



合興集團控股有限公司

HOP HING GROUP HOLDINGS LIMITED

Stock Code: 47

2020 Q1 Operation Updates
& 2019 Annual Results Announcement
Corporate Presentation

April 2020



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Business Review



FY 2019 Operational Update

Hop Hing Continued to Deliver Satisfactory Results Despite Challenging Environment

Revenue

+5.0% to
RMB2,103 million

Net Profit

RMB104.1
million

Store EBITDA

maintained stable
at 19.6%*

Gross Profit & GP Margin

+4.3% to
RMB1,320.4 million

Stable GPM
at **62.8%**

SSSG

Overall +1.3%
 +1.3%
 +1.9%

No. of CRM Members

over **8.5**
Million
Repurchase rate
+ 12%

Proposed Final Dividend

HK 0.248 cent
Per share

* The leases related depreciation and finance costs in 2019 have been grouped as rental expenses for better comparison with the last year's performance

Expanding Store Network

Total: 596 Stores (As of 31 Mar 2020)

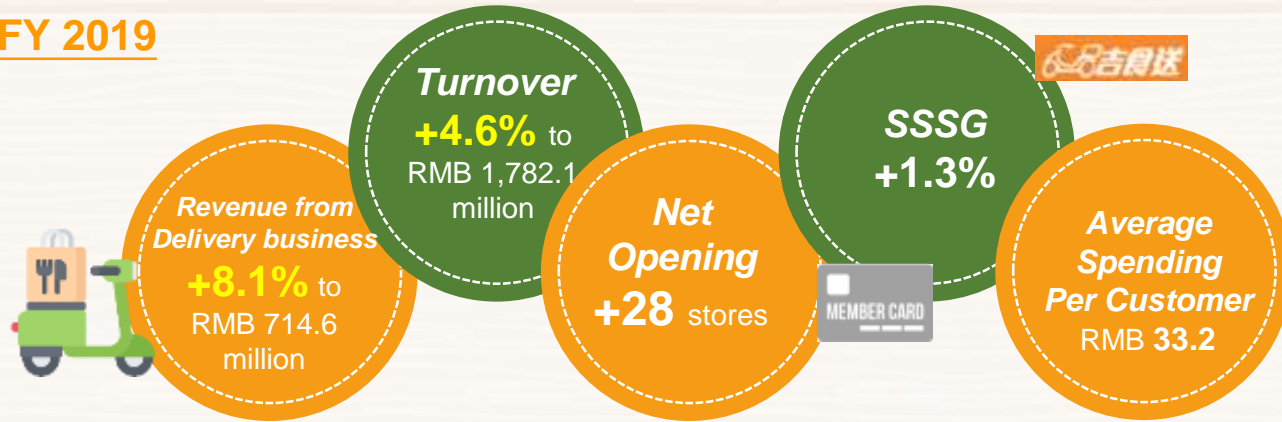
Expand our Store Network According to Plan



	吉野家 YOSHINOYA		DQ		Others		<u>Total</u>	
	As of 31 Mar 2020	As of 31 Dec 2019	As of 31 Mar 2020	As of 31 Dec 2019	As of 31 Mar 2020	As of 31 Dec 2019	As of 31 Mar 2020	As of 31 Dec 2019
Beijing, Tianjin & Hebei	250	250	138	138	19	21	407	409
Northeast China & Inner Mongolia	131	130	52	51	-	2	183	183
Henan, Shanxi and Shaanxi*	6	5	N/A				6	5
Total	387	385	190	189	19	23	596	597

* Operating by the JV

FY 2019



Q1 2020



Delivery Business Hit Record High

- **Faster and more user-friendly delivery service** supported by a widening store network and ordering platform network
- Diversified delivery products mix and service delivered by ordering platforms including **self-owned ordering platform** have enhanced customers' satisfaction and brand loyalty

