



Hop Hing Group Holdings Limited  
Stock Code: 47

**2018 Annual Results  
Announcement Corporate  
Presentation**

March 2019

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# Business Review



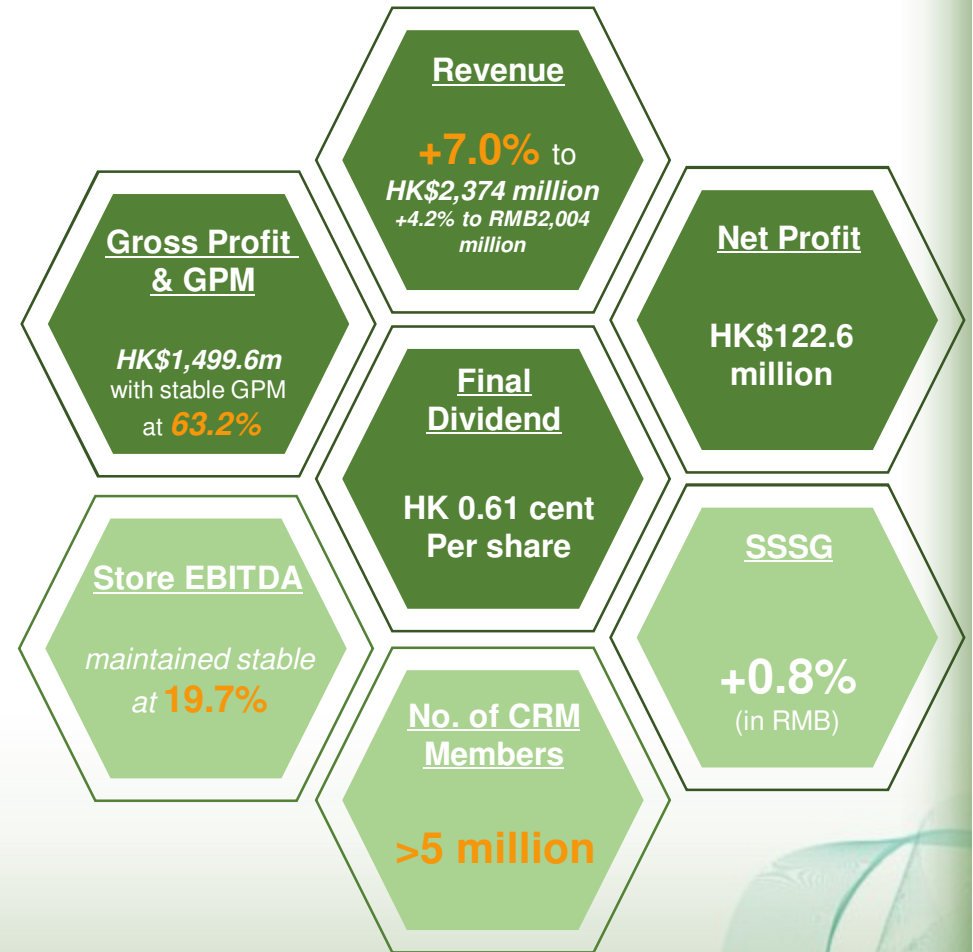
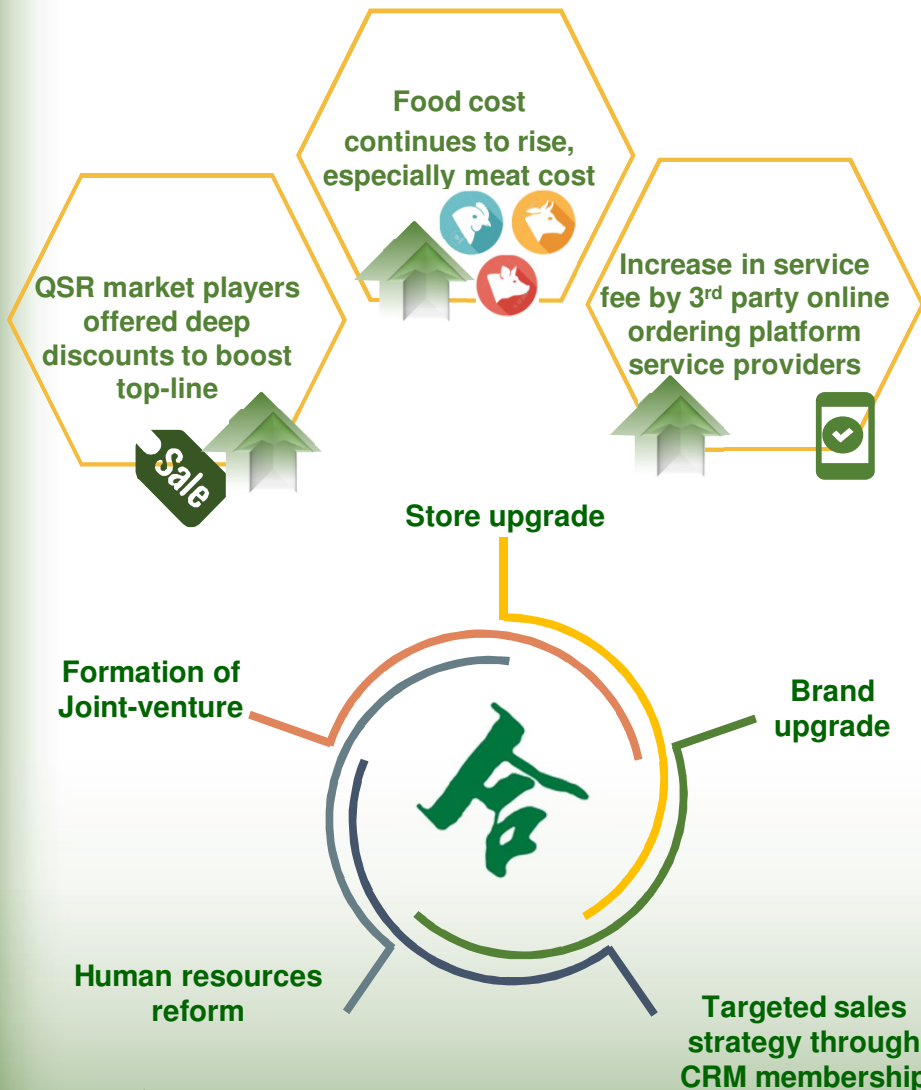


