



合興集團控股有限公司

HOP HING GROUP HOLDINGS LIMITED

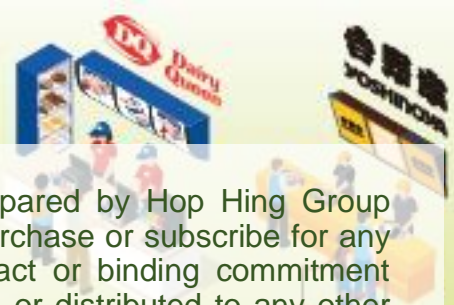
Stock Code: 47

2019 Q3 Operation Update
& Interim Results

Corporate Presentation
October 2019



Disclaimer



This presentation and the accompanying slides (the “Presentation”) which have been prepared by Hop Hing Group Holdings Limited (“Hop Hing” or the “Company”) do not constitute any offer or invitation to purchase or subscribe for any securities, and shall not form the basis for or be relied on in connection with any contract or binding commitment whatsoever. They are only being furnished to you and may not be photocopied, reproduced or distributed to any other persons at any time without the prior written consent of the Company. This Presentation has been prepared by the Company based on information and data which the Company considers reliable, but the Company makes no representation or warranty, express or implied, whatsoever, and no reliance shall be placed on, the truth, accuracy, completeness, fairness and reasonableness of the contents of this Presentation. This Presentation may not be all inclusive and may not contain all of the information that you may consider material. Any liability in respect of the contents of or any omission from this Presentation is expressly excluded.

Certain matters discussed in this presentation may contain statements regarding the Company's market opportunity and business prospects that are individually and collectively forward-looking statements. Such forward-looking statements are not guarantees of future performance and are subject to known and unknown risks, uncertainties and assumptions that are difficult to predict. The Company's actual results, levels of activity, performance or achievements could differ materially and adversely from results expressed in or implied by this Presentation. The Company assumes no obligation to update any forward-looking information contained in this presentation. Any forward-looking statements and projections made by third parties included in this Presentation are not adopted by the Company and the Company is not responsible for such third-party statements and projections.



Business Review

Operational Update as of 30 Sep 2019



1H Operational Update

Q3 Operational Update

Revenue

+5.9% to
RMB1,028 million

Net Profit

RMB56.8 million

Store EBITDA

maintained stable
at 19.6%*

Sales Growth Rate

+4.5%
(In RMB)

SSSG

Overall
+0.6%
(In RMB)

No. of CRM Members

over 7 Million

Gross Profit & GP Margin

RMB645m
with stable GPM
at **62.8%**

SSSG

Overall
+1.5%
(In RMB)

Net Store Opening

+13 stores

* The leases related depreciation and finance costs- in 2019 have been grouped as rental expenses for better comparison with the last year's performance

Steadily Expanding Store Network



Total: 589 Stores (As of 30 September 2019)

Expand our Store Network According to Plan

No. of Store Open (Net)





**Net Store: +17 in 1H
+13 in Q3**

 : 378
 : 180
 Others : 31
 Distribution Centers : 6



Beijing

 : 188
 : 84
 Others : 23
 Distribution Center : 1

					Others		<u>Total</u>	
	As of 30 Jun 2019	As of 30 Sep 2019	As of 30 Jun 2019	As of 30 Sep 2019	As of 30 Jun 2019	As of 30 Sep 2019	As of 30 Jun 2019	As of 30 Sep 2019
Beijing, Tianjin & Hebei	241	247	130	135	30	29	401	411
Northeast China & Inner Mongolia	126	128	45	45	2	2	173	175
Henan, Shanxi and Shaanxi*	2	3	N/A				2	3
Total	369	378	175	180	32	31	576	589

* Operating by the JV

Leverage Technology to expand Base & enhance Customer Analysis



秒变会员



立享特权



No. CRM members



> 6 million



~ 1 million

- CRM membership system supported **cross-brand promotions** to enhance sales and cultivate precise marketing

Total over 7 Million
as at 30 June 2019





1H 2019



Delivery Business Continued to Grow

- Continued to widen store network for greater service coverage to support faster delivery
- Exclusive promotions on the Group's **self-owned ordering platform** with exclusive products to attract more customers and command higher profitability

