



Zhou Hei Ya International Holdings Company Limited 2018 Annual Results Announcement

March 2019

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Section 1

Results Overview

2018 Key Strategies

Continued to Expand Store Network, and Enhanced the Market Coverage Across China

Upgraded and Optimized Nationwide Production Capacity

Enhanced Analysis for Membership, and Improved the Precision of the Marketing Efforts

Embraced New Retail to Improve Customer Experience

Strengthened the Cooperation with Take-out Operators, Integrated Online and Offline Resources

Further Invested in Big Data Analysis, Improving Efficiency from Back-end to Front-end Operation

Key Financials

Financial Summary

(RMB thousand)

	2017	2018	Y-o-Y growth
Revenue	3,248,943	3,211,521	(1.2%)
Gross Profit	1,979,723	1,847,432	(6.7%)
Profit before tax	999,414	726,971	(27.3%)
Net profit	761,628	540,093	(29.1%)
Dividend per share(HKD)	0.12	0.16	33.3%

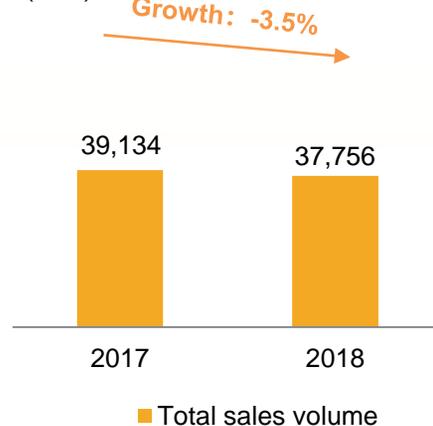
No. of Self-operated Retail Stores

(Number of stores)



Total Sales Volume

(Tons)



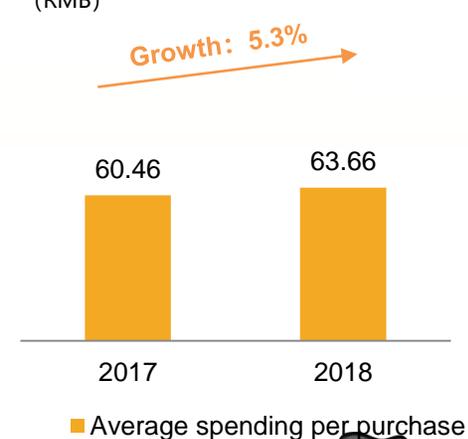
Average Selling Price

(RMB/Kg)



Average Spending per Purchase Order

(RMB)





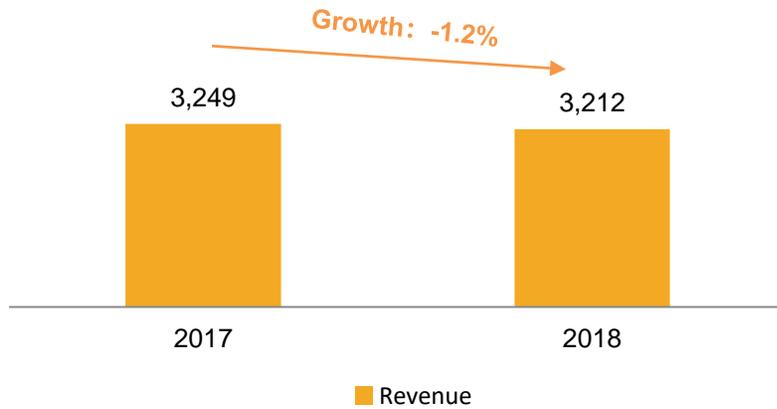
Section 2

Financial Performance

Financial Data Analysis

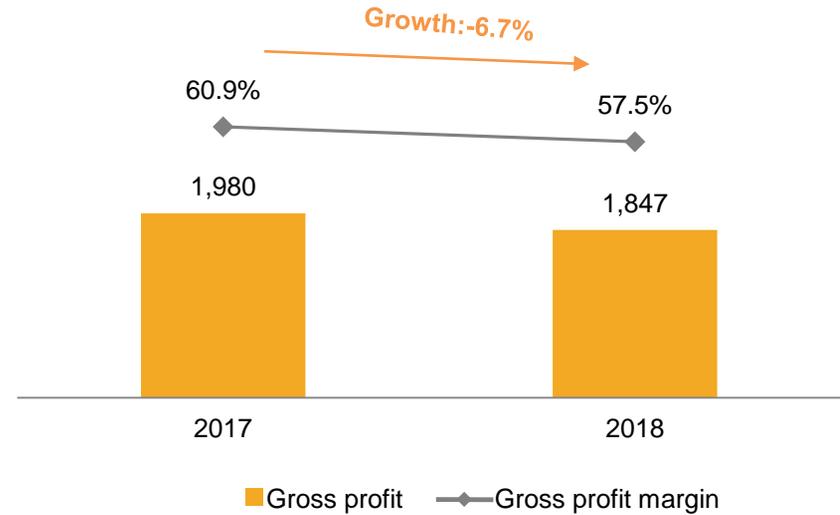
Revenue

(RMB MM)



