



**Zhou Hei Ya International Holdings Company Limited
2018 Interim Results Announcement**

August 2018

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Section 1

Results Overview

1H18 Key Strategies

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

Upgraded and Optimized Nationwide Production Capacity

Enhanced Big Data 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

Key Financials

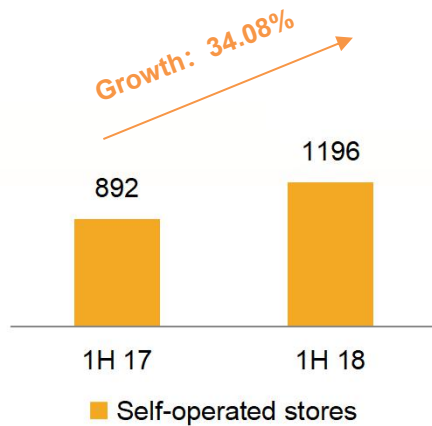
Financial Summary

(RMB Thousand)

	1H17	1H18	Y-o-Y Growth
Revenue	1,618,306	1,596,582	(1.3%)
Gross Profit	985,920	955,677	(3.1%)
Profit before tax	526,795	439,176	(16.6%)
Net profit	401,034	331,511	(17.3%)

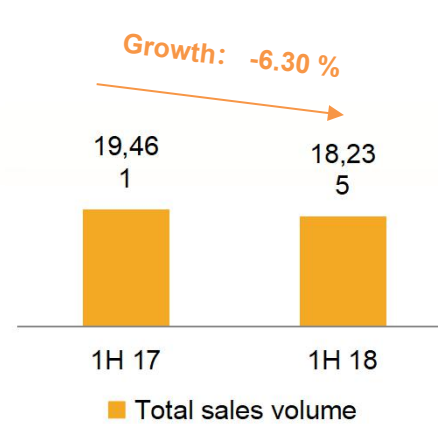
Number of self-operated retail stores

(Number of stores)



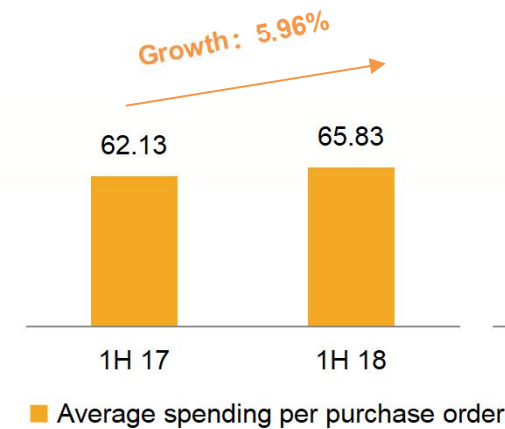
Total sales volume

(Tons)



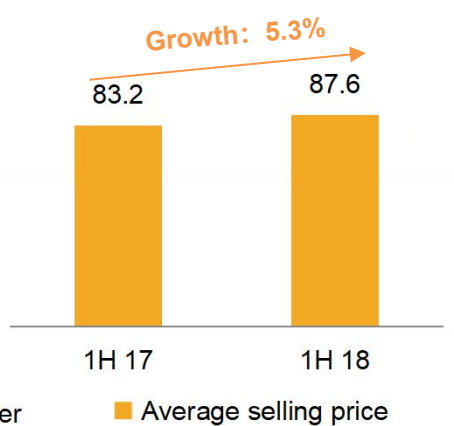
Average spending per purchase order

(RMB)



Average selling price

(RMB/Kg)





