



HOP HING GROUP HOLDINGS LIMITED

(HKEx Stock Code: 47)

**2018 Interim Results Announcement
Corporate Presentation**

August 2018

Disclaimer

This presentation and the accompanying slides (the “Presentation”) which have been prepared by Hop Hing Group Holdings Limited (“Hop Hing” or the “Company”) do not constitute any offer or invitation to purchase or subscribe for any securities, and shall not form the basis for or be relied on in connection with any contract or binding commitment whatsoever. They are only being furnished to you and may not be photocopied, reproduced or distributed to any other persons at any time without the prior written consent of the Company. This Presentation has been prepared by the Company based on information and data which the Company considers reliable, but the Company makes no representation or warranty, express or implied, whatsoever, and no reliance shall be placed on, the truth, accuracy, completeness, fairness and reasonableness of the contents of this Presentation. This Presentation may not be all inclusive and may not contain all of the information that you may consider material. Any liability in respect of the contents of or any omission from this Presentation is expressly excluded.

Certain matters discussed in this presentation may contain statements regarding the Company's market opportunity and business prospects that are individually and collectively forward-looking statements. Such forward-looking statements are not guarantees of future performance and are subject to known and unknown risks, uncertainties and assumptions that are difficult to predict. The Company's actual results, levels of activity, performance or achievements could differ materially and adversely from results expressed in or implied by this Presentation. The Company assumes no obligation to update any forward-looking information contained in this presentation. Any forward-looking statements and projections made by third parties included in this Presentation are not adopted by the Company and the Company is not responsible for such third-party statements and projections.



BUSINESS REVIEW



1H2018 Operational Update

Market Challenges & Hop Hing's Strategies

QSR market players offered deep discounts to boost top-line



Food cost continues to rise, especially beef cost

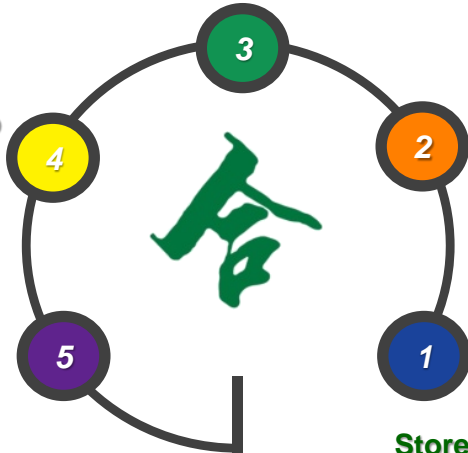


Increase in service fee by 3rd party online ordering platform service providers



Enhance Operating Efficiency via Organizational Evolution

Customers data Management via CRM membership system



Self-owned Brands Expansion

Develop "New Retail" Business Model

Store Upgrade

Hop Hing Continued to Deliver Satisfactory Results

Revenue

+14.1% to
HK\$1,196 million

Gross Profit & GPM

+13.5% to
HK\$764 million
with stable GPM at **63.9%**

Store EBITDA

maintained stable at
21.4%

Net Profit

HK\$76 million

SSSG

+0.9%
(in RMB)

