



HOP HING GROUP HOLDINGS LIMITED

(HKEx Stock Code: 47)

*2018 Q1 Operational Update
& 2017 Annual Results
Corporate Presentation
April 2018*



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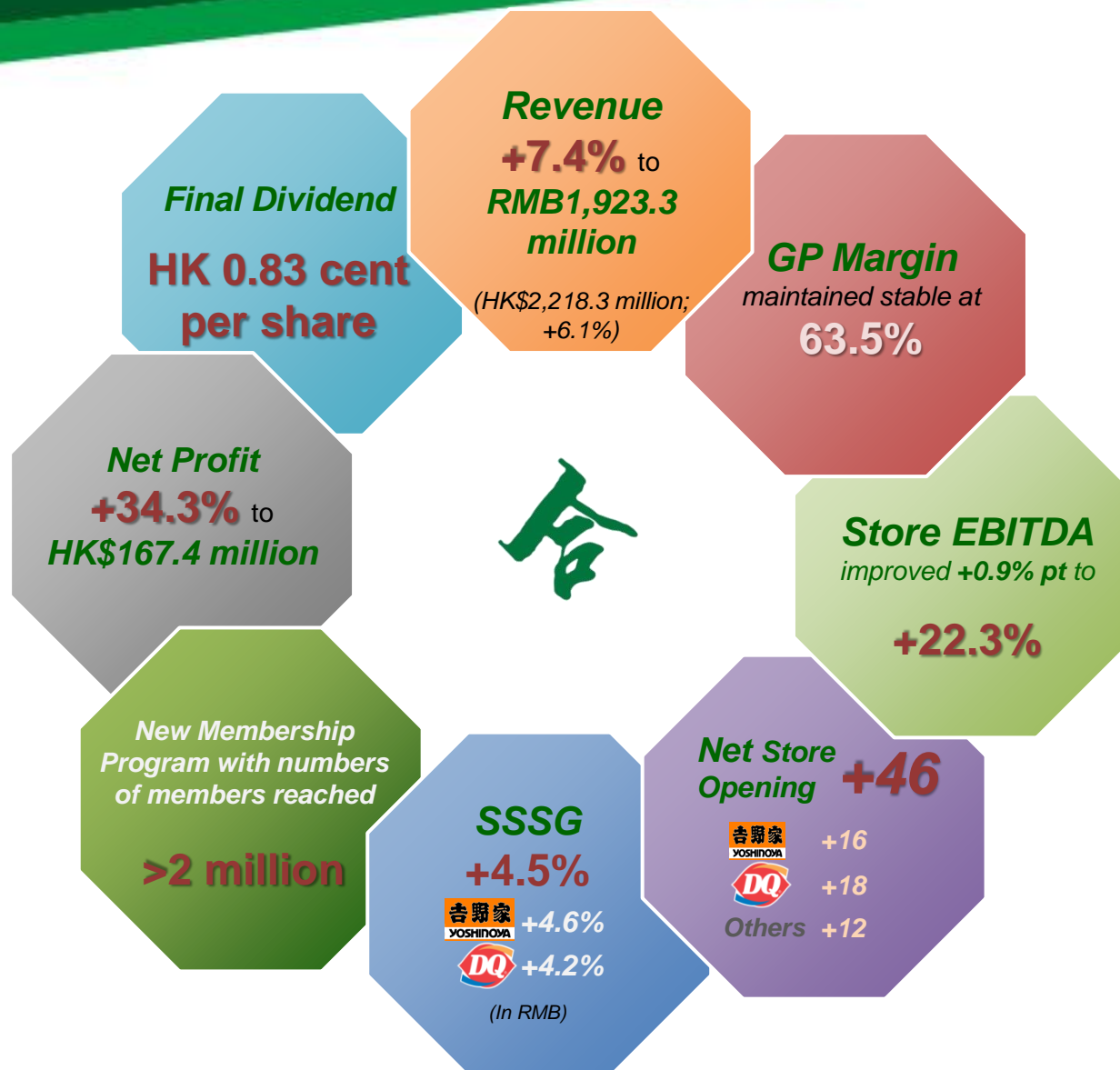
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BUSINESS UPDATE



