

HOP HING GROUP HOLDINGS LIMITED

(HKEx Stock Code: 47)



2017 Q1 Operational Update & 2016 Annual Results Corporate Presentation

May 2017



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吉野家
YOSHINOYA

吉食送

BUSINESS REVIEW



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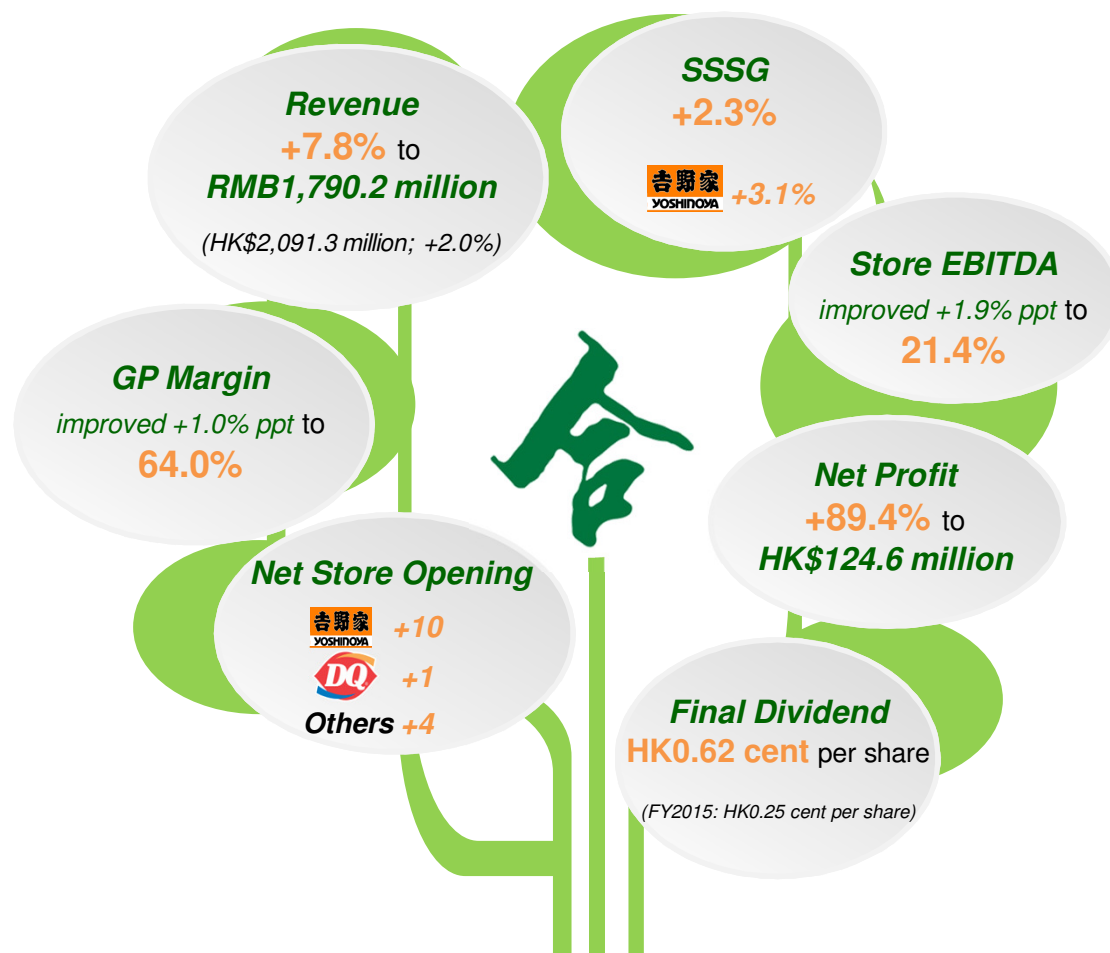


