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**合興集團控股有限公司**  
HOP HING GROUP HOLDINGS LIMITED

Stock Code: 47

2020 Q3 Operational Update &  
Interim Results Corporate Presentation

October 2020





# Operational Update



合興集團控股有限公司  
HOP HING GROUP HOLDINGS LIMITED

## 2020 Q3 Operational Update

**Revenue loss  
narrowed down to**

**-17.8%**



- ❖ With the pandemic coming under control more quickly in China than other parts of the world, combined with the Group's transformation effort, resulted in a smaller decline in its sales and same-store-sales ("SSS") in 3Q compared with the first half of 2020.

**Decline of SSS  
narrowed down to**

**-15.7%**

**No. of Store**

**575**

- ❖ Resources have been focused in the two major brands,   while the Group continued gradually closing its other brands' stores

## 2020 Interim results

**Revenue**

**RMB654.7 million**

**Gross Profit**

**RMB389.2 million**

**GP Margin: 59.4%**

**Net Loss**

**RMB 66.3million**

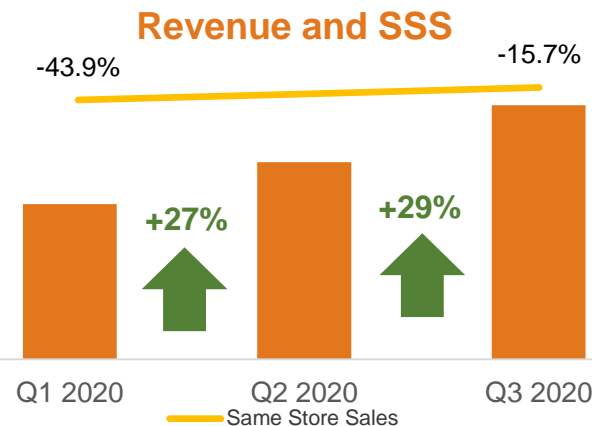
# Latest Updates re COVID-19



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## Revenue and SSS continued to improve

- ❖ With the pandemic coming under control more quickly in China than other parts of the world, combined with the Group's transformation effort, resulted in a smaller decline in its sales and SSS in 3Q compared with the first half of 2020.



### Effective cost control & Government Support

- ❖ Management voluntary pay cut
- ❖ Optimizing labour deployment

- ❖ Negotiating rent with landlords

- ❖ Government subsidies
- ❖ Recent government favourable policy on stimulating catering industry

### Proactive Ways to Increase Income Stream

#### Non-contact Delivery Service

#### Launch of "Family Kitchen" Products

#### New Retail Model

# Optimising Store Network



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**Total: 575 Stores** (As of 30 Sep 2020)

**Optimise our Store Network to Weather the Current Headwinds**

## No. of Store

吉野家 YOSHINOYA : 387

DQ : 185

Others : 3

Distribution Centers : 6

Net Store: **575**



	吉野家 YOSHINOYA		DQ		Others		Total	
	As of 30 Sep 2020	As of 30 Jun 2020	As of 30 Sep 2020	As of 30 Jun 2020	As of 30 Sep 2020	As of 30 Jun 2020	As of 30 Sep 2020	As of 30 Jun 2020
Beijing, Tianjin & Hebei	249	247	137	136	3	13	389	396
Other northern areas of China <sup>#</sup>	131	130	48	51	0	0	179	181
Henan <sup>*</sup>	7	6	N/A				7	6
<b>Total</b>	<b>387</b>	<b>383</b>	<b>185</b>	<b>187</b>	<b>3</b>	<b>13</b>	<b>575</b>	<b>583</b>

<sup>#</sup> Including Liaoning, Heilongjiang and Jilin provinces and Inner Mongolia autonomous region

<sup>\*</sup> Operating by the JV

吉野家  
YOSHINOYA



❖ Continuing to close minor brands' stores in 3Q2020 for directing more resources to the Group's core brands: **Yoshinoya** and **Dairy Queen** for better cost efficiency



# Anti-Epidemic Measures at Restaurant Level



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**Actively taken anti-epidemic measures to ensure the health and safety of both our staffs and customers**



# Swift business repositioning to top opportunities on industry dynamic changes



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*Our proven success in developing differentiable features in the operation allows the company to undergo rapid business transformation*

## Well-established Delivery Service Team

- The Group's own delivery service team set up in 2016, with **well-equipped motorcycle fleet**, ensured timely delivery during critical periods, such as the COVID-19 outbreak



