

# HOP HING GROUP HOLDINGS LIMITED

(HKEx Stock Code: 47)

## 2014 Annual Results

## Corporate Presentation

20 March 2015



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# Speakers



**Mr. Hung Ming Kei, Marvin**

*Executive Director and Chief Executive Officer*



**Mr. Wong Kwok Ying, David**

*Executive Director and Group Comptroller*

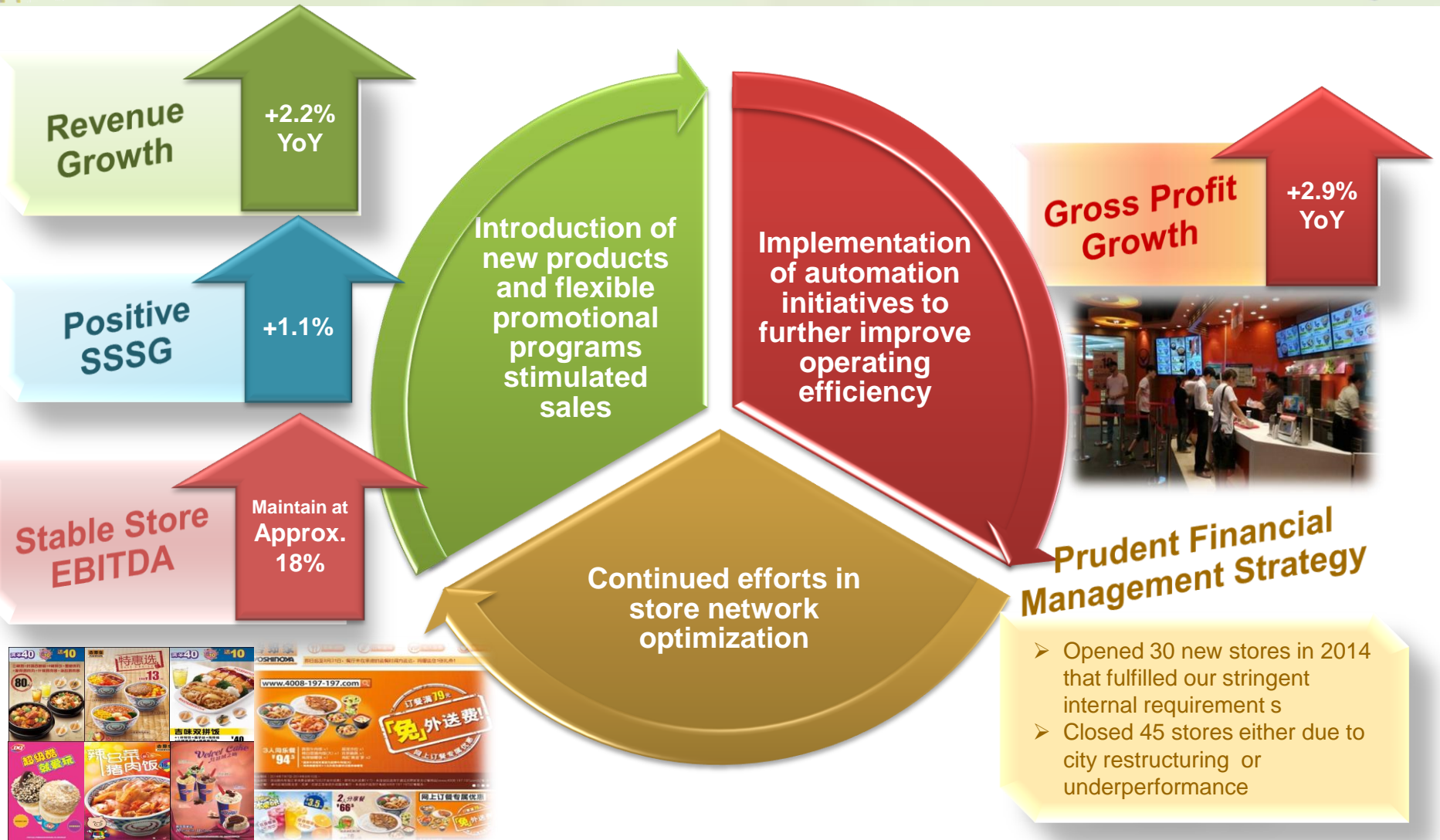


# ***BUSINESS REVIEW***





# 2014 Operational Update

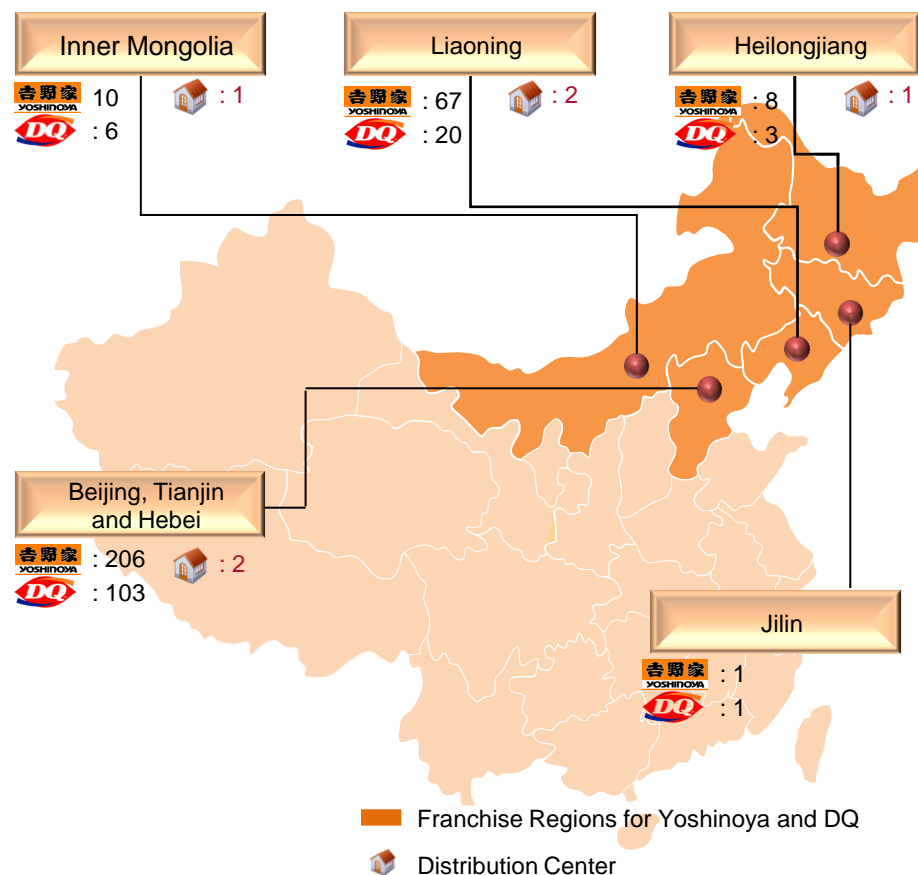


# Continued Efforts on Optimizing Our Store Network



292 Yoshinoya Stores and 133 DQ Stores

As of 31 December 2014



Focused on Improving Quality of Our Store Network

	吉野家 YOSHINOYA		DQ		Total	
	As of 31 Dec 2014	As of 31 Dec 2013	As of 31 Dec 2014	As of 31 Dec 2013	As of 31 Dec 2014	As of 31 Dec 2013
Beijing, Tianjin and Hebei	206	223	103	109	309	332
Liaoning	67	61	20	19	87	80
Jilin	1	2	1	-	2	2
Inner Mongolia	10	9	6	6	16	15
Heilongjiang	8	9	3	2	11	11
<b>Total</b>	<b>292</b>	<b>304</b>	<b>133</b>	<b>136</b>	<b>425</b>	<b>440</b>

