



# HOP HING GROUP HOLDINGS LIMITED

*(HKEx Stock Code: 47)*

**2016 Q1 Operational update & 2015 Annual Results  
Corporate Presentation**

*April 2016*





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# ***LATEST BUSINESS UPDATE***



# 2016 Q1 & FY2015 Operational Update



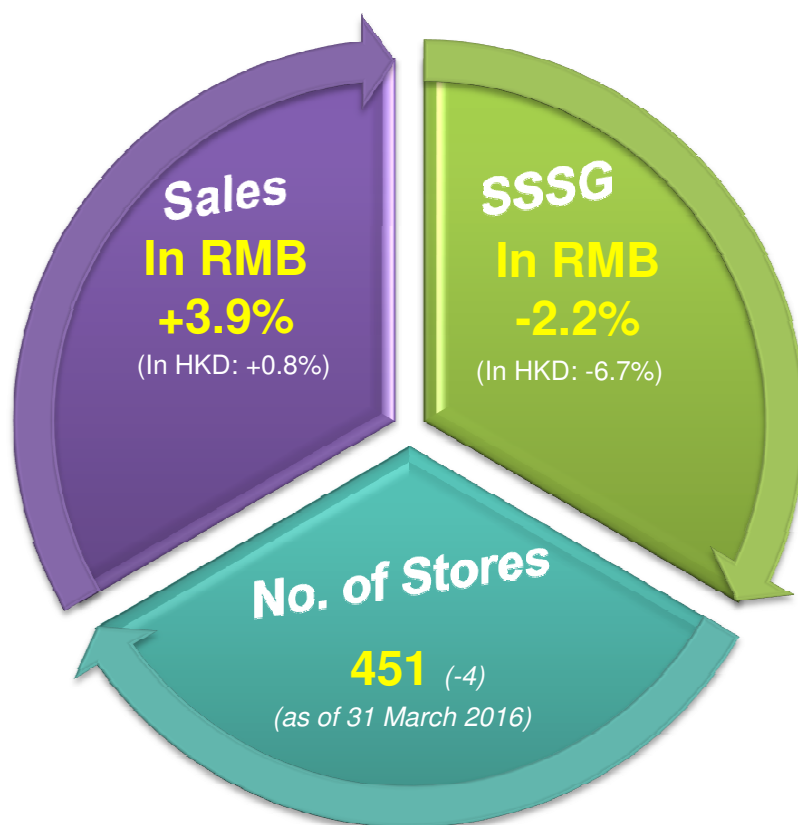
## Efficiency

## Effectiveness

## Value creation

2016 Q1 Operational Update

FY2015 Key Financial Indicators

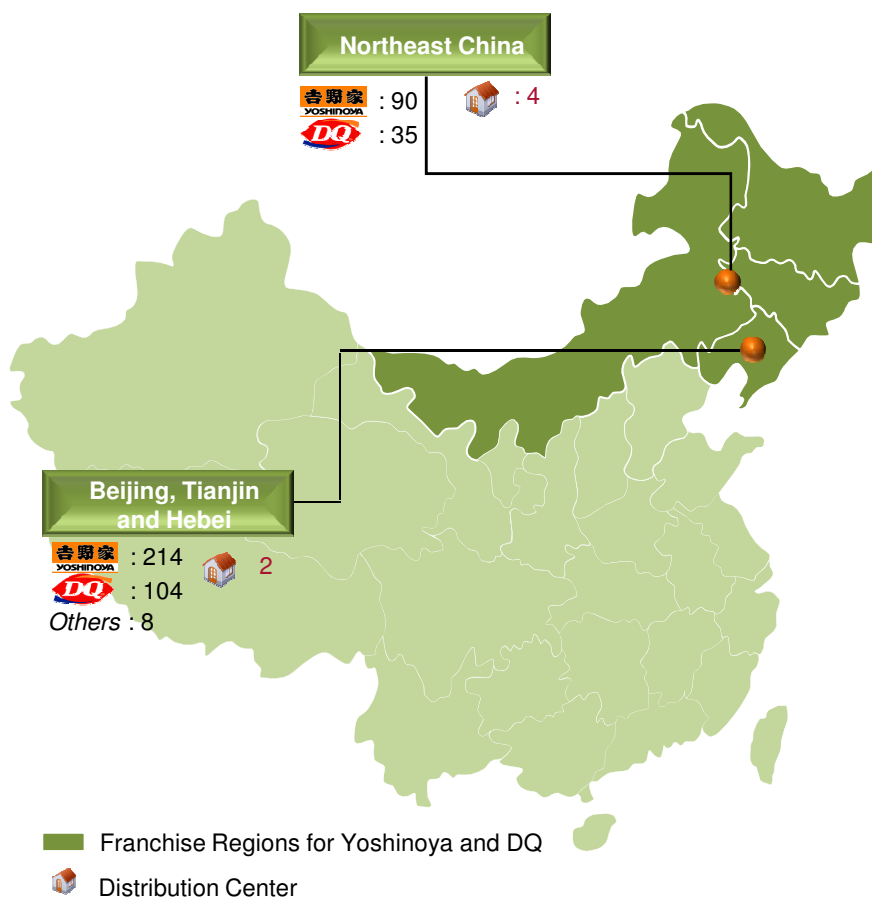


# Continued Efforts on Optimizing Our Store Network



Total: 451 Stores

As of 31 March 2016



Continued to Improve Quality of Our Store Network

	吉野家 YOSHINOYA		DQ		Others		Total	
	As of 31 Mar 2016	As of 31 Dec 2015	As of 31 Mar 2016	As of 31 Dec 2015	As of 31 Mar 2016	As of 31 Dec 2015	As of 31 Mar 2016	As of 31 Dec 2015
Beijing, Tianjin and Hebei	214	212	104	106	8	10	326	328
North-east China	90	91	35	36	NA	NA	125	127