Number of Members

~4 million

NEW

New Initiatives in 1H2018

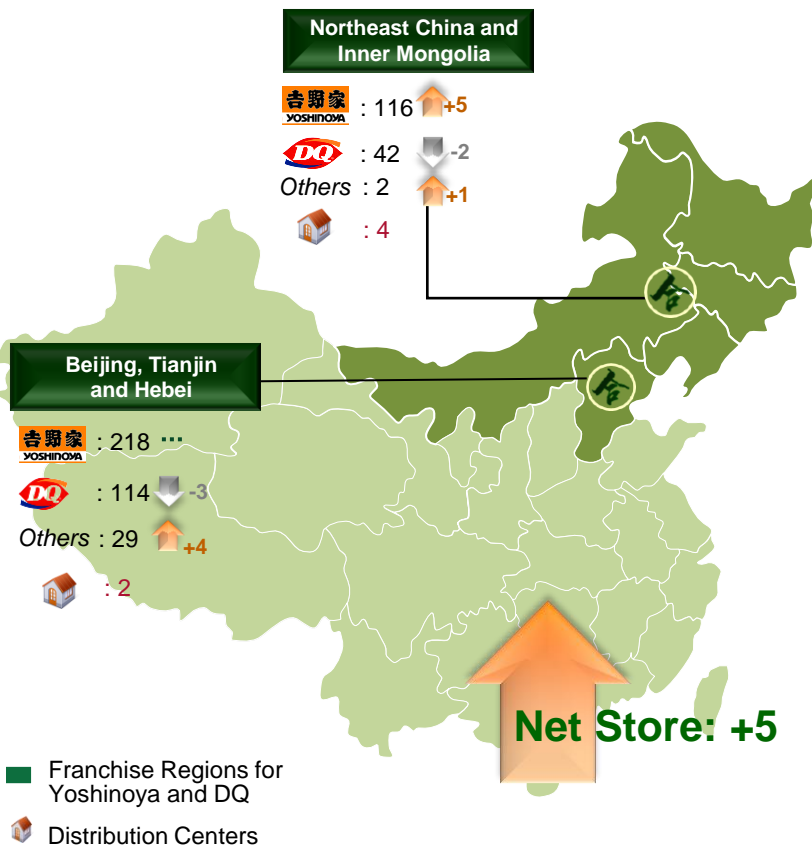
- Added a new brand **野叶子** with over 10 point-of-sales already opened to provide healthy food products
- Developing "New Retail" Business Model with good progress



Steadily Expanding Store Network

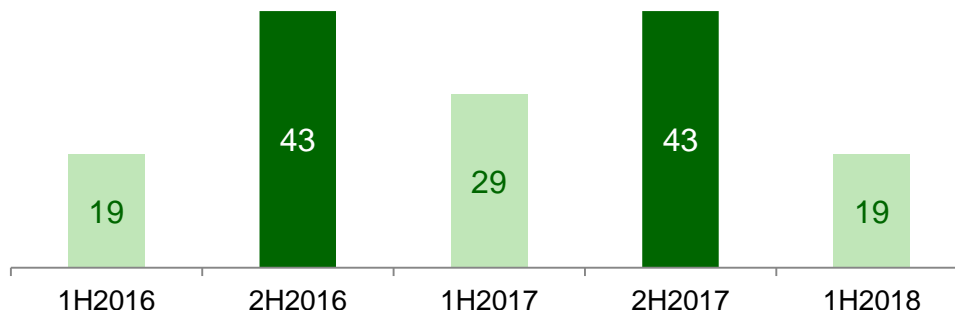
Total: 521 Stores (As of 30 June 2018)

No. of Store Open (Net)



Expand our Store Network According to Plan

No. of Store Open (Gross)



General Store Opening Practice

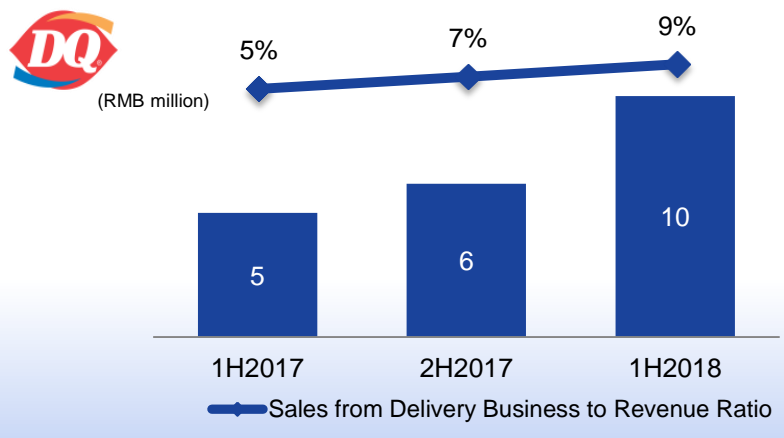
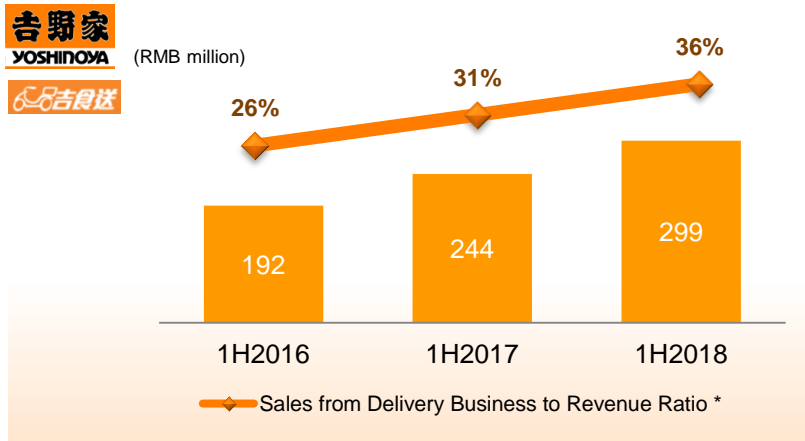
- The pace of opening Yoshinoya and DQ stores in 1H2018 was at a similar level as compared to the previous years
- In general, the numbers of store opening in 2H are usually more than 1H due to the seasonal factor