FY2017 Operational Update



2018 Q1 Updates

Sales

(in HKD)

+16.0%

SSSG

(in RMB)

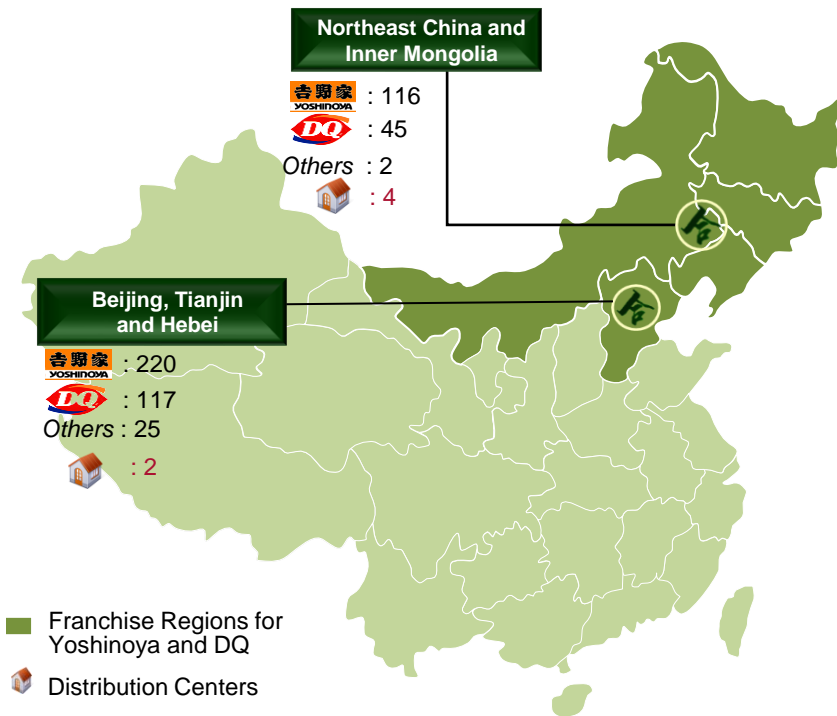
+1.8%

**Net store
opening**

+9 stores

Progressively Expand Store Network

Total: 525 Stores (As of 31 March 2018)



Continued to Improve Quality of Our Store Network

	吉野家 YOSHINOYA		DQ		Others		<u>Total</u>	
	As of 31 Mar 2018	As of 31 Dec 2017	As of 31 Mar 2018	As of 31 Dec 2017	As of 31 Mar 2018	As of 31 Dec 2017	As of 31 Mar 2018	As of 31 Dec 2017
Beijing , Tianjin & Hebei	220	218	117	117	25	25	362	360
Northeast China & Inner Mongolia	116	111	45	44	2	1	163	156
Total	336	329	162	161	27	26	525	516

