



# 合興集團控股有限公司

HOP HING GROUP HOLDINGS LIMITED

Stock Code: 47

2019 Annual Results Announcement

Corporate Presentation

30 March 2020



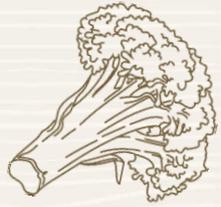
# Disclaimer



合興集團控股有限公司  
HOP HING GROUP HOLDINGS LIMITED  
Stock Code: 47

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



# FY 2019 Operational Update



合興集團控股有限公司  
HOP HING GROUP HOLDINGS LIMITED  
Stock Code: 47

*Hop Hing Continued to Deliver Satisfactory Results Despite Challenging Environment*

## Revenue

**+5.0%** to  
RMB2,103 million

## Net Profit

RMB104.1  
million

## Store EBITDA

*maintained stable*  
at 19.6%\*

## Gross Profit & GP Margin

**+4.3%** to  
RMB1,320.4 million

Stable GPM  
at **62.8%**

## SSSG

Overall +1.3%

 +1.3%

 +1.9%

## No. of CRM Members

over **8.5**  
**Million**  
Repurchase rate  
**+ 12%**

## Proposed Final Dividend

HK 0.248 cent  
Per share

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

# Expanding Store Network



合興集團控股有限公司  
HOP HING GROUP HOLDINGS LIMITED  
Stock Code: 47

Total: 597 Stores (As of 31 Dec 2019)

Expand our Store Network According to Plan

No. of Store Open (Net)

Net Store: **+38**



	YOSHINOYA		DQ		Others		Total	
	As of 31 Dec 2019	As of 31 Dec 2018	As of 31 Dec 2019	As of 31 Dec 2018	As of 31 Dec 2019	As of 31 Dec 2018	As of 31 Dec 2019	As of 31 Dec 2018
Beijing, Tianjin & Hebei	250	230	138	124	21	27	409	381
Northeast China & Inner Mongolia	130	125	51	49	2	2	183	176
Henan, Shanxi and Shaanxi*	5	2	N/A				5	2
<b>Total</b>	<b>385</b>	<b>357</b>	<b>189</b>	<b>173</b>	<b>23</b>	<b>29</b>	<b>597</b>	<b>559</b>

\* Operating by the JV



### Delivery Business Hit Record High

- **Faster and more user-friendly delivery service** supported by a widening store network and ordering platform network
- Diversified delivery products mix and service delivered by ordering platforms including **self-owned ordering platform** have enhanced customers' satisfaction and brand loyalty

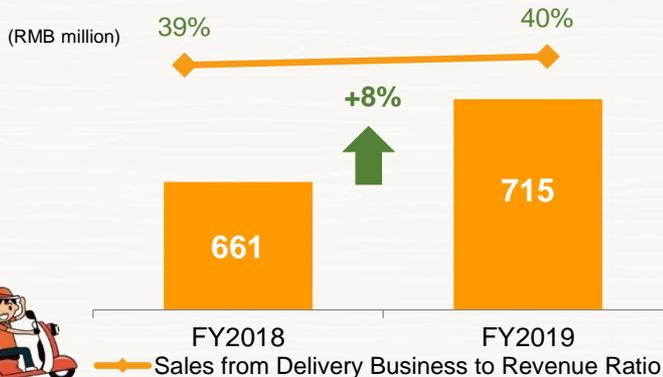
### Overall Business Strategies

#### Brand Upgrade

- Provide **self-service ordering machines** in most stores and add **wechat mini program** to increase efficiency

#### Technology Empowerment

- Upgraded customer relationship management (CRM) system to improve operation and customer satisfaction