Future Strategies

- ✓ The Group expects the number of net store openings in the 2H18 will increase at a faster pace when more details about the integration of the Beijing-Tianjin-Hebei Province Metropolitan Region are known

Delivery Business Continues to Grow

Revenue from Delivery Business continued to Grow



Well-recognized brands with customer's full confidence



Online

- Well-established self-operated online platforms with wide variety smart payment methods

- Membership program launched in 2H2017 and recorded ~ **4 million** membership as at 30 June 2018

Offline

- Well recognized brand image
- Extensive store network coverage to support faster delivery

Delivery

- Nearly all of the Yoshinoya stores in Beijing support delivery services with the Group's own delivery team

Mitigate the increase in service fee by 3rd party online ordering platform service providers



Business Review

- Yoshinoya’s delivery business continue to grow
- Revenue from Yoshinoya’s delivery service increased by approximately **22.5%** to **RMB 299 million**
- Continued to expand store network for greater service coverage to support faster delivery
- Nearly **50%** of our Yoshinoya stores featuring **“Yoshinoya 3.0” or above** experience
- The growth of SSSG slowed down due to QSR players offering deep discounts during the period
- Continued to expand product portfolio to increase customers’ spending, enhance customers’ loyalty and mitigate various food cost fluctuation

Upcoming Strategies

Delivery services

- Put in more effort to divert sales to the Group’s own website and delivery platform

Store Opening Strategy & Brand Upgrade

- Continue to upgrade the store design with more trendy element, more stores to be evolved to **“Yoshinoya 4.0”**

New Products

- More marketing promotion with diversified product portfolio in order to attract customers
- Further enhance **hotpot series** to increase revenue during dinner segment



DQ Dairy Queen – Delivery Service to Bring New Income Stream

Revenue from Delivery business

+94% to
RMB
10 million

Average Spending Per Customer
+6.0% to
RMB13.6

Turnover

+5.4% to
RMB108
million

Business Review

- Delivery business experienced high growth and accounted for 9.2% of DQ's revenue
- Adjustments were made to certain DQ stores to meet the new food preparation requirements imposed by local authorities and affected our SSSG accordingly



Upcoming Strategies

Delivery services

- Continue to expand the delivery business through third-party's web-ordering and self-owned delivery platforms

Brand Upgrade

- Continue to open new stores with stylish design and renovate old stores with more innovative and trendy elements to attract younger generation

New Products

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



Other Brands – Continue to Launch New Brand



Continue to Expand the New Brands with High Growth Potential



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



- Launched healthy salad products under the new brand "Take a Green Break" 野叶子 to capture the customer behavior with increasing awareness of green and healthy dining habit
- Seek to add points of sales to sell packed salad products via New Retail Model



New Retail Model: Integration of smart payment and new A.I. vending machine

NEW

Integrating different brand products in A.I. Vending Machines



- Introduced **A.I. vending machines** in Q2 2018, providing instant food, salad and packaged products
- Well developed smart payment infrastructure to support the business model



*Aim to open **50** A.I. vending machines by end of 2018*

Provision of Wide Variety of Products

- Fresh products
- Frozen / instant food
- Non-food necessities



Incorporate with A.I. Technology & Smart Payment

- Self-helped vending machines with advanced technology to collect sales information from customers to achieve precise marketing and facilitate inventory replenishment
- Smart payment methods supportive



Well-established Inventory Management System

- Well-linked with the centralized inventory management system and leveraged the well-developed CRM system to manage well the inventory for the A.I. vending machines



合



FUTURE GROWTH STRATEGIES



Growth Strategies in 2H2018 and Beyond

- Plan to increase points of sales on Beijing-Tianjin-Hebei Province Metropolitan Region
- Integration of **smart payment & online platforms** and new **A.I. vending machine** to provide a wide variety of food and beverage products to capture different customer segments