# FINANCIAL HIGHLIGHTS



# 2014 Financial Highlights



(HK\$ million)	For the year ended 31 December	
	2014	2013
<b>Continuing Operations</b>		
<b>Turnover</b>	<b>2,157.9</b>	2,110.7
<b>Gross Profit</b>	<b>1,340.1</b>	1,302.0
<b>Operating Profit<sup>1</sup></b>	<b>42.6</b>	77.5
<b>Profit for the Year from Continuing Operations</b>	<b>35.4</b>	65.7
<b>GP Margin (%)</b>	<b>62.1%</b>	61.7%
<b>OP Margin (%)<sup>1</sup></b>	<b>2.0%</b>	3.7%
<b>NP Margin (%)</b>	<b>1.6%</b>	0.7%
<b>Basic EPS (HK cents)</b>	<b>0.35</b>	0.66
<b>Diluted EPS (HK cents)</b>	<b>0.35</b>	0.66
<b>Discontinued Operation</b>		
Profit / (Loss) for the Year from a Discontinued Operation	N/A	(51.7)
<b>Consolidated Net Profit</b>	<b>35.4</b>	14.0
Basic EPS (HK cents)	<b>0.35</b>	0.14
Diluted EPS (HK cents)	<b>0.35</b>	0.14

Note 1: Excluding other income and gains



# Revenue & Gross Profit

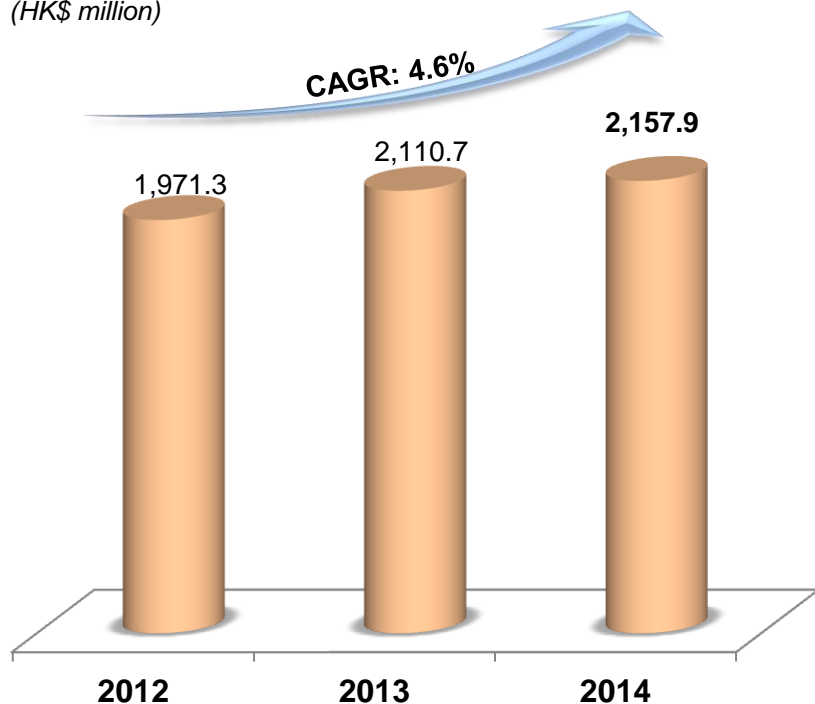


## Continuing Operations

- Steady revenue, gross profit and gross profit margin growth despite the challenging business operating environment in the past 3 years

### Revenue

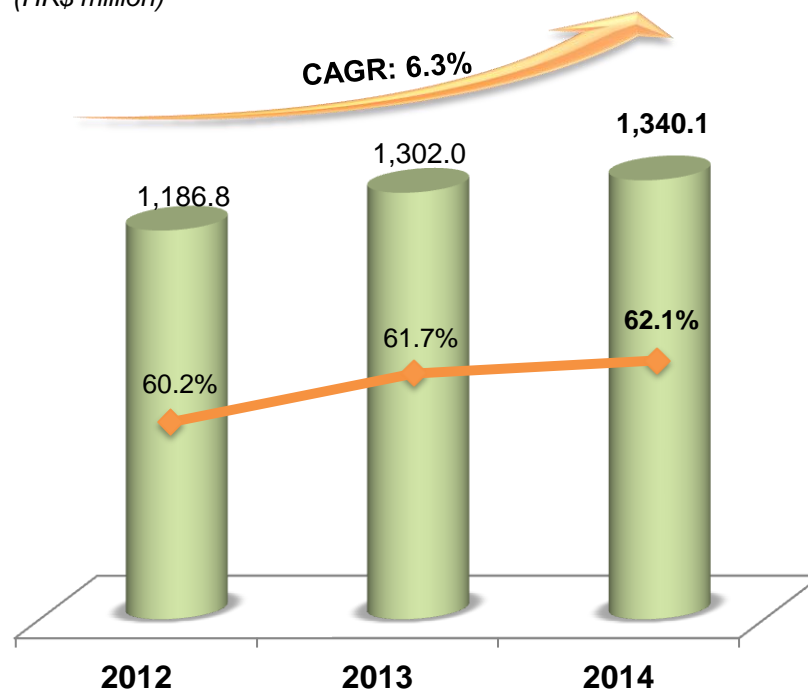
(HK\$ million)



