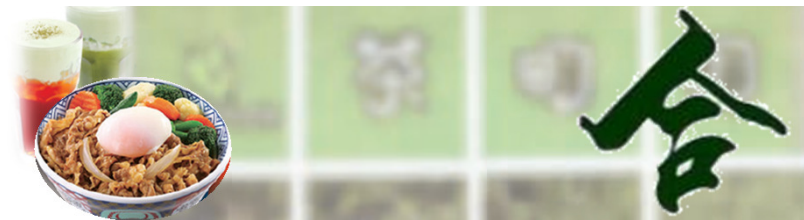


## Revenue by Brand





# Stable Structure of Costs & Expenses



Labor costs and rental expense as a % to revenue maintained at reasonable levels

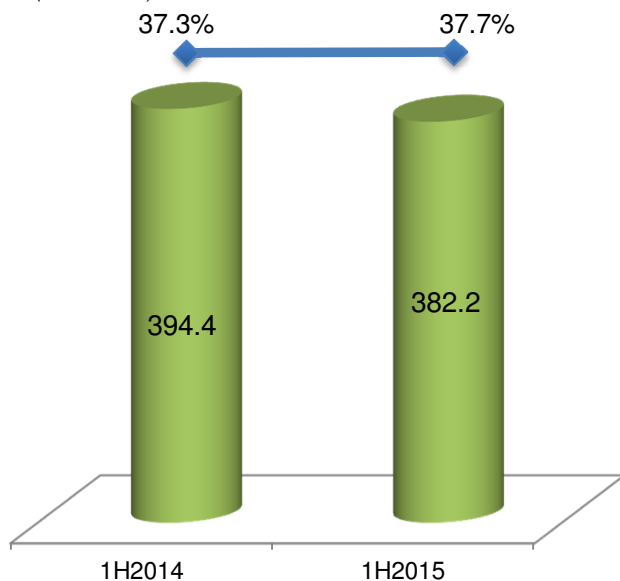
✓ Stringent cost controls and product mix optimization maintained reasonable GP margin

✓ Enhanced operational efficiency and “Virtual Partnership Scheme” started to bear fruits with lowered labour cost

✓ Streamlined network and stores of smaller size reduced rental cost

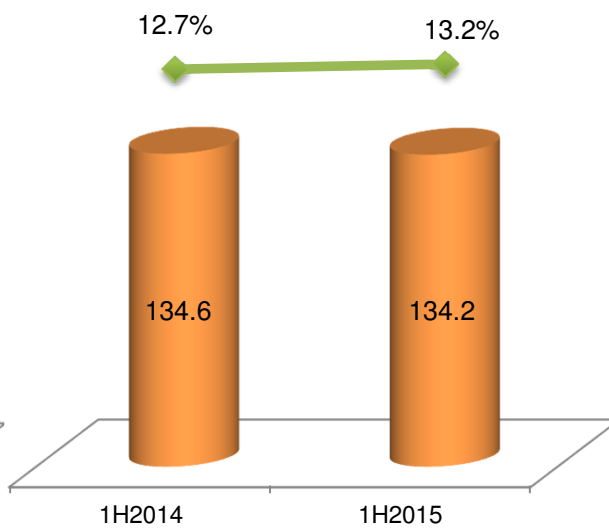
## Direct Cost of Stocks Sold

(HK\$ million)



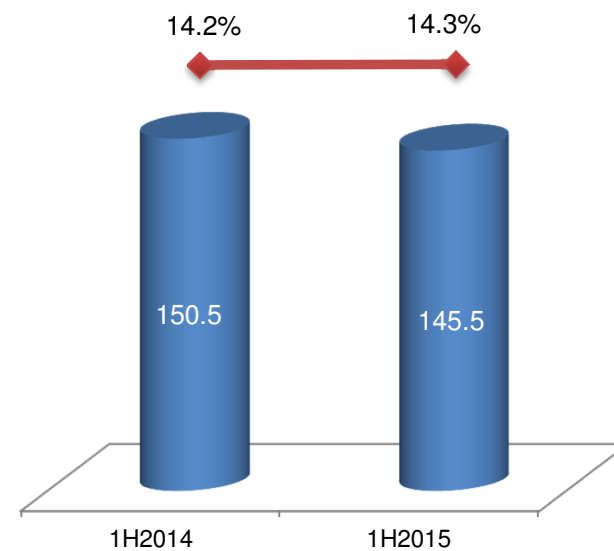
## Labor Costs

(HK\$ million)



## Rental Expense

(HK\$ million)