Operational Updates



2016 Annual Results

2017 Q1 Update



Operational Performance in 2016



Yoshinoya 吉野家 YOSHINOYA

Flagship Stores

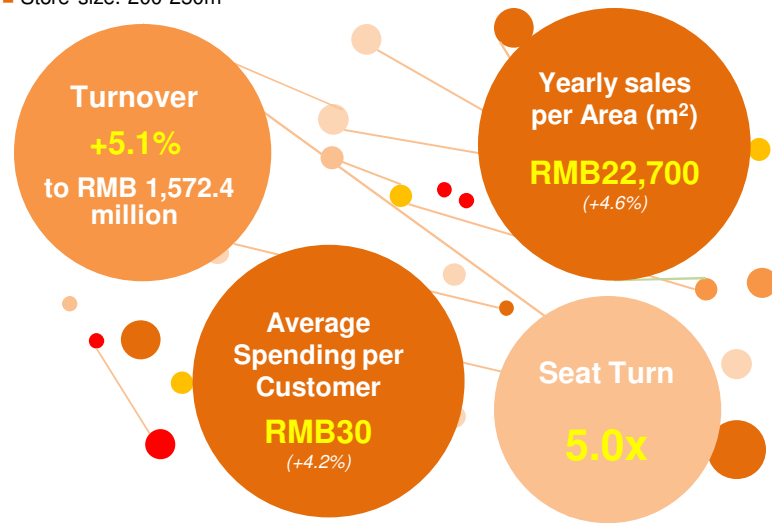


- Provide comfy dining experience with diversified menus & spacious seats
- Store size: 200-250m²

Regular Stores



- Situated in strategic locations to achieve better returns
- Store size: 100-150m²