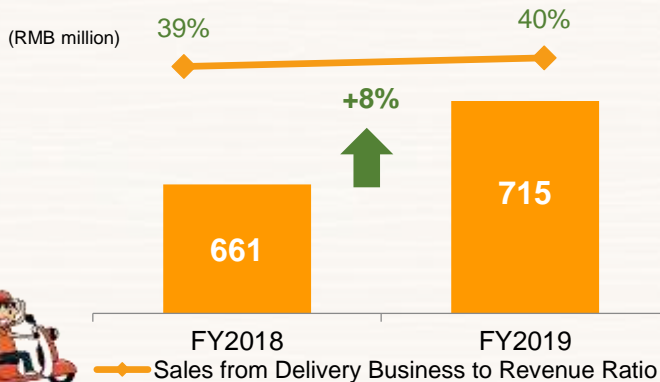
Overall Business Strategies

Brand Upgrade

- Provide **self-service ordering machines** in most stores and add **wechat mini program** to increase efficiency

Technology Empowerment

- Upgraded customer relationship management (CRM) system to improve operation and customer satisfaction





Dairy Queen – Successful transformation with Growing Delivery Business



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FY 2019



Revenue from Delivery business
+49.2% to
RMB
32.1 million

Net Opening
+16 stores

Turnover
+9.5% to
RMB230.8
million

Average Spending
Per Customer
RMB 15.1

SSSG
+1.9%

Q1 2020

Net Opening
+1 store

Delivery Business Continued to Surge

- Significant growth of **delivery business** attributable to the effective promotional activities with enhanced interactions with customers

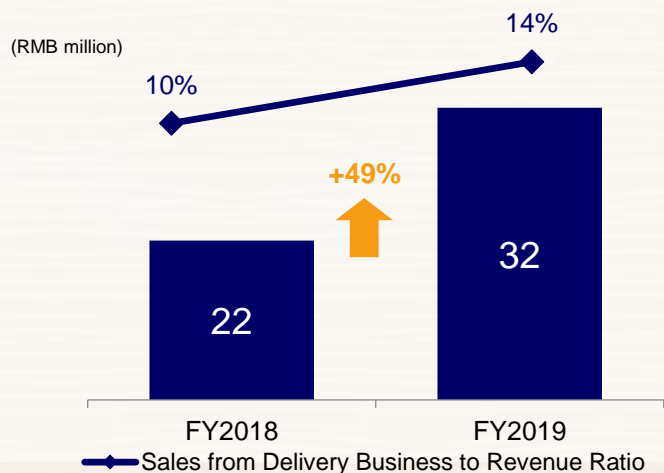
Upcoming Strategies

Brand Upgrade

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

Product Development Supported by Advanced Technology

- Step up technological investment and build up a data analysis platform in order to facilitate more **precise** and effective decision making in terms of **new products development**



Other Brands – Strategic Restructuring

1

Brand Repositioning



2

Refinement of stores opening plan



Creating Synergies between different brands





Leverage Technology to Further Expand Membership Base & Enhance Customer Satisfaction



CRM membership

Total over **8.5 Million**
as at 31 December 2019



吉野家 > 7 million
YOSHINOYA



Members' repurchase rate rose **12%** y-o-y



Continue to enhance customers' satisfaction

Average
Net Promoter Score



1.8x

(Dec 2019 vs Jan 2019)

Hop Hing's Transformation in Technology



Data intelligence



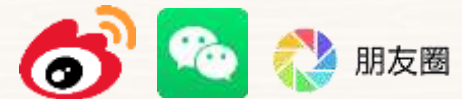
- Accumulated over 8.5 million memberships
- Focus on **enhancing customer satisfaction** in 2019



- Optimise data processing and analysis
- Enable **faster decision making process** and improve efficiency

Digitalised Interaction

- Cross-brand promotions on various social media platforms** to strengthen brands' image



- Interactive promotion campaigns** via popular online platforms to attract the younger generation