<b>Total</b>	<b>304</b>	<b>303</b>	<b>139</b>	<b>142</b>	<b>8</b>	<b>10</b>	<b>451</b>	<b>455</b>





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# 2015 ANNUAL RESULTS



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# 2015 Financial Highlights



(HK\$ million)	For the year ended 31 December	
	2015	2014
<b>Turnover</b>	<b>2,050.1</b>	2,157.9
<b>Gross Profit</b>	<b>1,292.0</b>	1,340.1
<b>Selling and distribution expenses</b>	<b>(989.6)</b>	(1,081.0)
<b>General and administrative costs</b>	<b>(212.6)</b>	(216.5)
<b>EBITDA</b>	<b>203.5</b>	185.5
<b>Operating Profit<sup>1</sup></b>	<b>89.8</b>	42.6
<b>Profit for the Year</b>	<b>65.8</b> 	35.4
<b>GP Margin (%)</b>	<b>63.0%</b>	62.1%
<b>Selling and distribution expenses(%)</b>	<b>48.3%</b>	50.1%
<b>General and administrative costs(%)</b>	<b>10.4%</b>	10.0%
<b>EBITDA Margin (%)</b>	<b>9.9%</b>	8.6%
<b>OP Margin (%)<sup>1</sup></b>	<b>4.4%</b>	2.0%
<b>NP Margin (%)</b>	<b>3.2%</b>	1.6%
<b>Basic EPS (HK cent)</b>	<b>0.66</b>	0.35