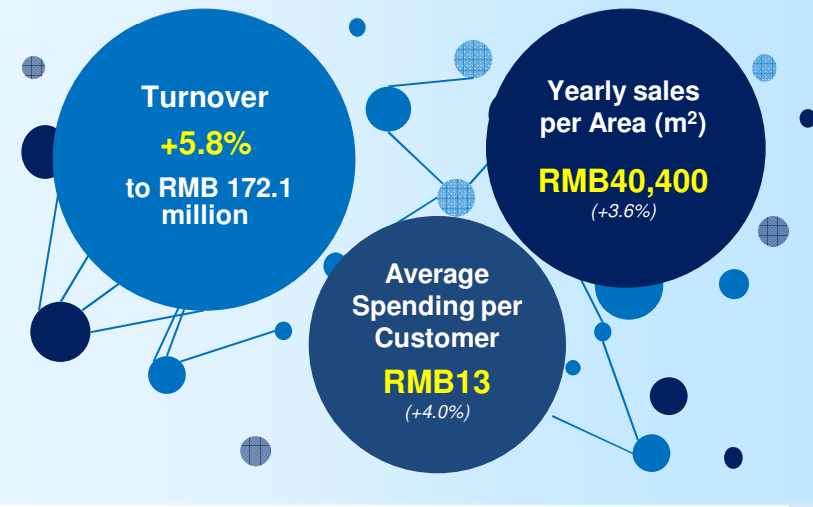


Dairy Queen

Flagship Stores



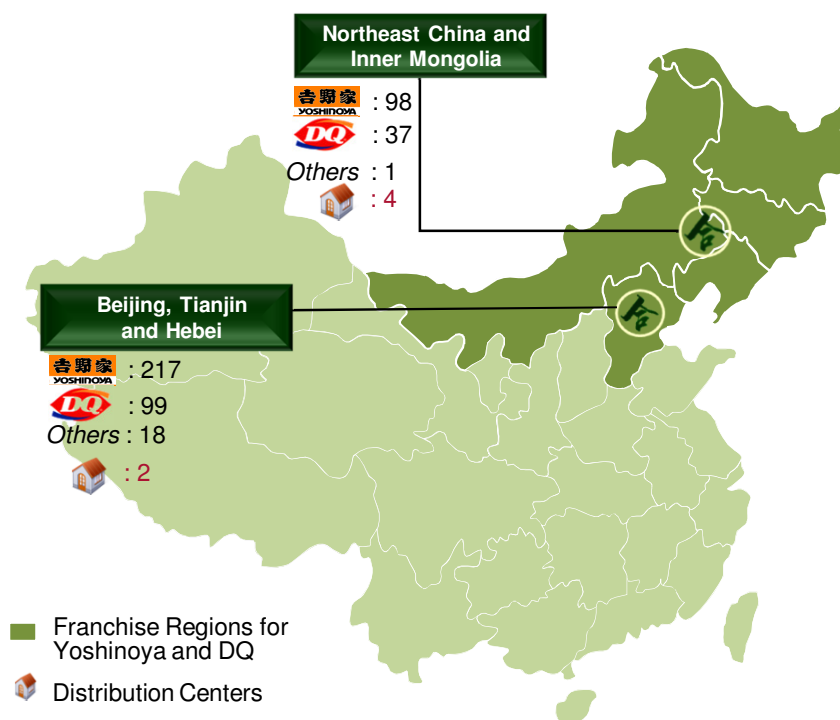
Regular Stores



Continued to Optimise Store Network



Total: 470 Stores (As of 31 March 2017)



Continued to Improve Quality of Our Store Network

	吉野家 YOSHINOYA		DQ		Others		Total	
	As of 31 Mar 2017	As of 31 Dec 2016	As of 31 Mar 2017	As of 31 Dec 2016	As of 31 Mar 2017	As of 31 Dec 2016	As of 31 Mar 2017	As of 31 Dec 2016
Beijing, Tianjin and Hebei	217	217	99	103	18	14	334	334
Northeast China and Inner Mongolia	98	96	37	40	1	NA	136	136
Total	315	313	136	143	19	14	470	470

Visible Advancement with the Six Core Business Strategies



Executed the six core strategies set in the beginning of 2016 with discipline – successfully improved operating efficiency and business performance

Enhance O2O Strategies and Delivery Capability

- **Yoshinoya delivery** accounted for **28%** of the total sales (2015: 17%)
- **Cashless payment** accounted for **40%** of the total sales and **74%** of all delivery orders respectively



Progressive Store Opening Strategies

- **Net opening of 15 stores** in FY2016
- Focus on building smaller stores
- **Rental expenses decreased** by 3.5%
- Continue to optimise the store network
 - Provision for the closure of underperforming stores **decreased** compared to 2015



Continued Efforts to Strengthen Brand Image & Multi-brand Strategies

- Introduction of a new brand 'Uncle Fong' to bring authentic HK snacks to consumers in Northern China
- **Uncle Fong stores** were opened at strategic locations, e.g. Oriental Plaza in Beijing



Utilise Information System to Develop Comprehensive and Innovative Product Portfolio

- Introduction of **new products** during the year, e.g. hot pots, special drinks, French toast for breakfast, etc.
- The promotional campaign with Yoshinoya's cartoon icon 'Jimengmeng' (吉萌萌) was well received by young generation



Enhance Operating Efficiency with Careful Cost Control Measures

- **Incentive Scheme** has continued to improve store operating efficiency
- **Store EBITDA** improved 1.9% ppt to **21.4%**
- Streamlined Beijing headquarters
- **G&A expenses decreased** by **11.8%**



Elevate Customer Satisfaction Level

- Earned **ISO22000** and **OHSAS18001** certifications
- Continuous extension and improvement of our supply chains without compromising the food quality
- Received numerous awards and certifications on food safety





