



# HOP HING GROUP HOLDINGS LIMITED

(HKEx Stock Code: 47)

## 2016 Interim Results Corporate Presentation

26 August 2016



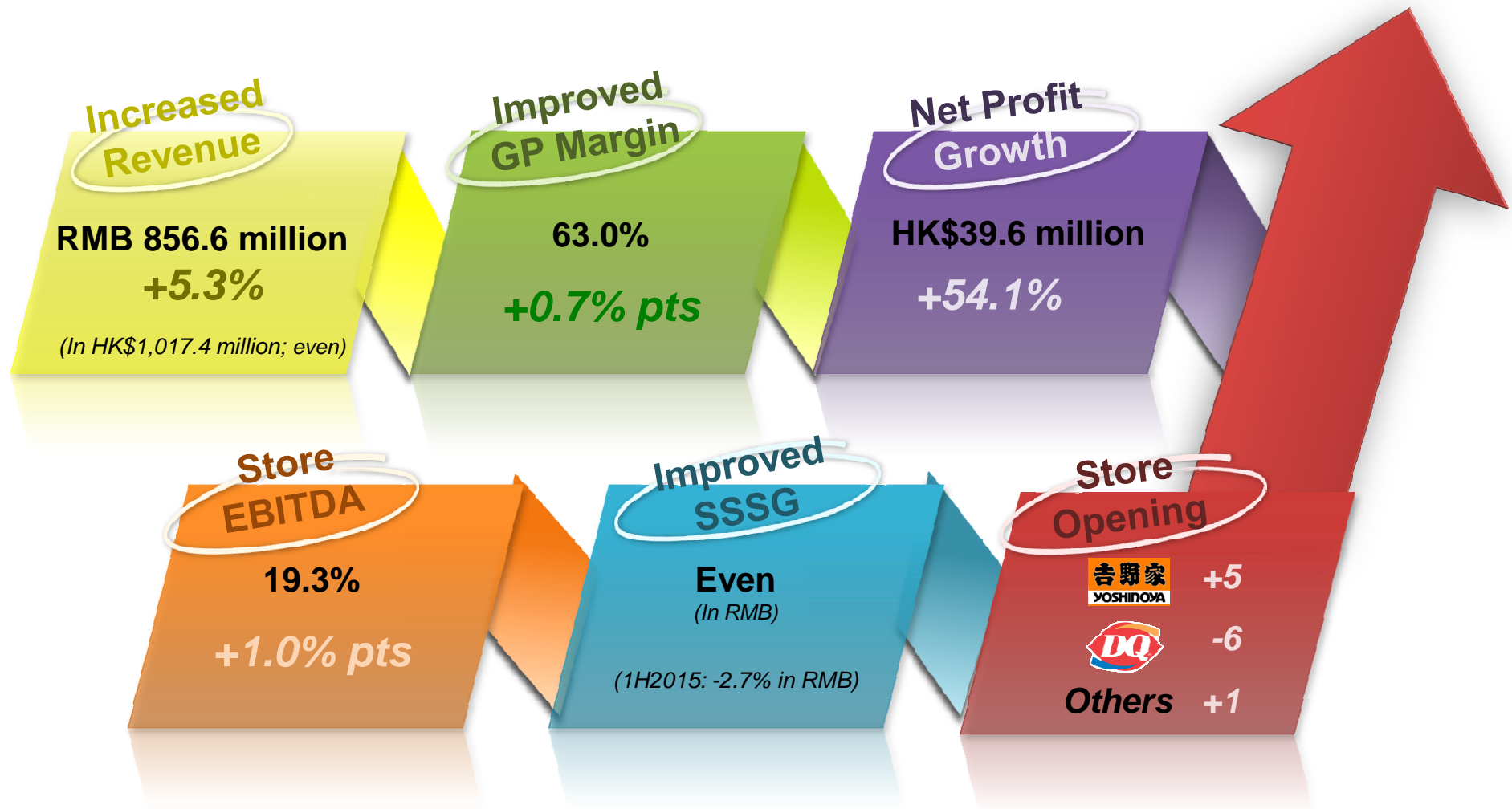
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# 2016 1H Operational Update

