



Zhou Hei Ya International Holdings Company Limited

2017 Full Year Results Announcement

March 2018

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Section 1

Results Highlights

2017 Key Highlights

**Continue to Expand Store network
with a Focus on Strategic Locations**

**Continuously Improve Production Efficiency
and Optimize Nation-wide Production Capacity**

**Innovate Production Technology to Effectively Expand
Addressable Market Size of New Products**

**Capture Precise Customer Portrait via Big Data Technology
and Conduct Targeted Marketing Strategy**

**Strengthen Entertainment-based Marketing Strategy and
Enhance Branding Investment and Efficiency**

**Expand E-commerce Platforms, Enhance Take-out Business
to Achieve Synergies with Offline Stores**

Key Financials

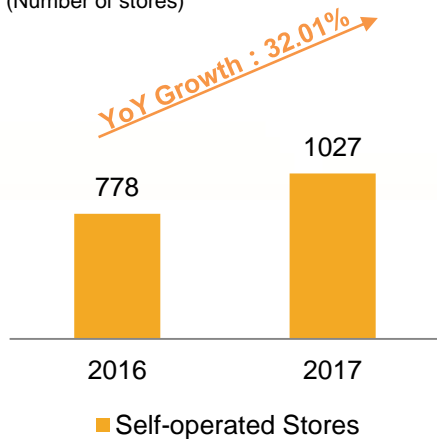
Financial Summary

(RMB Thousand)

	2016	2017	16-17 Growth
Revenue	2,816,489	3,248,943	15.4%
Gross profit	1,755,102	1,979,723	12.8%
Profit before tax	963,366	999,414	3.7%
Net profit	715,611	761,628	6.4%

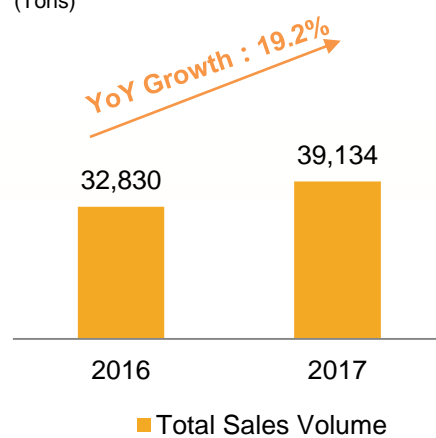
Number of Self-operated Retail Stores

(Number of stores)



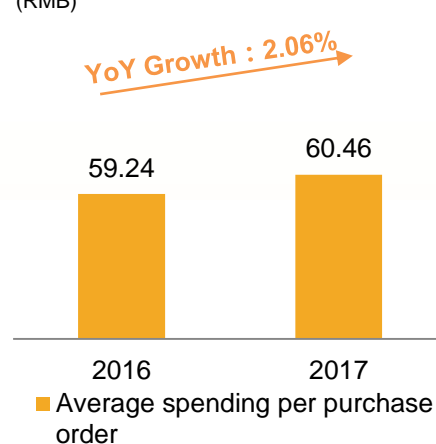
Total Sales Volume

(Tons)



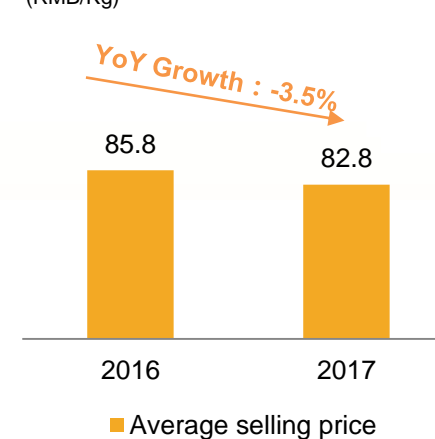
Average Spending per Purchase Order

(RMB)



Average Selling Price

(RMB/Kg)