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FUTURE GROWTH STRATEGIES

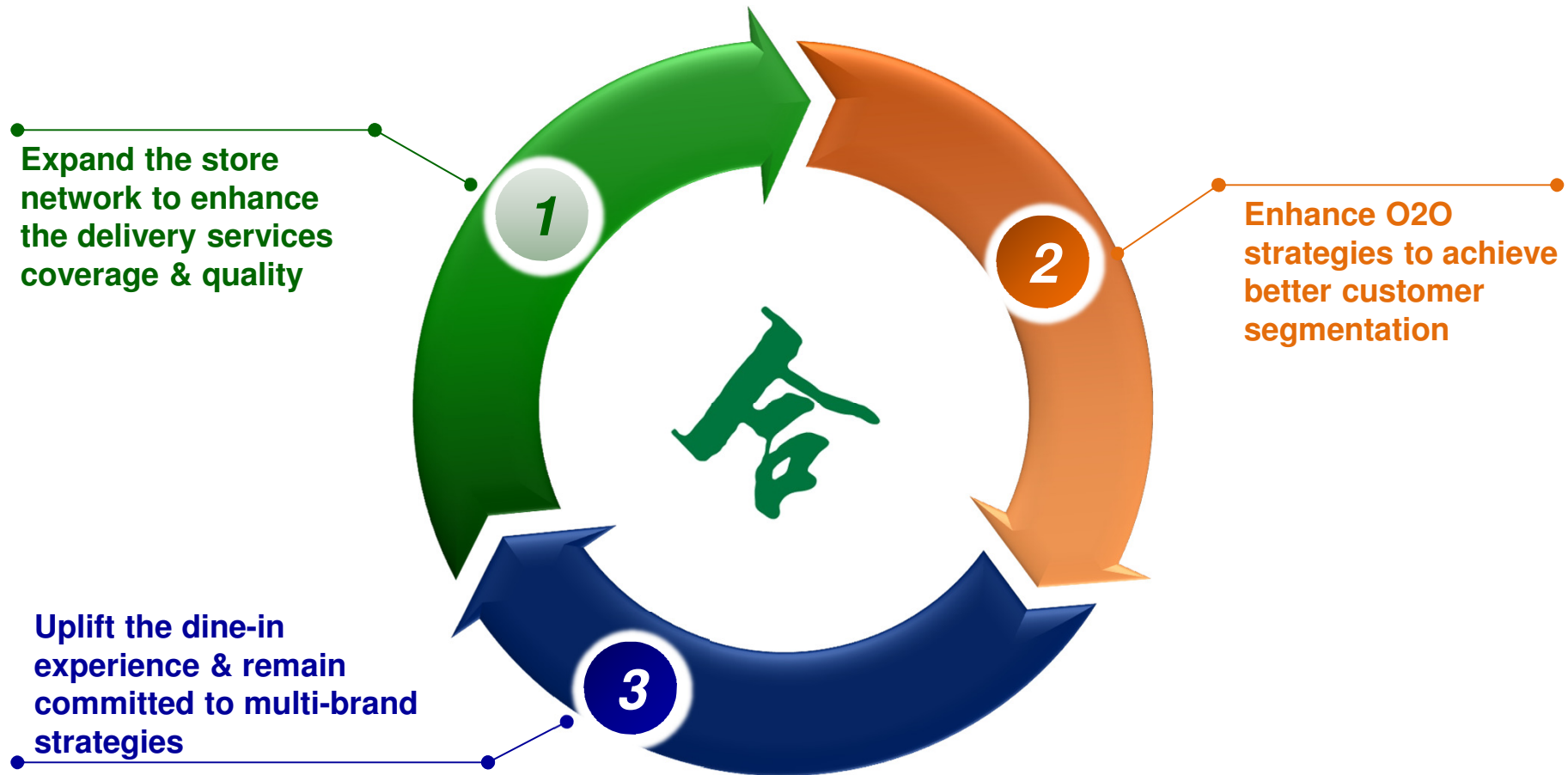


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2017 Major Goals





1

Expand the Store Network to Enhance Delivery Services Coverage & Quality

Expand Points-of-service & Product Variety for Delivery Services

- Over **92%** of the Yoshinoya stores provide delivery services
- Own delivery team assures stable delivery services and product quality all-year round
- Over **90%** of the delivery orders were fulfilled under 45 minutes
- Smaller stores to cater for takeaway orders**, complementing O2O strategies