# Dairy Queen – Successful transformation with Growing Delivery Business

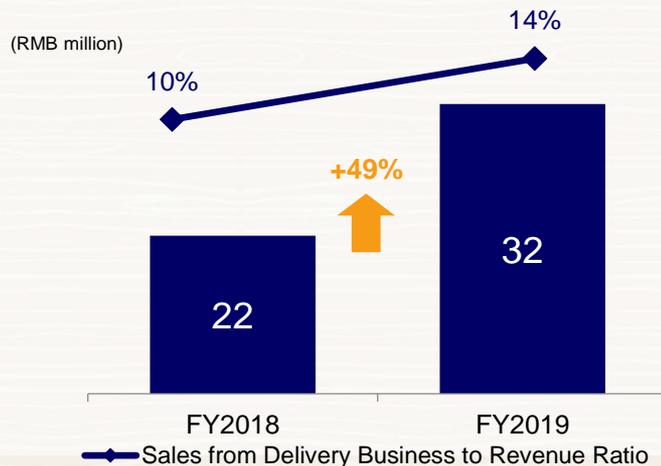


合興集團控股有限公司  
HOP HING GROUP HOLDINGS LIMITED  
Stock Code: 47



## Delivery Business Continued to Surge

- Significant growth of **delivery business** attributable to the effective promotional activities with enhanced interactions with customers



## Upcoming Strategies

### Brand Upgrade

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

### Product Development Supported by Advanced Technology

- Step up technological investment and build up a data analysis platform in order to facilitate more **precise** and effective decision making in terms of **new products development**



# Other Brands – Strategic Restructuring



合興集團控股有限公司  
HOP HING GROUP HOLDINGS LIMITED  
Stock Code: 47

1

*Brand Repositioning*

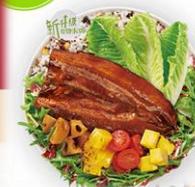


2

*Refinement of stores opening plan*



**Creating Synergies between different brands**





# Leverage Technology to Further Expand Membership Base & Enhance Customer Satisfaction



## CRM membership

Total over **8.5 Million**  
as at 31 December 2019



**吉野家** > 7 million  
**YOSHINOYA**



Members' repurchase rate rose **12%** y-o-y



## Continue to enhance customers' satisfaction

Average  
Net Promoter Score



**1.8x**

(Dec 2019 vs Jan 2019)

# Hop Hing's Transformation in Technology



合興集團控股有限公司  
HOP HING GROUP HOLDINGS LIMITED  
Stock Code: 47



## Data intelligence



- Accumulated over 8.5 million memberships
- Focus on **enhancing customer satisfaction** in 2019



- Optimise data processing and analysis
- Enable **faster decision making process** and improve efficiency



## Digitalised Interaction

- **Cross-brand promotions on various social media platforms** to strengthen brands' image



- **Interactive promotion campaigns** via popular online platforms to attract the younger generation





# Prospects



# Latest Updates re COVID-19



合興集團控股有限公司  
HOP HING GROUP HOLDINGS LIMITED  
Stock Code: 47



## Emergency response system

- Kicked off the emergency response system to launch enhanced **hygiene measures**
- Delivery service team is dedicated to providing “**non-contact**” delivery service



- For some temporarily suspended stores – Providing staff training to optimize services



## Government policies support\*



## COVID-19's impact on the Company's business in 1Q 2020

- As at 19 March 2020, operations of approximately 6% of the stores (i.e. 38 stores) are still temporarily suspended
- Expects a net loss in Q1 2020 mainly due to sales decline

\*According to State Administration of Taxation, People's Government of Beijing Municipality and Ministry of Human Resources and Social Security of the People's Republic of China



1

# Business Strategies – Prudent Store Opening Approach; Focus on Enhancing Delivery Business

## Prudent Approach in 1H2020

- Suspend store opening since February, prudent approach in 1H2020
- Gradually resume opening stores in first- and second-tier cities in 2H2020, depends on the situation of COVID-19



## Enhance stores to support delivery services

- Broaden our store network so as to support faster delivery
- Enhance stores with facilities to support delivery services
- Optimized the Group's **own motorcycle fleet** to support the rise in delivery service demand



## Revenue of delivery business

(RMB million)



# 2 Business Strategies – Uplift Customer Satisfaction



合興集團控股有限公司  
HOP HING GROUP HOLDINGS LIMITED  
Stock Code: 47

## Step-up Technologies Investment

- Targets to completely roll out the upgraded CRM system in 2020
- Enhance data processing and analysis for precise marketing to satisfy different customers' needs



- Strive for **five-star** positive ratings and **ZERO negative rating** in three major ordering platforms



## Continue to Launch New Products

- Concentrate on the R&D of diversified stewed products and drinks to offer “Value For Money” new products to customers
- Targeting the “pain points” in different sales day parts to boost sales
  - Add buffet and semi-buffet meals during breakfast & tea time
  - Innovative “Value For Money” combination bundling milk tea and promotional offers
  - A wide array of **non-rice meal choices** e.g. noodle series to attract customers with different cuisine preferences