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Prospects



Latest Updates re COVID-19



Emergency response system

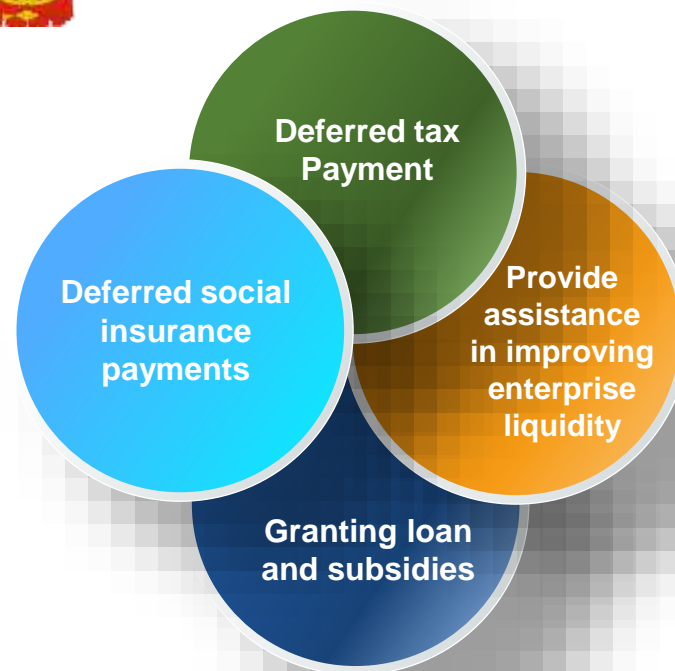
- Kicked off the emergency response system to launch enhanced **hygiene measures**
- Delivery service team is dedicated to providing “**non-contact**” delivery service



- For some temporarily suspended stores – Providing staff training to optimize services



Government policies support*



COVID-19's impact on the Company's business in 1Q 2020

- As at 19 March 2020, operations of approximately 6% of the stores (i.e. 38 stores) are still temporarily suspended
- Sales and same-store-sales recorded a y-o-y decrease of 43.2% and 43.9% respectively in 1Q2020

*According to State Administration of Taxation, People's Government of Beijing Municipality and Ministry of Human Resources and Social Security of the People's Republic of China

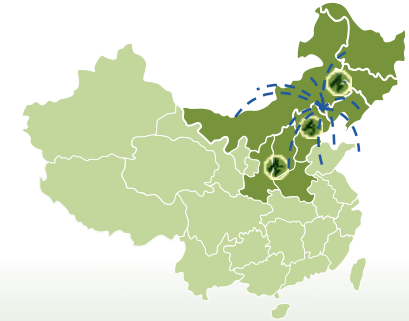


1

Business Strategies – Prudent Store Opening Approach; Focus on Enhancing Delivery Business

Prudent Approach in 1H2020

- Suspend store opening since February, prudent approach in 1H2020
- Gradually resume opening stores in first- and second-tier cities in 2H2020, depends on the situation of COVID-19



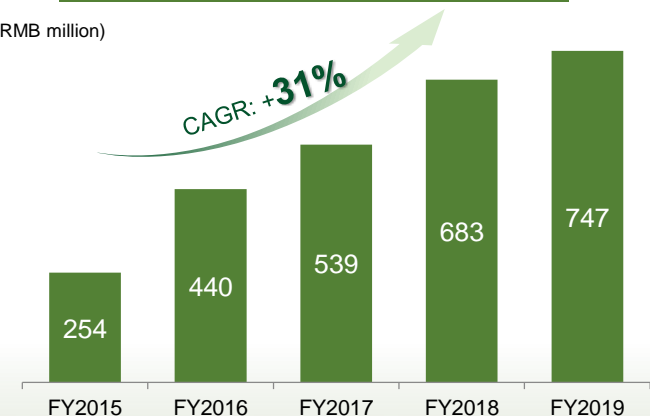
Enhance stores to support delivery services

- Broaden our store network so as to support faster delivery
- Enhance stores with facilities to support delivery services
- Optimized the Group's **own motorcycle fleet** to support the rise in delivery service demand



Revenue of delivery business

(RMB million)



Step-up Technologies Investment

- Targets to completely roll out the upgraded CRM system in 2020
- Enhance data processing and analysis for precise marketing to satisfy different customers' needs



- Strive for **five-star** positive ratings and **ZERO negative rating** in three major ordering platforms



Continue to Launch New Products

- Concentrate on the R&D of diversified stewed products and drinks to offer “**Value For Money**” new products to customers
- Targeting the “pain points” in different sales day parts to boost sales
 - Add buffet and semi-buffet meals during breakfast & tea time
 - Innovative “Value For Money” combination bundling milk tea and promotional offers
 - A wide array of **non-rice meal choices** e.g. noodle series to attract customers with different cuisine preferences



Business Strategies – Refinement of “New Retail Model”



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Leverage Technologies to Embrace “New Retail Model”

- Enhance **automatic ordering machine** and **WeChat Mini Program** ordering function to speed up ordering time