# FY2018 Operational Update



## Market Challenges & Hop Hing's Strategies

## Hop Hing Continued to Deliver Satisfactory Results



# Steadily Widening Store Network

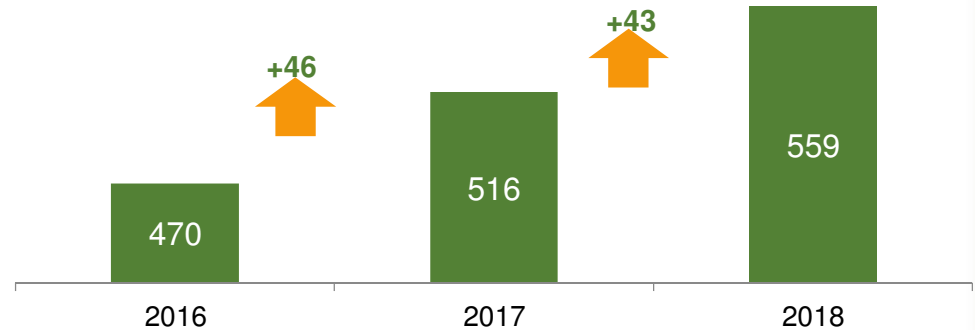
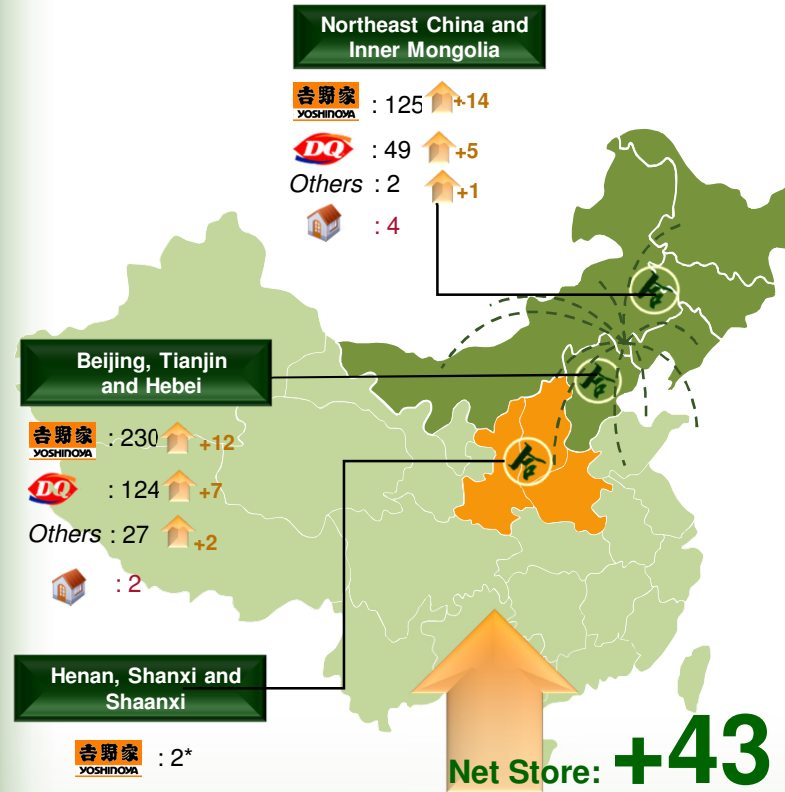