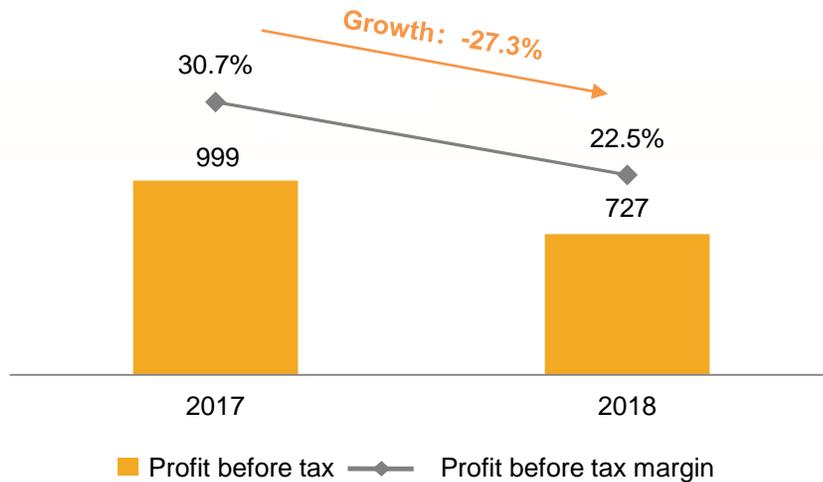
Gross Profit

(RMB MM)



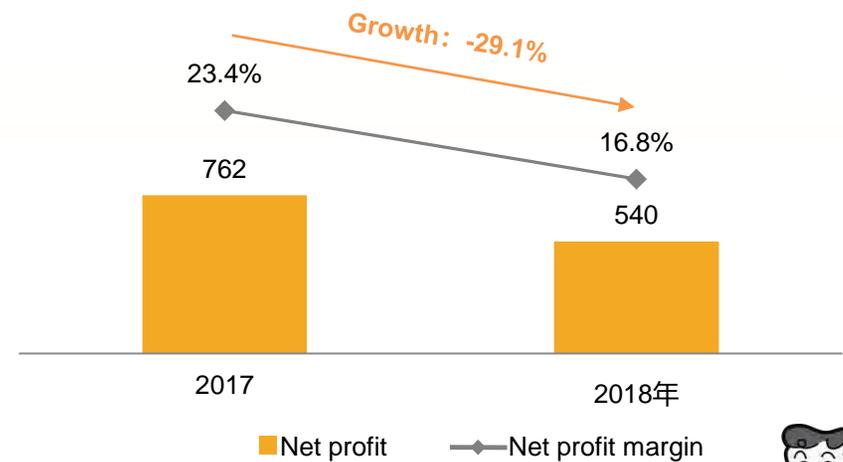
Profit before Tax

(RMB MM)



Net Profit

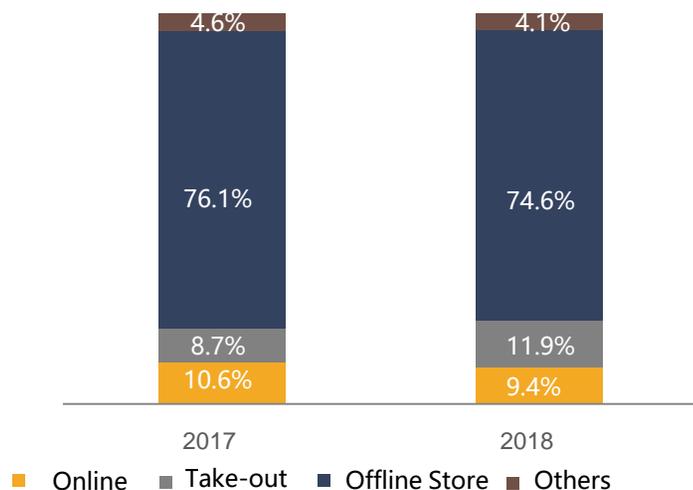
(RMB MM)