## Business Strategies – Refinement of “New Retail Model”



合興集團控股有限公司  
HOP HING GROUP HOLDINGS LIMITED  
Stock Code: 47

### Leverage Technologies to Embrace “New Retail Model”

- Enhance **automatic ordering machine** and **WeChat Mini Program** ordering function to speed up ordering time



- Utilize expanding CRM platform and upgrading business intelligence system in order to support **cross-brand promotion**, achieve **precise marketing**, cultivate and strengthen online sales



### Launch a New “Family Kitchen” Product Line

- As at 31 Dec 2019, point-of-sales covered **almost all** Yoshinoya stores in Beijing



- Launch a new **“Family Kitchen”** product line to include ready-to-serve food, salad and pre-packed products business → **satisfy customer’s home meals need**



## Business Strategies – Build a Highly Efficient Operating Model



Take reference to the highly efficient operating model adopted by the  
**Fast-Moving Retail Industry**

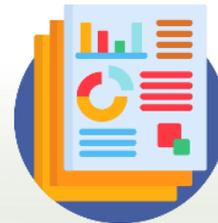
### 2<sup>nd</sup> Phase of Incentive Scheme

- Second phase **“Incentive Scheme”** to motivate store managers to actively improve operational efficiency and service, and strive for additional income



### Enhance Sharing of Resources

- Set up a **shared financial center** to centralize accounting procedures in order to improve efficiency and share manpower



### Reform of Procurement

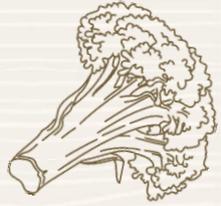
- **Independent supply chain company** has begun operation
  - Securing more quality raw materials at reasonable prices for its new product R&D and offering **value-for-money** new products





*Evolving from a “Traditional Retail Operator” into  
“Smart Catering Enterprise”*





# Financial highlights



# Key Financial Figures



合興集團控股有限公司  
HOP HING GROUP HOLDINGS LIMITED  
Stock Code: 47

(RMB million) ^	For the year ended 31 December	
	2019	2018
<b>Turnover</b>	<b>2,102.8</b>	<b>2,003.6</b>
<b>Gross Profit</b>	<b>1,320.4</b>	<b>1,265.6</b>
<b>Store EBITDA</b>	<b>412.7#</b>	<b>394.5</b>
<b>Operating Profit<sup>1</sup></b>	<b>134.6#</b>	<b>138.8</b>
<b>Net Profit for the Period</b>	<b>104.1</b>	<b>103.5</b>
<b>Basic EPS (RMB cents)</b>	<b>1.07</b>	<b>1.05</b>
<b>Key Financial Ratio</b>		
<b>GP Margin (%)</b>	<b>62.8%</b>	<b>63.2%</b>
<b>Store EBITDA Margin (%)</b>	<b>19.6%#</b>	<b>19.7%</b>
<b>OP Margin (%)<sup>1</sup></b>	<b>6.4%#</b>	<b>6.9%</b>
<b>NP Margin (%)</b>	<b>5.0%</b>	<b>5.2%</b>
<b>Expenses</b>		
<b>Selling and distribution expenses<sup>2</sup></b>	<b>(907.7)#</b>	<b>(871.1)</b>
<i>Selling and distribution expenses (%)<sup>2</sup></i>	<b>43.2%#</b>	<b>43.5%</b>
<b>General and administrative costs<sup>2</sup></b>	<b>(184.9) #</b>	<b>(171.6)</b>
<i>General and administrative costs (%)<sup>2</sup></i>	<b>8.8% #</b>	<b>8.6%</b>
<b>Depreciation</b>	<b>(92.0)*</b>	<b>(83.7)</b>
<i>Depreciation (%)</i>	<b>4.4%*</b>	<b>4.2%</b>

**The Board of Directors recommends the payment of a final dividend of HK0.248 cent per share for the year ended 31 December 2019**