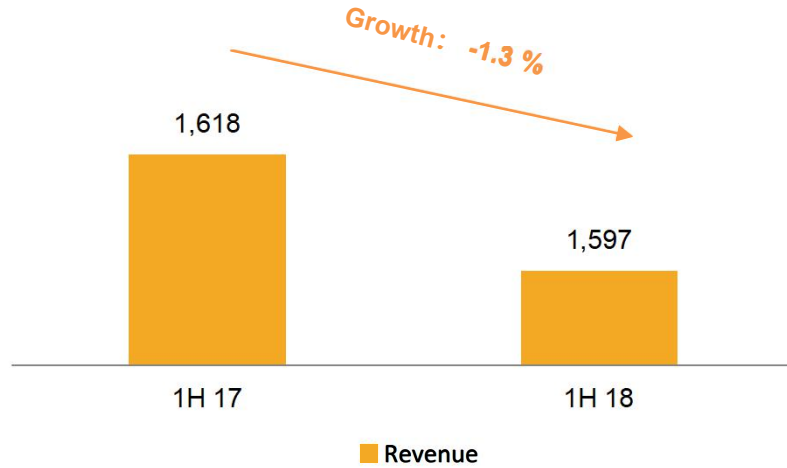
Section 2

Financial Performance

Financial Data Analysis

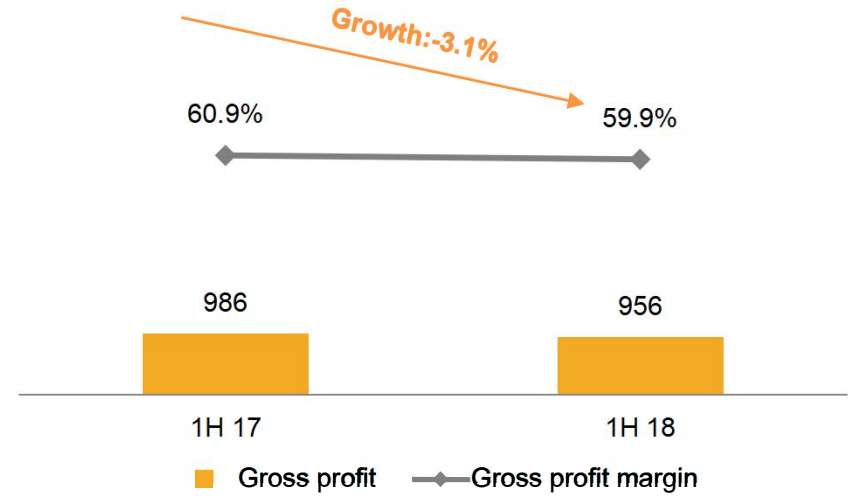
Revenue

(RMB MM)



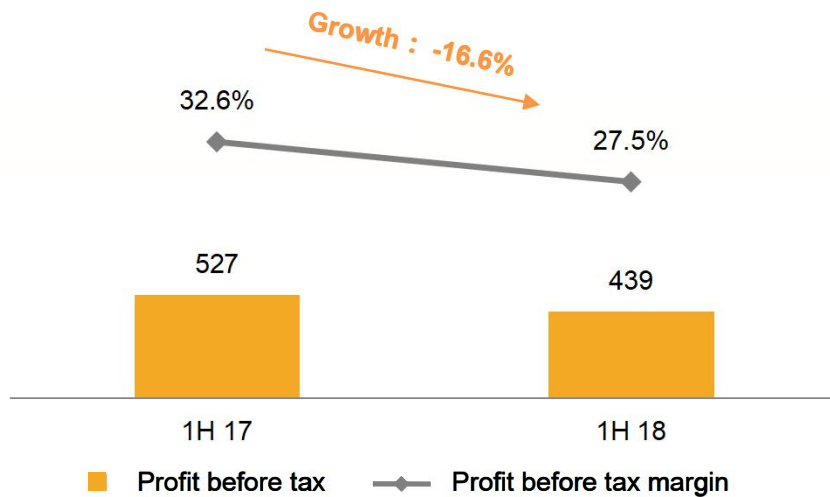
Gross Profit

(RMB MM)



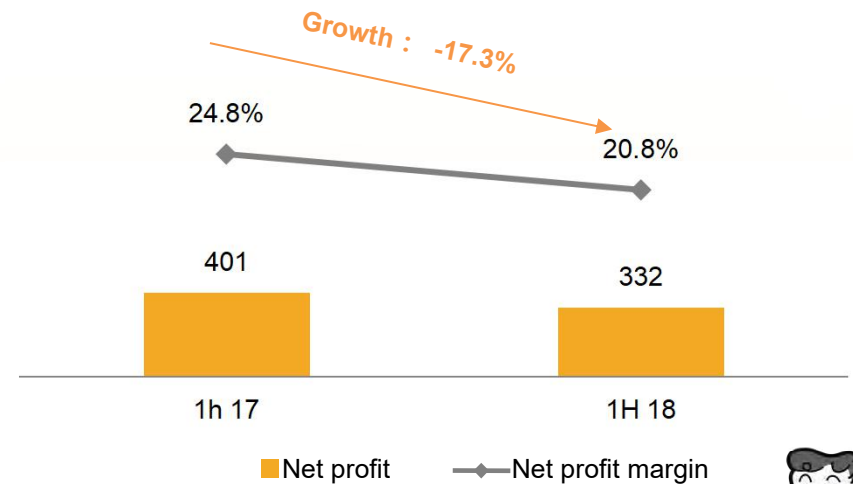
Profit before Tax

(RMB MM)