For the year ended 31 Dec

### Gross Profit & GP Margin

(HK\$ million)



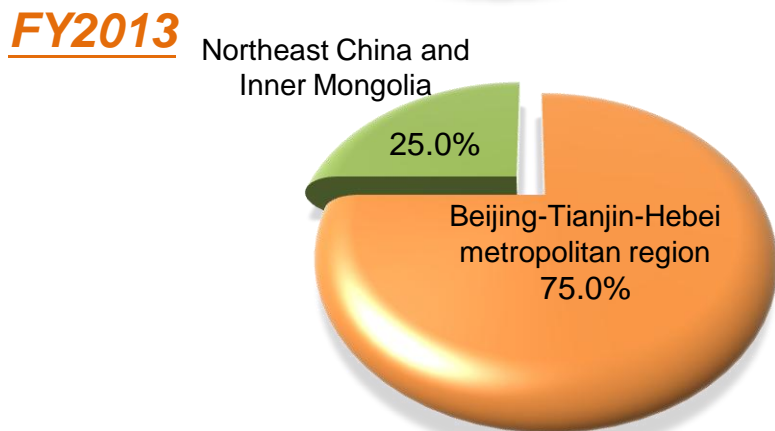
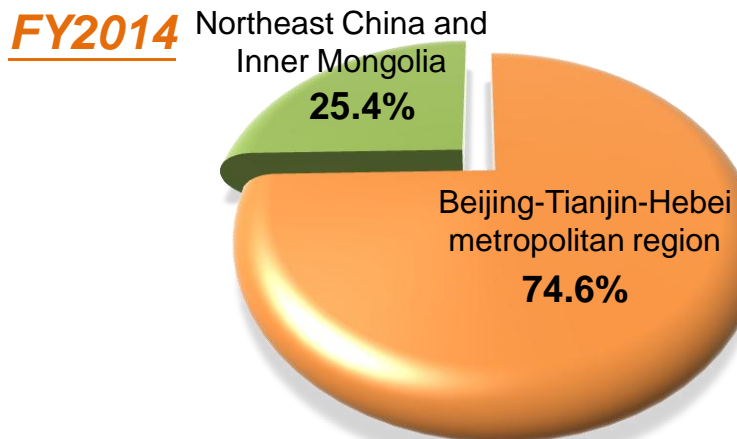
For the year ended 31 Dec

# Segmental Breakdown

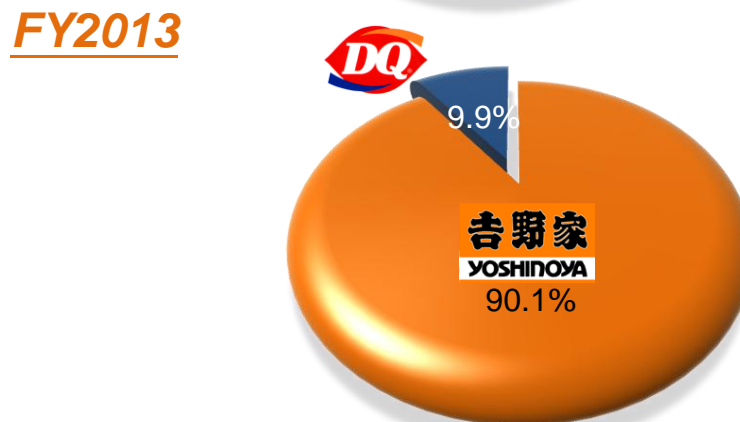
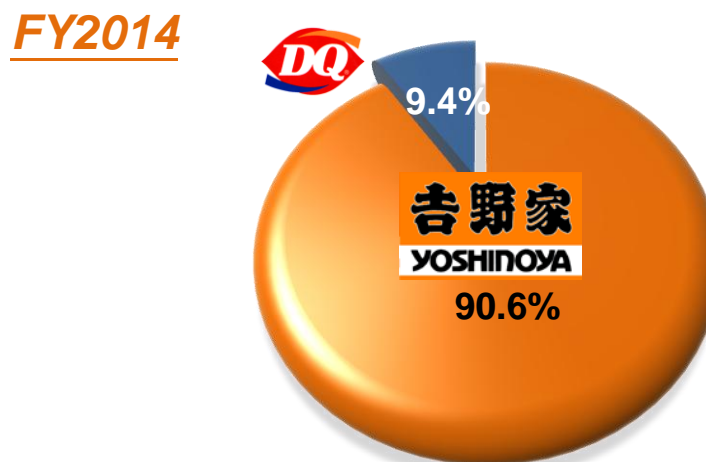