Overall Business Strategies

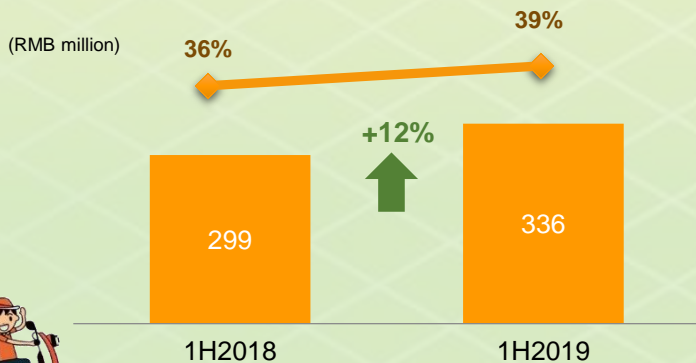
Brand Upgrade

- Provide self-service ordering machines in most stores to increase efficiency
- Open “dine-in focused store” and “delivery focused store” to cater different customers’ needs



Expand Product Portfolio

- Continued to **enrich product portfolio** to increase customers’ spending, enhance customers’ loyalty and mitigate various food cost fluctuations



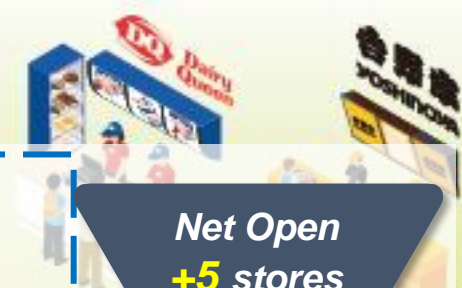
— Sales from Delivery Business to Revenue Ratio





Dairy Queen – Delivery Business Becomes New Growth Driver

◀ H | H | G ▶ ◀



1H 2019



Revenue from Delivery business

+54% to
RMB
15.3 million

Turnover

+13.5% to
RMB122.4
million

Average Spending
Per Customer
RMB14

SSSG
+9.7%

Net Open
+5 stores
In 2019
Q3

Delivery Business Experienced Huge Surge

- Same-store-sales and revenue grew positively due to significant growth of delivery business
- Leverage cross-branding membership system and boost promotions during festive seasons to attract more customers and increase sales

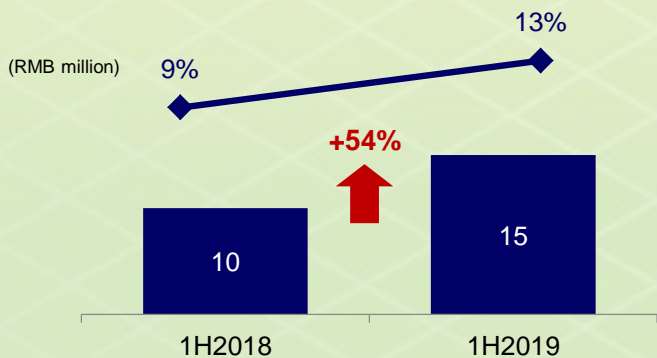
Upcoming Strategies

Brand Upgrade

- Continue to open new stores in “DQ 2.0” 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



◆ Sales from Delivery Business to Revenue Ratio



Other Brands – Growing Steadily & Healthily



Continue to Expand the New Brands with High Growth Potential

HK Snacks



- Continue expand product portfolio under “Uncle Fong” brand to offer authentic HK snacks and extend foothold in other regions in Northern China

Healthy Products



- Continue to extend product line to include healthy products and Asian authentic food by either opening new stores or introducing these new products in existing store network to increase income stream with better ROI

Asian authentic food





Future Growth Strategies

1 Business Strategies – Uplift Customer Satisfaction and hence increase sales



Introduction of popular “Value For Money” food products

- Continue to provide “Value for Money” food products, such as special lunch set during weekdays, group purchase special package etc.
- Introduce tea sets and light refreshment etc., to increase sales during **non-peak hours**
- Strengthen product lines by launching healthy food products in online sales channels



Brand upgrade for better dining experience

- Continue to open new stores, e.g. **Yoshinoya 4.0** or **DQ 2.0**, with stylish design and renovate stores with more innovative and trendy elements to attract customers



- Install of our automatic ordering machine in most stores



Business Strategies – Uplift Customer Satisfaction and hence increase sales (Con't)



Leverage technology for precise marketing and timely responding to customers' needs

- Leveraging our **CRM platform**, the customer feedbacks are received at real time, which enhances customer satisfaction effectively
- Utilize expanding CRM membership to support **cross-brand promotion**, achieve **precise marketing**, cultivate and strengthen online sales