Net Profit

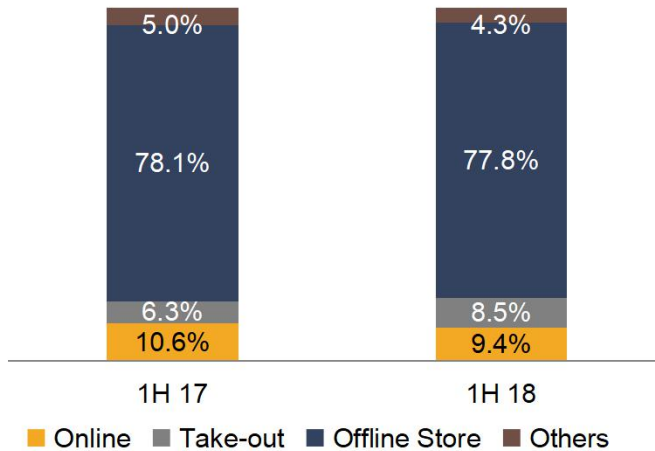
(RMB MM)



Financial Data Analysis

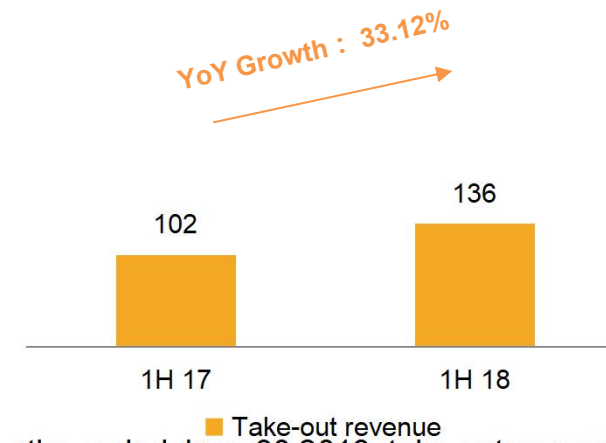
Revenue by Channel

(%)



Take-out Revenue

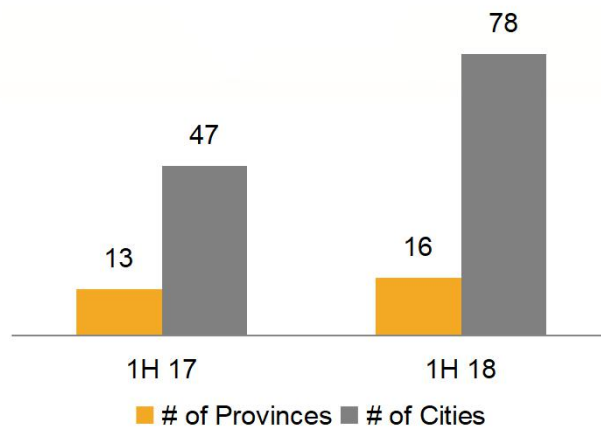
(RMB MM)



- ✓ For the six months ended June 30, 2018, take-out revenue accounted for 9.9% of the total revenue in self-operated retail stores, compared to 7.5% in the same period of 2017.

Store Penetration

(# of cities)



- ✓ In 1H 2018, the Company continued its store network expansion. As of 30 June 2018, its self-operated retail stores covered 78 cities in 16 provinces and municipalities in China.
- ✓ In 1H 2018, the Company newly entered 1 new province, Fujian, and 18 cities, namely Xiamen, Zhuhai, Jiaxing, Zhenjiang, Baoding, Hengyang and others.



Section 3

Business Review

Rapid Changes in Leisure Food Industry

Fluctuation in the macro environment

- ✓ Slowdown of GDP growth rate in 1H 2018 and challenging situation in macroeconomics
- ✓ Continued consumption upgrade and changing of consumer behavior
- ✓ Increased influence of new retail had an impact on traditional industry

Changes in braised food industry, intensified competition in online and offline channels

With the strong online promotion ability, the full-line food brands have formed fierce competition with single-line brands.