■ Direct Cost of Stocks Sold

↔ Direct Cost of Stocks Sold as % of turnover

■ Labour Costs

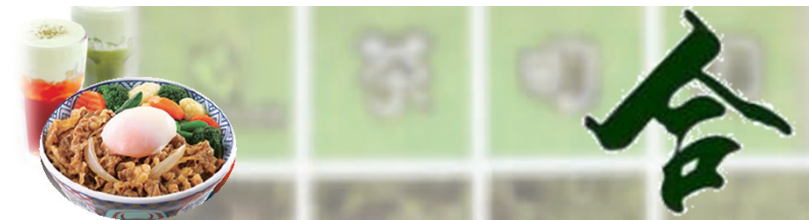
↔ Labor costs as % of turnover

■ Rental expense

↔ Rental expenses as % of turnover



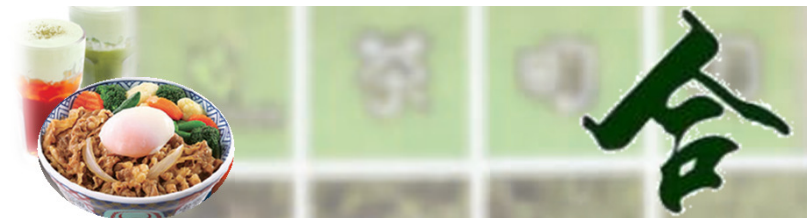
# Sound Working Capital Management



<i>(Days)</i>	As of 30 Jun 2015	As of 31 Dec 2014
<b>Receivable Turnover Days</b>	<b>0.8</b>	1.2
<b>Inventory Turnover Days</b>	<b>61.2</b>	51.9
<b>Payable Turnover Days</b>	<b>59.7</b>	59.9
<b>Cash Conversion Cycle</b>	<b>2.3</b>	(6.8)

*Active Cash Management Results in Healthy Cash Conversion Cycle*

# Strong Cash-flow & Healthy Balance Sheet



## Cash Flow Generation

As of 30 June

(HK\$ million)	2015	2014
<b>Net cash inflows from operation</b>	<b>72.5</b>	<b>138.9</b>
<b>Purchase of property, plant and equipment items</b>	<b>(40.2)</b>	<b>(43.3)</b>
<b>Interest payments and net movement of bank loans</b>	<b>(0.4)</b>	<b>7.8</b>
<b>Dividends paid</b>	<b>(25.2)</b>	<b>(25.0)</b>
<b>Net Increase in Cash</b>	<b>6.7</b>	<b>78.4</b>

## Gearing Summary

(HK\$ million)	As of 30 Jun 2015	As of 31 Dec 2014
Cash	343.2 ↑	336.5
Total Debt	30.0	30.0
Net Cash	313.2 ↑	306.5

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



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# FUTURE PROSPECTS



吉野家  
YOSHINOYA

香辣猪肉丸 **新**

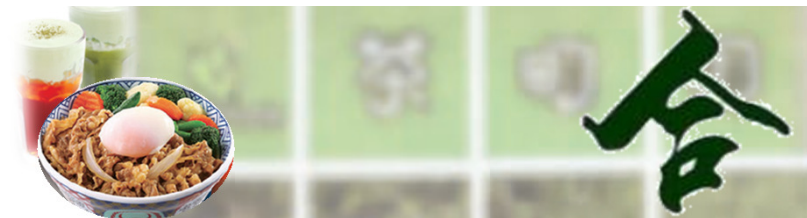
菌菇大骨汤



新上市



# Management Outlook



## Short to medium term

### Short to medium term: Market Consolidation

- Fierce competition in the QSR sector further intensified by the growing use of internet / O2O for scalable rebate / coupon redemption campaigns offered by renowned search engines / social media platforms
- Sluggish China economy weakens customer sentiment
- Difficult operating environment due to the increasing costs

## Medium to long term

### Medium to long term: Cautious industry & economic outlook

- Chinese economy growth slowdown and rapidly changing operating environment in China placed pressure to QSR players
- Urbanization in China and the improvement of the living standard and rising disposal incomes of Chinese people laid solid foundation for further growth
- Continue to build and enhance our foundation to solidify our leading position to capture business opportunities and further penetrate the market after the current industry trough



*Operators who could embrace changes, have flexibility in policies and an efficient operational system → higher chance of capturing the opportunities in this era of internet and rapid changing environment*



