



Hop Hing Group Holdings Limited
Stock Code: 47

**2019 Q1 Operational Update &
2018 Annual Results
Corporate Presentation**
April 2019

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Business Review



Market Overview and Hop Hing's Strategies



Market Challenges



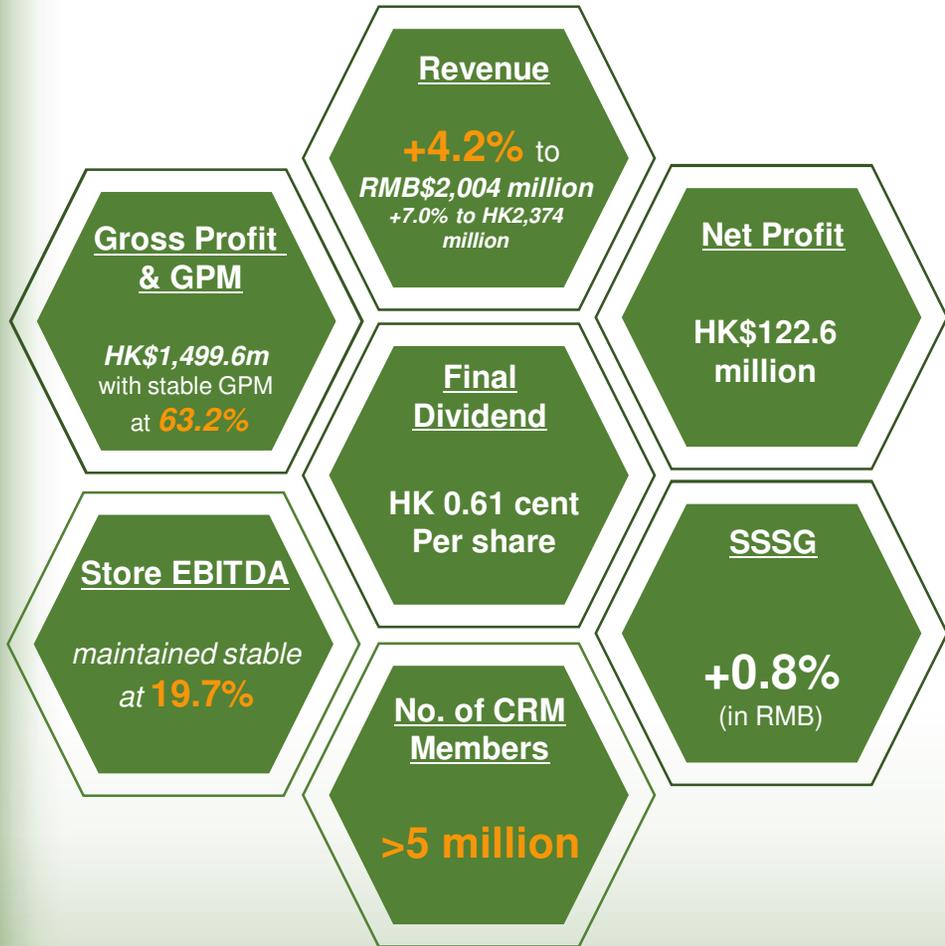
Hop Hing's Strategies



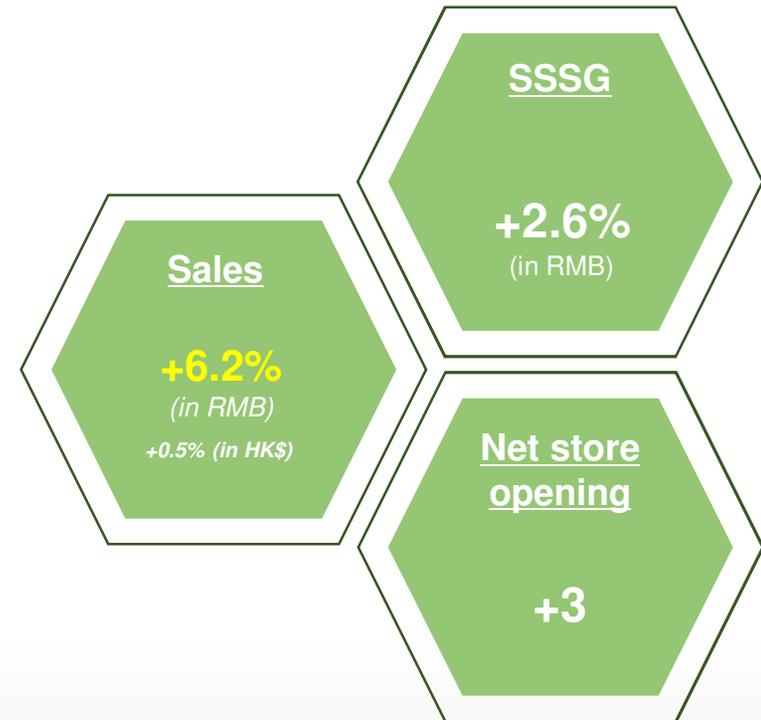
FY2018 Operational Update & 2019 Q1 Update



2018 Annual Results Update