Concentrated store network, keen competition for regional resources and consumer demand is being shared

Emerging new braised food brands which undermines consumer loyalty

Undergoing the Third Revolution in the Retail Industry

Emergence of unstaffed stores

- Technology and big data cut labor costs, as well as enhanced consumer experience
- Gradual growth of industry: the number of unstaffed startup companies peaked in 2016 & 2017. ⁽¹⁾

New retail becomes the industry's new trend

- Consumer-focused products and experience
- Achieved unstaffed system from purchasing to delivering

Huge Potential in Take-out Business

- Rapid growth with a massive consumer base
- As of the end of 2017, the number of online take-out consumers reached 343 million, with a 64.6% y-o-y increment. ⁽²⁾

Decline of E-commerce Channel

- The openness of e-commerce platforms has been questioned

(1) 2017 Self-service Retail Development Conditions and Trends, Pencil News, November 2017

(2) Statistical Report on Internet Development in China, January 2018



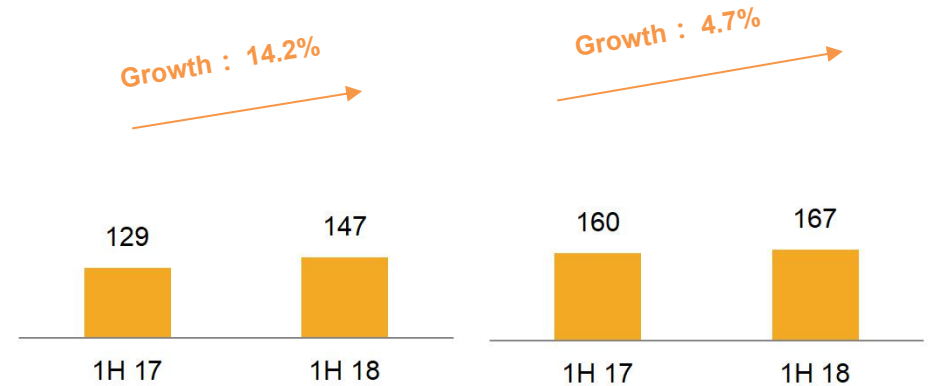
Continued to Expand Store Network and Enhanced Market Coverage

Stable Store Expansion with a wider offline network coverage

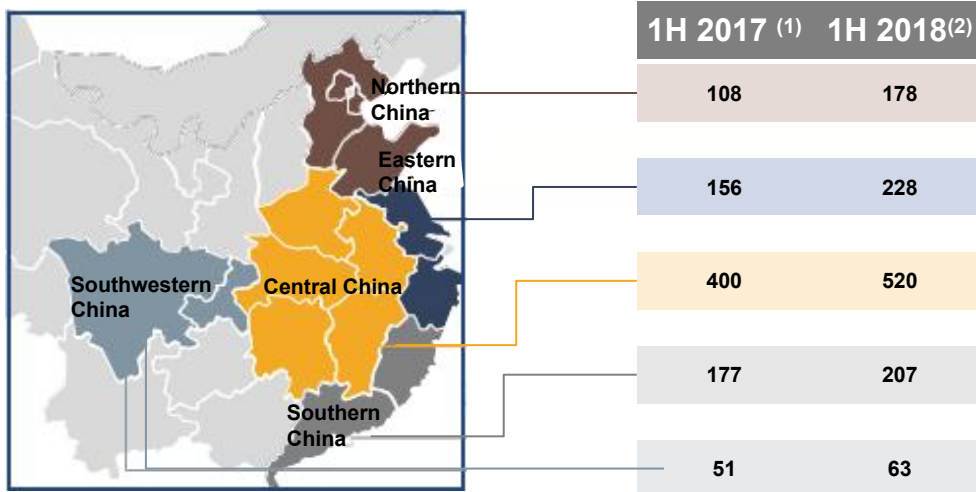
- ✓ Currently, Zhou Hei Ya has **1196** self-operated retail stores covering **16** provinces and **78** cities.⁽¹⁾
- ✓ Opened **214** stores and closed **45** stores in 1H 18.
- ✓ Continual penetration in Central China while Northern China grew significantly, Eastern China also grew steadily.
- ✓ With the expansion of sales network, sales in different regions have become more balanced, enabling the company to further accelerate its growth in future and diversify risks.