Refinement of “New Retail Model”

- Growing smart vending machine network with **175** point-of-sales as at 30 Jun 2019 for selling pre-packaged food
- Continue to grow ready-to-serve food, salad and pre-packed products business

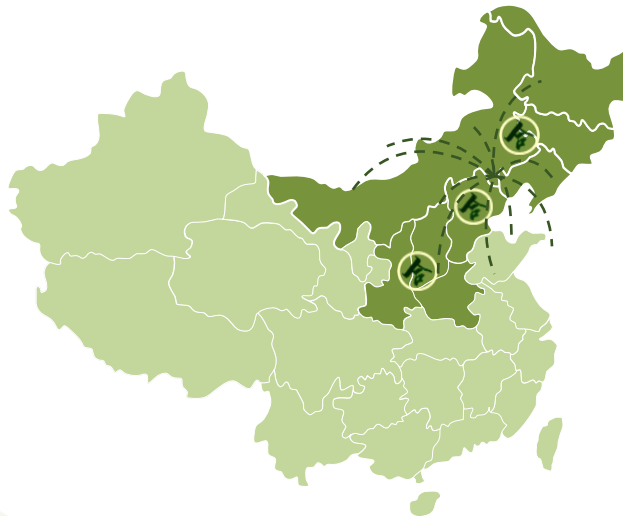


Business Strategies – Expand foothold in Northern China



Continue to expand store network steadily

- Extend the foothold of Yoshinoya, Dairy Queen and other brands by steadily expanding store network in Northern China



Add new stores in new provinces

- The two Henan stores opened in 2H2018 received positive feedbacks
- The Group will continue to open more Yoshinoya stores in the new franchise region
- The Group will continue to increase the coverage of our Yoshinoya store network in “**8 provinces and 2 cities**” riding on over 400 million customer base in these franchise regions





Increase Store Operational Productivity

- Continue to open small size store in order to increase operational productivity
- Open stores at different locations to cater for various customers' needs and bring them satisfying dining experience



Incentive Employee Scheme

- Continue to implement employee incentive schemes to motivate staff to be an owner of his / her store, in order to raise operational efficiency



Continue to Expand O2O and Delivery Business with Better Cost Control

- Promote the Group's **self-owned ordering platform** leveraging the Group's increasing membership and **improved CRM system**
- Continue to work with third-parties' ordering platforms to capture business opportunities
- Broaden our store network so as to support faster delivery



Reform of Procurement

- Launching new **popular** and **value for money** products by joining the efforts of procurement and sales & marketing teams which starts from raw materials sourcing





Strives to Transform & Innovate

Product is
KING



Value for
Money

2019 Interim Results Financial highlights



2019 Interim Results

Key Financial Figures

◀ H | H | G ▶ ◀



(RMB million) ^	For the six month ended 30 June	
	2019	2018
Turnover	1,027.6	970.8
Gross Profit	645.1	620.5
Store EBITDA	201.4#	207.9
Operating Profit ¹	76.2	86.0
Net Profit for the Period	56.8	61.6
Basic EPS (RMB cents)	0.58	0.63
Key Financial Ratio		
GP Margin (%)	62.8%	63.9%
Store EBITDA Margin (%)	19.6%#	21.4%
OP Margin (%) ¹	7.4%	8.9%
NP Margin (%)	5.5%	6.3%
Expenses		
Selling and distribution expenses ²	(443.7) #	(412.6)
<i>Selling and distribution expenses (%)²</i>	43.2%#	42.5%
General and administrative costs ²	(83.8) #	(81.2)
<i>General and administrative costs (%)²</i>	8.2%#	8.4%
Depreciation	(40.8) *	(40.6)
<i>Depreciation (%)</i>	4.0%*	4.2%

^ Hop Hing started reporting financial figures in RMB in FY2019 to better reflect its business performance as its major business is principally in mainland China

The leases related depreciation and finance costs- in 2019 have been grouped as rental expenses for better comparison with the last year's performance