**Total: 559 Stores** (As of 31 Dec 2018)

**Widen our Store Network According to Plan**

*No. of Store Open (Net)*

*No. of Stores (Net)*



## Store Opening Strategies in Franchise Regions

- Continues to open stores with products, services and brand upgrade
- Target to open relatively smaller size stores to enhance ROI
- Continue to broaden store network in Northern China with Yoshinoya, DQ and new brands

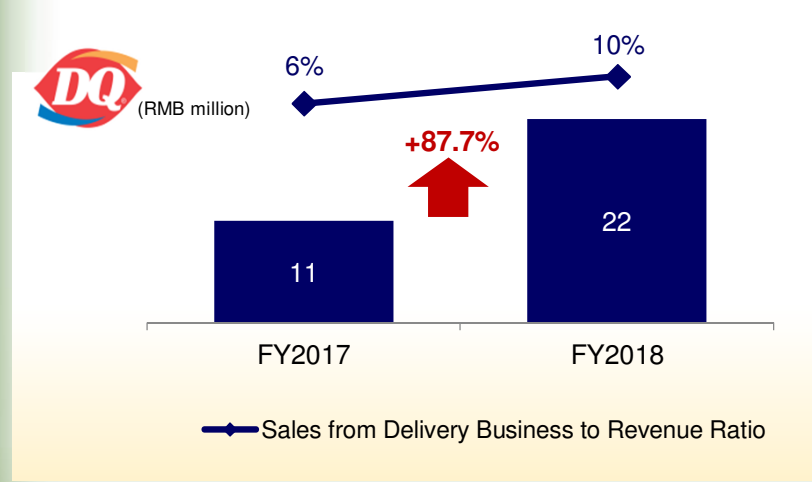
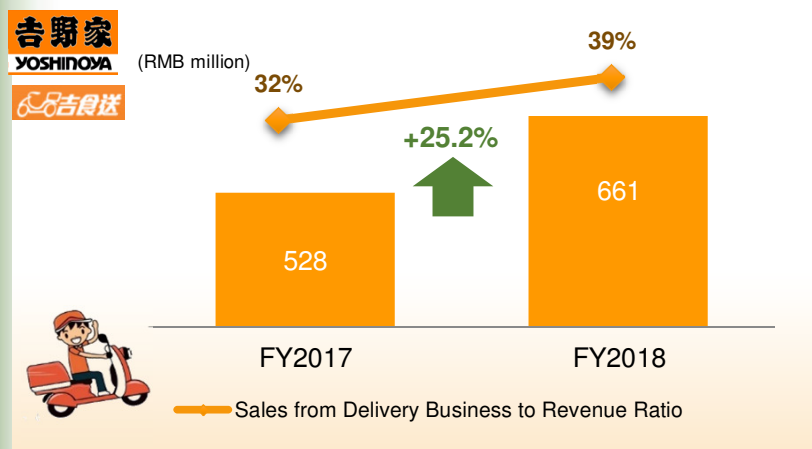
## Store Opening Strategies in New Regions

- Formation of a Joint-venture with Yoshinoya Japan, obtain exclusive operating rights of Yoshinoya stores in **Henan, Shanxi and Shaanxi**
- Opened 2 Yoshinoya stores in Henan as at end of 2018
- Steadily open stores and uplift Yoshinoya's brand image in the New Regions

# Delivery Business Continued to Grow



## Revenue from delivery business continued to grow



## Well-recognized brands with customer's full confidence



### Online

- Continue to cooperate with third party online platforms to increase ordering revenue
- Enhance the Group's self-operated online/delivery platforms with more marketing and promotions to enhance profitability
- > 5 million CRM members as of 31 Dec 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
- Increase the promotion on the own ordering online platform with differentiate products to divert the customers from 3rd parties online ordering platform

Successfully seize the huge demand on delivery services arising from the change of consumer consumption habit



## Business Review

- Yoshinoya’s delivery business continued to grow
- Revenue from Yoshinoya’s delivery service increased by approximately **25.2%** to **RMB 661 million**
- Continued to widen store network for greater service coverage to support faster delivery
- Nearly **50%** of our Yoshinoya stores featuring **“Yoshinoya 3.0” or above** experience
- Continued to enrich product portfolio to increase customers’ spending, enhance customers’ loyalty and mitigate various food cost fluctuation