Development of New Retail Model

Brands Upgrade & Development

- Continue with **store upgrades**, including: *service upgrades, brand image upgrades, and product optimization and upgrades*

- Optimisation of **Yoshinoya** and **DQ**



- Enhance brand image of the newly developed brands with innovative products



- Integration of **new technologies** e.g. artificial intelligence, mobile payment and customers data to enhance O2O business model
- Utilize CRM membership system and the data collected from the **4 million membership** to support cross-brand membership, achieve **precise marketing**, cultivate and strengthen online sales



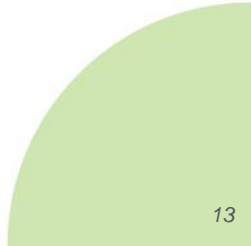
Customers data Analysis & Enhance O2O

Explore Investment Opportunities

- Further strengthen the cooperation with existing franchisors
- Facilitate the Group's development into a **leading multi-brand QSR operator in China**



Investment Highlights





FINANCIAL HIGHLIGHTS



Key Financial Figures

(HK\$ million)	For the six months ended 30 June	
	2018	2017
Turnover	1,196	1,048
Gross Profit	764	673
EBITDA	161	175
Operating Profit ¹	106	112
Adjusted Reported Profit for the Period ²	83	83
Reported Profit for the Period	76	86
Basic EPS (HK cents)	0.77	0.88
Key Financial Ratio		
GP Margin (%)	63.9%	64.2%
EBITDA Margin (%)	13.5%	16.7%
OP Margin (%) ¹	8.9%	10.7%
Adjusted NP Margin (%) ²	6.9%	7.9%
NP Margin (%)	6.3%	8.2%
Expenses		
Selling and distribution expenses ³	(508)	(421)
<i>Selling and distribution expenses (%)³</i>	<i>42.5%</i>	<i>40.1%</i>
General and administrative costs ³	(100)	(88)
<i>General and administrative costs (%)³</i>	<i>8.4%</i>	<i>8.4%</i>
Depreciation	(50)	(52)
<i>Depreciation (%)</i>	<i>4.2%</i>	<i>5.0%</i>

1. Excluding other income & gains

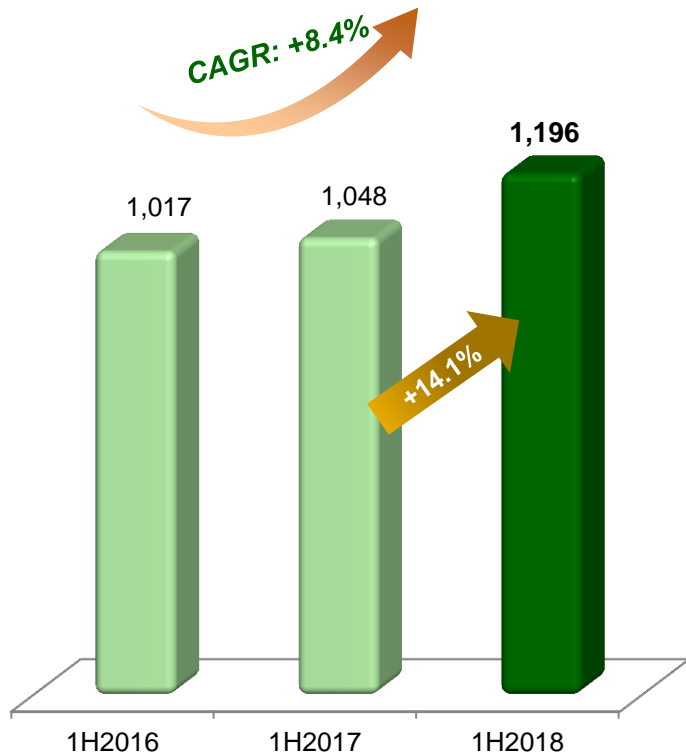
2. Excluded the one-off non-cash exchange rate gain or loss

3. Excluding depreciation

Revenue

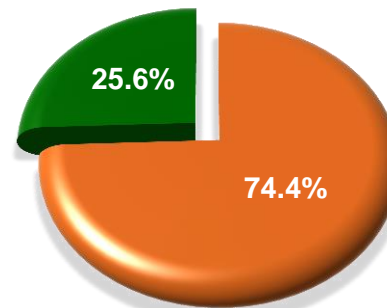
Revenue

(HK\$ million)