Northern China Presented Strong Growth Potential while Eastern China Grew Steadily

- Northern China Revenue (RMB MM)
- Eastern China Revenue⁽²⁾ (RMB MM)



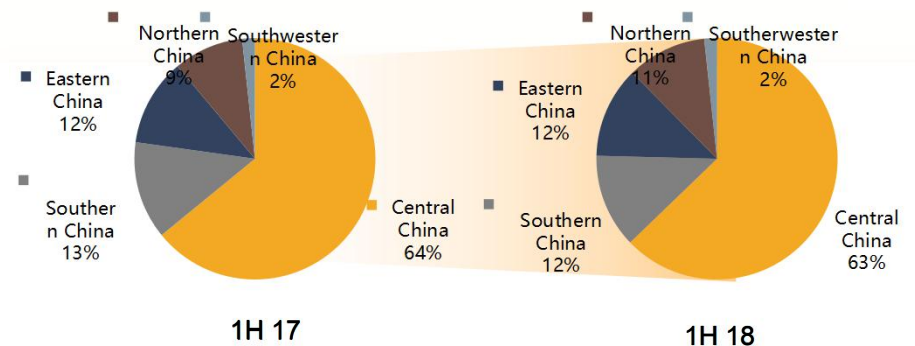
Geographical Distribution of Retail Stores and Revenue Contribution in 1H 18



Notes

1. As of 30 June 2018
2. Only indicates the number of self-operated retail stores

- Contribution from Northern China increased significantly



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

Strategic Presence of Self-operated Stores

- ✓ There were a total of **361** transport hub stores by 1H 18.⁽¹⁾
- ✓ Continued to establish our presence at transport hubs and surrounding areas to enhance brand image and awareness.
- ✓ Tier-1 and 2 cities still have tremendous potential.



Airport Store



Railway Store



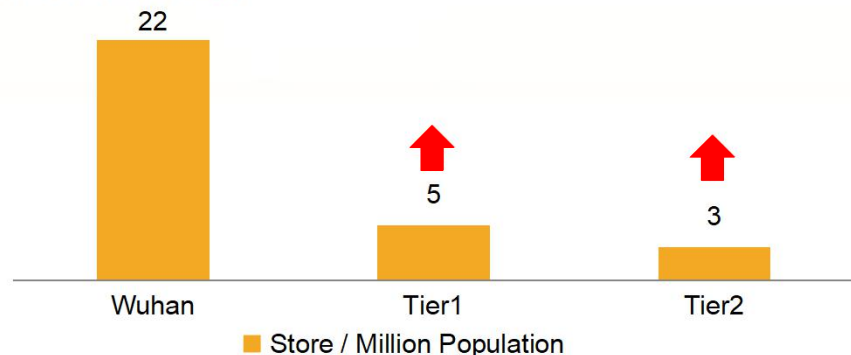
MTR Store

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

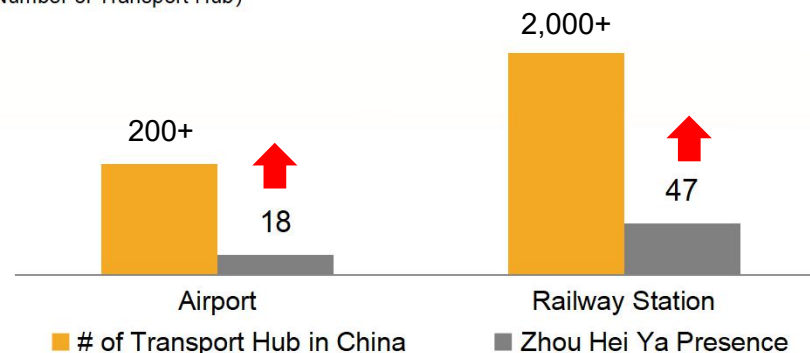
- The other tier-1 and 2 cities that Zhou Hei Ya entered enjoys more growth potential than Wuhan

- Strong upside potential to increase penetration rate in transport hubs

Store / Million Population ⁽²⁾
(Average in existing cities)



(Number of Transport Hub)