- Started to provide delivery services for selected products of **Dairy Queen** since end of 2016
 - Partnership with popular **online catering platforms** to increase brand exposure and enhance customer outreach
- Achieve greater penetration of Yoshinoya's delivery services in Northern China
 - Enhance the self-operated delivery platforms (including website, mobile WAP and call centers) to complement delivery services

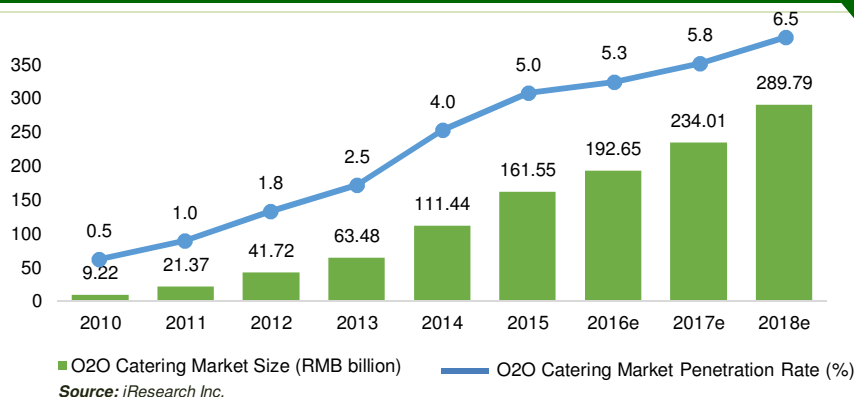


2

Enhance O2O Strategies to Achieve Better Customer Segmentation



China's O2O Catering Market and Penetration Rate - 2010-2018



Enhanced O2O Strategies

- Launch creative social media campaigns to gather fans and gain a good understanding of the changing needs and preferences of consumers
- Strengthen the partnerships with more popular **online catering platforms** to increase brand exposure and enhance customer outreach
- **Yoshinoya's WeChat Mall** commenced operation, providing an additional point of sales and making Yoshinoya more accessible
- Extended use of **smart payment** to provide additional convenience to customers

Better Customer Segmentation for Introducing New Products & Services to Cater to Different Needs

- Track and analyse the market and consumption data collected from the internet platforms **with more accurate customer segmentation**
- Tailor the promotional campaign and introduce suitable products based on the collected data to cater to the ever-changing customer preference and needs
- Implementation of a **business intelligence system** to derive better procurement strategy and achieve better inventory control





3

Uplift the Dine-in Experience & Remain Committed to Multi-brand Strategies

2017: Progressively open stores for ALL brands simultaneously



3-tier Store Opening Strategy

- Adopt a 3-tier system and continue to progressively open **Flagship Stores, Regular Stores** and **Take-away Stores** particularly in the capital city – Beijing to target customers with different needs and expectations
- Renovate older stores to provide our customers with a cozy environment



Introduction of Authentic HK Snacks – More Stores to Be Opened in 2017

- Introduce a new brand ‘Uncle Fong’, bringing authentic Hong Kong snacks to consumers in Northern China
- Small store size with lower investment costs and faster payback period
- Aggressively open more stores and expand store network to Tianjin in 2017



Focus on Mega Malls with High Traffics

- Focus on opening stores in mega malls with good traffic to adapt to the changing consumption pattern in China