2019 Q1 Operational Update



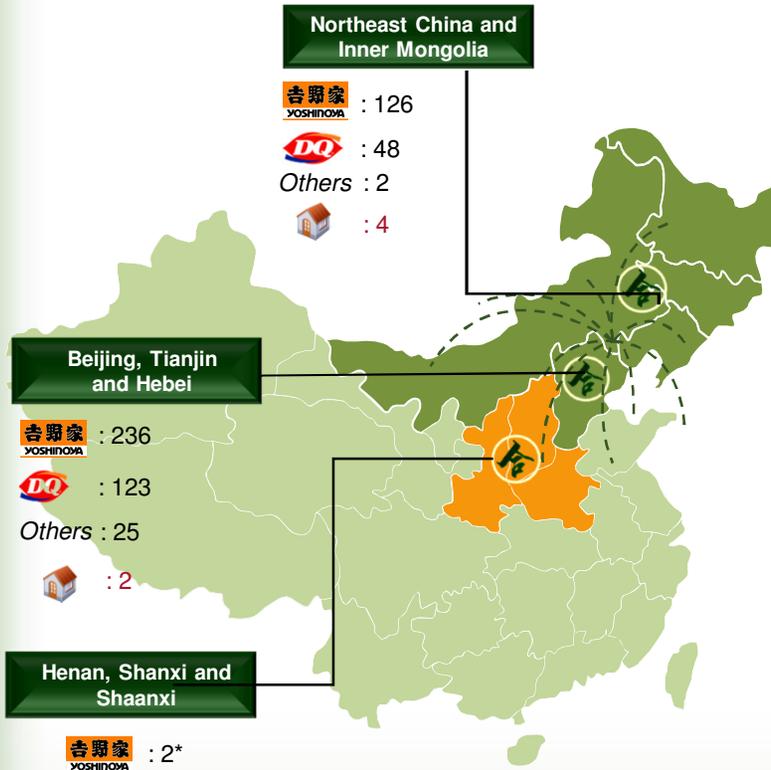
Steadily Widening Store Network



Total: 562 Stores (As of 31 March 2019)

Widen our Store Network According to Plan

No. of Stores (Net)



Store Opening Strategies in Franchise Regions

- Continues to open stores with products, services and brand upgrade
- Target to open relatively smaller size stores to enhance ROI
- Continue to broaden store network in Northern China with Yoshinoya, DQ and new brands