## Upcoming Strategies

### Delivery services

- Exclusive promotions on the Group’s self-owned ordering platforms with exclusive products to attract more customers with higher profitability



### Store Opening Strategy & Brand Upgrade

- More stores to be evolved to **“Yoshinoya 4.0”**
- Open **“dine-in focus store”** and **“delivery focus store”** respectively to improve operating efficiency



### New Products

- Focus on introducing **value for money** products







# Dairy Queen – Delivery Business Becomes New Growth Driver



## Business Review

- Revenue from delivery business surged **87.7%** to RMB 22 million and accounted for 10.2% of DQ's revenue from 5.9% in FY2017
- Boost promotions during special occasions to increase sales
- Launched DQ membership program and integrated with Yoshinoya membership's system for cross-selling and promotions



## Upcoming Strategies

### Delivery services

- Continue to grow delivery business and provide promotions during festive seasons to attract more customers

### 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 add new elements to existing products to stimulate target customers' taste buds



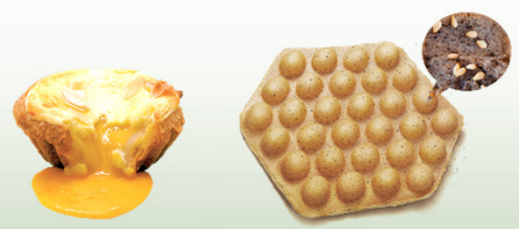


# Other Brands – Continue to Introduce New Brands & Products



Continue to introduce new products to simulate customers taste buds

## HK Snacks



## Asian authentic food

## Healthy Products



¥17.5  
¥35  
买一送一





# Future Growth Strategies



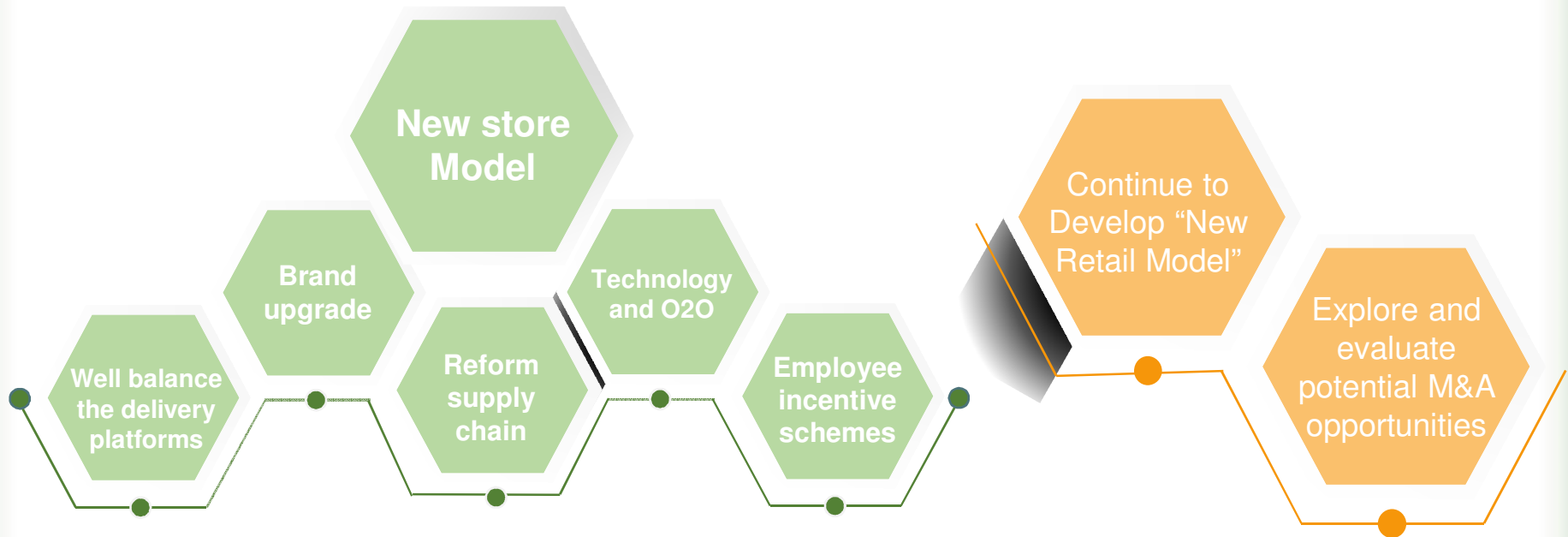


# Growth Strategies



*2019 and beyond*

*Medium and Long Term Strategies*





# New Store Model



Open new stores and renovate existing stores in **5** different models

1

*Flagship Store*



2

*Stylish Experience Store*



3

*Specialized store*

*Delivery Focus*

*Dine-in Focus*

4

*Convenience store*

5

*Small size store*



# Enhance Delivery Service to Capture Business Opportunities



## Differentiation of food products to catch various customers' needs



**Yoshinoya**

- Satisfy immediate needs  吉食送
  - Require higher delivery efficiency



**Dairy Queen**

- Scheduled order for special occasions
  - Preserved the delivering capability



*Seize the huge demand from Yoshinoya and DQ's delivery service and better allocate internal delivery resources to maintain Hop Hing's competitiveness*

## Enhance the Group's self-run ordering platforms to attract more customers

- Continue to work with third-parties' delivery platforms to capture business opportunities of delivery business
- Well balanced internal and external resources to boost customers' satisfaction toward our delivery service
- Promote the Group's self-owned ordering platforms leveraging the Group's increasing membership and improved CRM system
- Broaden the store network so as to support faster delivery



# Enhance O2O and Technology via Membership Program & Customer Analysis



秒变会员



立享特权



5 Million CRM members  
as at 31 Dec 2018

- The number of loyalty members of the Group's CRM system increased notably since its launch in the 2H17
- Integration of new technologies e.g. artificial intelligence, mobile payment and customers data to enhance O2O business model
- Leveraging the CRM platform, the customer feedback's will be passed to company at real time, which enhances the customer satisfaction effectively