Financial Data Analysis

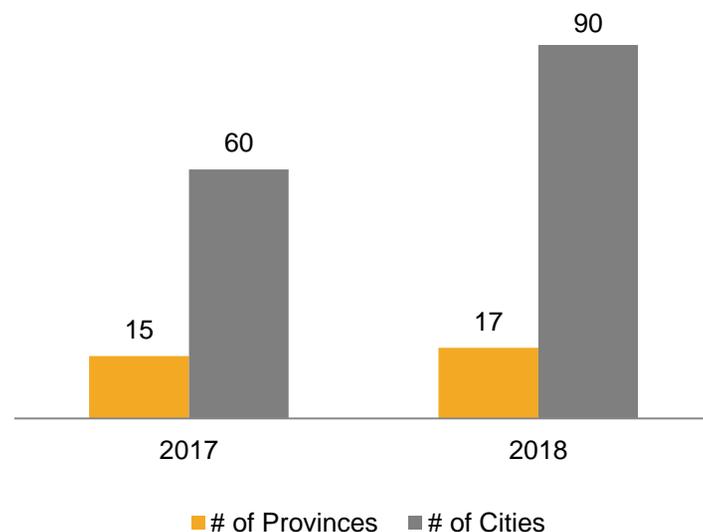
Revenue by Channels

(%)



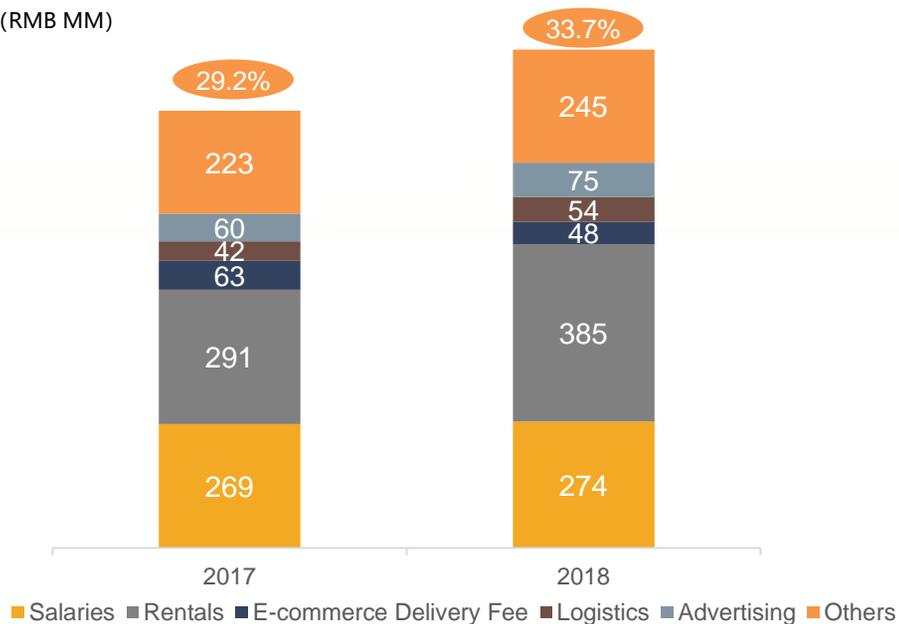
Store Geographic Coverage

(# of cities)



Selling and Distribution Expenses

(RMB MM)



- ✓ The Company' s take-out revenue increased from 8.7% in 2017 to 11.9% in 2018
- ✓ As of 2018, the Company' s self operated retail stores covered 90 cities in 17 provinces and municipalities in China.
- ✓ In 2018, selling and distribution expenses accounted for 33.7%



Section 3

Business Review

Rapid Changes in Casual Food Industry

Uncertainty in Macro Environment

- ✓ Slowdown of GDP growth rate in 2018
- ✓ Concurrence of consumption upgrade and downgrade, changing of consumer behavior
- ✓ Influence of 'New Retail' had an increasing impact on traditional industry

Changes in Braised Food Industry, Intensified Competition in Online and Offline Channels

With the strong online promotion ability, full-line food brands have posed threats to single-line brands

Fierce competition amongst food brands in regional market

New braised food brands have emerged and compete for customers

Undergoing the Third Revolution in the Retail Industry

New retail became the industry's new trend

- Consumer-focused, optimizing products and experience
- Optimizing the production, delivery and sales process through Big Data and AI technology

Huge Potential in Take-out Business

- Massive consumer base with rapid growth
- Change of consumers habit: "lazy economy" emerged