Store Opening Strategies in New Regions

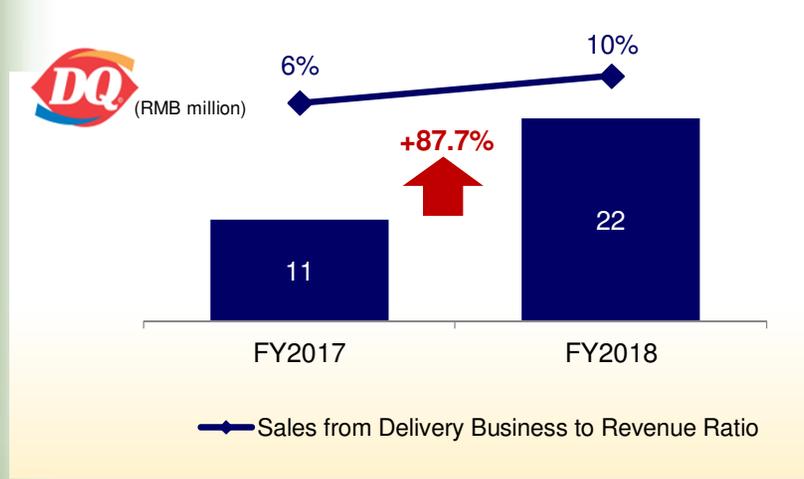
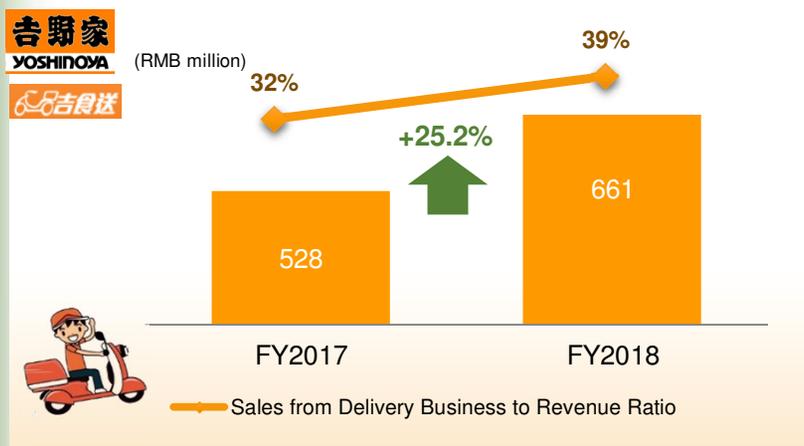
- Formation of a Joint-venture with Yoshinoya Japan, obtain exclusive operating rights of Yoshinoya stores in **Henan, Shanxi and Shaanxi**
- Opened 2 Yoshinoya stores in Henan as at end of 2018
- Steadily open stores and uplift Yoshinoya's brand image in the New Regions

■ Franchise Regions for Yoshinoya and DQ
 ■ New Regions with exclusive operating rights obtained from Yoshinoya Japan
 ■ Distribution Centers
 * Operating by the JV

Delivery Business Continued to Grow



Revenue from delivery business continued to grow



Well-recognized brands with customer's full confidence



Online

- Continue to cooperate with third party online platforms to increase ordering revenue
- Enhance the Group's self-operated online/delivery platforms with more marketing and promotions to enhance profitability
- > 5 million CRM members as of 31 Dec 2018



Offline

- Well recognized brand image
- Extensive store network coverage to support faster delivery