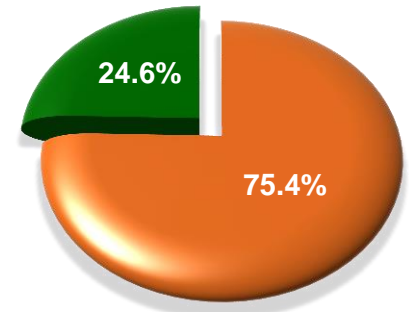
Revenue by Region

1H 2018



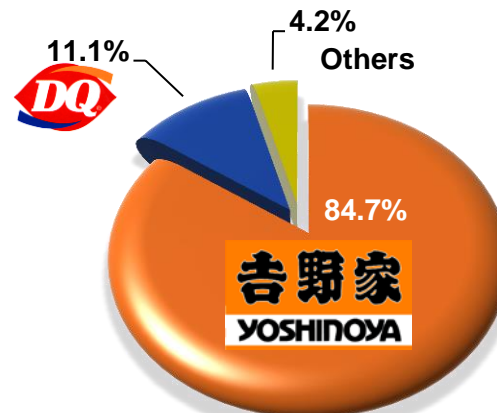
Beijing-Tianjin-Hebei metropolitan region Northeast China

1H 2017

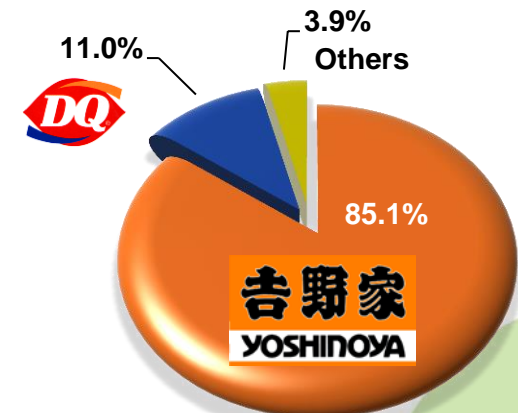


Revenue by Major Brands

1H 2018



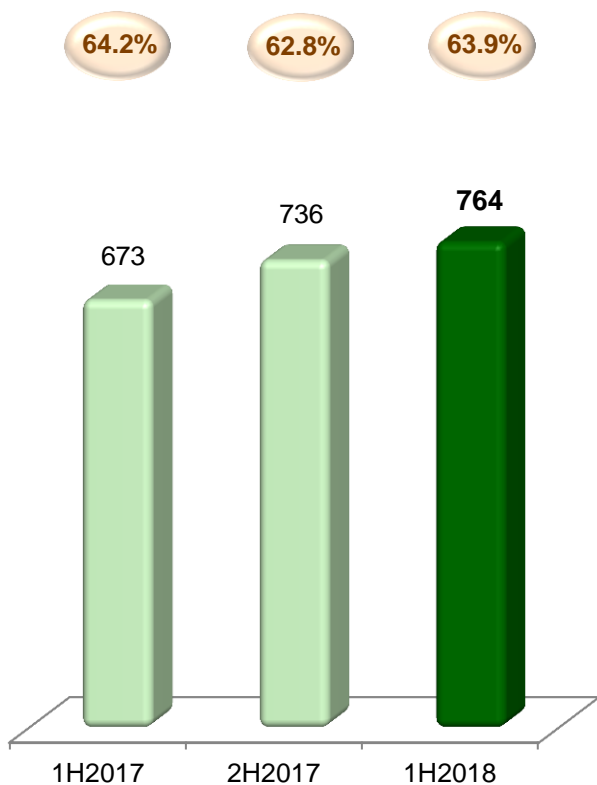
1H 2017



Profitability

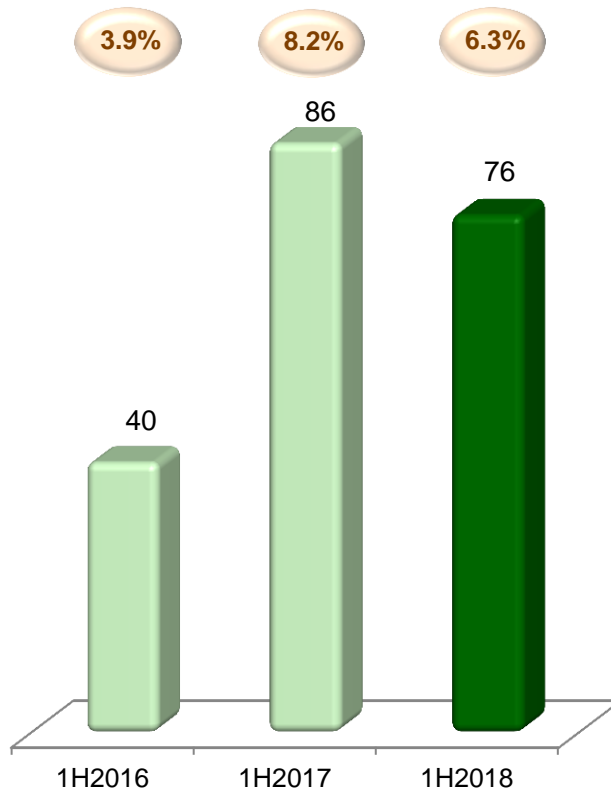
Gross Profit & GP Margin Grew Half on Half