BUSINESS OVERVIEW



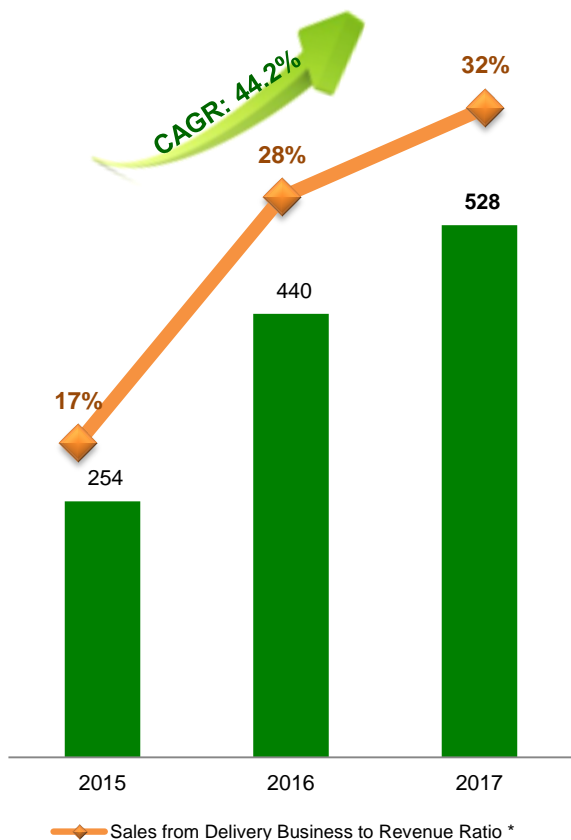
Delivery Business Continued to Grow

吉野家
YOSHINOYA

吉食送

Revenue from Yoshinoya's Delivery Business Continued to Grow

(RMB million)



* Refers to Yoshinoya's business only

Expansion of Delivery Coverage & Penetration

- ✓ Nearly all of the Yoshinoya stores in Beijing support delivery services with the Group's own delivery team
- ✓ Continued to expand the delivery service penetration outside the capital city leveraging the Group's extensive store network in Northern China

Duplicate Successful Model to Other Brands

- ✓ Dairy Queen started to provide delivery services for selected products since 4Q 2016 and began to contribute meaningful revenue to the Group's delivery business
- ✓ Leverage the close relationship with various third-parties' delivery platform to further expand DQ's delivery business



Integration of Online, Offline and Logistics



New Membership Program for More Accurate Customer Segmentation



Boost loyal customers via membership program



New membership program launched in 2H 2017

Over 2 million membership
(as at 31 Dec 2017)

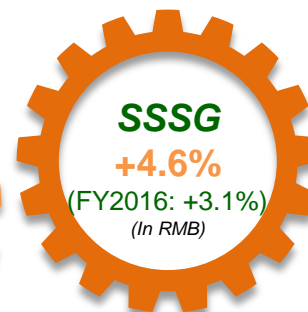
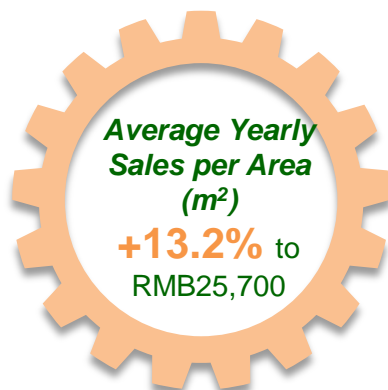


Track and analyse members' consumption data with more accurate customer segmentation



Yoshinoya – Continue to Increase Sales Through Various Channels

For the year ended 31 December 2017



Favorable government policy

✓ Caterers which sell products through the internet must have physical stores in operation with the same brand in the area

- Hop Hing successfully expanded Yoshinoya's delivery business
- Revenue from Yoshinoya's delivery service increased by approximately **20%** to **RMB 528.2 million**



New Store Opening Strategy

✓ Continued to expand store network to for greater service coverage to support faster delivery



Yoshinoya – Continue to Increase Sales Through Various Channels (Con't)

Store & Brand Upgrade

- ✓ Nearly **40%** of our Yoshinoya stores featuring “**Yoshinoya 3.0**” or above experience
- ✓ Better kitchen design also helped raise efficiency
- ✓ More stores to be evolved to “**Yoshinoya 4.0**” in 2018



Introduction of New Products

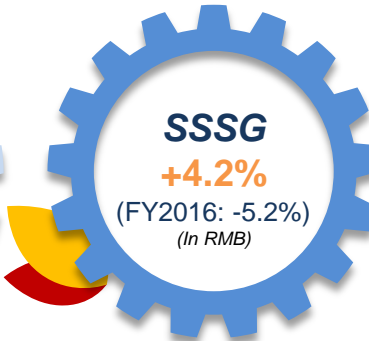
- ✓ Continued to expand product portfolio to increase customers’ spending, enhance customers’ loyalty and mitigate various food cost fluctuation
- ✓ Further enhance **hotpot series** to increase revenue during dinner segment
- ✓ Introduction of **salad products** to cater to the changing consumer behavior with increasing awareness of green and healthy dining habit