## Continuing Operations

### Revenue by Region



### Revenue by Brand



# Stable Structure of Costs & Expenses



## Continuing Operations

✓ *Stringent cost controls and product mix optimization improved GP margin*

✓ *Maintained labor costs and rental expense at a reasonable level*

### Direct Cost of Stocks Sold

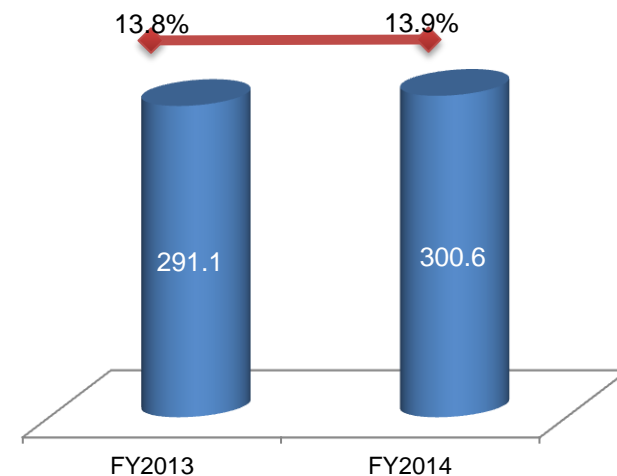
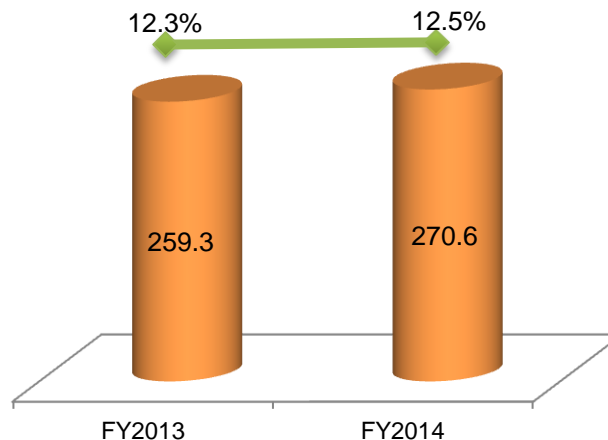
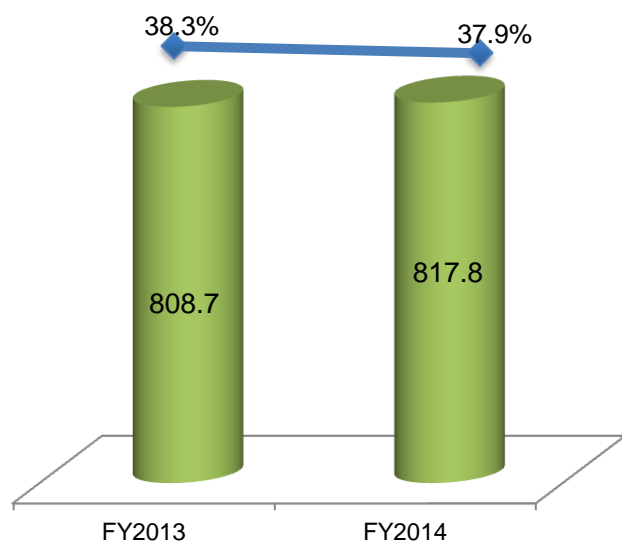
(HK\$ million)