Online competition intensified

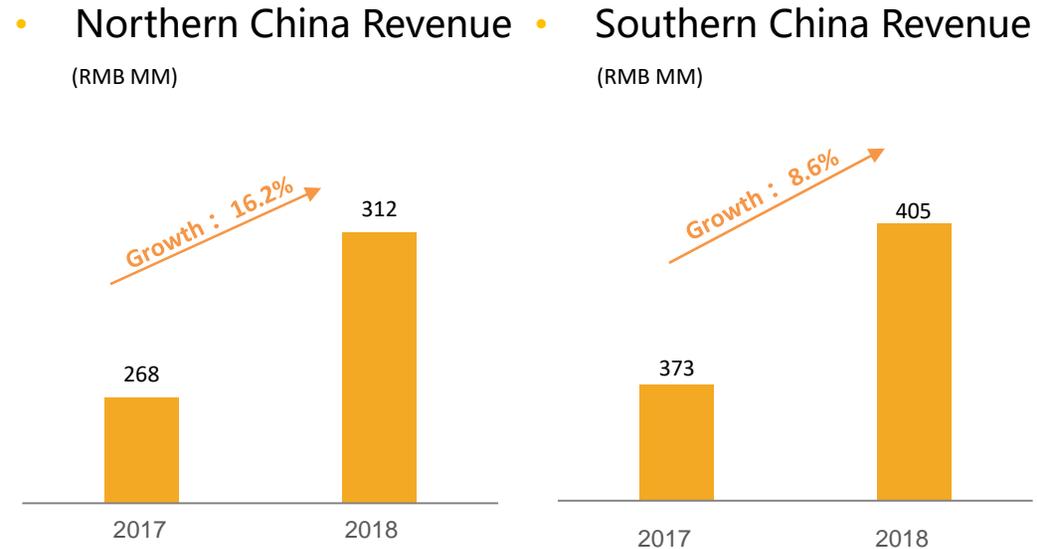
- Full-line food brands join the competition
- Online traffic slowly decline

Continued to Expand Store Network and Enhanced Market Coverage

Stable Offline Store Expansion

- ✓ In 2018, Zhou Hei Ya had **1288** self-operated retail stores covering **17** provinces and **90** cities.⁽¹⁾
- ✓ Net opened **261** stores in 2018
- ✓ Penetrated existing markets and expanded to new markets
- ✓ Sales distribution by different regions became more balanced.

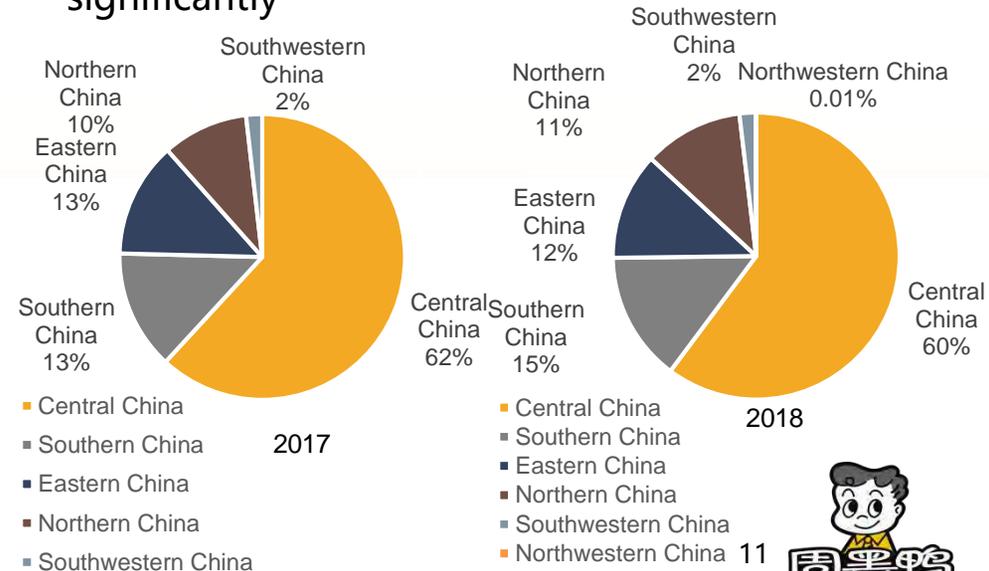
Northern China Presented Strong Growth Potential while Southern China Grew Steadily



Geographical Distribution of Retail Stores and Revenue Contribution in 2018



- Revenue contribution from Northern China increased significantly



Notes

1. As of 31 December 2018



Continued to Expand Store Network with a Focus on Strategic Regions and Locations

Strategic Presence of Self-operated Stores

- ✓ As of 2018, there were a total of **390** transport hub stores.
- ✓ Further develop new markets.
- ✓ Tremendous potential in Tier 1 and 2 cities.