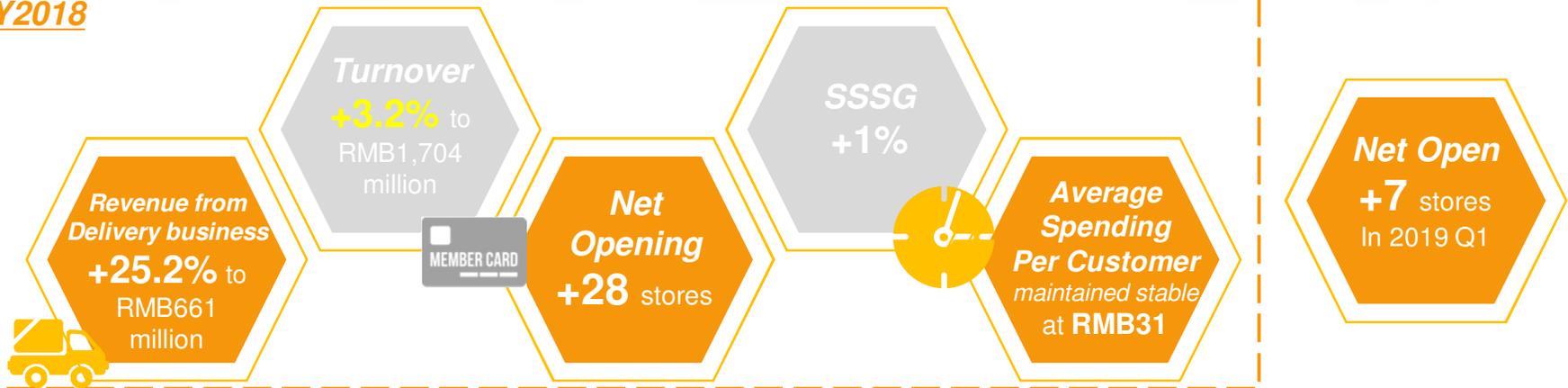
Delivery

- Nearly all of the Yoshinoya stores in Beijing support delivery services with the Group's own delivery team
- Increase the promotion on the own ordering online platform with differentiate products to divert the customers from 3rd parties online ordering platform

Successfully seize the huge demand on delivery services arising from the change of consumer consumption habit



FY2018



Business Review

- Yoshinoya’s delivery business continued to grow
- Revenue from Yoshinoya’s delivery service increased by approximately **25.2%** to **RMB 661 million**
- Continued to widen store network for greater service coverage to support faster delivery
- Nearly **50%** of our Yoshinoya stores featuring **“Yoshinoya 3.0” or above** experience
- Continued to enrich product portfolio to increase customers’ spending, enhance customers’ loyalty and mitigate various food cost fluctuation



Upcoming Strategies

Delivery services

- Exclusive promotions on the Group’s self-owned ordering platforms with exclusive products to attract more customers with higher profitability



Store Opening Strategy & Brand Upgrade

- More stores to be evolved to **“Yoshinoya 4.0”**
- Open “dine-in focus store” and “delivery focus store” respectively to improve operating efficiency



New Products

- Focus on introducing **value for money** products





Dairy Queen – Delivery Business Becomes New Growth Driver



FY2018



Business Review

- Revenue from delivery business surged **87.7%** to RMB 22 million and accounted for 10.2% of DQ's revenue from 5.9% in FY2017
- Boost promotions during special occasions to increase sales
- Launched DQ membership program and integrated with Yoshinoya membership's system for cross-selling and promotions



Upcoming Strategies

Delivery services

- Continue to grow delivery business and provide promotions during festive seasons to attract more customers

Brand Upgrade

- Continue to open new stores with stylish design and renovate old stores with more innovative and trendy elements to attract younger generation

New Products

- Continue to launch various types of products including light refreshment and add new elements to existing products to stimulate target customers' taste buds

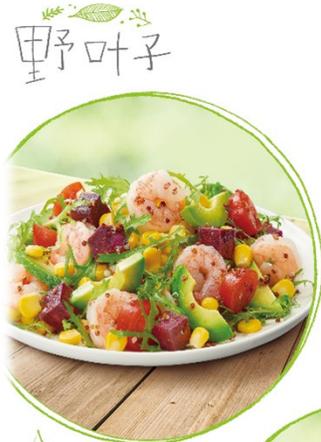
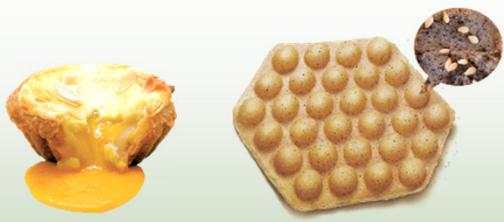


Other Brands – Continue to Introduce New Brands & Products



Continue to introduce new products to simulate customers taste buds

HK Snacks



Asian authentic food

买一赠一
新店开业

¥30 232 KCAL
轻体代餐沙拉

¥17.5
¥35 326 KCAL
帕斯雀牛肉沙拉

Healthy Products





Future Growth Strategies



Growth Strategies



2019 and beyond

Medium and Long Term Strategies



New Store Model



Open new stores and renovate existing stores in **5** different models

1

Flagship Store



2

Stylish Experience Store



3

Specialized store

Delivery Focus

Dine-in Focus

4

Convenience store

5

Small size store



Enhance Delivery Service to Capture Business Opportunities



Differentiation of food products to catch various customers' needs



Yoshinoya

- Satisfy immediate needs  吉食送
 - Require higher delivery efficiency



Dairy Queen

- Scheduled order for special occasions
 - Preserved the delivering capability



Seize the huge demand from Yoshinoya and DQ's delivery service and better allocate internal delivery resources to maintain Hop Hing's competitiveness