Dairy Queen – Optimises Store Network to Raise Performance

For the year ended 31 December 2017



Delivery services

- ✓ Continued to increase brand exposure through third-party's web-ordering and self-owned social media platforms
- Delivery business already accounted for mid-single digit of DQ's revenue



Brand Upgrade

- ✓ Build stylish new stores and renovate old stores with more innovative and trendy elements to attract younger generation



New Products

- ✓ Introduce various types of light refreshment and continue to add new elements to existing products to stimulate target customers' taste buds



Other Brands – Progressively Expands Sales Network to Diversify Brand Portfolio

For the year ended 31 December 2017

Net Open
+1 store
in 2018 Q1



Continue to explore opportunities to secure other high-potential brands



Net Opening
+12
in 2017

Continue to Expand the New Brand with High Growth Potential



- ✓ Continue to launch new authentic HK snacks
- ✓ Progressively expand store network from Beijing to other parts in Northern China



FUTURE GROWTH DRIVERS

2018 Growth Drivers

1

Enhance O2O business model with new membership program

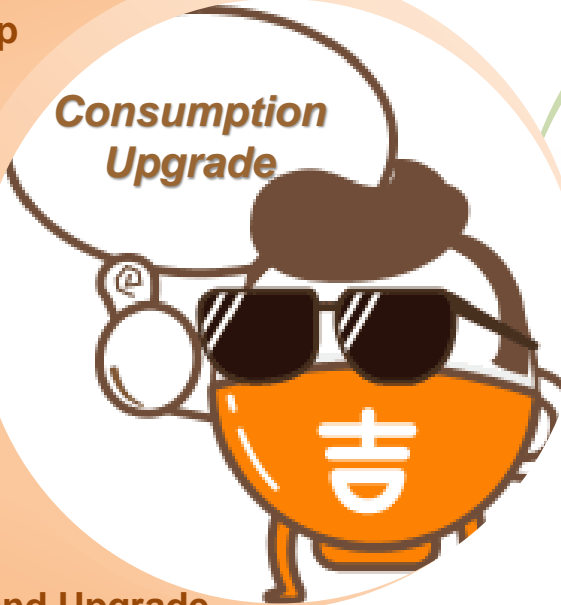
2

Direct-to-customer marketing strategies through enhanced CRM system

3

Brand Upgrade to enhance customers' dining experience

Consumption Upgrade



4

Human resources management

5

Introduce self-developed new brands / expand coverage of existing brands

6

Explore and evaluate potential M&A opportunity

INVEST

Growth Drivers: 1) Consumption Upgrade

1

Enhance O2O business model with new membership program

- **Online:** extend the **membership program** outreach and enhance customer loyalty; plus fortify online and **smart payment infrastructure**
- **Offline:** hold fast to our “**New Store Opening**” strategy for opening physical stores to complement to our delivery service business
- **Logistics:** further enhance our **self-owned delivery team** to ensure stable and timely delivery services



2

Direct-to-customer marketing strategies through enhanced CRM system

- Leverage **innovative technology development** to analyse data collected from the membership program and various online platforms to better define market segments and compile precise analysis on target customer groups
 - Push precise marketing information directly to customers with artificial intelligence and enhanced CRM system
- **Enhance the efficiency and effectiveness of marketing**



3

Brand Upgrade to enhance customers' dining experience

- Spare no effort in pursuing new ideas that can provide customers with fresh consumption experience
- Optimisation and reform of restaurant and kitchen designs in Yoshinoya
- Add more trendy and innovative new designs to DQ stores to boost the brand's appeal to younger consumers