- Utilize expanding CRM platform and upgrading business intelligence system in order to support **cross-brand promotion**, achieve **precise marketing**, cultivate and strengthen online sales



Launch a New “Family Kitchen” Product Line

- As at 31 Dec 2019, point-of-sales covered **almost all** Yoshinoya stores in Beijing



- Launch a new **“Family Kitchen”** product line to include ready-to-serve food, salad and pre-packed products business → **satisfy customer’s home meals need**



Business Strategies – Build a Highly Efficient Operating Model

Take reference to the highly efficient operating model adopted by the
Fast-Moving Retail Industry

2nd Phase of Incentive Scheme

- Second phase **“Incentive Scheme”** to motivate store managers to actively improve operational efficiency and service, and strive for additional income



Enhance Sharing of Resources

- Set up a **shared financial center** to centralize accounting procedures in order to improve efficiency and share manpower



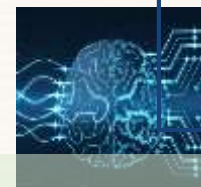
Reform of Procurement

- **Independent supply chain company** has begun operation
 - Securing more quality raw materials at reasonable prices for its new product R&D and offering **value-for-money** new products





*Evolving from a “Traditional Retail Operator” into
“Smart Catering Enterprise”*





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2019 Annual Results Financial highlights



2019 Annual Results

Key Financial Figures

(RMB million) ^	For the year ended 31 December	
	2019	2018
Turnover	2,102.8	2,003.6
Gross Profit	1,320.4	1,265.6
Store EBITDA	412.7#	394.5
Operating Profit¹	134.6#	138.8
Net Profit for the Period	104.1	103.5
Basic EPS (RMB cents)	1.07	1.05
Key Financial Ratio		
GP Margin (%)	62.8%	63.2%
Store EBITDA Margin (%)	19.6%#	19.7%
OP Margin (%)¹	6.4%#	6.9%
NP Margin (%)	5.0%	5.2%
Expenses		
Selling and distribution expenses²	(907.7)#	(871.1)
<i>Selling and distribution expenses (%)²</i>	43.2%#	43.5%
General and administrative costs²	(184.9) #	(171.6)
<i>General and administrative costs (%)²</i>	8.8% #	8.6%
Depreciation	(92.0)*	(83.7)
<i>Depreciation (%)</i>	4.4%*	4.2%

The Board of Directors recommends the payment of a final dividend of HK0.248 cent per share for the year ended 31 December 2019

^ Hop Hing started reporting financial figures in RMB in FY2019 to better reflect its business performance as its major business is principally in mainland China

The leases related depreciation and finance costs in 2019 have been grouped as rental expenses for better comparison with the last year's performance