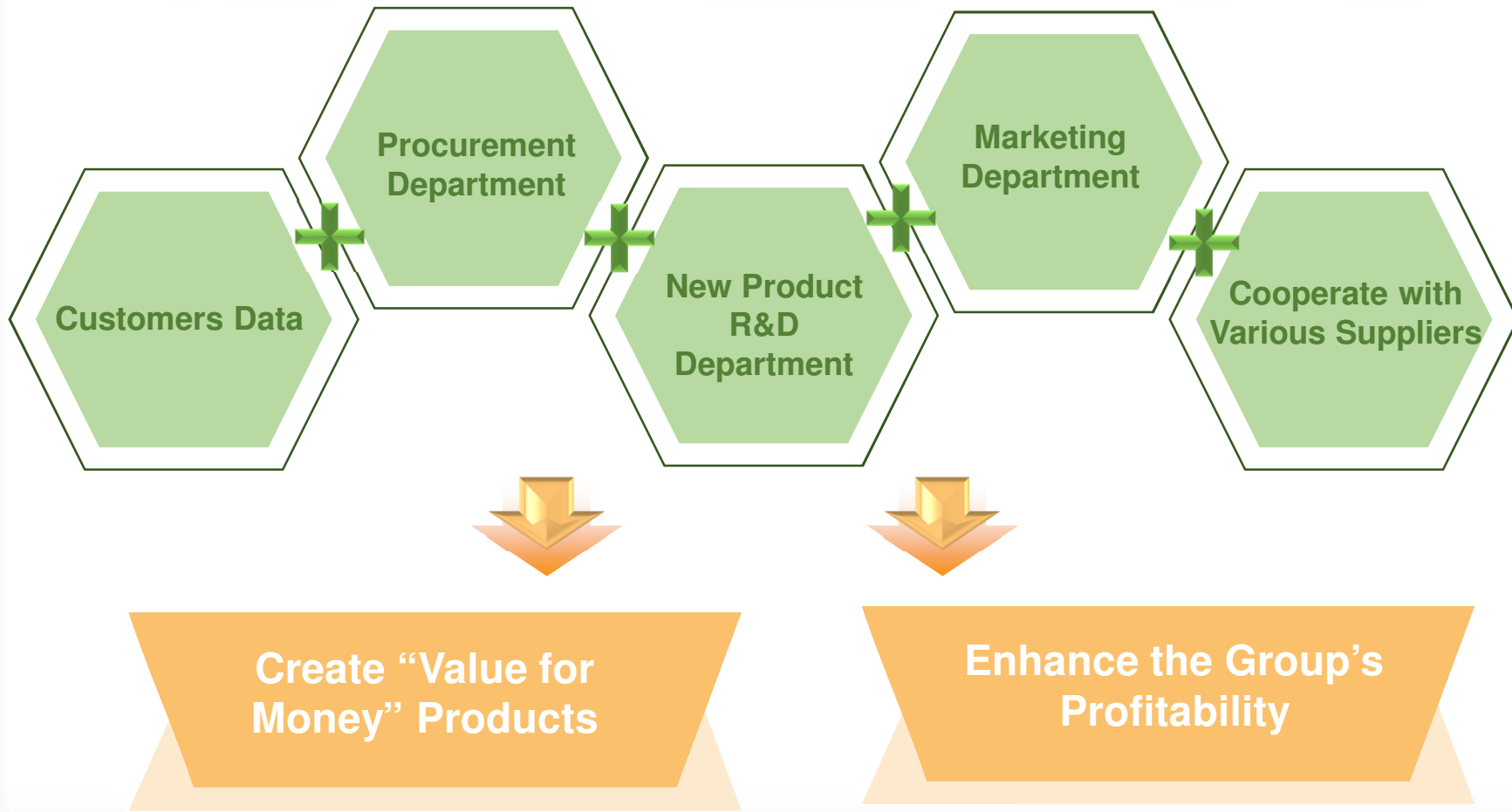


古食送小程序点餐  
古享优惠

扫一扫,成为会员  
享优惠



# Reform Supply Chain to Enhance Profitability



# Brand Upgrade and Employee incentive schemes



## Brand Upgrade and development



Service upgrade + Image Upgrade



Product Upgrade

## Continue to explore different employee incentive schemes



Continue to implement employee incentive schemes and improvement in organizational structure to raise efficiency

# Growth Strategies: Medium to Long Term



## Continue to develop “New Retail Model”



- Introduced smart vending machines in Q2 2018, providing instant food, salad and pre-packed products
- **157** point-of-sales introduced for selling pre-packaged food as at 31 Dec 2018

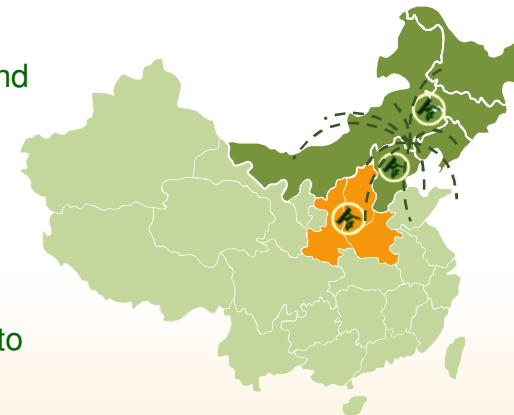


- Well developed smart payment infrastructure to support the “New Retail Model”



## Continue to looking for any M&A opportunities

- With the good management and excellent business performance in the past decades, Hop Hing maintained good relationship with Japan Yoshinoya Group and set up a joint venture together in FY2018 with exclusive operating rights of Yoshinoya in **Henan, Shanxi and Shaanxi**
- Broadened Yoshinoya operations area from “**5 provinces and 2 cities**” to “**8 provinces and 2 cities**”, the customer base of the Group’s franchise regions is increased from around 240 million to around **400 million**