* The lease related depreciation was excluded

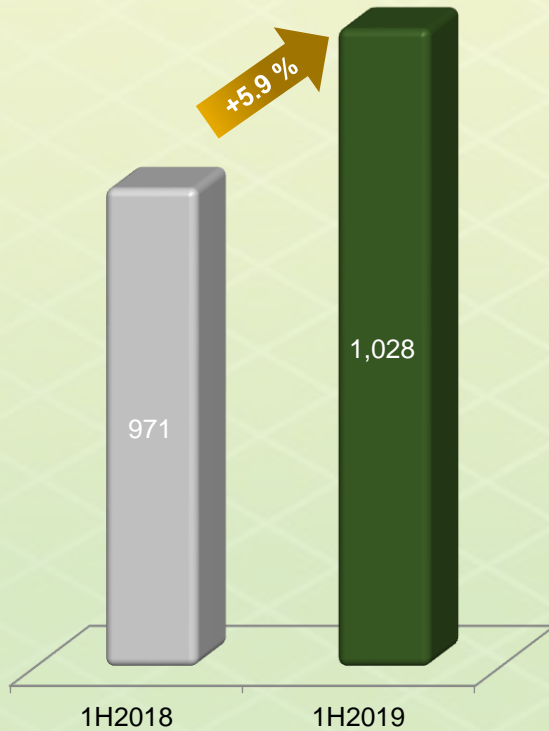
1. Excluding other income & gains
2. Excluding normal depreciation

Revenue



Revenue

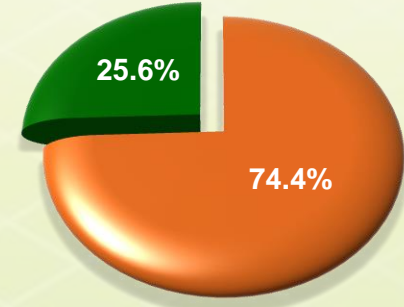
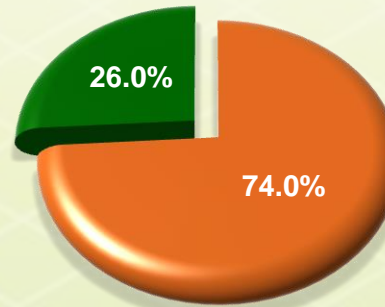
(RMB million)



Revenue by Region

1H 2019

1H 2018

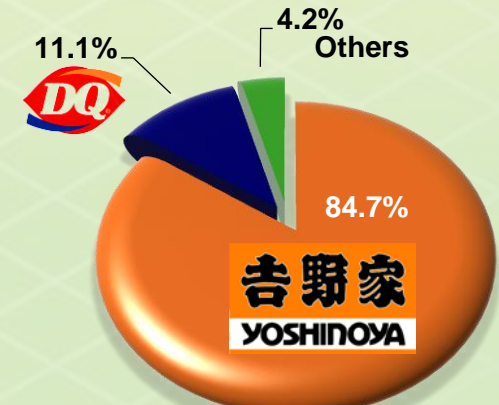
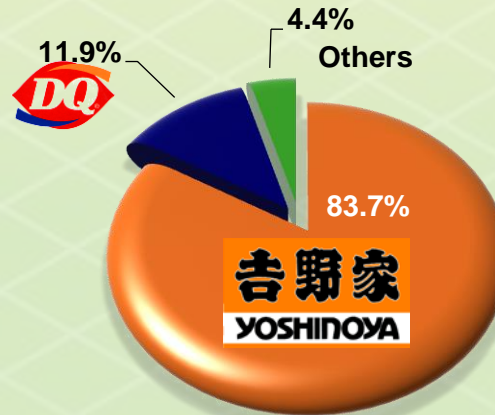


■ Beijing-Tianjin-Hebei metropolitan region ■ Northeast China

Revenue by Major Brands

1H 2019

1H 2018



Stable Cost & Expense Structure

◀ H | H | G ▶ ◀



✔ Strived to maintain stable food cost amidst the rising meat cost

✔ Constantly strives to motivate staff with the effective incentive scheme

✔ Maintained rental related expense at a reasonable level

Cost of Sales

(RMB million)

Labour Costs

(RMB million)

Rental Related Expenses*

(RMB million)



* The leases related depreciation and finance costs- in 2019 have been grouped as rental expenses for better comparison with the last year's performance

Sound Working Capital Management



(Days)	As of 30 Jun 2019	As of 31 Dec 2018
Receivable Turnover Days	3.7	2.9
Inventory Turnover Days	46.8	46.0
Payable Turnover Days	57.7	58.8
Cash Conversion Cycle	(7.2)	(9.9)

Active Cash Management Results in a Healthy Cash Conversion Cycle

Our Mission

◀ H | H | G ▶ ◀



Leading Multi-brand QSR Operator in the PRC





Q&A



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@hophing.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: hophing@sprg.com.hk



Follow Us