Airport Store



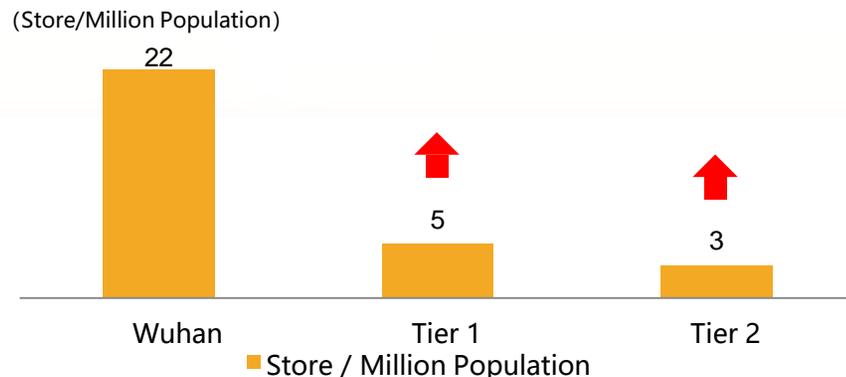
Railway Store



MTR Store

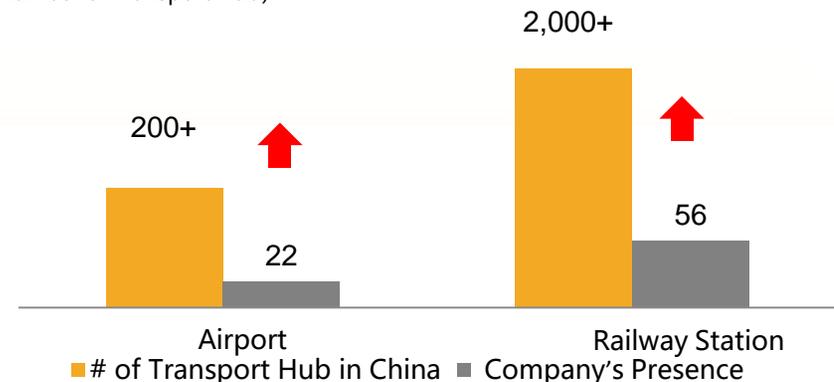
Self-operated Stores Network has Tremendous Potential in Transport Hubs and Tier-1 and 2 Cities

- The other tier-1 and 2 cities that Zhou Hei Ya entered enjoy more growth potential than Wuhan



- Strong growth potential for store opening in transport hubs

(Number of Transport Hub)



Note

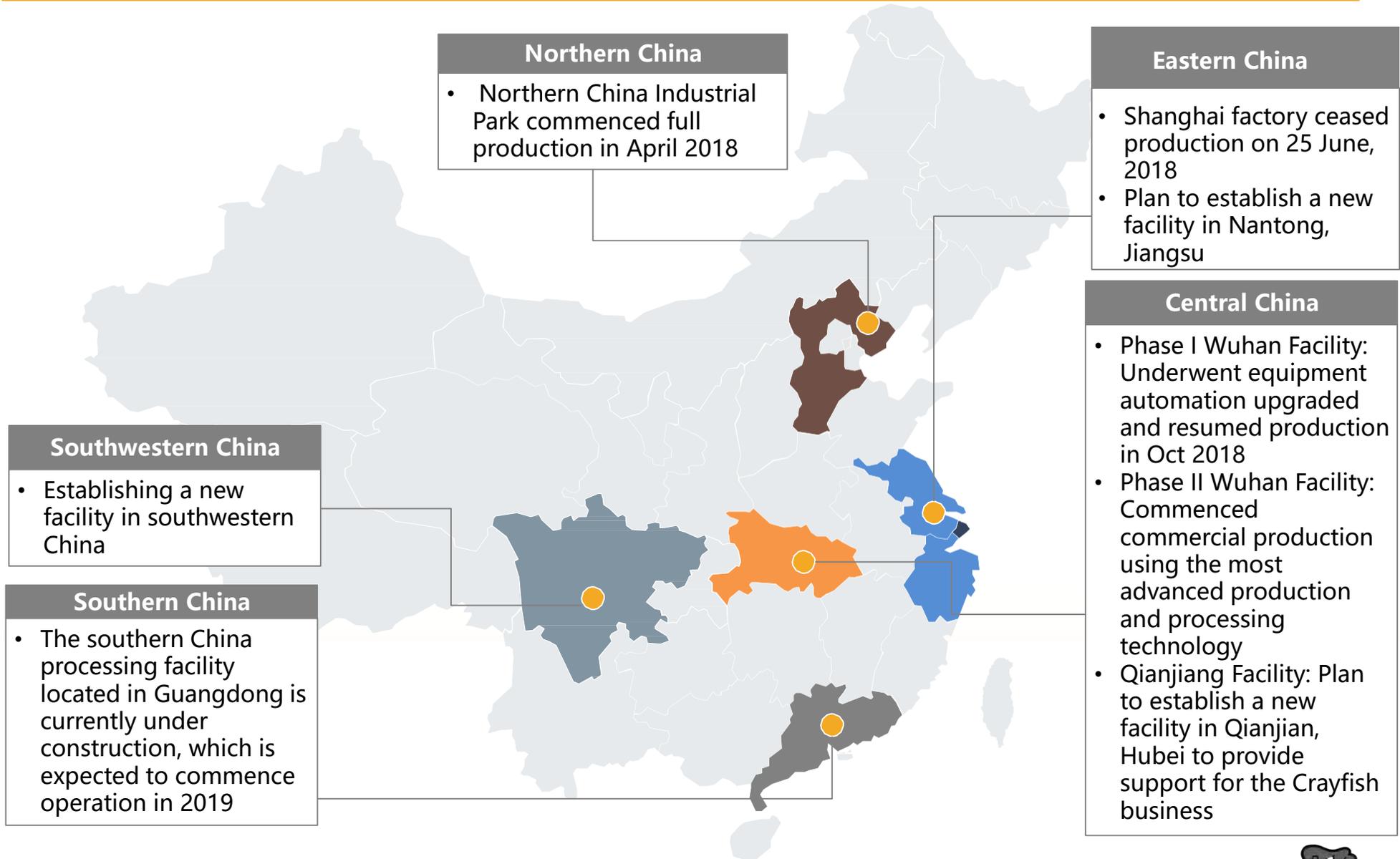
1. Public transport infrastructures, such as airports, railway stations and metro stations as well as supporting facilities around transport infrastructures. Number of transport hubs in China is from Frost & Sullivan, as of December 31, 2015; number of airports and railway stations covered by self-operated stores is as of December 31, 2018.