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FINANCIAL HIGHLIGHTS



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2016 Financial Highlights



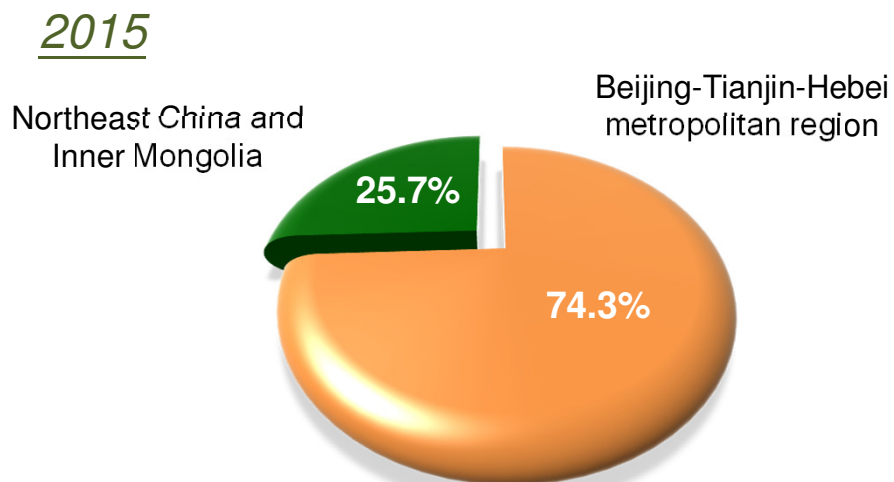
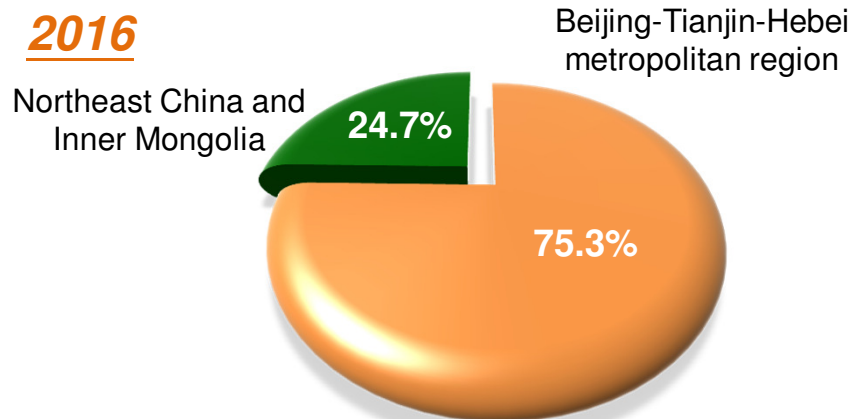
(HK\$ million)	For the year ended 31 December		
	2016	2015	YoY Change
Turnover	2,091.3	2,050.1	+2.0%
Gross Profit	1,338.4	1,292.0	+3.6%
EBITDA	277.5	203.5	+36.4%
Operating Profit ¹	170.4	89.8	+89.7%
Profit for the Year	124.6	65.8	+89.4%
Basic EPS (HK cents)	1.26	0.66	+90.9%
Key Financial Ratio			
GP Margin (%)	64.0%	63.0%	+1.0% pts
EBITDA Margin (%)	13.3%	9.9%	+3.4% pts
OP Margin (%) ¹	8.1%	4.4%	+3.7% pts
NP Margin (%)	6.0%	3.2%	+2.8% pts
Expenses			
Selling and distribution expenses ²	890.1	892.8	-0.3%
<i>Selling and distribution expenses (%)²</i>	42.6%	43.6%	-1.0% pt
General and administrative costs ²	177.9	200.0	-11.0%
<i>General and administrative costs (%)²</i>	8.5%	9.8%	-1.3% pt
Depreciation	100.1	109.4	-8.5%
<i>Depreciation (%)</i>	4.8%	5.3%	-0.5% pt

The Board of Directors recommends the payment of a final dividend of HK0.62 cent per share for the year ended 31 December 2016