## Prior Experience in Selling Pre-Packaged Products

- Started selling pre-packed products in 2018, which enabled its **"Family Kitchen"** products to roll out quickly in early 2020



## Highly Effective CRM System

- Started developing its customer relationship management (CRM) system and private traffic pool back in 2016
- As at 30 June 2020, **no. of CRM members** reached approx. **9 Million**



# Non-contact Delivery Service



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## Non-Contact Delivery Service



吉食送 升级 无接触配送



## Delivery Business Became a Key Revenue Contributor in 1H 2020

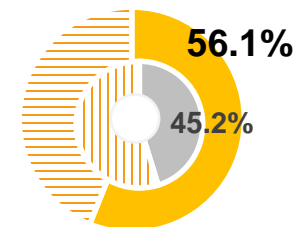
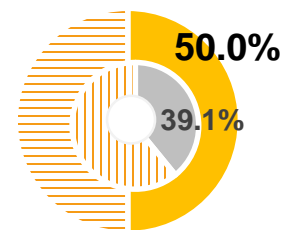
吉野家  
YOSHINOYA

### Delivery to Total Sales of Yoshinoya

All Stores

Beijing Stores

2019-1H  
2020-1H

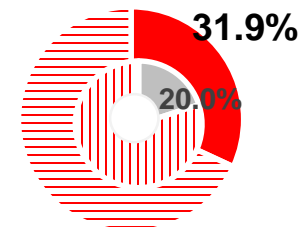
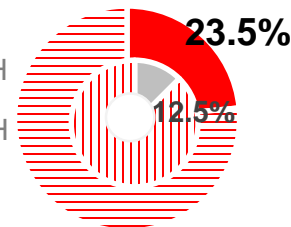


### Delivery to Total Sales of DQ

All Stores

Beijing Stores

2019-1H  
2020-1H



Actively promoting **Delivery Business** to offset the drop of dine-in revenue due to COVID-19 pandemic









## New Retail Breakthrough

- ❖ Completed trial operation of new sales channels and established a special project team to better develop online channels to boost sales
- ❖ Adopted New Retail Model to tap social marketing and launched **live streaming shows** for the **“Family Kitchen”** project
- ❖ Capitalise on new platforms such as youzan.com, WeChat, Weibo, kuaishou, douyin, jd.com and Taobao to attract new business traffic
- ❖ Staff and distributors can promote products to customers through social groups and earn commissions
- ❖ Through CRM membership system, customers can enjoy the promotion and share useful information with friends through social media platforms such as Wechat, Weibo to earn more discounts. As at 30 June 2020, **no. of CRM members** reached approx. **9 Million**







## Ongoing R&D amid COVID-19 through improving supply chain management and technological empowerment

### Continuous enhancement in direct procurement system

- ❖ **Centralized procurement in a supply chain company** enabled the Group to secure more quality raw materials at reasonable prices for its new product R&D and offering **value-for-money** new products
- ❖ **Streamlined supply chain management** allows the Group to speed up the process in developing new innovative **“Family Kitchen”** products



### Extending new product pipeline

- ❖ Concentrate on the R&D of **“Value For Money”** new products catered for customers' needs







# 2020 Interim Results Financial Highlights





# Key Financial Figures



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(RMB million)	For the six months ended 30 June	
	2020	2019
Turnover	654.7	1,027.6
Gross Profit	389.2	645.1
Store EBITDA	66.9	201.4
Operating (Loss) / Profit <sup>1</sup>	(96.2)	76.2
Net (Loss) / Profit for the Period	(66.3)	56.8
Basic (Loss) / Earnings per share (RMB cent)	(0.68)	0.58
<b>Key Financial Ratios</b>		
GP Margin (%)	59.4%	62.8%
Store EBITDA Margin (%)	10.2%	19.6%
Operating (Loss) / Profit Margin (%) <sup>1</sup>	(14.7%)	7.4%
Net (Loss) / Profit Margin (%)	(10.1%)	5.5%
<b>Expenses</b>		
Selling and distribution expenses <sup>2</sup>	(322.3) <sup>^</sup>	(443.7) <sup>^</sup>
<i>Selling and distribution expenses (%)<sup>2</sup></i>	(49.2%) <sup>^</sup>	(43.2%) <sup>^</sup>
General and administrative costs <sup>2</sup>	(72.2) <sup>^</sup>	(85.3) <sup>^</sup>
<i>General and administrative costs (%)<sup>2</sup></i>	(11.0%) <sup>^</sup>	(8.6%) <sup>^</sup>
(Impairment)/ write-back of impairment of non-finance assets	(45.7) <sup>#</sup>	4.5
<i>(Impairment)/ write-back of impairment of non-finance assets (%)</i>	(7.0%) <sup>#</sup>	0.4%
Depreciation	(44.2) <sup>*</sup>	(40.8) <sup>*</sup>
<i>Depreciation (%)</i>	(6.8%) <sup>*</sup>	(4.0%) <sup>*</sup>