* The lease related depreciation has been excluded

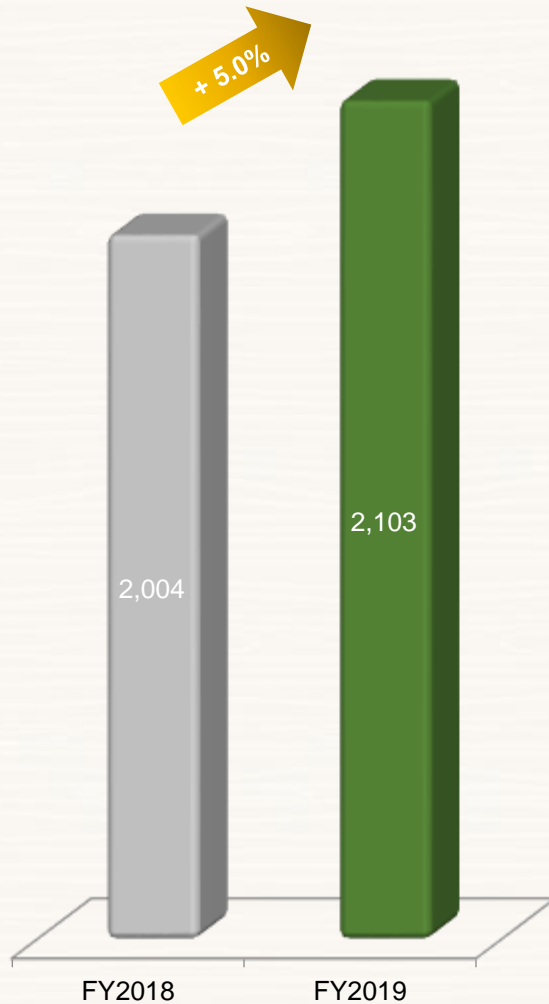
1. Excluding other income & gains

2. Excluding non-lease related depreciation

Revenue Breakdown

Revenue

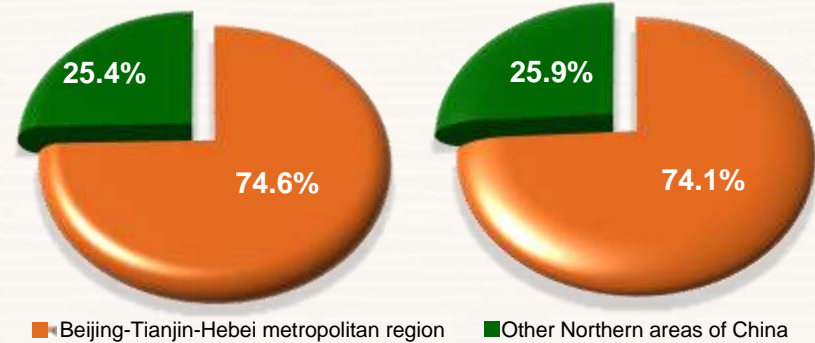
(RMB million)



Revenue by Region

FY 2019

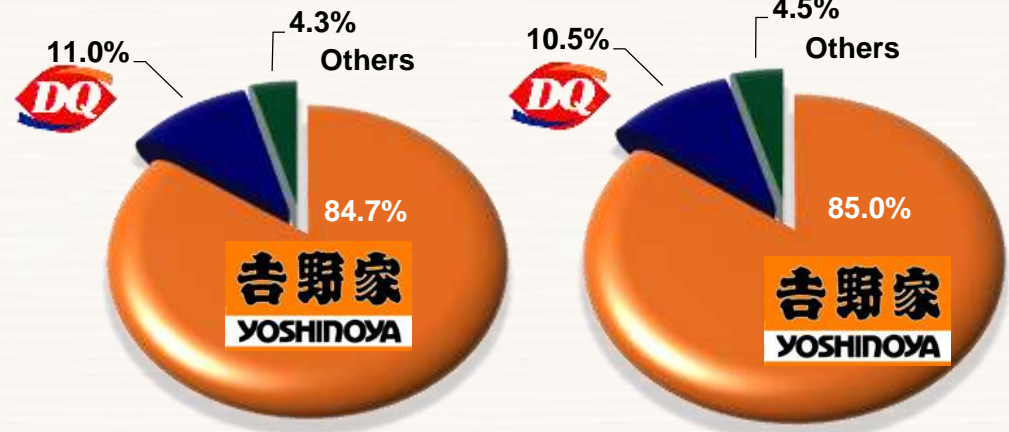
FY 2018



Revenue by Major Brands

FY 2019

FY 2018



Stable Cost & Expense Structure



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Strived to maintain stable food cost amidst the rising meat cost



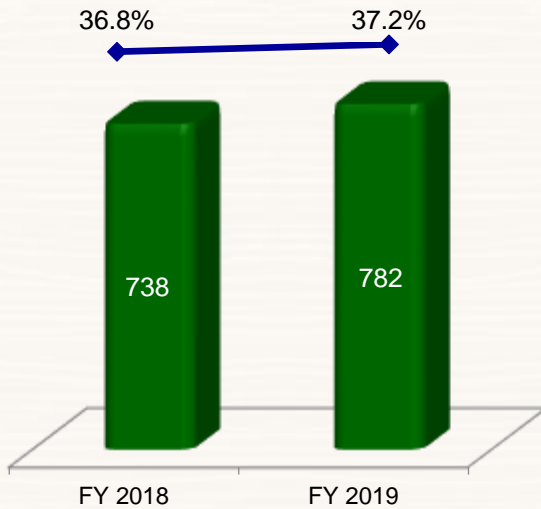
Constantly strives to motivate staff with the effective incentive scheme



Maintained rental related expense at a reasonable level

Cost of Sales

(RMB million)