^ 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 has been excluded

1. Excluding other income & gains  
2. Excluding non-lease related depreciation

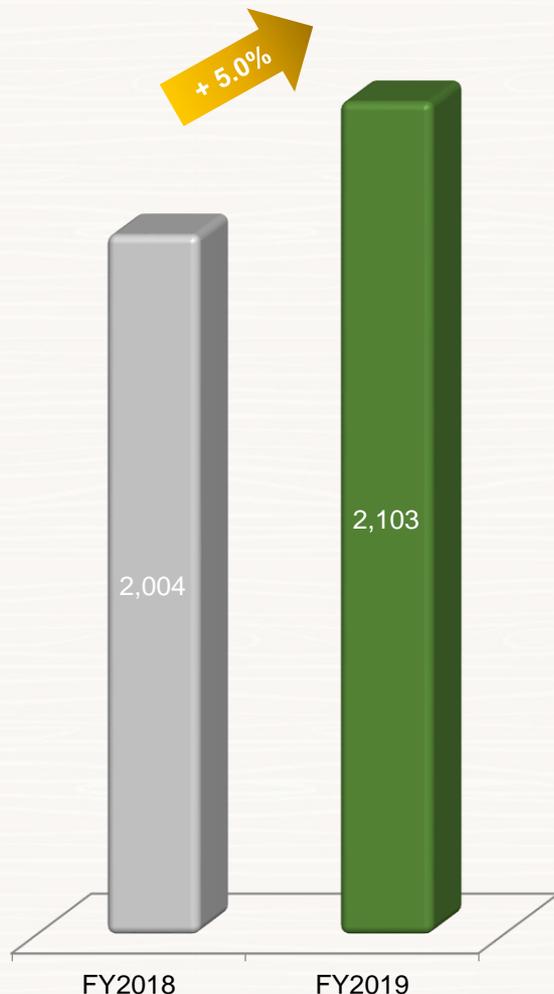
# Revenue Breakdown



合興集團控股有限公司  
HOP HING GROUP HOLDINGS LIMITED  
Stock Code: 47

## Revenue

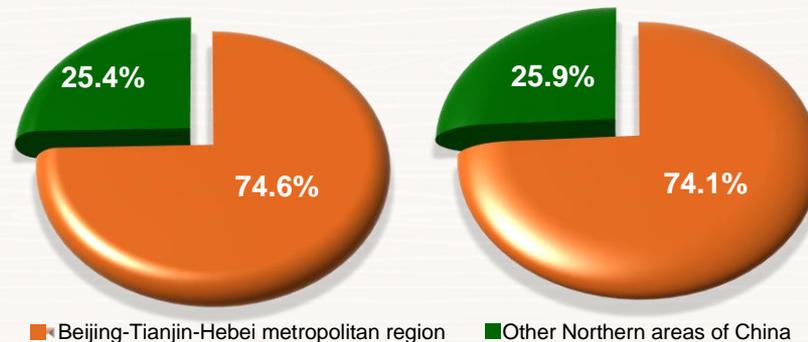
(RMB million)