Growth Drivers: 2) Investment

4

Human resources management

- Continue to implement **Incentive Scheme** to motivate staff and encourage them to become more enthusiastic and motivated at work
- Improve store operating efficiency & increase the average sales per area



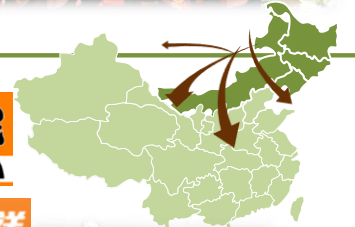
5

Introduce self-developed new brands or expand coverage of existing brands

- Foster the relationship with the franchisors and explore the potential to extend further cooperation
- Introduce self-developed brands according to the market trend by utilizing the market data collected from the existing business platforms

吉野家
YOSHINOYA

吉食送



芳叔

6

Explore and evaluate potential M&A opportunities

- Explore sustainable growth opportunities, such as acquiring other high-potential F&B brands
- Facilitate the Group's development into a **leading multi-brand QSR operator in China**





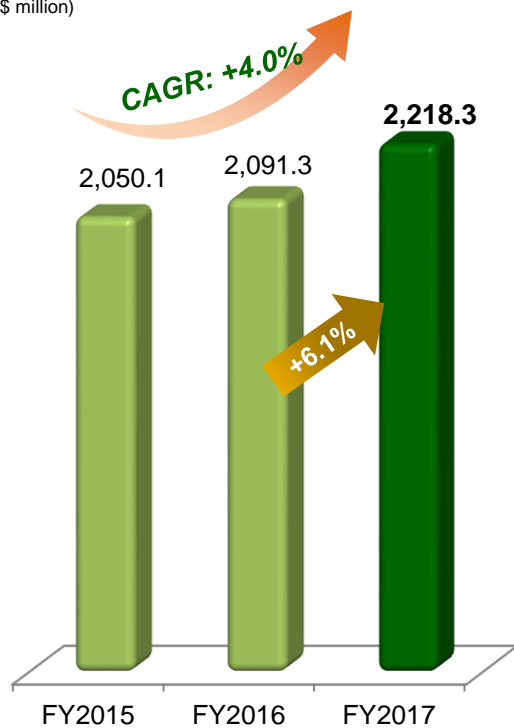
***2017 ANNUAL RESULTS
FINANCIAL HIGHLIGHTS***



Improving Financial Performance

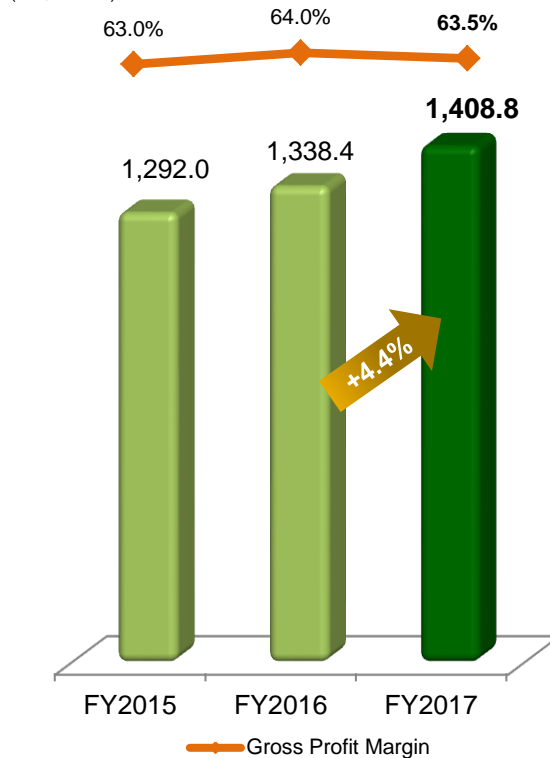
Revenue

(HK\$ million)