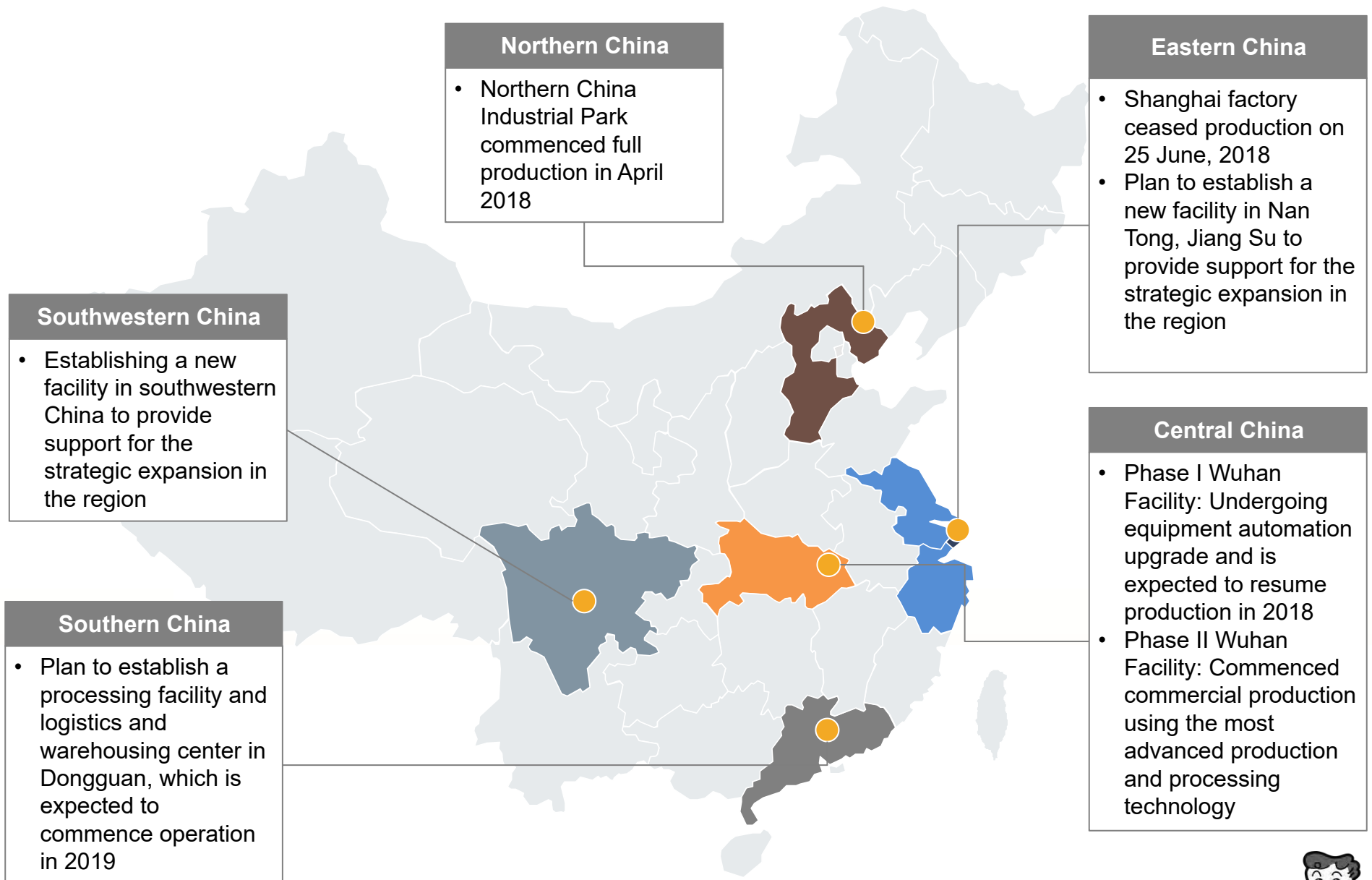


Notes
 1. Public transport infrastructures, such as airports, railway stations and metro stations as well as supporting facilities around transport infrastructures. Number of transport hubs in China is from Frost & Sullivan, as of December 31, 2015; number of airports and railway stations covered by self-operated stores is as of June 30, 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 June 30, 2018.



Optimized and Expanded Nationwide Production Capacity

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



Expanded Product Portfolio, Promoted It With Strong Marketing Capability

Launched Crayfish Products 2.0 version

1 Continued to improve the flavor, launched a new vegetable flavor

Utilized integrated online and offline channels, including e-commerce platforms and self-owned delivery platform.

2 Enhanced precision marketing

Satisfied consumers' psychological needs with pop-up stores featuring consumption scenarios, including "Fun Song", "Gathering" and "Growth".



Established in-depth collaboration with Uni-President, launched "Zhou Xiao Ban"



- ✓ Launched dual-brand sparkling water, targeting young customers to promote the brand's casual food philosophy.
- ✓ A new step in expanding product portfolio. Increased product mix and boosted related purchase.