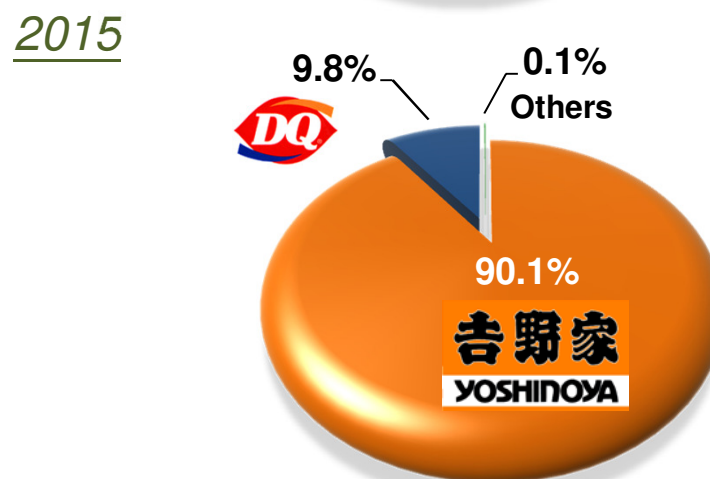
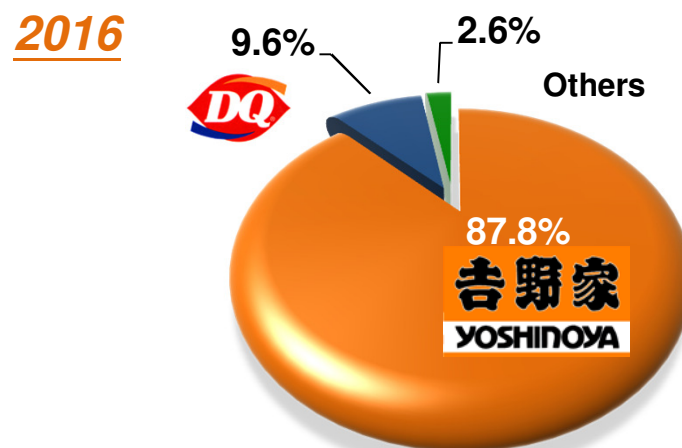
Segmental Breakdown



Revenue by Region



Revenue by Major Brand



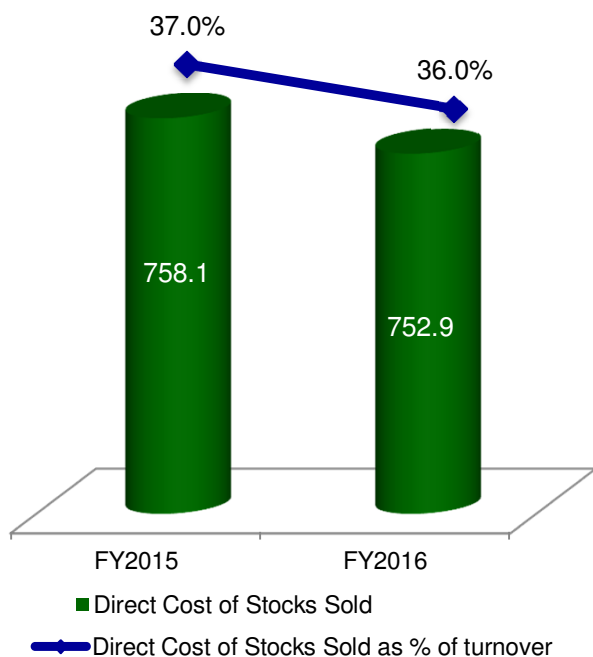
Stable Cost & Expense Structure



- Stringent cost controls, bulk procurement, product mix optimisation and a slight drop in raw material costs boosted GP margin
- Employee-initiated scheme increased cost of staff with bonus sharing to retain talents – however, the increased labour costs were partially offset by cost saving in other operating expenses
- Slightly decreased rental expenses due to opening smaller stores and closing underperforming stores