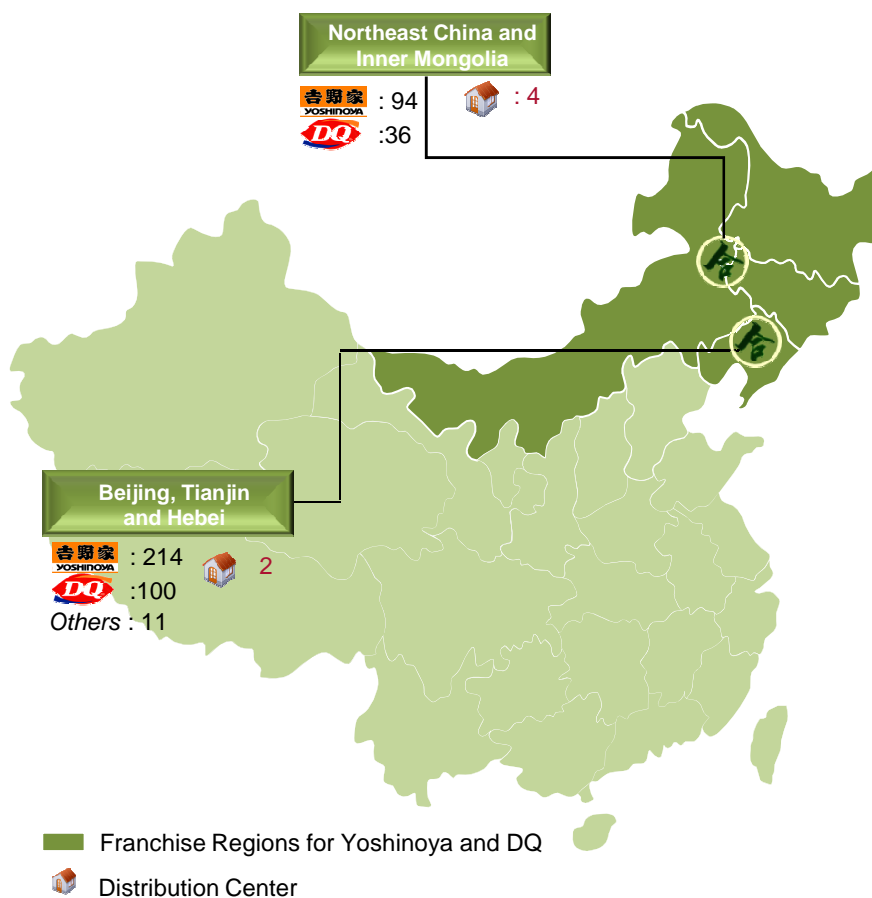


# Continued Efforts on Optimising Our Store Network



Total: 455 Stores

As of 30 Jun 2016



Continued to Improve Quality of Our Store Network

	吉野家 YOSHINOYA		DQ		Others		Total	
	As of 30 Jun 2016	As of 31 Dec 2015	As of 30 Jun 2016	As of 31 Dec 2015	As of 30 Jun 2016	As of 31 Dec 2015	As of 30 Jun 2016	As of 31 Dec 2015
Beijing, Tianjin and Hebei	214	212	100	106	11	10	325	328
North-east China and Inner Mongolia	94	91	36	36	NA	NA	130	127
<b>Total</b>	<b>308</b>	<b>303</b>	<b>136</b>	<b>142</b>	<b>11</b>	<b>10</b>	<b>455</b>	<b>455</b>







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YOSHINOYA

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# FINANCIAL HIGHLIGHTS



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# 2016 1H Financial Highlights



(HK\$ million)	For the 6 months ended 30 June		
	2016	2015	YoY Change
<b>Turnover</b>	<b>1,017.4</b>	1,014.8	<b>+0.3%</b>
<b>Gross Profit</b>	<b>641.3</b>	632.6	<b>+1.4%</b>
<b>EBITDA</b>	<b>106.3</b>	89.3	<b>+19.1%</b>
<b>Operating Profit<sup>2</sup></b>	<b>53.2</b>	31.6	<b>+68.4%</b>
<b>Profit for the Period</b>	<b>39.6</b>	25.7	<b>+54.1%</b>
<b>Basic EPS (HK cents)</b>	<b>0.40</b>	0.26	<b>+53.8%</b>
<b>Key Financial Ratio</b>			
<b>GP Margin (%)</b>	<b>63.0%</b>	62.3%	<b>+0.7% pt</b>
<b>EBITDA Margin (%)</b>	<b>10.5%</b>	8.8%	<b>+1.7% pts</b>
<b>OP Margin (%)<sup>2</sup></b>	<b>5.2%</b>	3.1%	<b>+2.1% pts</b>
<b>NP Margin (%)</b>	<b>3.9%</b>	2.5%	<b>+1.4% pts</b>
<b>Expenses</b>			
<b>Selling and distribution expenses<sup>1</sup></b>	<b>(444.5)</b>	(446.7)	<b>-0.5%</b>
<i>Selling and distribution expenses(%)<sup>1</sup></i>	<b>43.7%</b>	44.0%	<b>-0.3% pt</b>
<b>General and administrative costs<sup>1</sup></b>	<b>(92.6)</b>	(100.7)	<b>-8.0%</b>
<i>General and administrative costs(%)<sup>1</sup></i>	<b>9.1%</b>	9.9%	<b>-0.8% pt</b>
<b>Depreciation</b>	<b>(51.0)</b>	(53.6)	<b>-4.8%</b>
<i>Depreciation(%)</i>	<b>5.0%</b>	5.3%	<b>-0.3% pt</b>