## Revenue by Region

FY 2019

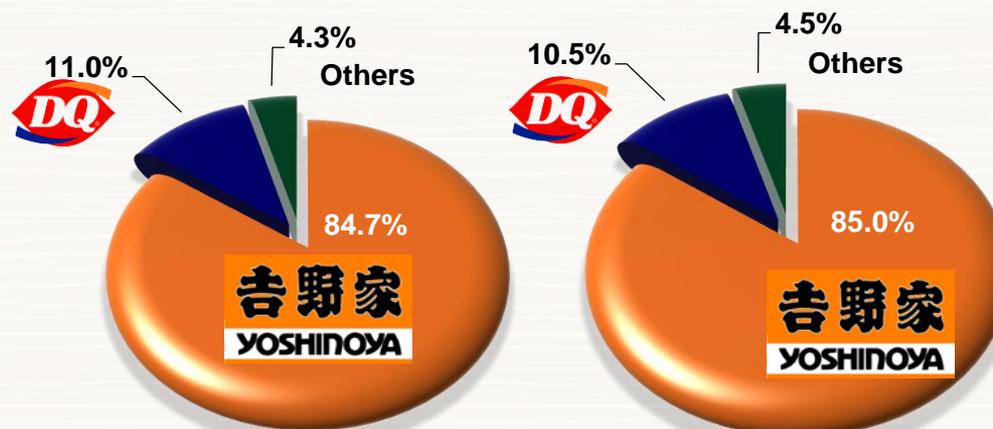
FY 2018



## Revenue by Major Brands

FY 2019

FY 2018



# Stable Cost & Expense Structure



合興集團控股有限公司  
HOP HING GROUP HOLDINGS LIMITED  
Stock Code: 47



Strived to maintain stable food cost amidst the rising meat cost



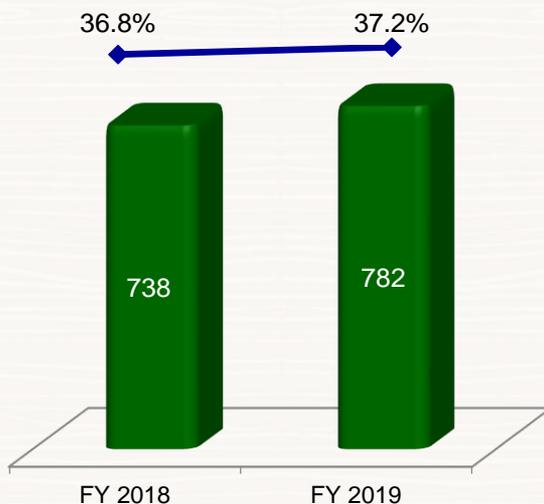
Constantly strives to motivate staff with the effective incentive scheme



Maintained rental related expense at a reasonable level

## Cost of Sales

(RMB million)



■ Cost of Sales

↔ Cost of Sales as % of turnover

## Labour Costs<sup>#</sup>

(RMB million)



■ Labour Costs

↔ Labour Costs as % of Turnover

## Rental Related Expenses<sup>\*#</sup>

(RMB million)



■ Rental Related Expenses

↔ Rental Related Expenses as % of Turnover

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

<sup>#</sup>Under selling and distribution expenses

# Sound Working Capital Management



合興集團控股有限公司  
HOP HING GROUP HOLDINGS LIMITED  
Stock Code: 47

(Days)	As of 31 Dec 2019	As of 31 Dec 2018
Receivable Turnover Days	3.1	2.9
Inventory Turnover Days	56.4*	46.0
Payable Turnover Days	56.4	58.8
Cash Conversion Cycle	3.1	(9.9)

\* The increase is mainly due to more inventory purchased to stabilize raw material cost.

**Active Cash Management Results in a Healthy Cash Conversion Cycle**

# Cash-flow Summary



合興集團控股有限公司  
HOP HING GROUP HOLDINGS LIMITED  
Stock Code: 47

## Cash Flow Generation

For the year of

(RMB million)	2019	2018
Net cash inflows from operation	170.8*	170.9
Purchase of property, plant and equipment items	(124.4)	(101.9)
Others	10.1	5.2
	56.5	74.2
Shares purchased under share award scheme	(8.9)	(9.8)
Investment in JV	-	(10.2)
Dividends paid	(51.4)	(69.0)
Net decrease in cash	<u>(3.8)</u>	<u>(14.8)</u>

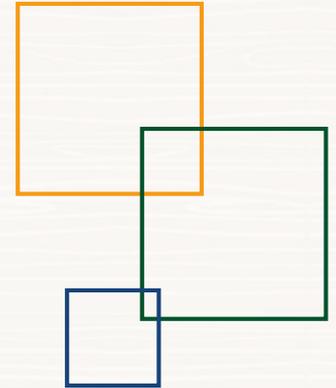
## Gearing Summary

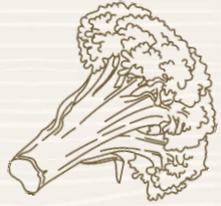
As of 31 December

(RMB million)	2019	2018
Cash	252.9	352.7
Deposit certificates	60.0	-
Other financial asset	243.0	207.0
Total Debt	-	-
Net Cash	<u>555.9</u>	<u>559.7</u>

\* After deducting "principal portion of lease payments" and finance costs related to the leases (new item after adoption of HKFRS 16) which has been grouped under cash flows from financial activities in the audited accounts.

## Transformation to a Leading Digitalised QSR Operator in the PRC





# Q&A



# Contact Us



合興集團控股有限公司  
HOP HING GROUP HOLDINGS LIMITED  
Stock Code: 47



## 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](mailto: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](mailto:hophing@sprg.com.hk)

# Follow Us