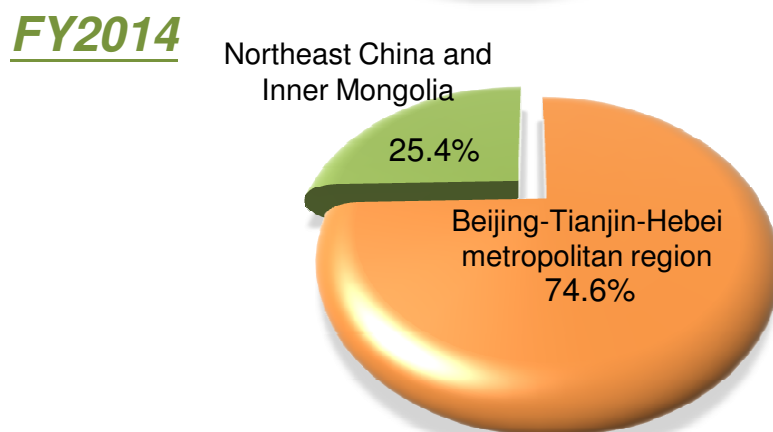
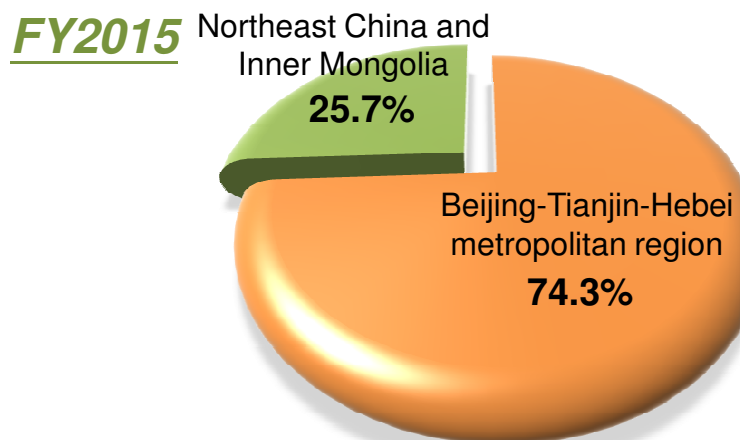
*The Board of Directors recommends the payment of a final dividend of HK0.25 cent per share for the year ended 31 December 2015*



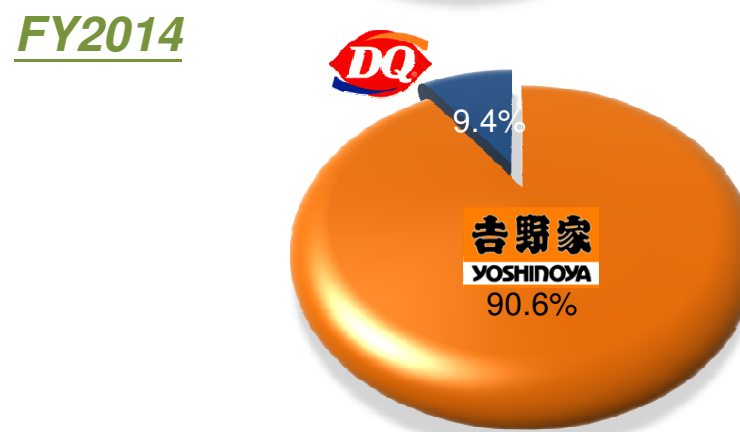
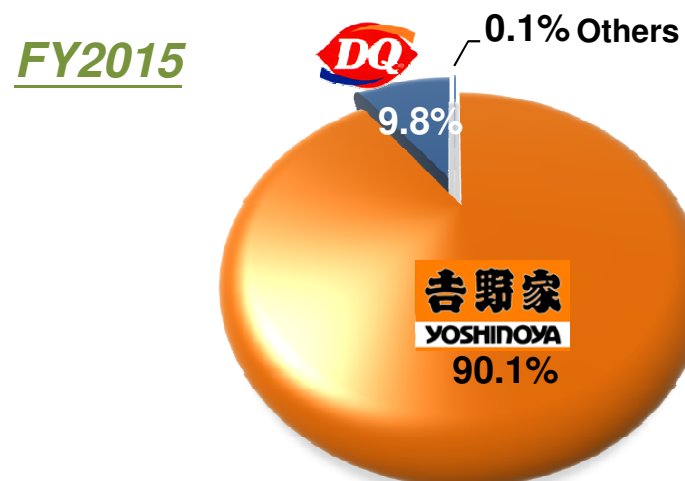
# Segmental Breakdown