Enhance the Group's self-run ordering platforms to attract more customers

- Continue to work with third-parties' delivery platforms to capture business opportunities of delivery business
- Well balanced internal and external resources to boost customers' satisfaction toward our delivery service
- Promote the Group's self-owned ordering platforms leveraging the Group's increasing membership and improved CRM system
- Broaden the store network so as to support faster delivery



Enhance O2O and Technology via Membership Program & Customer Analysis



秒变会员



立享特权



5 Million CRM members
as at 31 Dec 2018

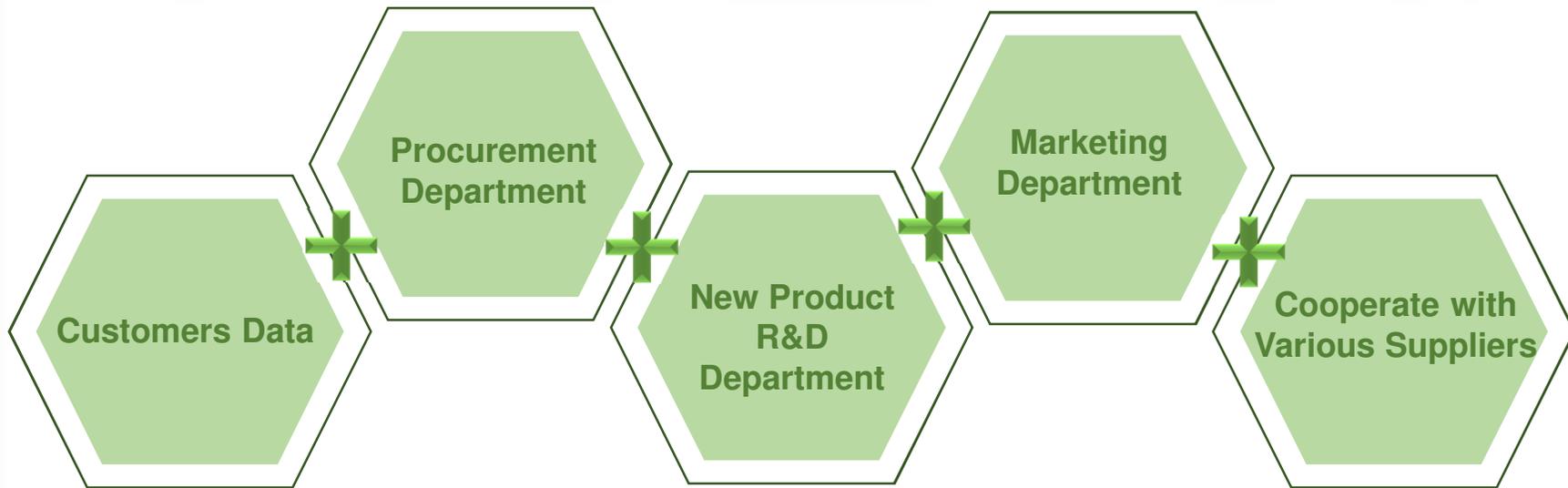
- The number of loyalty members of the Group's CRM system increased notably since its launch in the 2H17
- Integration of new technologies e.g. artificial intelligence, mobile payment and customers data to enhance O2O business model
- Leveraging the CRM platform, the customer feedback's will be passed to company at real time, which enhances the customer satisfaction effectively



古食送小程序点餐
古享优惠

扫一扫,成为会员
享优惠

Reform Supply Chain to Enhance Profitability



Create "Value for Money" Products

Enhance the Group's Profitability



Brand Upgrade and Employee incentive schemes



Brand Upgrade and development



Service upgrade + Image Upgrade



Product Upgrade

Continue to explore different employee incentive schemes



Continue to implement employee incentive schemes and improvement in organizational structure to raise efficiency

Growth Strategies: Medium to Long Term



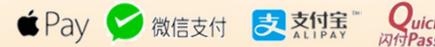
Continue to develop “New Retail Model”