2. 4 Tier 1 cities here refer to Beijing, Shanghai, Guangzhou and Shenzhen. 27 New Tier 1 and Tier 2 cities include Wuhan, Chongqing, Dongguan, Changsha, Nanjing, Suzhou, Nanchang, Hangzhou, Ningbo, Wuxi, Zhengzhou and Chengdu etc. Wuhan is excluded in calculating both number of new first-tier cities covered and number of stores per million people. Data as of December 31, 2018.



Optimized and Expanded Nationwide Production Capacity

Northern China Industrial Park Commenced Production, Aiming to Improve Productivity and Satisfy Increasing Needs in The Region



Expanded Product Portfolio with Innovation

Launched Crayfish Products version 2.0

- ✓ Catering to the young customers' habit, upgraded the flavor of the Crayfish Product
- ✓ Launched a new vegetable flavor



Continued to Enhance Customers Experience and Launched "Zhou Xiao Ban"

- ✓ Launched "Zhou Xiao Ban" sparkling water during the World Cup in 2018, and cross-sell with duck products



Diversified Product Portfolio Styling with Trendy Gift Boxes

- ✓ Further enriched gifted box line
- ✓ Young and stylish presentation



Explored New Business, Zhouheiya in Store Dining Experience

- ✓ Store Design tailored to new generation's taste
- ✓ Provided simplistic fast braised food set meal



Enhanced Marketing Efforts with Media Interaction, Improving Marketing Precision

Collaboration with New Media

1 Campaign on Tik Tok

2 Online advertisement on Wechat, Weibo, Tencent video and etc.



Precision Marketing



- Sponsorship of E-sports competition in Guangdong
- Endorsement of school Rock Music Festivals in Northern China

Continued to Improve Members Benefits and Upgraded Store Image

Store Image Upgraded



More attractive, More stylish

Members Benefits

1 Member's Privilege Activity: Foodies World Tour



2 Regular Members Tasting Events



New Store Concept to Embrace “New Retail”

E-sports Theme Store Shenzhen



Zhouheiya + Ele.me Takeaway Store - Shanghai



Smart Store - Shenzhen



- ✓ Join hands with WeChat to open the first artificial intelligence convenience store
- ✓ Facial recognition and self-check-



Members' Club – Wuhan



- ✓ Members benefit: point-for-exchange beverage and souvenirs
- ✓ Clip doll machines, coffee machines and 24-hour vending machines