Improved Branding Efficiency, Member's Big Data Analysis and Precise Marketing

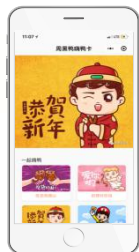
Collect customer information via e-membership, store location and mobile payment technologies and leverage big data to generate customer profile to achieve precision marketing



E-Membership Card



Store Location Technology



Mobile Payment



Member Profile

Name	Zhou Yaya
Gender	Male
Location	XX University
Occupation	College Student
Consumption Habit	Often use delivery services Purchase duck neck most Follow tourism related activities

The number of online members exceeding 10 MM



Leverage big data in customer base analysis to perform precise marketing



Fans Gathering



Exclusive Privileges



Members' Club



Implemented a New Retail Strategy to Provide a Personalized and Smart Shopping Experience

Zhou Hei Ya Smart Store - Shenzhen



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



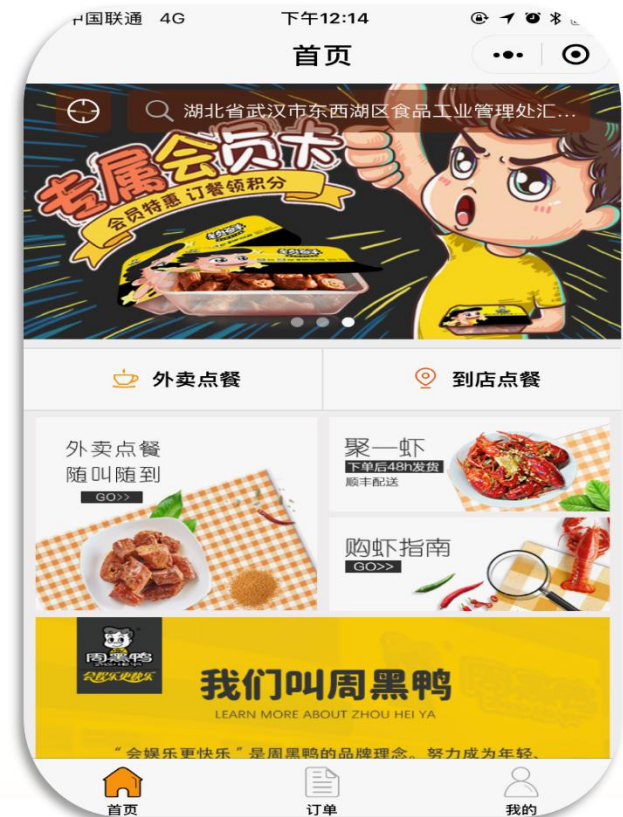
Zhou Hei Ya Members' Club - Wuhan



- ✓ Members benefit: point-for-exchange beverage and souvenirs;
- ✓ In-store AR entertainment



Self-operated takeout mini-program



- ✓ Three core functions: takeout; instore pick-up; online membership
- ✓ Seize the huge night market opportunities

Strengthened Precision Marketing and Implemented Cross-Promotion Strategy

Embedded into Wulin Waizhuan mobile game to increase brand exposure



- Embedded Zhou Hei Ya exclusive game package into a popular mobile game
- Targeted young consumers and increased brand exposure among them

HeyYa! 2018 Campus Rock Music Festival, Consolidated Consumer Groups in Northern China



- Consolidated the customer base of Northern China campus and strengthened brand loyalty
- Covered Beijing, Tianjin, Hebei and Shandong, the event received overwhelming response from target groups

Cooperated with UNIFON to launch a "little spicy kiss" lipstick



- Utilized the resources in e-commerce platform, Zhou Hei Ya and jointly launched "little spicy kiss" lipstick with UNIFON
- Engaged a wide range of potential customers, effectively increased fan base and promoted brand building

Cooperated with Tsingtao Brewery to Launch A Cross-Promotion of Snack & Beer during the World Cup



- Joined hands with Tsingtao Brewery to launch snack & beer pairing promotion
- Increased interaction with consumers









Section 4

Opportunities and Outlook

Future Development Strategies



- 1** Further expand retail store network and increase production capacities 
- 2** Store image upgrade and product mix upgrade 
- 3** Enhance brand building by further improving market efforts 
- 4** Adapt to “New Retail” consumption scenarios 
- 5** Precision marketing strategies based on members data analysis and improve repeat purchase 
- 6** Enhance employee incentives and 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"**



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 June 30, 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