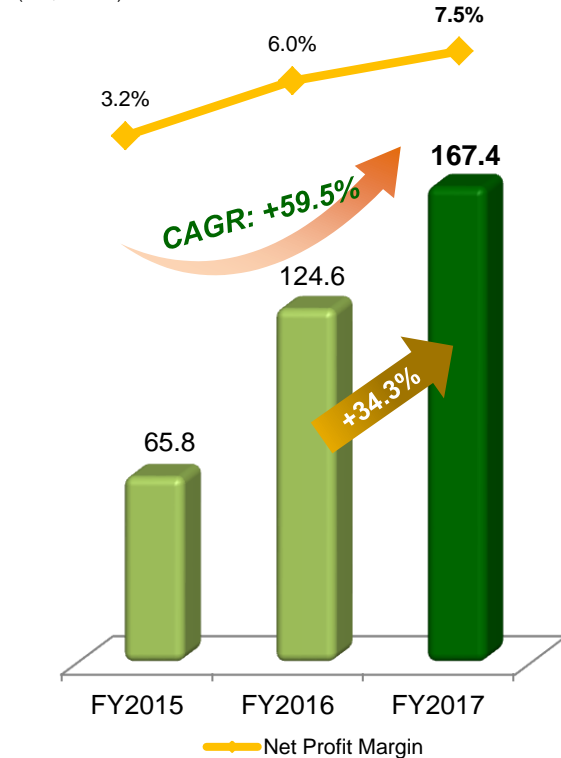
Gross Profit & GP Margin

(HK\$ million)



Net Profit & NP Margin

(HK\$ million)



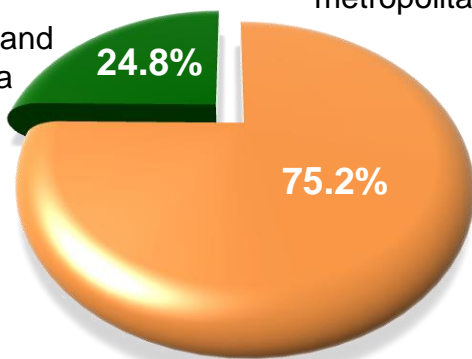
The Board of Directors recommends the payment of a final dividend of HK0.83 cent per share for the year ended 31 December 2017

Segmental Breakdown

Revenue by Region

2017

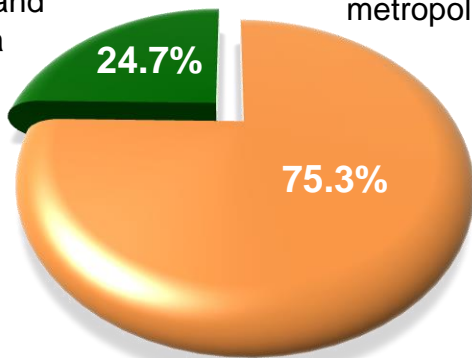
Northeast China and Inner Mongolia



Beijing-Tianjin-Hebei metropolitan region

2016

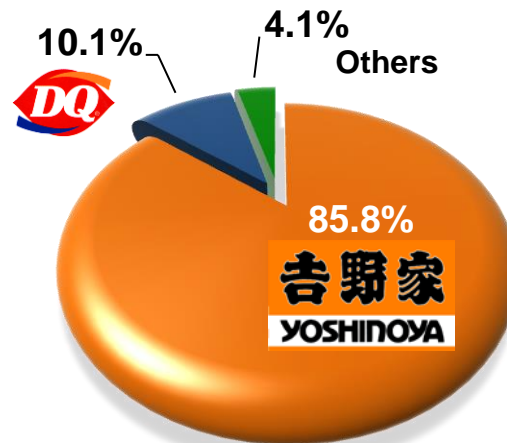
Northeast China and Inner Mongolia



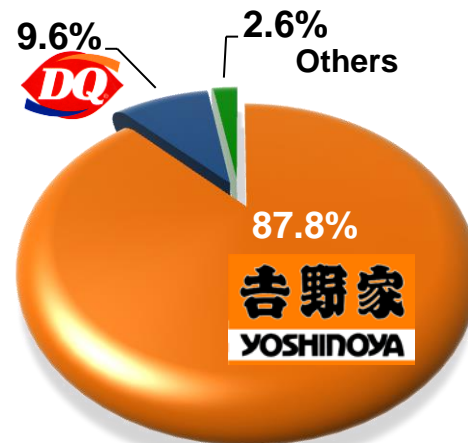
Beijing-Tianjin-Hebei metropolitan region