<sup>^</sup> The leases related depreciation and finance costs have been grouped as rental expenses for better appreciation

<sup>\*</sup> The lease related depreciation excluded

<sup>#</sup> Mainly due to the impairment of right-of-use assets caused by COVID-19

1. Excluding other income & gains

2. Excluding non-lease related depreciation



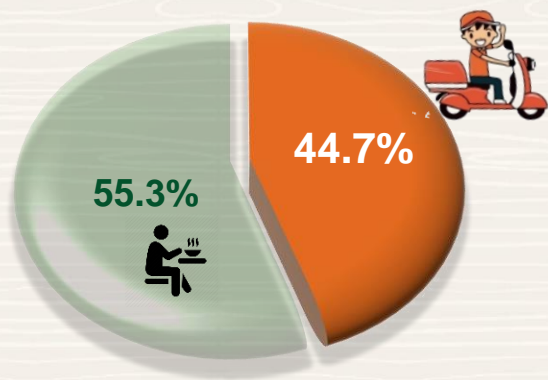
# Revenue



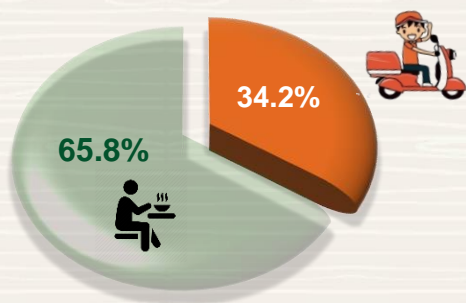
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## Revenue from Delivery business

1H 2020

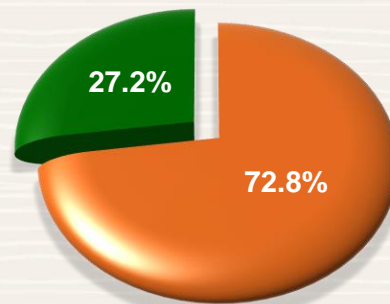


1H 2019

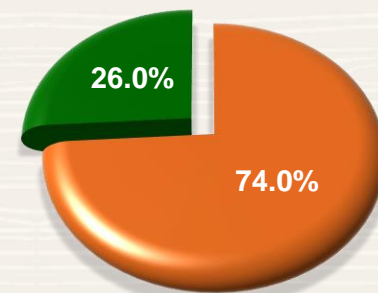


## Revenue by Regions

1H 2020



1H 2019

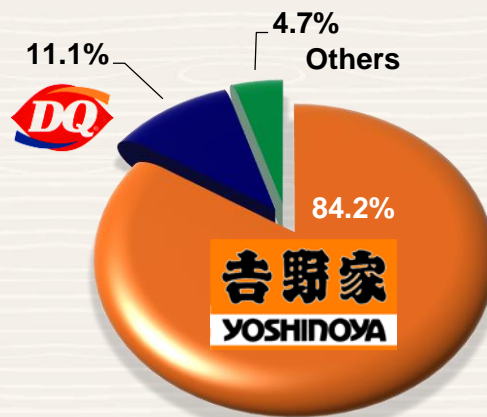


Beijing-Tianjin-Hebei metropolitan region

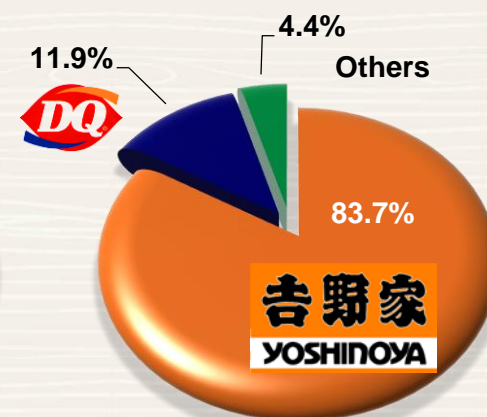
Other northern areas of China\*

## Revenue by Major Brands

1H 2020



1H 2019



\* Including Liaoning, Heilongjiang and Jilin provinces and Inner Mongolia autonomous region