**IMPROVED**



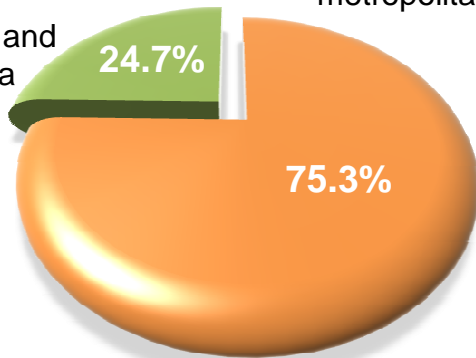
# Segmental Breakdown



## Revenue by Region

**2016 1H**

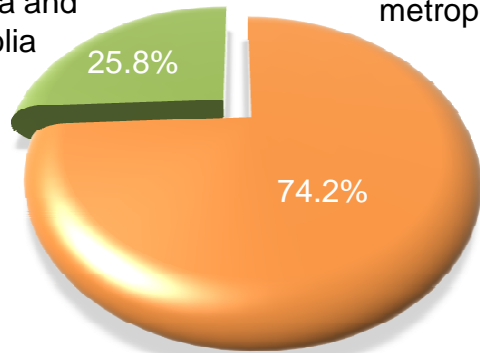
Northeast China and Inner Mongolia



Beijing-Tianjin-Hebei metropolitan region

**2015 1H**

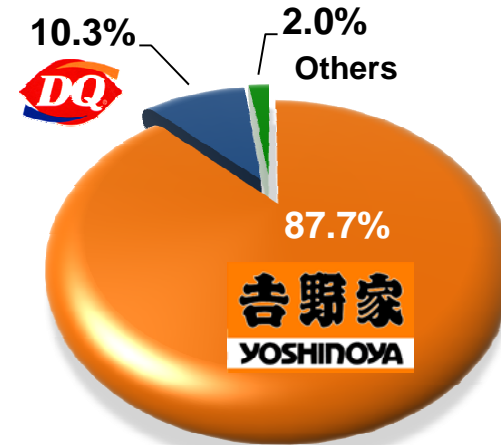
Northeast China and Inner Mongolia



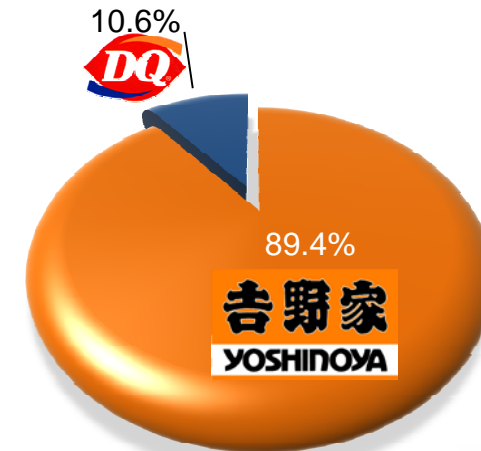
Beijing-Tianjin-Hebei metropolitan region

