



HOP HING GROUP HOLDINGS LIMITED

合興集團控股有限公司

(Stock Code: 47)

**2014 Interim Results Announcement
Corporate Presentation**

August 2014



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Mr. Hung Ming Kei, Marvin

Executive Director and Chief Executive Officer



Mr. Wong Kwok Ying, David

Executive Director and Group Comptroller



HOP HING GROUP HOLDINGS LIMITED

(HKEx Stock code: 47)

BUSINESS REVIEW



爱·生活

新鲜手做，精心烹煮，让您惬意享受每一餐



Operational Update



Flexible promotional programs stimulated sales and enhanced brand awareness

Introduction of new food products to enrich & optimise product mix



Launch of online web ordering platforms broadened income stream

Implementation of automation initiatives to further improve operating efficiency



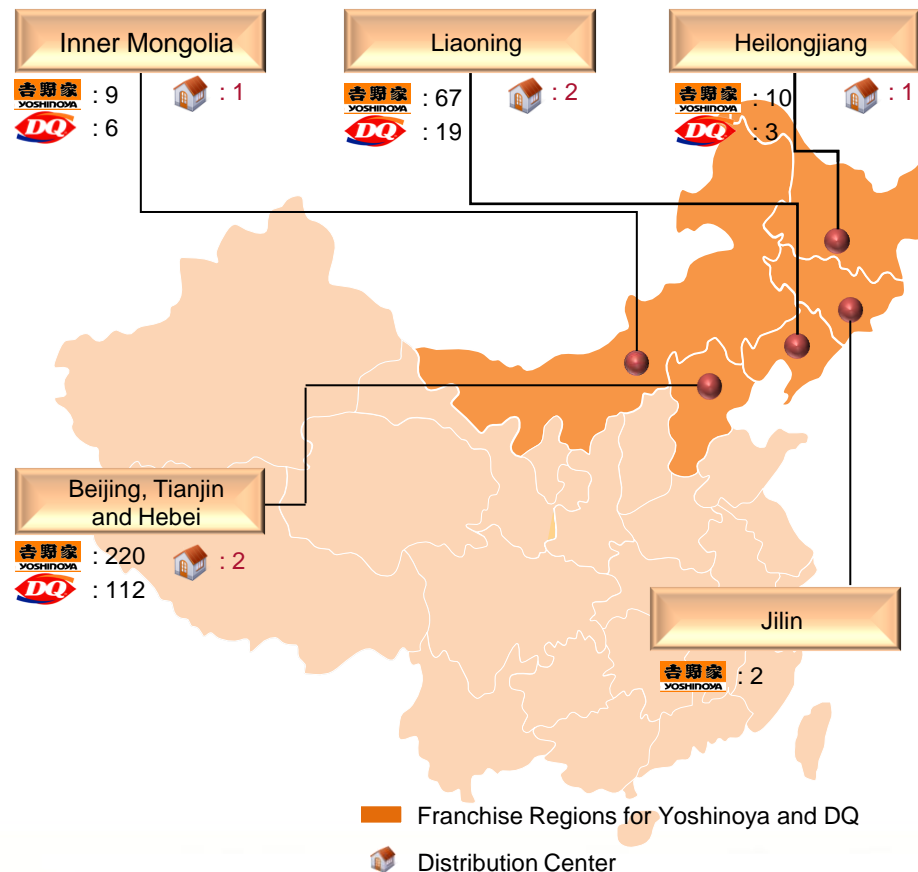


Optimising and Expanding Restaurant Network



308 Yoshinoya Stores and 140 DQ Stores

As of 30 June 2014



Store Network: Net 8 New Stores in 1H 2014

	吉野家 YOSHINOYA		DQ		Total	
	As of 30 Jun 2014	Net New Stores	As of 30 Jun 2014	Net New Stores	As of 30 Jun 2014	Net New Stores
Beijing, Tianjin and Hebei	220	-3	112	3	332	-
Liaoning	67	6	19	-	86	6
Jilin	2	-	-	-	2	-
Inner Mongolia	9	-	6	-	15	-
Heilongjiang	10	1	3	1	13	2
Total	308	4	140	4	448	8