## Revenue by Region



## Revenue by Brand





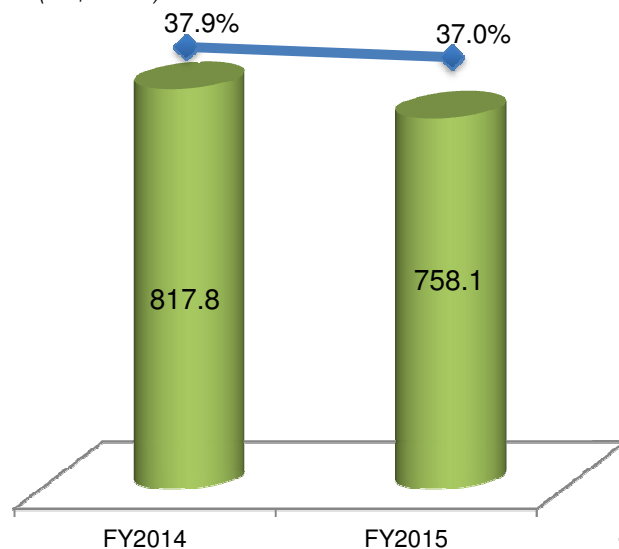
# Stable Structure of Costs & Expenses



- Stringent cost control measures, together with bulk procurement to enjoy bigger bargaining power as well as product mix optimisation → lowered direct cost of stocks sold with improved GP margin
- Shortage of labour in the catering industry and an annual increase of over 10% in salaries and wages in the PRC increased the labor costs
- Maintained rental expense at a reasonable level by negotiating with landlords, building smaller stores and closing underperforming stores

## Direct Cost of Stocks Sold

(HK\$ million)

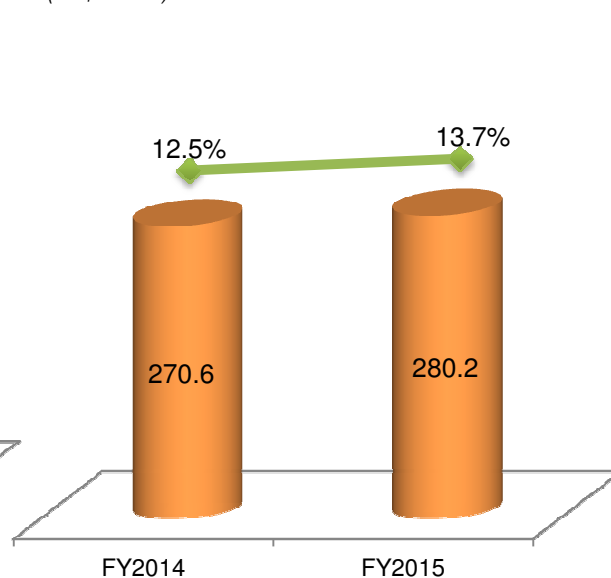


■ Direct Cost of Stocks Sold

◆ Direct Cost of Stocks Sold as % of Turnover

## Labour Costs

(HK\$ million)

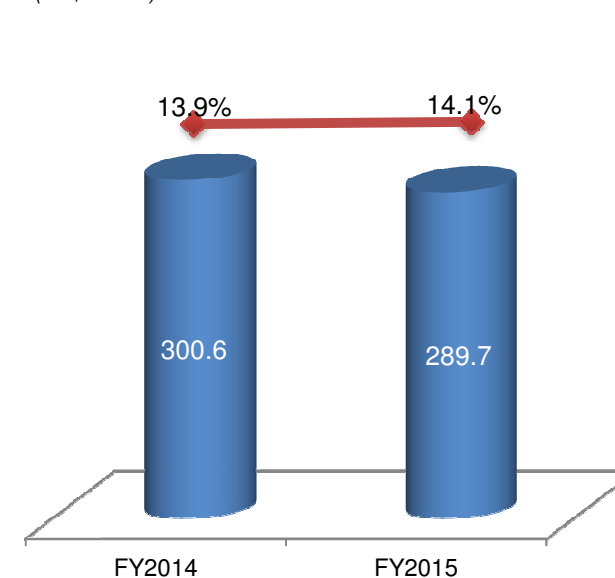


■ Labour Costs

◆ Labour costs as % of Turnover

## Rental Expenses

(HK\$ million)



■ Rental Expenses

◆ Rental Expenses as % of Turnover



# Sound Working Capital Management



<i>(Days)</i>	As of 31 Dec 2015	As of 31 Dec 2014
<b>Receivable Turnover Days</b>	<b>1.2</b>	1.2
<b>Inventory Turnover Days</b>	<b>59.6</b>	51.9
<b>Payable Turnover Days</b>	<b>57.4</b>	59.9
<b>Cash Conversion Cycle</b>	<b>3.4</b>	(6.8)