- Introduced smart vending machines in Q2 2018, providing instant food, salad and pre-packed products
- **157** point-of-sales introduced for selling pre-packaged food as at 31 Dec 2018

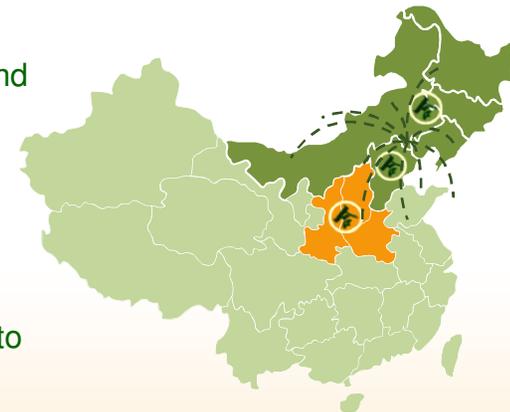


- Well developed smart payment infrastructure to support the “New Retail Model”



Continue to looking for any M&A opportunities

- With the good management and excellent business performance in the past decades, Hop Hing maintained good relationship with Japan Yoshinoya Group and set up a joint venture together in FY2018 with exclusive operating rights of Yoshinoya in **Henan, Shanxi and Shaanxi**
- Broadened Yoshinoya operations area from “**5 provinces and 2 cities**” to “**8 provinces and 2 cities**”, the customer base of the Group’s franchise regions is increased from around 240 million to around **400 million**
- Steadily widening Yoshinoya’s store network in the New Regions while continue to grow all brands in Northern China to increase market penetration and seize business opportunities
- Continue to look for any **M&A opportunities** to strengthen the brands portfolio and integrate the resources





2018 Annual Results Financial highlights



2018 Annual Results

Key Financial Figures



(HK\$ million)	For the year ended 31 December	
	2018	2017
Turnover	2,374.0	2,218.3
Gross Profit	1,499.6	1,408.8
EBITDA	280.1	338.7
Operating Profit ¹	164.4	217.0
Net Profit for the Period	122.6	167.4
Basic EPS (HK cents)	1.25	1.71
Key Financial Ratio		
GP Margin (%)	63.2%	63.5%
EBITDA Margin (%)	11.8%	15.3%
OP Margin (%) ¹	6.9%	9.8%
NP Margin (%)	5.2%	7.5%
Expenses		
Selling and distribution expenses ²	(1,032.2)	(913.8)
<i>Selling and distribution expenses (%)²</i>	<i>43.5%</i>	<i>41.1%</i>
General and administrative costs ³	(203.4)	(180.9)
<i>General and administrative costs (%)²</i>	<i>8.6%</i>	<i>8.2%</i>
Depreciation	(99.2)	(97.2)
<i>Depreciation (%)</i>	<i>4.2%</i>	<i>4.4%</i>

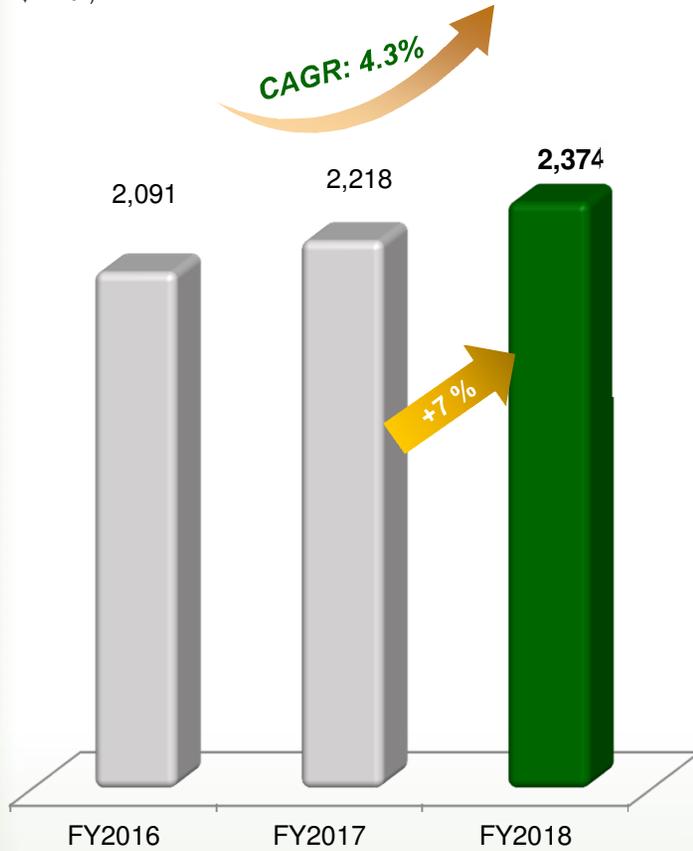
The Board of Directors recommends the payment of a final dividend of HK0.61 cent per share for the year ended 31 December 2018