# Stable Cost & Expense Structure



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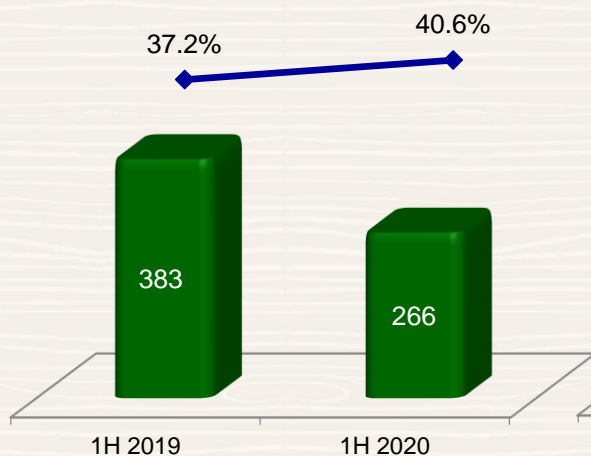
❖ Maintain raw material costs at a stable level

❖ Staff deployment to optimize labour cost

- ❖ Negotiated with landlords to reduce rent
- ❖ Closure of some high-rented stores

## Cost of Sales

(RMB million)

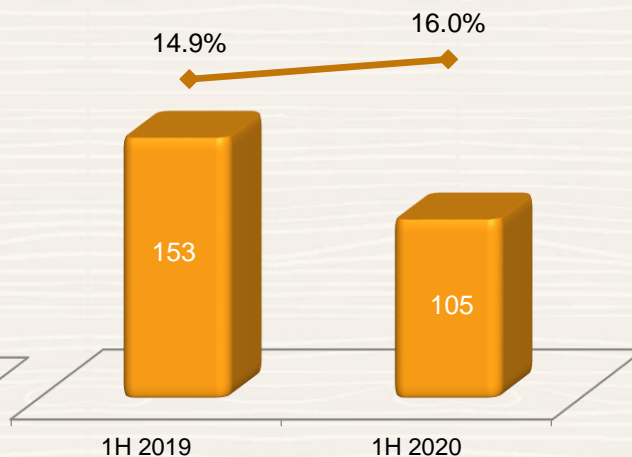


■ Cost of Sales

◆ Cost of Sales as % of Turnover

## Labour Costs

(RMB million)

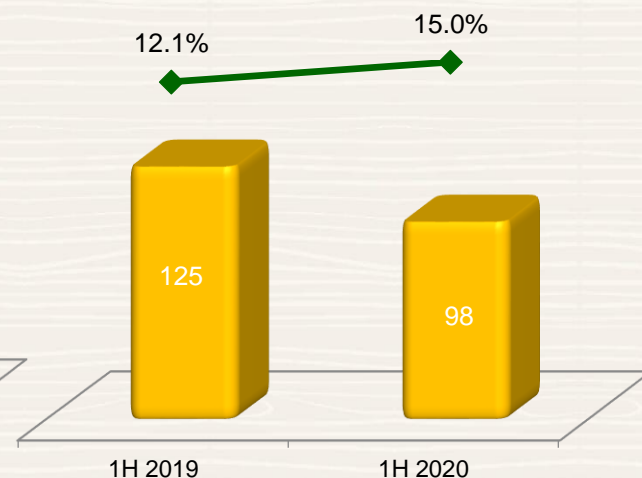


■ Labour Costs

◆ Labour Costs as % of Turnover

## Rental Related Expenses\*

(RMB million)



■ Rental Related Expenses

◆ Rental Related Expenses as % of Turnover

\* Rental related costs include store rentals and lease related depreciation and finance costs

# Cash position remains very healthy



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(RMB million)	2020 (As at 30 June)	2019 (As at 31 Dec)
Cash	326	253
Deposit certificates and other financial assets	184	303
Total Debt	(9)	-
Net Cash	501	556



# Our Mission



合興集團控股有限公司  
HOP HING GROUP HOLDINGS LIMITED

***Become a Leading Digitalised Multi-brand  
QSR Operator in the PRC***







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HOP HING GROUP HOLDINGS LIMITED

# Q&A





# Contact Us



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