# Our Growth Strategies



**1** Optimize Store Investment & Store Network



**2** Extend Menu Portfolio & Enhance Product Mix



**3** Effective Cost Control Measures



**4** Enhance Marketing Incentives



# 1 Optimize Store Investment & Store Network



吉野家  
YOSHINOYA



DQ



茶町町



## Optimize Store Investment & Open Stores at a Steady Pace

- Build stores of smaller size in the franchised region to reduce the investment costs with enhanced returns
- Solidify relationship with landlords and negotiate a better rental rate
- Prudent store opening strategy: leverage “Beijing-Tianjin-Hebei Integration”, focus on opening stores with business potential
- Renovate stores with the “Home” theme to enhance cozy environment for our customers
- Further open “Chatting” stores to capture new customer segment

*Progressive store opening strategy to further penetrate into the market*

2

## Extend Menu Portfolio & Enhance Product Mix



### Different Meal Sets to Cater Different Needs

- **Value meal** offered during non-peak hours for those customers who are looking for “value for money” products
- Enhance the offering of **complete dinner sets with drinks and desserts** for the customers who have higher consumption power and are looking for better dining experience
- Continue the “**early lunch**” and “**late lunch**” approach



### Extend Product Portfolio & Introduce New Products



- Stimulate the taste buds of our customers by introducing innovative new products
- A strategic and comprehensive product portfolio to mitigate the impact of the fluctuations of different meat costs

### Better Customer Segmentation & Introduction of Chatting

- Track the market and consumption trend based on the **customer segmentation** and **CRM system**
- A new brand “**Chatting**” was introduced to the market in April 2015 to offer different kinds of tea drinks





3

## Effective Cost Control Measures

### “Virtual Partnership Program” to Boost HR Efficiency

- The “**Virtual Partnership Scheme**” has been implemented in all stores in 2Q 2015 and improvement in operating our efficiency can be seen gradually.
- It allows the heads of stores to operate their establishments as if they were the owners and motivate the seniors to be continuous source of various creative ideas and cost-saving suggestions for improving the performance of the Group.
- The plan not only raises the morale of the persons in charge by giving them a sense of ownership, but also allows them to share the success of the stores.

- A “**Share Award Scheme**” was established in April 2015 to motivate and retain selected senior staff
- Maintain competitive compensation packages and provide trainings to retain talents

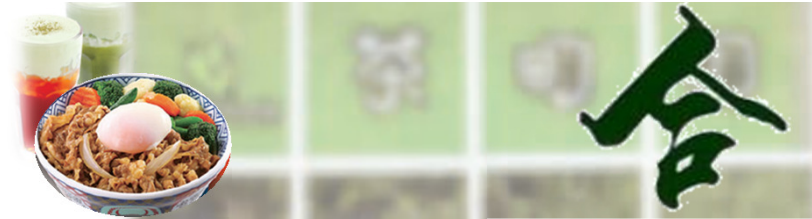


### Stringent Rental Control & Improvement of Store Efficiency

- The “**separation of cashier and pick up counters**” has been implemented across all branches in Beijing in Jan 2015 and will eventually be extended to all branches within our Franchised Region this year
- Separation of “cashier” and “pick up” counters to receive more customer orders and enhance the store efficiency



# 4 Enhance Marketing Initiatives



## Build a "At Home" Feeling for Our Customers



- To create an "at home" feeling for our customers as if Yoshinoya is their second home
- The dining concept is "simple and straight forward"
- Allow customers to observe the operation of the kitchen and production process to reinforce the unique "fresh and made on spot" image

## Trendy and Fashionable Ice Cream Expert



- Reinforce DQ's image as a young, fashionable and trendy ice-cream expert with distinctive shop front and eye-catching signage
- Improve display and increase product varieties in the front counters



## Delivery Service to Bring Additional Income

- Enhanced customer outreach strengthens the Group's delivery capabilities
- Broaden customer base including customers preferring to dine at workplace or home
- Broaden income stream



Internet web  
online  
platform



Call Centre

## Explore various sales channels



- Link up with several online platforms to boost the sales volume.



# Multi-brand Strategies



吉野家

YOSHINOYA

- Introduce different kinds of new products to satisfy customers' needs and broaden customer portfolio
- ◆ "Value meal" product line
- ◆ Stone pot
- ◆ Pork rice
- ◆ Noodle



茶+可可  
Chatting



- Different ice-cream products and side items, such as popcorn, have been introduced to our customers.
- New flavors of Blizzard: waffle, new hotdogs, colorful cones, etc.



## NEW

- *Chatting* is the new brand that offers different kinds of tea drink and was introduced to the market in April this year.
- More *Chatting* stores will be opened to offer our customers a variety of drink choices.



# Our Mission



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





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# Q&A

吉野家  
YOSHINOYA



用笃定之心 为料  
以细致之心 慢煮  
再加上荣誉之心 调味  
为您呈上这碗牛肉饭

锅达人 匠息存