* Net new stores as compared to the store numbers as of 31 December 2013





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FINANCIAL HIGHLIGHTS



爱·分享

让您时刻体验到温暖温馨的热情周到服务



2014 1H Financial Highlights



(HK\$ million)	For the 6 months ended 30 June	
	2014	2013
Continuing Operations		
Turnover	1,056.9	1,000.9
Gross Profit	662.5	613.8
Operating Profit ¹	25.4	62.6
Profit for the Period from Continuing Operations	17.5	52.3
GP Margin (%)	62.7%	61.3%
OP Margin (%) ¹	2.4%	6.2%
NP Margin (%)	1.7%	5.2%
Basic EPS (HK cents)	0.17	0.53
Diluted EPS (HK cents)	0.17	0.53
Discontinued Operation		
Profit / (Loss) for the Period from a Discontinued Operation	N/A	(51.7)
Consolidated Net Profit	17.5	0.6
Basic EPS (HK cents)	0.17	0.01
Diluted EPS (HK cents)	0.17	0.01

Note 1: Excluding other income and gains





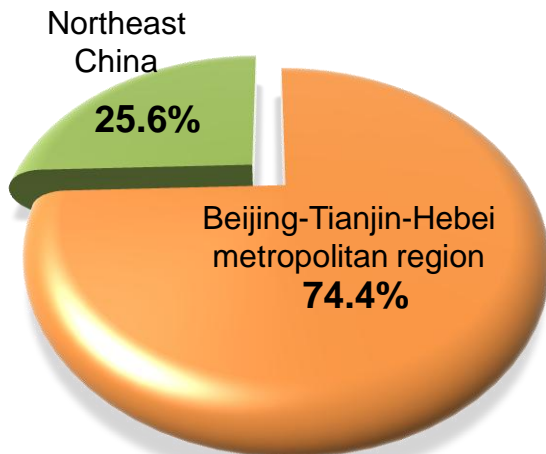
Segmental Breakdown



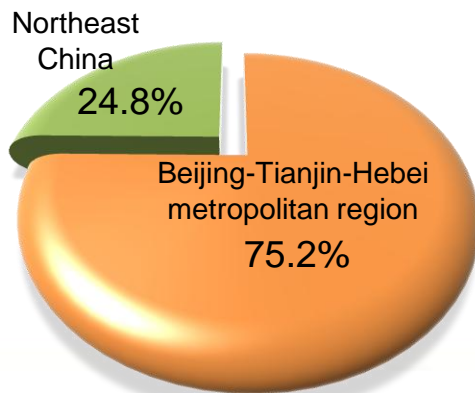
Continuing Operations

Revenue by Region

2014 1H

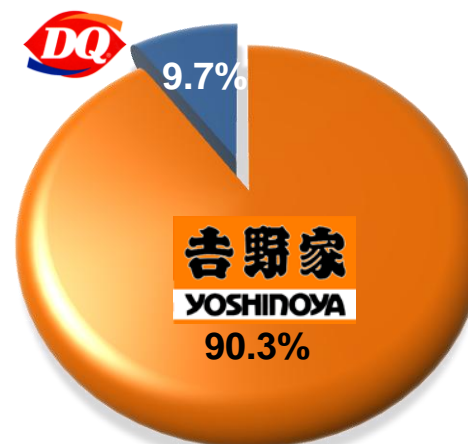


2013 1H



Revenue by Brand

2014 1H



2013 1H





Stable Structure of Costs & Expenses



Continuing Operations

✓ Implementation of stringent cost control measures to maintain stable GP margin

✓ Maintained labor costs and rental expense at a reasonable level

Direct Cost of Stocks Sold

(HK\$ million)

38.7%
37.3%

387.1

394.4

1H2013

1H2014

■ Direct Cost of Stocks Sold

↔ Direct Cost of Stocks Sold as % of turnover

Labor Costs

(HK\$ million)

11.5%

12.7%

115.1

134.6

1H2013

1H2014

■ Labour Costs

↔ Labor costs as % of turnover

Rental Expense

(HK\$ million)

14.0%

14.2%

140.5

150.5

1H2013

1H2014

■ Rental expense

↔ Rental expenses as % of turnover





Sound Working Capital Management



Continuing Operations

(Days)	As of 30 Jun 2014	As of 31 Dec 2013	As of 30 Jun 2013
Receivable Turnover Days	1.4	1.1	1.1
Inventory Turnover Days	48.6	49.3	58.7
Payable Turnover Days	68.3	59.9	69.7
Cash Conversion Cycle	(18.3)	(9.5)	(9.9)