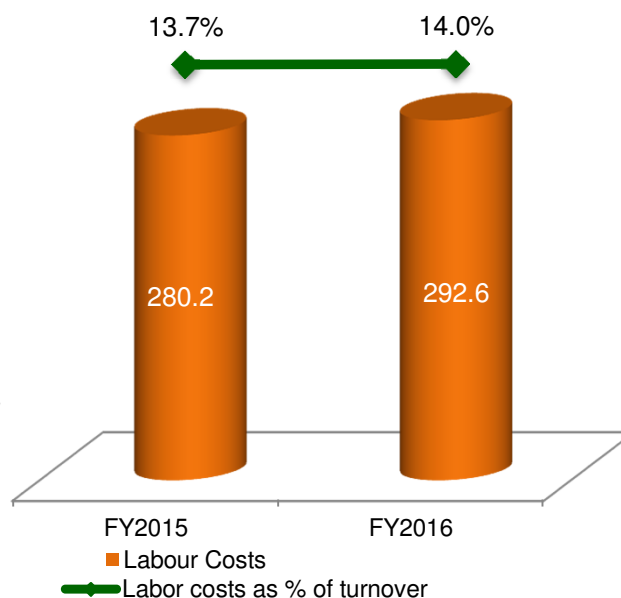
Direct Cost of Stocks Sold

(HK\$ million)



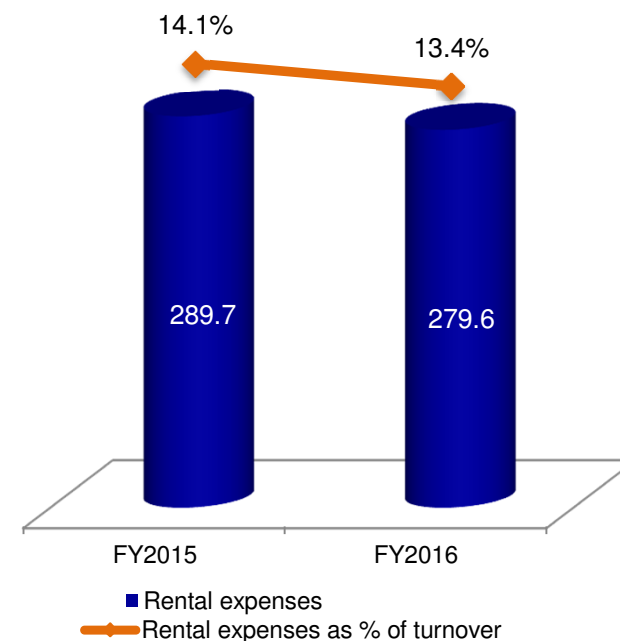
Labour Costs

(HK\$ million)



Rental Expenses

(HK\$ million)



Sound Working Capital Management



(Days)	As of 31 Dec 2016	As of 31 Dec 2015
Receivable Turnover Days	1.3	1.2
Inventory Turnover Days	53.7	59.6
Payable Turnover Days	53.4	57.4
Cash Conversion Cycle	1.6	3.4

Active Cash Management Results in a Healthy Cash Conversion Cycle

Strong Cash-flow & Healthy Balance Sheet



Cash Flow Generation

As of 31 December

(HK\$ million)	2016	2015
Net cash inflows from operation	325.9	170.9
Purchase of property, plant and equipment items	(95.4)	(90.3)
Interest payments and net movement of bank loans	9.2	(31.5)
Shares purchased under share award scheme	(19.3)	(0.3)
Dividends paid	(25.2)	(25.2)
Others	(13.6)	(4.6)
Net increase in cash	181.6	19.0

Gearing Summary

(HK\$ million)	As of 31 Dec 2016	As of 31 Dec 2015
Cash	537.1	355.5
Total Debt	(10.0)	-
Net Cash	527.1	355.5

Maintained a Strong and Healthy Cash Inflow from Operations

Our Mission



Leading Multi-brand QSR Operator in the PRC





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