Revenue



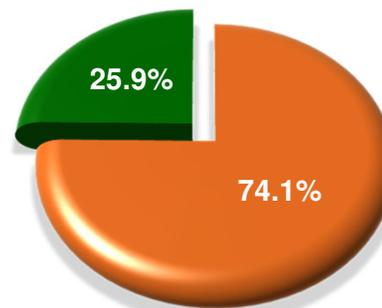
Revenue

(HK\$ million)

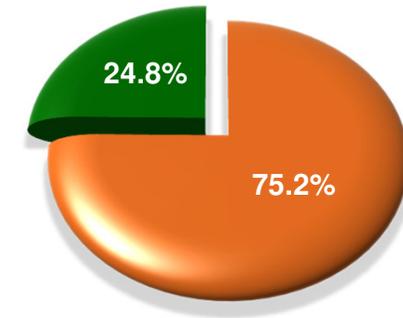


Revenue by Region

FY 2018



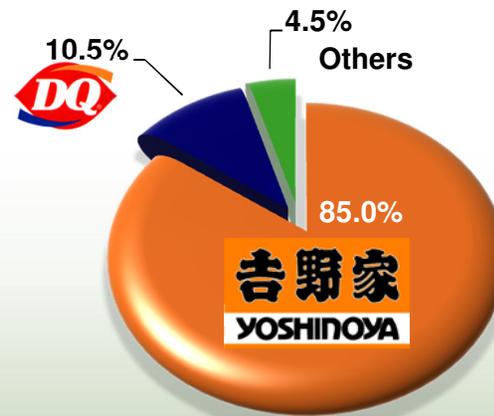
FY 2017



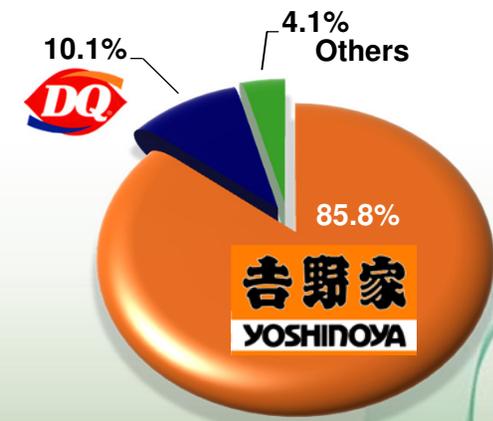
■ Beijing-Tianjin-Hebei metropolitan region ■ Northeast China

Revenue by Major Brands

FY 2018



FY 2017



Stable Cost & Expense Structure



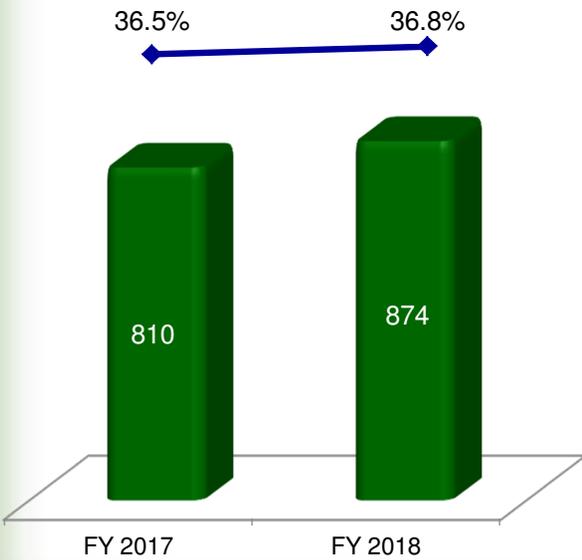
 Strived to maintain stable food cost amidst the rising meat cost