- Steadily widening Yoshinoya’s store network in the New Regions while continue to grow all brands in Northern China to increase market penetration and seize business opportunities
- Continue to look for any **M&A opportunities** to strengthen the brands portfolio and integrate the resources







## Financial highlights



# Key Financial Figures



(HK\$ million)	For the year ended 31 December	
	2018	2017
<b>Turnover</b>	<b>2,374.0</b>	<b>2,218.3</b>
<b>Gross Profit</b>	<b>1,499.6</b>	<b>1,408.8</b>
<b>EBITDA</b>	<b>280.1</b>	<b>338.7</b>
<b>Operating Profit<sup>1</sup></b>	<b>164.4</b>	<b>217.0</b>
<b>Net Profit for the Period</b>	<b>122.6</b>	<b>167.4</b>
<b>Basic EPS (HK cents)</b>	<b>1.25</b>	<b>1.71</b>
<b>Key Financial Ratio</b>		
<b>GP Margin (%)</b>	<b>63.2%</b>	<b>63.5%</b>
<b>EBITDA Margin (%)</b>	<b>11.8%</b>	<b>15.3%</b>
<b>OP Margin (%)<sup>1</sup></b>	<b>6.9%</b>	<b>9.8%</b>
<b>NP Margin (%)</b>	<b>5.2%</b>	<b>7.5%</b>
<b>Expenses</b>		
<b>Selling and distribution expenses<sup>2</sup></b>	<b>(1,032.2)</b>	<b>(913.8)</b>
<i>Selling and distribution expenses (%)<sup>2</sup></i>	<b>43.5%</b>	<b>41.1%</b>
<b>General and administrative costs<sup>3</sup></b>	<b>(203.4)</b>	<b>(180.9)</b>
<i>General and administrative costs (%)<sup>2</sup></i>	<b>8.6%</b>	<b>8.2%</b>
<b>Depreciation</b>	<b>(99.2)</b>	<b>(97.2)</b>
<i>Depreciation (%)</i>	<b>4.2%</b>	<b>4.4%</b>