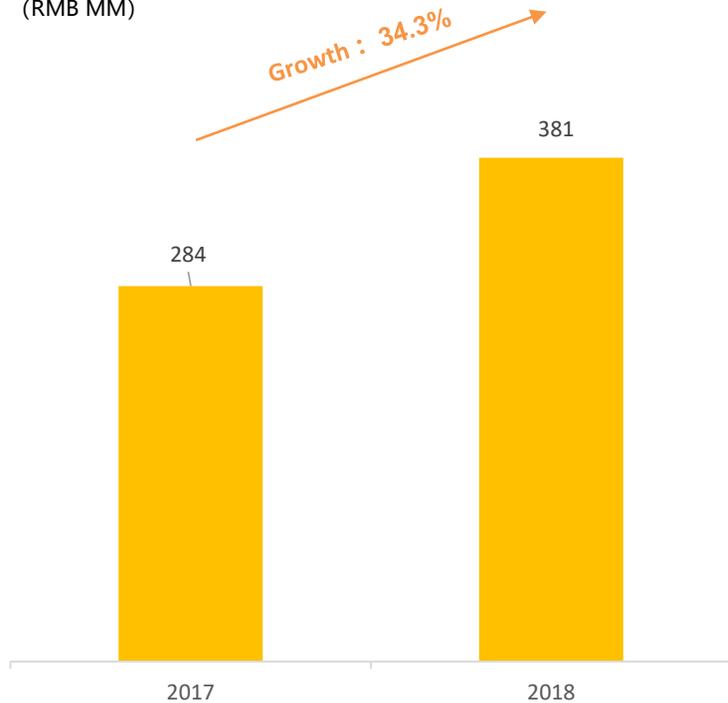


Integrated Online and Offline Resources, Strengthening Ordering and Delivering Operation

Food Ordering and Delivery Platform

Revenue from Online Ordering and Delivery

(RMB MM)



- ✓ Cooperated closely with take-out platforms, revenue increased 34.3% Y-o-Y

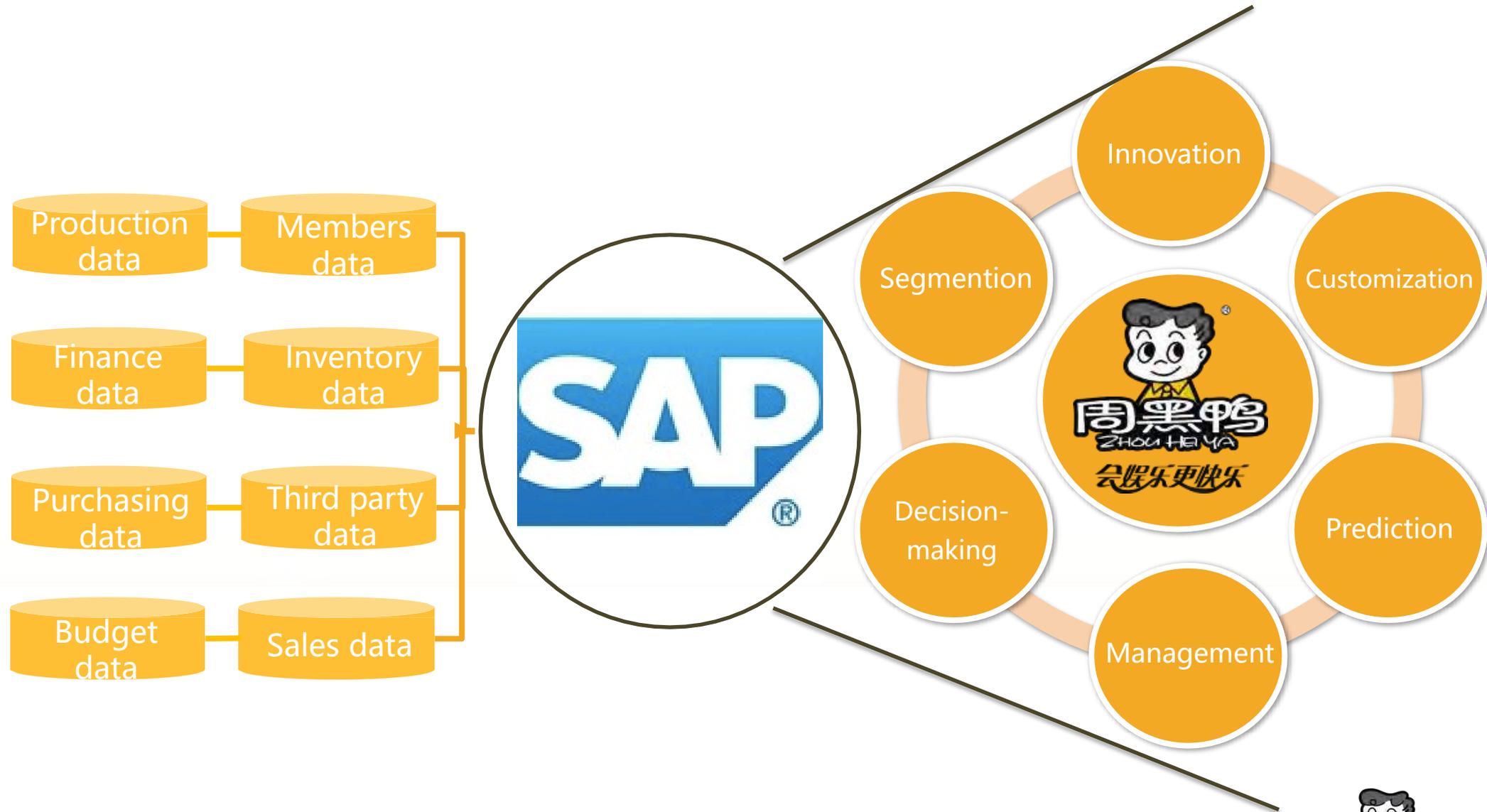
Food Ordering In-app Mini-program on Wechat