Revenue by Major Brand


2017





2016



Stable Cost & Expense Structure

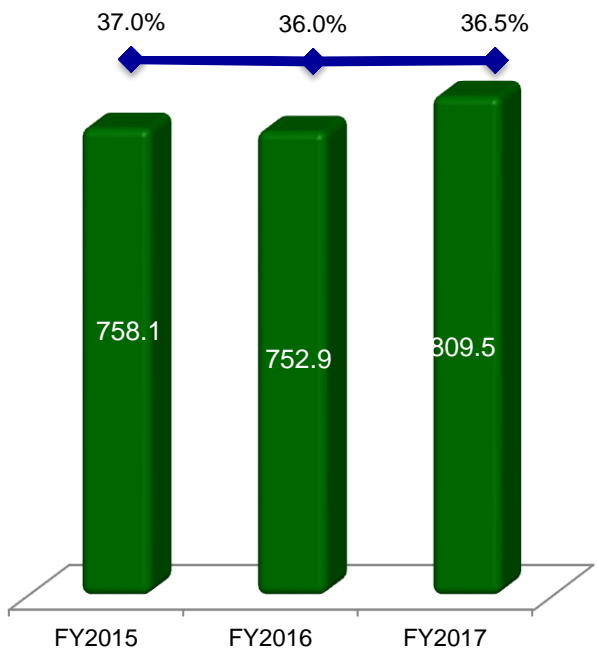
 Strived to maintain stable food cost amidst the rising meat cost

 Constantly strives to motivate staff with the effective incentive scheme

 Maintained rental expense at a reasonable level

Direct Cost of Stocks Sold

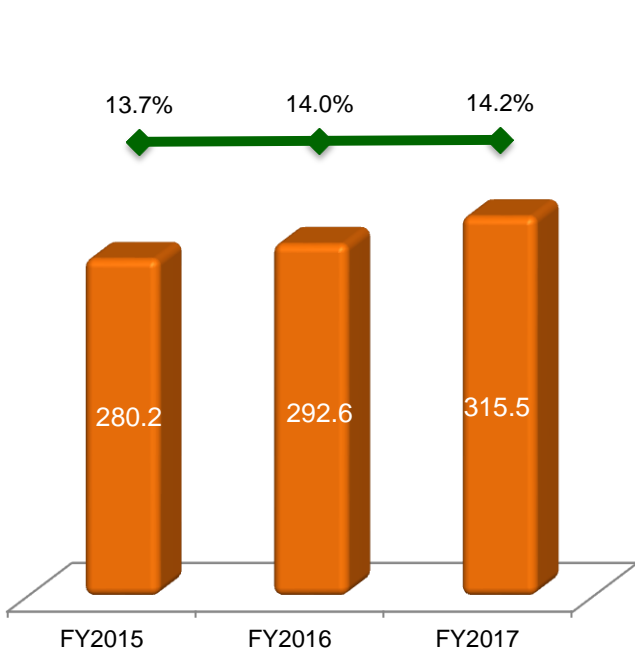
(HK\$ million)