# Healthy Cash-flow & Financial Position



## Cash Flow Generation

### As of 31 December

(HK\$ million)	2015	2014
<b>Net Cash Inflows from Operation before Adjusting for Other Cash Flow Items</b>	<b>170.9</b>	192.6
<b>Purchase of Property, Plant and Equipment Items</b>	<b>(90.3)</b>	(104.0)
<b>Net Movement of Bank Loans and Interest Payments</b>	<b>(31.5)</b>	1.7
<b>Other Cash Flow Items</b>		
Dividends Paid	(25.2)	(25.0)
Others	(4.9)	-
<b>Net Increase in Cash</b>	<b>19.0</b>	65.3

## Gearing Summary

(HK\$ million)	As of 31 Dec 2015	As of 31 Dec 2014
Cash	355.5	336.5
Total Debt	-	30.0
<b>Net Cash</b>	<b>355.5</b>	306.5

*Maintained a Strong and Healthy Cash Inflow from Operations*





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# ***FUTURE PROSPECTS***



# Management Outlook – Sailing into the Wind



## Short to medium term

### Short to Medium Term: Market Consolidation

- Sluggish Chinese economy with the official average annual GDP growth target for 2016-2020 revised down to 6.5% weakens customer sentiment
- Fierce competition in the QSR sector further intensified by the growing use of internet technology
- Difficult operating environment due to the increasing costs
- Adverse weather will continue to plague regions in which the Group operates

## Medium to long term

### Medium to Long Term: Cautious Industry & Economic Outlook

- Chinese economy growth slowdown and rapidly changing operating environment in China placed pressure on QSR players' revenue
- The degree of urbanisation in China in 2020 will be raised to 60% from today's 45%. The improvement of the living standard and rising disposable income of Chinese people laid solid foundation for further growth
- The Group will benefit from the government's plan to realign functions and priorities of the areas and cities surrounding the capital and the Northern China region
- Continue to build and enhance our foundation to solidify our leading position to capture business opportunities and further penetrate the market after the current industry trough

*Operators with solid foundation, high operational efficiency & experienced management team are in a better position to capture market opportunities during difficult business environment*



# Our Growth Strategies



# 1 Unique Store Opening Strategy to Maximise Customer Experience



## Continue to Optimize Store Investment & Open Stores at a Steady Pace

- Build stores of different size to cater different customers' needs and expectation and maximise returns
- Continue to solidify relationship with landlords and negotiate a better rental rate
- Prudent store opening strategy: leverage "Beijing-Tianjin-Hebei Integration", focus on opening stores with business potential
- Renovate existing older stores with to enhance cozy environment for our customers

### Concept Store

- Provide affordably luxurious dining experience with quality food served
- Enhanced menu with more diversified selections
- More spacious seats with higher customer-accommodating capacity
- Store size:
  - Yoshinoya: 200-250 m<sup>2</sup>
  - Dairy Queen: 50-100 m<sup>2</sup>



### Regular Store

- Opening stores at strategic locations with relatively smaller size → reduce investment costs with enhanced returns
- Store size:
  - Yoshinoya: 100-150 m<sup>2</sup>
  - Dairy Queen: kiosk – 30 m<sup>2</sup>



### Takeaway Store

- Mainly for customer takeaway service with only limited / without seats available
- Smallest store size with the least investment cost



## 2 Leverage O2O to Elevate Customers' Satisfaction



### Continue to Enhance Delivery & Takeaway Services

- Continue to enhance customer outreach to broaden income stream
- Expand the delivery teams to strengthen the Group's delivery capabilities
- Build kiosks / takeaway stores to complement O2O strategies
- Broaden customer base including customers preferring to dine at workplace or home



# O2O

Online to Offline

### Enhance Online Sales Channels & Internet / Smart Payment

- Provide additional convenience to customers through the introduction of internet / smart payment systems
- Continue to cooperate with various popular online platforms to reach out to more customers and boost the sales volume
- Increase brand and product exposure through social media advertising