- ✓ Over 330,000 orders
- ✓ Third-party commission saved

Further Invested in Big Data Analysis, Improving Efficiency from Back-end to Front-end Operation

Streamlined the process of operation, analysing big data through the SAP system, and carried out precision marketing





Section 4

Opportunities and Outlook

Future Development Strategies



- 1 Further penetrate existing markets and strategically expand into new regions, to improve operating efficiency by better allocating production capacity to match the needs from regional markets


- 2 Further enhance product innovation


- 3 Leverage big-data technologies to realize precision marketing strategy, and establish a effective membership system focusing on stickiness


- 4 Develop the result-driven incentive programs


- 5 Enhance digital operations and data analysis, and further optimize organization and process







Appendix

Company Overview

Company History



Leading Brand and Retailer of Casual Braised Food in China

Leading Brand and Retailer in China's Casual Braised Food Industry

Zhou Hei Ya led the transition of China's casual braised food industry:

- 1 Upgraded the retail model to **branded chain stores**
- 2 First braised food company to achieve a complete shift from selling unpackaged products to **MAP products**
- 3 Deployed advanced **processing and packaging technologies** to achieve mass production
- 4 Pioneered the **transformation** of braised food from table food to **casual food**
- 5 Promoted brand philosophy of **"More Entertainment, More Fun"**



会娱乐更快乐

Leadership in the Casual Braised Food Industry ⁽¹⁾

- #2 The **second largest** casual braised food company in China by total revenue⁽²⁾
- #2 The **second largest** casual braised food brand in China by retail sales value⁽²⁾
- #2 Operates the **second largest** self-operated retail store network in casual braised food industry in China⁽³⁾
- #1 Ranked **first** in terms of brand awareness and customer satisfaction in 2015
- #1 The **largest** casual braised food company in terms of revenue generated from online channels⁽²⁾

Notes

1. According to Frost & Sullivan industry report and interviews with over 2,000 customers across 20 cities in China
2. In 12 months ended June 30, 2016
3. As of June 30, 2016

Leading Brand and Retailer of Casual Braised Food in China (cont'd)

Unique Competitive Advantages

Key barriers to entry

Our competitive advantage



Safe and Reliable Product Quality

- Stringent quality control across supply chain, able to trace final products back to the key raw material sources
- First to shift from unpacked products to MAP products



High-Quality Raw Material

- Works together with leading domestic poultry companies
- Stringent quality standards on raw materials and inspection upon arrival
- Procures spices from their regions of origin



Advanced Manufacturing and Technology

- Automated manufacturing and processing facilities
- Imported MAP production lines and quality packaging materials



Brand Awareness

- Distinguishable brand image
- Ranked first in terms of brand awareness and customer satisfaction ⁽¹⁾



Convenient Sales Network

- Covering 78 cities in 16 provinces and municipalities⁽²⁾
- Located areas with high pedestrian traffic
- Quickly expanding online channels with stores on 16 online marketplaces



Excellent Store Management and Customer Service

- Customer-focused corporate culture
- Mature store management system

Notes

1. According to Frost & Sullivan industry report and interviews conducted on casual braised food with 2,000 customers across 20 cities in China

2. As of December 31, 2018

Customer-focused Corporate Value Emphasizing Customer Experience

1

Popular, hygienic, and conveniently-consumed products

2

Nationwide famous brand with a young and exuberant image

3

Self-operated retail network with strict inspection on product quality and service