(HK\$ million)



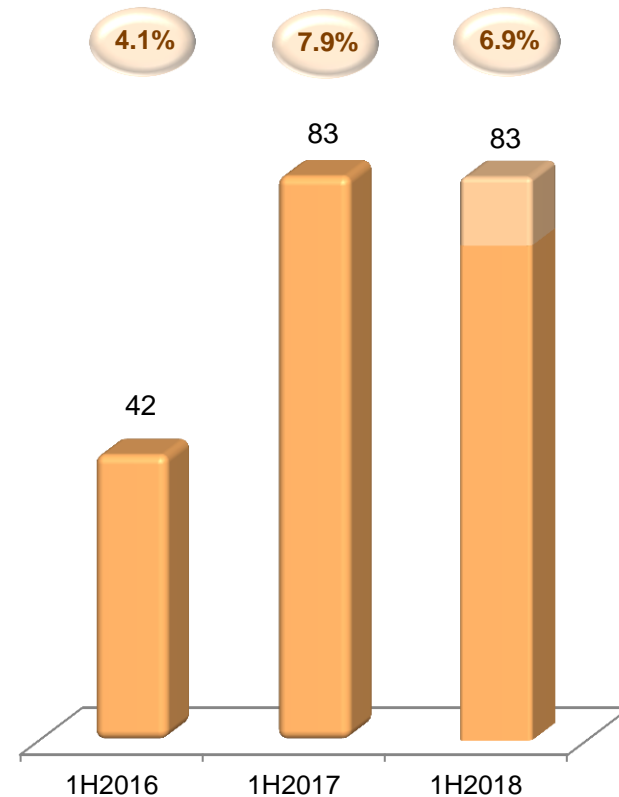
Reported Net Profit & NP Margin

(HK\$ million)



Adjusted Net Profit* & Adjusted NP Margin*

(HK\$ million)



* Excluded the non-cash exchange rate gain or loss

Profit margin

Stable Cost & Expense Structure

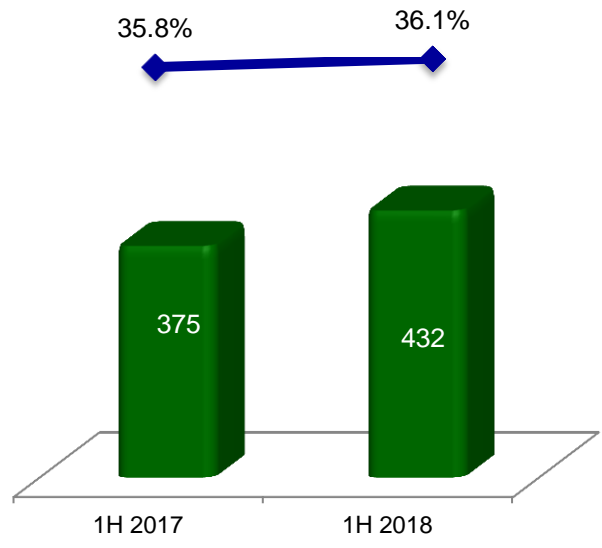
Strived to maintain stable food cost amidst the rising meat cost