Active Cash Management Results in Healthy Cash Conversion Cycle





Healthy Cash-flow & Financial Position



Continuing Operations

Cash Flow Generation

As of 30 June

(HK\$ million)	2014 [#]	2013
Net cash inflows from operation before adjusting for other cash flow items	138.9	97.2
Purchase of property, plant and equipment items	(43.3)	(93.5)
Other cash flow items		
Receipt from the exercise of Warrants	-	17.8
Receipt from disposal of subsidiaries	-	394.6
Dividends paid	(25.0)	(305.2)
Dividends paid to former shareholders of a subsidiary	-	(57.3)
Others	7.8	4.8
Net Increase in cash and other financial assets	78.4	58.4

Gearing Summary

(HK\$ million)	As of 30 Jun 2014 [#]	As of 31 Dec 2013
Cash	295.8	271.2
Other financial assets*	53.8	-
	349.6	271.2
Total Debt	35.2	26.9
Net Cash and other financial assets	314.4	244.3

[#] Including the cash flows / cash balance of Hop Hing Group Holdings Limited

* Short term principal-guaranteed financial products with PRC banks

Maintained a strong and healthy cash inflow from operations





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FUTURE PROSPECTS



爱·味道

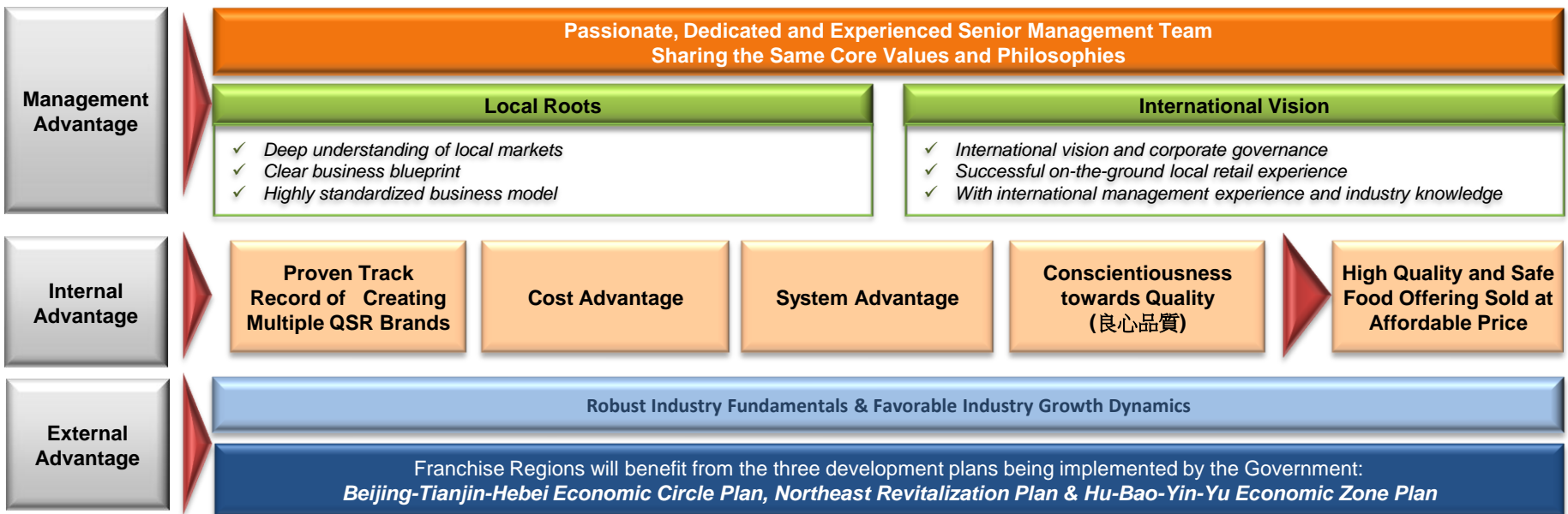
每一种食材都追本溯源确保安全健康



Management Outlook



Hop Hing's Core Competitive Strengths





Future Growth Strategies



1



Optimise & Expand Store Network

2



Strengthen the brand image

3



Raise operating efficiency with stringent cost control

4



Extend Product Portfolio

5



Enhance Delivery Service

6



Commit to Food Safety and Quality Continuously

吉野家
YOSHINOYA



Leading Multi-Brands Oriental Cuisine Specialist in the PRC



1

Optimise & Expand Store Network



- Based on the culture, demands and local markets to adjust store opening strategies to meet target growth
- Tailor-made menus for different stores to attract target customers in specific areas
- Regular store renovation to enhance dining experience
- Aim to enhance profitability and raise SSSG to maintain sustainable growth