■ Direct Cost of Stocks Sold
 ◆ Direct Cost of Stocks Sold as % of turnover

Labour Costs

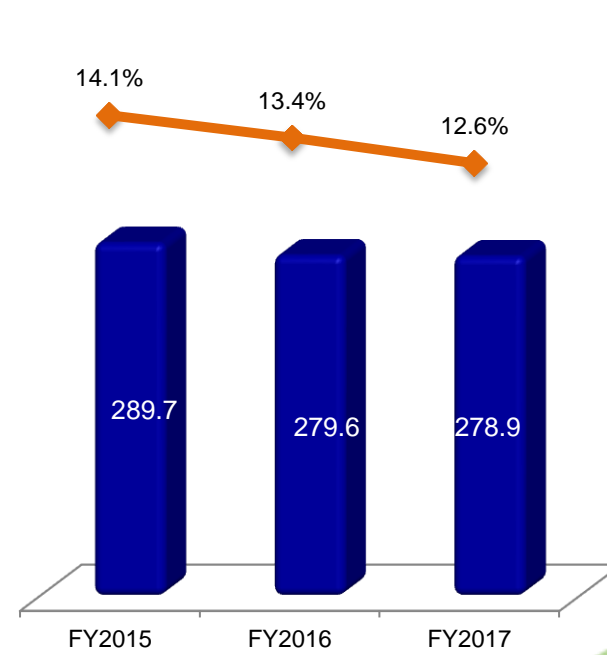
(HK\$ million)



■ Labour Costs
 ◆ Labor costs as % of turnover

Rental Expenses











(HK\$ million)



■ Rental expenses
 ◆ Rental expenses as % of turnover

FY2017 Annual Results

Key Financial Figures

(HK\$ million)	For the year ended 31 December	
	2017	2016
Turnover	2,218.3  +6.1%	2,091.3
Gross Profit	1,408.8  +5.3%	1,338.4
EBITDA	338.7  +22.0%	277.5
Operating Profit¹	217.0  +27.4%	170.4
Profit for the Period	167.4  +34.3%	124.6
Basic EPS (HK cents)	1.71  +35.7%	1.26
Key Financial Ratio		
GP Margin (%)	63.5%	64.0%
EBITDA Margin (%)	15.3%	13.3%
OP Margin (%)¹	9.8%	8.1%
NP Margin (%)	7.5%  +1.5% pts	6.0%
Expenses		
Selling and distribution expenses²	(913.8)	(890.1)
<i>Selling and distribution expenses (%)²</i>	41.1% 	42.6%
General and administrative costs²	(180.9)	(177.9)
<i>General and administrative costs (%)²</i>	8.2% 	8.5%
Depreciation	(97.2)	(100.1)
<i>Depreciation (%)</i>	4.4% 	4.8%

1. Excluding other income & gains

2. Excluding depreciation

Sound Working Capital Management

(Days)	As of 31 Dec 2017	As of 31 Dec 2016
Receivable Turnover Days	2.1	1.3
Inventory Turnover Days	46.5	53.7
Payable Turnover Days	61.3	53.4
Cash Conversion Cycle	(12.7)	1.6

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)	2017	2016
Net cash inflows from operation	314.5	325.9
Purchase of property, plant and equipment items	(116.8)	(95.4)
Interest payments and net movement of bank loans	(0.9)	9.2
Shares purchased under share award scheme	(2.3)	(19.3)
Others	18.4	(13.6)
Increase in cash before dividend	212.9	206.8
Dividends paid	(60.3)	(25.2)
Net increase in cash	152.6	181.6

Gearing Summary

(HK\$ million)	As of 31 Dec 2017	As of 31 Dec 2016
Cash	641.7	537.1
Other financial asset	48.0	-
Total Debt	(10.0)	(10.0)
Net Cash	679.7	527.1

Maintained a Strong and Healthy Cash Inflow from Operations

Our Mission

Leading Multi-brand QSR Operator in the PRC



Q&A



Contact Us



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Quick Snapshot of Hop Hing's 2017 Annual results




**HOP HING GROUP
HOLDINGS LIMITED**
(HKEx Stock Code: 47)

2017 ANNUAL RESULTS ANNOUNCEMENT

The image also features a photograph of a Yoshinoya restaurant storefront with the name '吉野家 YOSHINOYA' illuminated above the entrance. The storefront includes a menu board and a service counter.

**1 min video is ready for you to have a quick preview of
Hop Hing's 2017 Annual Results**

Please click the above picture to view the video