### Labor Costs

(HK\$ million)

### Rental Expense

(HK\$ million)



■ Direct Cost of Stocks Sold

↔ Direct Cost of Stocks Sold as % of turnover

■ Labour Costs

↔ Labor costs as % of turnover

■ Rental expense

↔ Rental expenses as % of turnover



# Sound Working Capital Management



## Continuing Operations

(Days)	As of 31 Dec 2014	As of 31 Dec 2013
Receivable Turnover Days	1.2	1.1
Inventory Turnover Days	51.9	49.3
Payable Turnover Days	59.9	59.9
Cash Conversion Cycle	(6.8)	(9.5)

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



# Healthy Cash-flow & Financial Position



## Continuing Operations

### Cash Flow Generation

As of 31 December

(HK\$ million)	2014	2013
<b>Net cash inflows from operation before adjusting for other cash flow items</b>	<b>192.6</b>	<b>198.3</b>
<b>Purchase of property, plant and equipment items</b>	<b>(104.0)</b>	<b>(159.3)</b>
<b>Interest payments and net movement of bank loans</b>	<b>1.7</b>	<b>(1.8)</b>
<b>Other cash flow items</b>		
Fund movements with companies in the discontinued operation	-	5.9
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)
<b>Net Increase / (Decrease) in Cash</b>	<b>65.3</b>	<b>93.0</b>

### Gearing Summary

(HK\$ million)	As of 31 Dec 2014	As of 31 Dec 2013
Cash	336.5	271.2
Total Debt	30.0	26.9
Net Cash	306.5	244.3

**Maintained a strong and healthy cash inflow from operations**

# FUTURE PROSPECTS



# Management Outlook



Short to  
medium term

## Short to medium term: Market Consolidation:

- Fierce competition in the QSR sector further intensified by the growing use of internet / O2O for scalable rebate / coupon redemption campaigns offered by renowned search engines / social media platforms
- Sluggish China economy weakens customer sentiment
- Difficult operating environment due to the increasing costs

Medium to long term

## Medium to long term: Hop Hing –Building the Foundation for Long-term Prosperity

- Robust industry fundamentals
- Fast pace of urbanization in China, the improvement of the living standard and rising disposal incomes of Chinese people
- Our distinctive edge of “Quality Products”; “Simplicity of Operating Procedures” and “Food Safety” solidified our leading position to capture business opportunities and further penetrate the market after the current industry trough

### 1 Core Operations:

- Financial Budget Management;
- Strategic Brand Development



### 2 Basic Momentum:

- Future Insight
- Innovation
- Cooperation



### 3 Strategic Initiatives:

- New Stores Sales;
- Product Launch;
- Information System Build-up;
- HR Management

*Operators with Higher Operational Efficiency & Experienced Management Team is Expected to Benefit from the Market Consolidation*

# Our Growth Strategies





# Extend Product Portfolio & Enhance Dining Experience



## Extend Product Portfolio & Introduce New Products

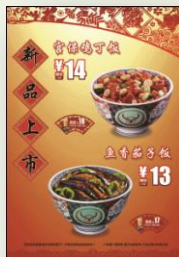
- Stimulate the taste buds of our customers by introducing innovative new products
- A strategic and comprehensive product portfolio to mitigate the impact of the fluctuations of different meat costs



Stone pot in old Taiwan style



Spicy vegetable and pork bowls



Chicken Eggplant rice bowl



Noodle



Diversified beef bowl



Special Hotpot



Colorful cones

## Different Meal Sets to Cater Different Needs

### Value meal offered during non-peak hours

- Target younger generation who are price-sensitive
- Cater to those customers who are looking for “value for money” products
- Continue the “early lunch” and “late lunch” approach



### Enhance the offering of complete dinner sets with drinks and desserts

- Cater to the customers who have higher consumption power and are looking for better dining experience
- Boost average spending and grow SSSG