Prudent and flexible approach in expanding restaurant network but more on store network optimisation and profitability improvement





2 Strengthen the brand image



- Incorporate “Sunshine Kitchen” concept
 - Allow customers to observe the operation of the kitchen and production process
 - Reinforce our food safety and quality image
 - Enhance customers’ dining experience



- Reposition the brand identity of Dairy Queen by reinforcing ourselves as a fashion and trendy ice-cream expert
- Retain and attract customers by
 - Increase new product varieties, eg. Hand-made waffles
 - Improve display and product varieties in the front counters



PROMOTION & ADVERTISING

- Implementation of promotional advertising activities to:
 - Reinforce the “fresh and made on spot” unique image
 - Drive more traffics and grow revenue





3

Raise Operating Efficiency with Stringent Cost Control Measures



Maintain Gross Profit Margin

- Strategic bulk purchases
- Optimisation of product mix
- Flexible promotional strategies
- Launch new products with higher gross profit margin



Cost-effective Manpower to Improve the Efficiency

- Enhance automation e.g. implementing KDS system to raise efficiency between placing order and food making
- Separation of “cashier” and “pick up counter” to receive more customer orders

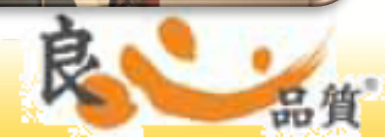


Initiatives to Better Rental Cost Control

- Identify strategic locations at the best possible rental rates with good traffics
- Solidify relationship with sizable landlords, and renegotiate the rental rate in some cases



种类丰富选择多					秘制浓汤更美味				
招牌猪脚饭	招牌猪脚饭	招牌猪脚饭	招牌猪脚饭	招牌猪脚饭	招牌猪脚饭	招牌猪脚饭	招牌猪脚饭	招牌猪脚饭	招牌猪脚饭
¥2.5	¥2.5	¥2.5	¥3.0	¥3.0	¥3.0	¥3.0	¥3.0	¥3.5	¥3.5
招牌猪脚饭	招牌猪脚饭	招牌猪脚饭	招牌猪脚饭	招牌猪脚饭	招牌猪脚饭	招牌猪脚饭	招牌猪脚饭	招牌猪脚饭	招牌猪脚饭
¥2.0	¥1.5	¥1.5	¥1.5	¥2.0	¥2.5	¥2.5	¥2.5	¥2.5	¥2.5





4

Extend Product Portfolio



Introduction of Value Meal

- Target younger generation who are price-sensitive
- Cater to those customers who are looking for value for money products

Signature and New Products

- Offer customers full meals under a cozy environment
 - Beef bowl compliment with value-added side dishes
 - Stone pot
 - Pork rice
 - Colorful cones
 - Pop corns
 - New Hot dog

Extension of Service Period

- Expand service into other day parts and offer value meal to bring in additional income
 - Early Lunch
 - Late Lunch



Diversify and Broaden Customer Base





5

Enhance Delivery Service



- Proactive customer outreach with online web and WAP ordering, call centre and delivery capabilities
- Call center for **telephone ordering** in more cities
 - Cover a wider range of customers
- Launched **“Web Online Platform”** at the end of year 2013 and **mobile WAP ordering system** in April 2014 to compliment the telephone delivery service
 - Broaden our customer base, such as younger generations who frequently use internet and mobiles





6

Commitment to Food Safety and Quality Continuously



Provide whole food to minimal food processing



Build in Food Safety Controls Throughout Operation

Control the quality of raw materials from sources and establish long-term cooperative relationship with well-established suppliers

Diversified product categories covering beef, pork and chicken from quality suppliers





Our Mission



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





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Q&A

爱·在吉野家



自1899年，我们始终做到：

每一种食材，都追本溯源，确保安全健康。

每一份饭食，都精心烹煮，执著营养美味。

每一个细节，都一丝不苟，满载安心体验。

每一刻服务，都真诚亲切，缔造温馨的家。