## Revenue by Major Brand

**2016 1H**



**2015 1H**



# Stable Cost & Expense Structure



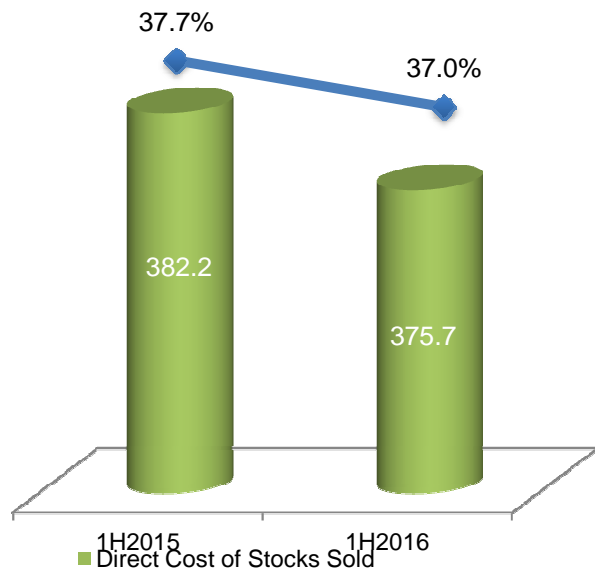
■ **Stringent cost controls, bulk procurement, product mix optimisation and a drop in raw material costs boosted GP margin**

■ **Employee-initiated scheme increased cost of staff with bonus sharing to retain talents – however, the increased labour costs were partially offset by the cost saving in other operating expenses**

■ **Slightly decreased rental expenses due to opening smaller stores and closing underperforming stores**

## Direct Cost of Stocks Sold

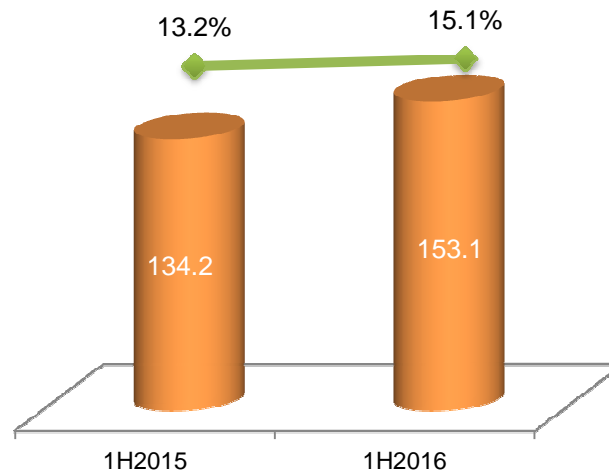
(HK\$ million)



■ Direct Cost of Stocks Sold as % of turnover

## Labour Costs

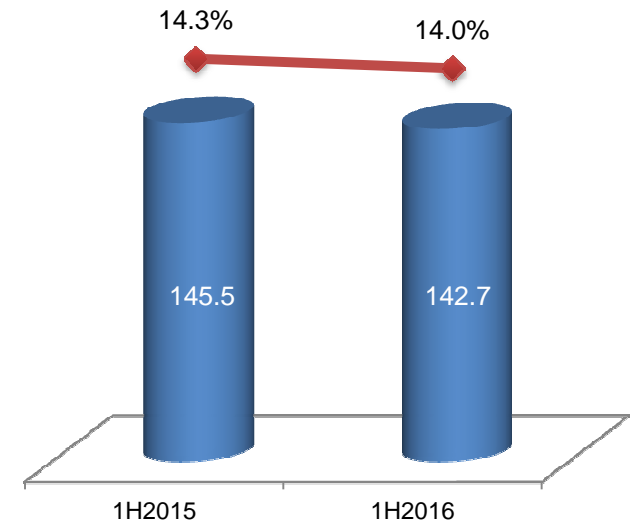
(HK\$ million)



■ Labour Costs    ■ Labor costs as % of turnover

## Rental Expenses

(HK\$ million)



■ Rental expenses    ■ Rental expenses as % of turnover



# Sound Working Capital Management



<i>(Days)</i>	As of 30 Jun 2016	As of 31 Dec 2015
Receivable Turnover Days	0.9	1.2
Inventory Turnover Days	62.2	59.6
Payable Turnover Days	57.0	57.4
Cash Conversion Cycle	6.1	3.4

*Active Cash Management Results in Healthy Cash Conversion Cycle*





# Strong Cash-flow & Healthy Balance Sheet



## Cash Flow Generation

As of 30 June

(HK\$ million)	2016	2015
<b>Net cash inflows from operation</b>	<b>150.3</b>	72.5
Purchase of property, plant and equipment items	(44.8)	(40.2)
Interest payments and net movement of bank loans	9.5	(0.4)
Shares purchased under share award scheme	(15.3)	-
Dividends paid	(25.2)	(25.2)
Others	(1.6)	-
<b>Net increase in cash</b>	<b>72.9</b>	6.7