## 2 Stringent Cost Control & Raise Operating Efficiency



- The established business information system enables us to swiftly adjust our menus and operating mode in response to market changes
- Strategic product mix and flexible promotional strategies to mitigate the fluctuations of raw material costs

### Implementation of Information System



### “Virtual Partnership Program” to Boost HR Efficiency

- Implementation of “**Virtual Partnership Program**” in 2Q 2015 to boost morale through labor incentives
- Maintain competitive compensation packages and provide trainings to retain talents

- Separation of “cashier” and “pick up” counters to receive more customer orders\*
- Build smaller size of stores to improve store efficiency
- Solidify relationship with landlords and negotiate a better rental rate

### Stringent Rental Control & Improvement of Store Efficiency



\* The “separation of cashier and pick up counters” has been implemented across all branches in Beijing in Jan 2015 and will eventually extend to all branches within our Franchised Region this year

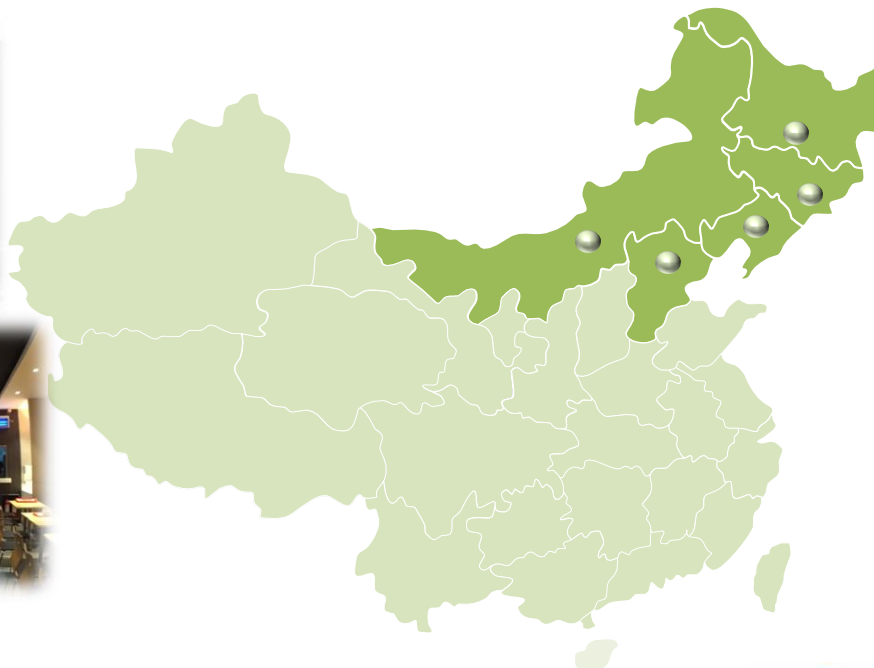


# 3 Optimize & Expand Our Store Network



## Open stores at a steady pace (穩中求進)

- Build smaller stores in community areas to increase turnover and reduce the investment costs
- Optimized store network according to the culture, needs and demands of different districts within our franchised region
- Focus on profit-making stores and newly-built stores with business potential
- Aim to increase profitability and raise SSSG to maintain growth



# Strengthen Brand Image & Enhance Delivery Service



吉野家  
YOSHINOYA



- **Build a "At Home" Feeling to Our Customers**

- To create a "at home" feeling to our customers as if Yoshinoya is their second home
- The dining concept is "simple and straight forward"
- Allow customers to observe the operation of the kitchen and production process to reinforce the "fresh and made on spot" unique image



- **Trendy and Fashionable Ice Cream Expert**

- Reinforce DQ's image as a young, fashionable and trendy ice-cream expert with distinctive shop front and eye-catching signage
- Improve display and increase product varieties in the front counters



Internet web  
online platform



Call Centre



- **Delivery Service to Bring Additional Income**

- Enhanced customer outreach strengthens the Group's delivery capabilities
- Broaden customer base including customers preferring to dine at workplace or home
- Broaden income stream





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



# Q&A

吉野家  
YOSHINOYA

【手功派第三式】

乾坤挪移

以用心研制的黄金比例，将牛肉和洋葱的甜香充分融合；牛锅达人，乾坤幻化之间，成就舌尖上的色味俱佳。