Constantly strives to motivate staff with the effective incentive scheme

Maintained rental expense at a reasonable level

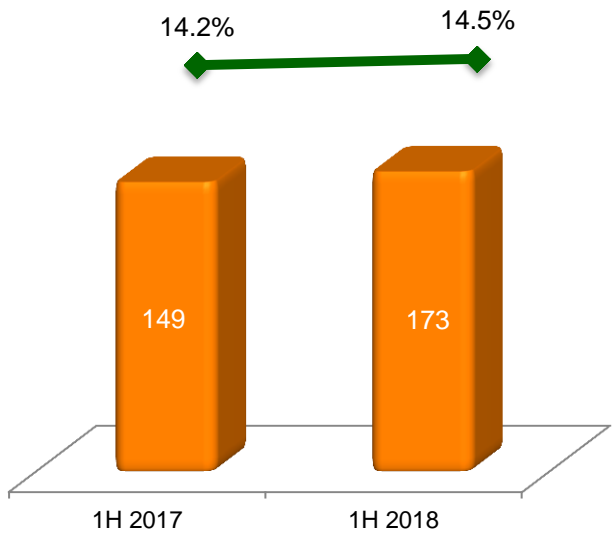
Cost of Sales

(HK\$ million)



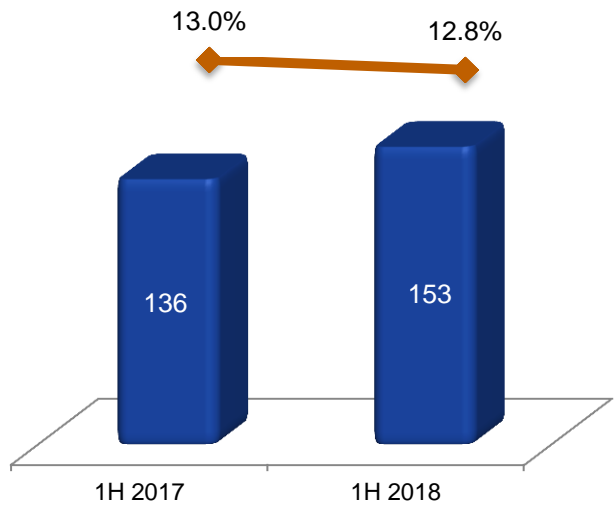
Labour Costs

(HK\$ million)



Rental Expenses

(HK\$ million)



■ Cost of Sales
 ◆ Cost of Sales as % of turnover

■ Labour Costs
 ◆ Labor Costs as % of Turnover

■ Rental...
 ◆ Rental Expenses as % of Turnover

Sound Working Capital Management

(Days)	As of 30 Jun 2018	As of 31 Dec 2017
Receivable Turnover Days	2.6	2.1
Inventory Turnover Days	54.6*	46.5
Payable Turnover Days	68.6	61.3
Cash Conversion Cycle	(11.3)	(12.7)

*The increase is mainly due to more inventory purchased to stabilize raw material cost.

Active Cash Management Results in a Healthy Cash Conversion Cycle

Strong Cash-flow & Healthy Balance Sheet

Cash Flow Generation

As of 30 June

(HK\$ million)	2018	2017
Net cash inflows from operation	74.0	151.7
Purchase of property, plant and equipment items	(46.3)	(59.4)
Dividends paid	(81.8)	(60.3)
Others	(1.2)	4.2
Net increase/ (decrease) in cash	(55.3)	36.2

Gearing Summary

(HK\$ million)	As of 30 Jun 2018	As of 31 Dec 2017
Cash	514.0	641.7
Other financial asset	120.5	48.0
Total Debt	(10.0)	(10.0)
Net Cash	624.5	679.7

Maintained a Strong and Healthy Cash Inflow from Operations

Our Mission

*Leading Multi-brand
QSR Operator
in the PRC*





Q&A





Follow Us

IR Contacts

Hop Hing Group Holdings Limited

Company Secretary
Flats E & F, 2/F, Hop Hing Building
9 Ping Tong Street East
Tong Yan San Tsuen, Yuen Long
New Territories
Hong Kong

Tel: 852-2785 2681
Fax: 852-2786 2155
Email: ir@hophing.com

Public Relations Consultant

Strategic Financial Relations Limited
2401-2, Admiralty Centre I,
18 Harcourt Road,
Hong Kong

Tel: 852-2111 8468
Fax: 852-2527 1196
Email: hophing@sprg.com.hk