## Gearing Summary

(HK\$ million)	As of 30 Jun 2016	As of 31 Dec 2015
<b>Cash</b>	<b>428.4</b>	355.5
<b>Total Debt</b>	<b>(10.0)</b>	-
<b>Net Cash</b>	<b>418.4</b>	355.5

*Maintained a strong and healthy cash inflow from operations*



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# FUTURE PROSPECTS



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# Management Outlook

– Solidify Leading Position by Precisely Execute Core Growth Strategies  
Amidst A Challenging Environment



*Operators with a solid foundation, high operational efficiency & experienced management team are in a better position to capture market opportunities in a difficult business environment*

## Short to medium term

### Short to Medium Term: Market Consolidation

- Sluggish Chinese economy with the official average annual GDP growth target for 2016-2020 revised down to 6.5% weakens customer sentiment
- Fierce competition in the QSR sector further intensified by growing use of the internet technology
- Difficult operating environment due to the increasing costs
- Adverse weather will continue to plague regions in which the Group operates

## Medium to long term

### Medium to Long Term: Cautiously Optimistic Outlook

- Slowdown in Chinese economy growth and rapidly changing operating environment in China placed pressure on QSR players' revenue
- The degree of urbanisation in China in 2030 will be raised to 70% from today's 56%. The improvement of the living standard and rising disposable income of Chinese people will lay a solid foundation for further growth
- The Group will benefit from the government's plan to realign functions and priorities of the areas and cities surrounding the capital and the Northern China region
- 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

# Our Growth Strategies

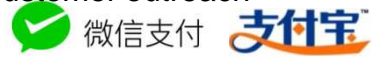


# 1 Enhance O2O Strategies & Delivery Capability



## Enhanced O2O Strategies

- Launch creative social media campaigns to gather fans and gain a good understanding of the changing needs and preferences of consumers
- Strengthen the partnerships with more popular **online catering platforms** to increase brand exposure and enhance customer outreach
- Extended use of **smart payment** to provide additional convenience to customers
- **Yoshinoya's Wechat Mall** will commence operation in 2H 2016, providing an additional point of sales



## Strengthened Delivery Capability

- Comprehensive online platforms boost sales from delivery business
- Systematic backend system ensures efficient orders taking and processing
- Own delivery team assures stable delivery services and products quality all-year round
- Build kiosks & takeaway stores to complement O2O strategies





## Utilise Information System to Develop Comprehensive and Innovative Product Portfolio



### Enhanced Information System to Ensure Efficient and Effective Actions Responding to Customers' Ever-changing Needs

#### Better Customer Segmentation with Enhanced Information System

- ◆ Upgraded information system to track and analyse the market and consumption data collected from the internet platforms (including social media platforms, the Group's Web Online Platform and mobile WAP ordering system) with **customer segmentation** in a more accurate manner
- ◆ Customer service center to collect customers' feedbacks
- ◆ Tailor the best promotional campaign and introduce suitable products based on the collected data to cater to the ever-changing customer preference and needs
- ◆ Implementation of a **business intelligence system** to derive better procurement strategy and achieve better inventory control

The latest promotional campaign of Yoshinoya's cartoon icon 'Jimengmeng' (吉萌萌), targeting the younger generation, was proved to be a success



#### Extending Menu Portfolio & Enhancing Product Mix

- Stimulate customers' taste buds by introducing new products from time to time
- A strategic and comprehensive product portfolio, including dinner combo sets and value meals, etc., to cater to different customers' needs





- Continue to open **Concept Stores**, **Regular Stores** and **Take-away Stores** particularly in the capital city – Beijing to target customers with different needs and expectations
- Carefully examine the market situation in Tianjin, Hebei and Northeast China and identify suitable locations with business potential to extend the Group's market penetration
- Renovate older stores to provide our customers with a cozy environment

## Unique Store Opening Strategy to Cater to Customer's Diversified Needs

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### Concept Store

- Provide affordably luxurious dining experience with quality food served
- Enhanced menu with more diversified selections
- More spacious seats with higher customer-accommodating capacity
- Store size:
  - Yoshinoya: 200-250 m<sup>2</sup>
  - Dairy Queen: 50-100 m<sup>2</sup>