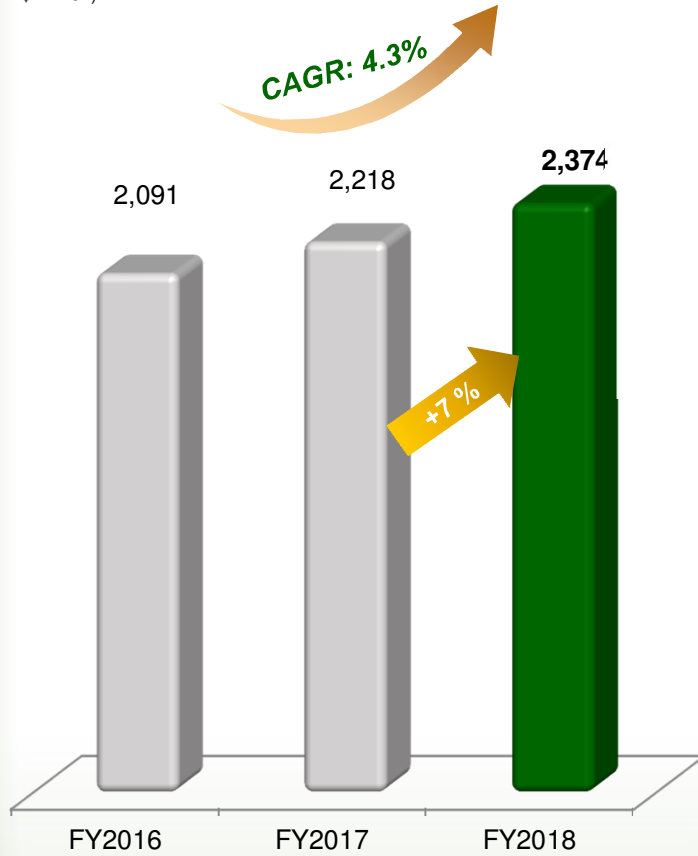
**The Board of Directors recommends the payment of a final dividend of HK0.61 cent per share for the year ended 31 December 2018**

# Revenue



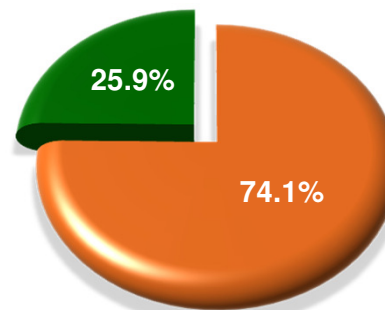
## Revenue

(HK\$ million)

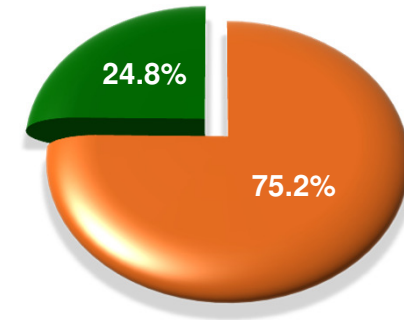


## Revenue by Region

FY 2018



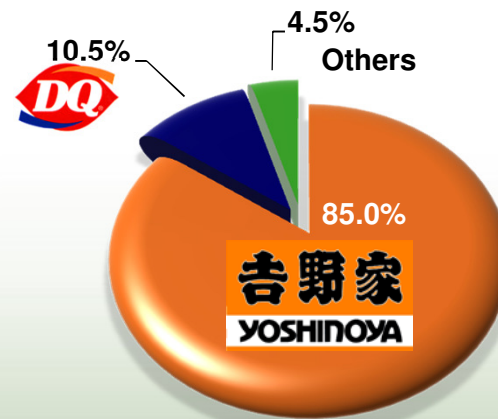
FY 2017



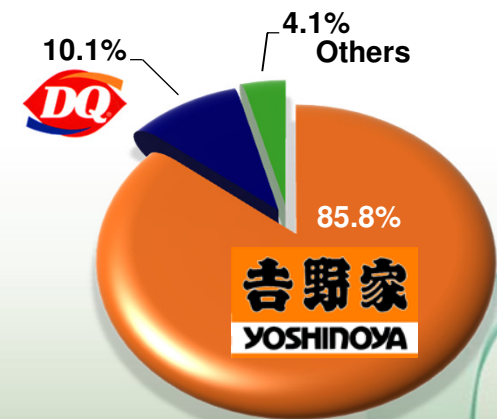
■ Beijing-Tianjin-Hebei metropolitan region ■ Northeast China