 Constantly strives to motivate staff with the effective incentive scheme

 Maintained rental expense at a reasonable level

Cost of Sales

(HK\$ million)

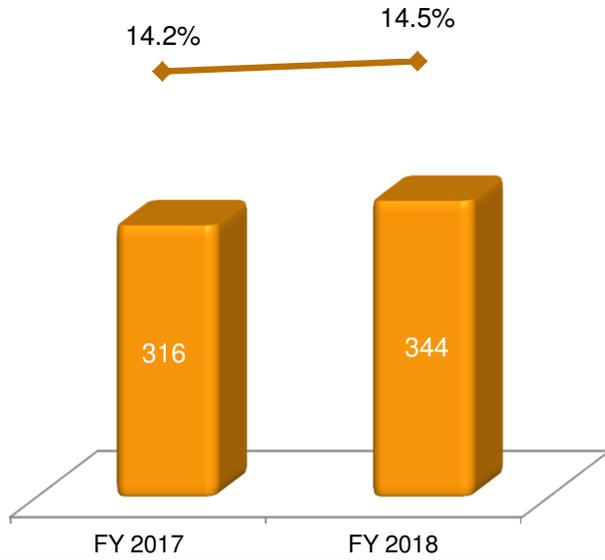


■ Cost of Sales

◆ Cost of Sales as % of turnover

Labour Costs

(HK\$ million)

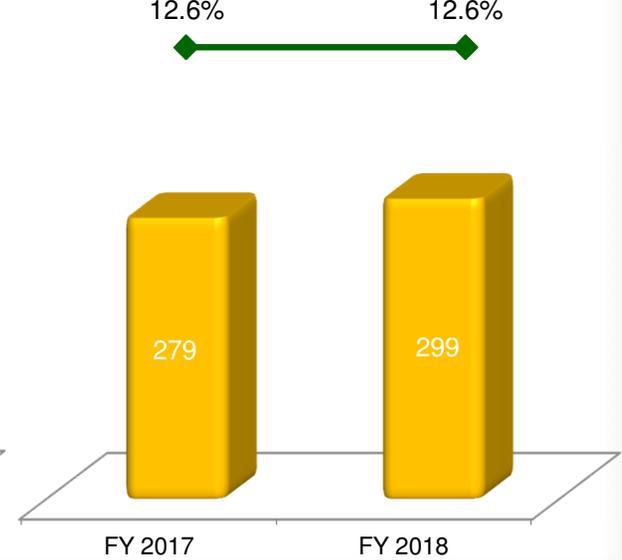


■ Labour Costs

◆ Labour Costs as % of Turnover

Rental Expenses

(HK\$ million)



■ Rental Expenses

◆ Rental Expenses as % of Turnover

Sound Working Capital Management



(Days)	As of 31 Dec 2018	As of 31 Dec 2017
Receivable Turnover Days	2.9	2.1
Inventory Turnover Days	46.0	46.5
Payable Turnover Days	58.8	61.3
Cash Conversion Cycle	(9.9)	(12.7)

Active Cash Management Results in a Healthy Cash Conversion Cycle

Our Mission



Leading Multi-brand QSR Operator in the PRC





Q&A



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IR Contacts

Hop Hing Group Holdings Limited

Company Secretary
Flats E & F, 2/F, Hop Hing Building
9 Ping Tong Street East
Tong Yan San Tsuen, Yuen Long
New Territories
Hong Kong

Tel: 852-2785 2681
Fax: 852-2786 2155
Email: ir@hopping.com

Public Relations Consultant

Strategic Financial Relations Limited
24/F, Admiralty Centre I,
18 Harcourt Road,
Hong Kong

Tel: 852-2111 8468
Fax: 852-2527 1196
Email: hopping@sprg.com.hk