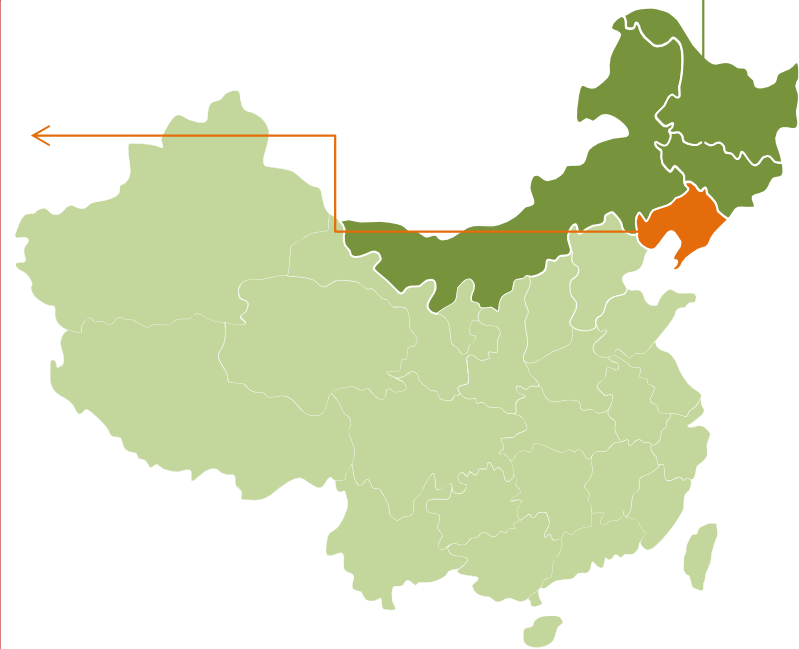
### Regular Store

- Build smaller size regular stores at strategic locations to achieve better ROIs
- Adjust DQ regular store opening strategy to focus mainly on mega shopping malls with floor area of 100,000+ m<sup>2</sup>
- Store size:
  - Yoshinoya: 100-150 m<sup>2</sup>
  - Dairy Queen: kiosks - 30 m<sup>2</sup>



### Takeaway Store

- Mainly for customer takeaway service with only limited / without seats available
- Smallest store size with the least investment cost



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## Continue to Improve Operating Efficiency with Careful Cost Control Measures



- The employee-initiated scheme, namely '**Virtual Partnership Scheme**', has started to bear fruit – keeping down utility costs and improving store operating efficiency
- **Delegation of power to staff** of all ranks helps flatten the hierarchy and leads to shortened communication procedures, quicker decision-making processes, more effective plan execution and boosted productivity



- **Revamp the existing stores** to fully utilise the floor area
- **Building stores of smaller size** to reduce the investment costs with enhanced returns
- **Solidify relationship with landlords** and negotiate a better rental rate

**Boost Overall Operating Efficiency with Different Means**



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## Elevate Customer Satisfaction Level



### Striving for Excellence

- Constantly invent innovative cooking methods to improve the texture and taste of food
- Remains committed to cooking and serving our customers right at the spot where they place their orders to keep the freshness of the products



### Boosting Efficiency

- All of the stores have implemented *separation of 'cashier' and 'pick up' counters* which helps receiving more customers' orders
- Boost customer-serving capacity and streamline workflow by redesigning floor plans of the kitchens



### Commitment to Quality

- Hop Hing's food safety and occupational health and safety management systems have earned *ISO22000* and *OHSAS18001* certifications
- Control the quality of raw materials from sources and establish long-term cooperative relationships with well-established suppliers



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# Continued Efforts to Strengthen Brand Image & Multi-brand Strategies



## Strengthening the Well-established Brands



### Fueling Stations for Dreams

- Nutritious and tasty food serves as customers' fuels for dreams. Spacious seats with extra comfort allow customers to unwind amidst a busy day



### Trendy and Fashionable Ice Cream Expert

- Reinforce DQ's image as a young, fashionable and trendy ice-cream expert with improved display and wider product varieties in the front counters

## Cultivating the Brands and Platform



### Enjoying great food anytime, anywhere

- Delivery services help broaden customer base by bringing hot food straight to customers' doorsteps, with ready-to-go drinks and snacks as a supplement

*Diversified brands to cater to different customers' needs*



*Introduce new brands at opportune time to unleash hidden market potential*



# Our Mission



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





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# Q&A



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# Follow Us

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