## Revenue by Major Brands

FY 2018




FY 2017







# Stable Cost & Expense Structure



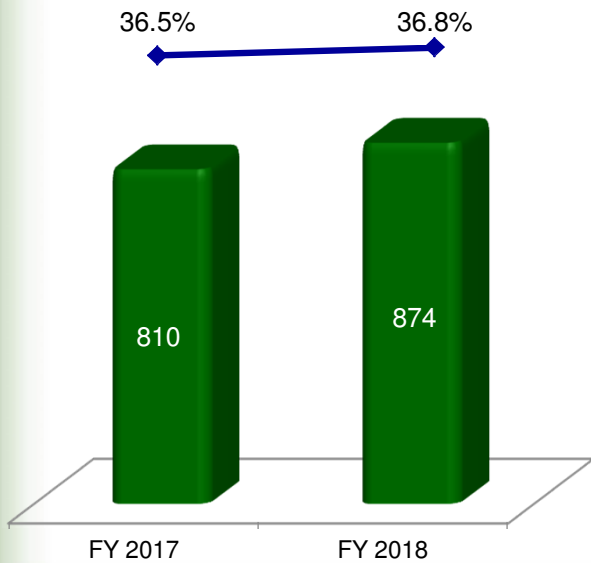
 Strived to maintain stable food cost amidst the rising meat cost

 Constantly strives to motivate staff with the effective incentive scheme

 Maintained rental expense at a reasonable level

## Cost of Sales

(HK\$ million)

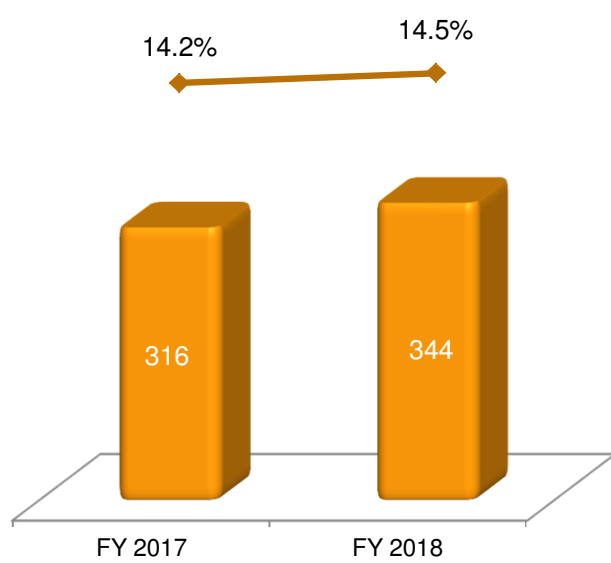


■ Cost of Sales

↔ Cost of Sales as % of turnover

## Labour Costs

(HK\$ million)

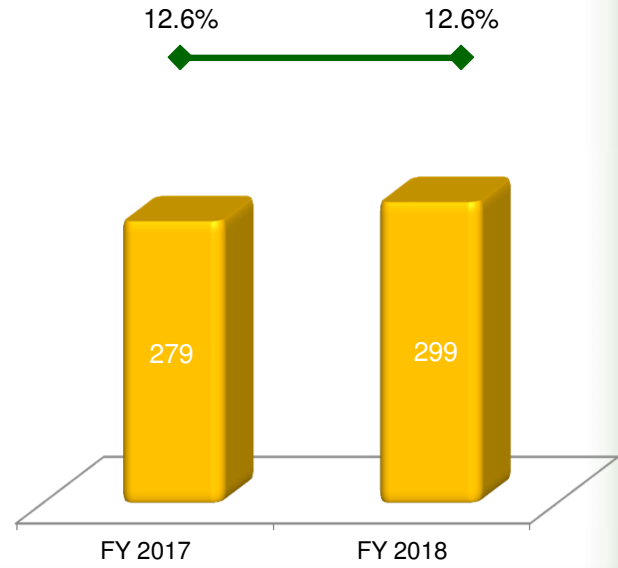


■ Labour Costs

↔ Rental Expenses as % of Turnover

## Rental Expenses

(HK\$ million)



■ Rental Expenses

↔ Labor Costs as % of Turnover

## Sound Working Capital Management



(Days)	As of 31 Dec 2018	As of 31 Dec 2017
Receivable Turnover Days	2.9	2.1
Inventory Turnover Days	46.0	46.5
Payable Turnover Days	58.8	61.3
Cash Conversion Cycle	(9.9)	(12.7)

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

# Our Mission



**Leading Multi-brand QSR Operator in the PRC**







# Q&A



# Contact Us



# Follow Us

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