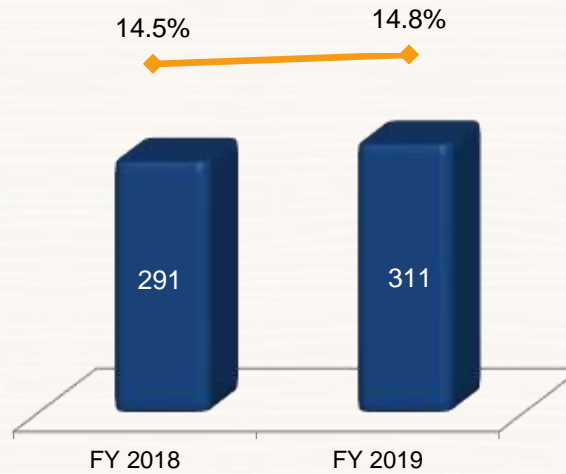


■ Cost of Sales

↔ Cost of Sales as % of turnover

Labour Costs[#]

(RMB million)

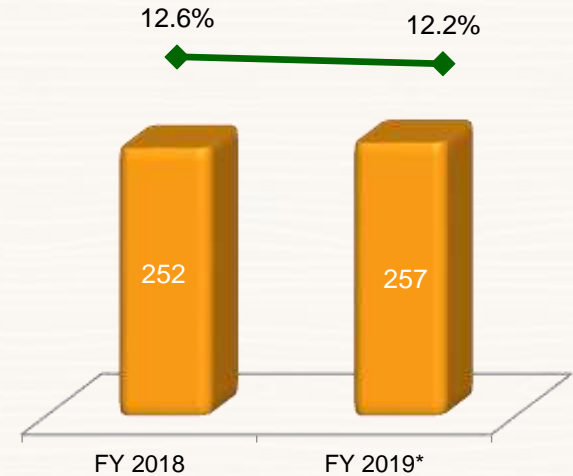


■ Labour Costs

↔ Labour Costs as % of Turnover

Rental Related Expenses^{*#}

(RMB million)



■ Rental Related Expenses

↔ Rental Related Expenses as % of Turnover

* The leases related depreciation and finance costs in 2019 have been grouped as rental expenses for better comparison with the last year's performance

[#]Under selling and distribution expenses

Sound Working Capital Management

(Days)	As of 31 Dec 2019	As of 31 Dec 2018
Receivable Turnover Days	3.1	2.9
Inventory Turnover Days	56.4*	46.0
Payable Turnover Days	56.4	58.8
Cash Conversion Cycle	3.1	(9.9)

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

Active Cash Management Results in a Healthy Cash Conversion Cycle

Cash-flow Summary

Cash Flow Generation

For the year of

(RMB million)	2019	2018
Net cash inflows from operation	170.8*	170.9
Purchase of property, plant and equipment items	(124.4)	(101.9)
Others	10.1	5.2
	56.5	74.2
Shares purchased under share award scheme	(8.9)	(9.8)
Investment in JV	-	(10.2)
Dividends paid	(51.4)	(69.0)
Net decrease in cash	<u>(3.8)</u>	<u>(14.8)</u>

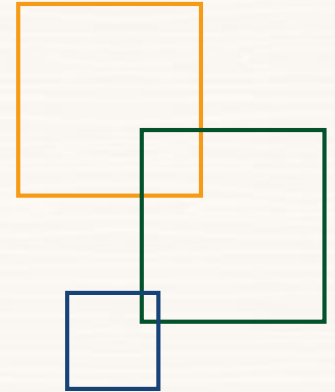
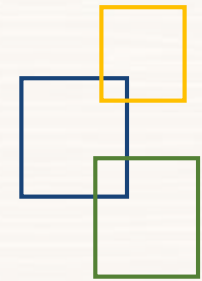
Gearing Summary

As of 31 December

(RMB million)	2019	2018
Cash	252.9	352.7
Deposit certificates	60.0	-
Other financial asset	243.0	207.0
Total Debt	-	-
Net Cash	<u>555.9</u>	<u>559.7</u>

* After deducting "principal portion of lease payments" and finance costs related to the leases (new item after adoption of HKFRS 16) which has been grouped under cash flows from financial activities in the audited accounts.

Transformation to a Leading Digitalised QSR Operator in the PRC





Q&A



Contact Us



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