微信支付

### Better Customer Segmentation with Big Data from Internet Platforms

- Track the market and consumption trends based on the **customer segmentation** and a **new business intelligence system**
- Leverage the big data derived from the internet platforms (including social media platforms, the Group's Web Online Platform and mobile WAP ordering system) to understand better the customers' preference
- Collect and analyse market data in order to cater ever-changing customer preference and needs





### 3 Enhancing Motivation Initiatives & Improving Management Systems



#### Enhance Motivation Initiatives

- “Virtual Partnership Scheme” has been implemented in all stores in 2Q 2015, allowing the heads of stores to operate their establishments as if they were the owners and motivating the seniors to be the continuous source of various creative ideas and cost-saving suggestions for improving the performance of the Group
- The program does not only boost the morale of the persons-in-charge by giving them a sense of ownership, but also allows them to share the fruits of our success
- The cost-saving efforts have contributed directly to the year-round growth of net profit amidst adverse market conditions



#### Improve Management Systems

- **Decentralisation:**  
Delegation of power to staff of all ranks. Flattened hierarchy leads to shortened communication procedures, quicker decision-making processes and faster plan execution  
  
New initiatives, e.g. separation of “cashiers” and “pick up” counters, were introduced proactively by store managers / frontline staff which enhance store efficiency
- **Embracing the Collaborative Economy:**  
Carefully analyse and use the data gathered from networks and social media platforms to formulate precise marketing plans to meet ever-changing market needs. In the past, we let our quality food and services speak for ourselves; now, our customers speak for us  
  
Fully utilise the existing areas of our physical stores taking into account all of the Group’s current brands and maximise the production efficiency of every store



# 4 Extending Menu Portfolio & Enhancing Product Mix



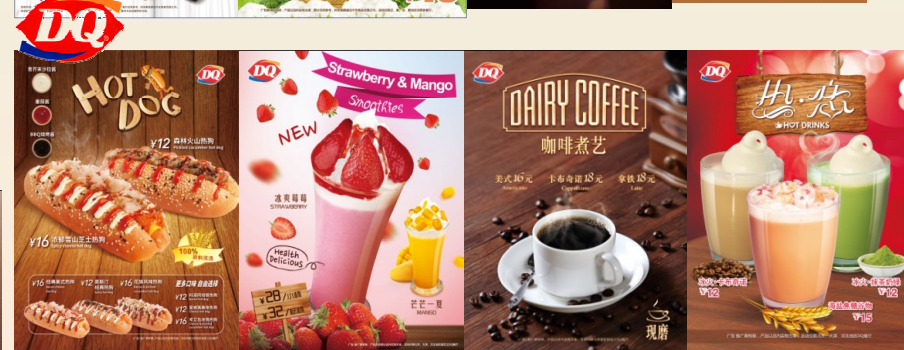
## Extend Product Portfolio & Introduce New Products

- 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



## Appropriate New Menu Sets at Different Time Segments to Cater Different Needs

- Enhance the offerings 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
- Value meals offered during non-peak hours
  - Target younger generation who are price-sensitive
  - Cater to customers who are looking for “value for money” products



## 5 Strengthen Brand Image & Multi-Brand Strategies



### → Commitment to Food Safety and Quality Continuously

- Control the quality of raw materials from sources and maintain long-term cooperative relationship with well-established suppliers
- Hop Hing's food safety and occupational health and safety management systems have earned **ISO22000** and **OHSAS18001** certifications

### → Continue to Enhance Different Brands' Image



#### ● Fueling Stations for Dreams

- Nutritious and tasty food serves as customers' fuels for dreams. Spacious seats with extra comfort allow customers to unwind amidst a busy day



#### ● 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



#### ● Maximise Convenience with Exceptional Delivery & Takeout Services

- Broaden customer base by including customers preferring to dine at workplace or home
- Dedicated delivery teams to bring hot food straight to customers' doorsteps, with the menus tailor-made for delivery orders
- Fully utilise O2O to deliver personalised "fast-fashion" catering to new generation of customers



# Our Mission



## *Leading Multi-brand Oriental Cuisine Specialist in the PRC*





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# Q&A



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