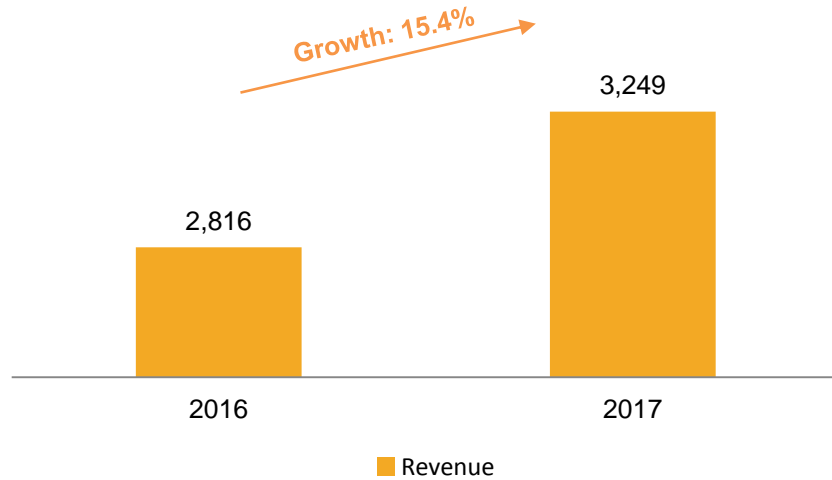
Section 2

Financial Highlights

Financial Data Analysis

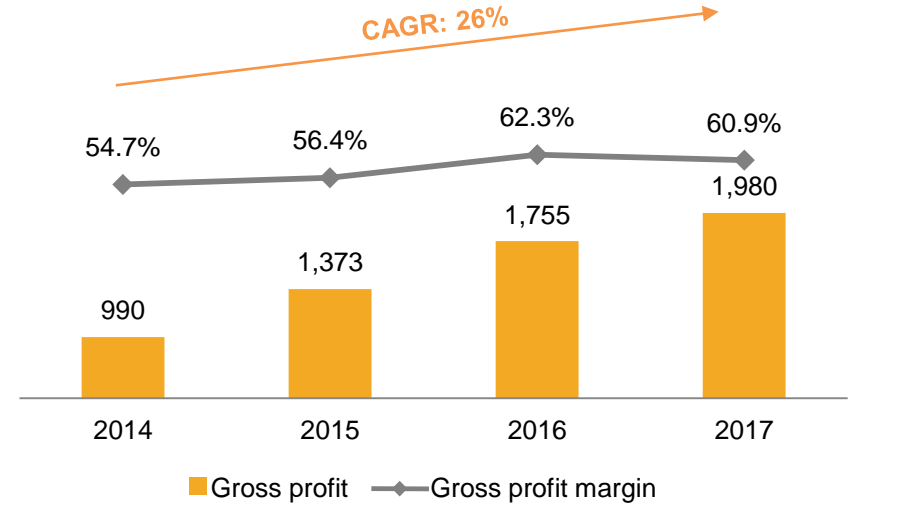
Revenue

(RMB MM)



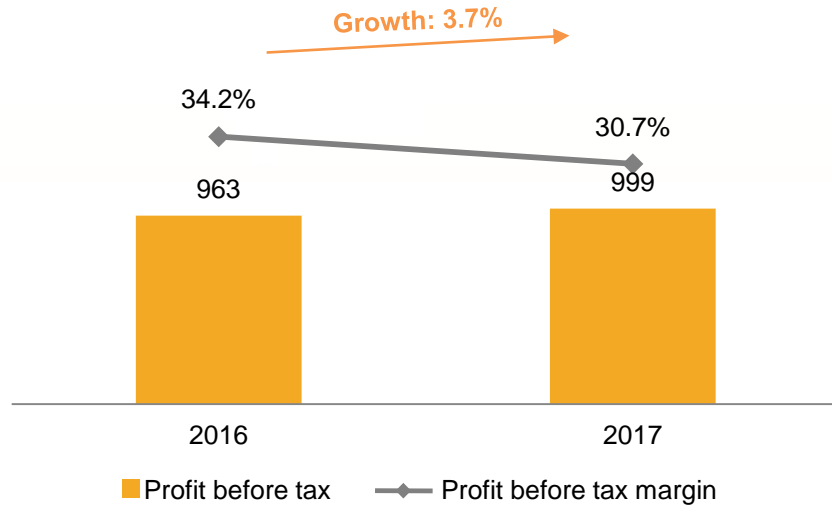
Gross Profit

(RMB MM)



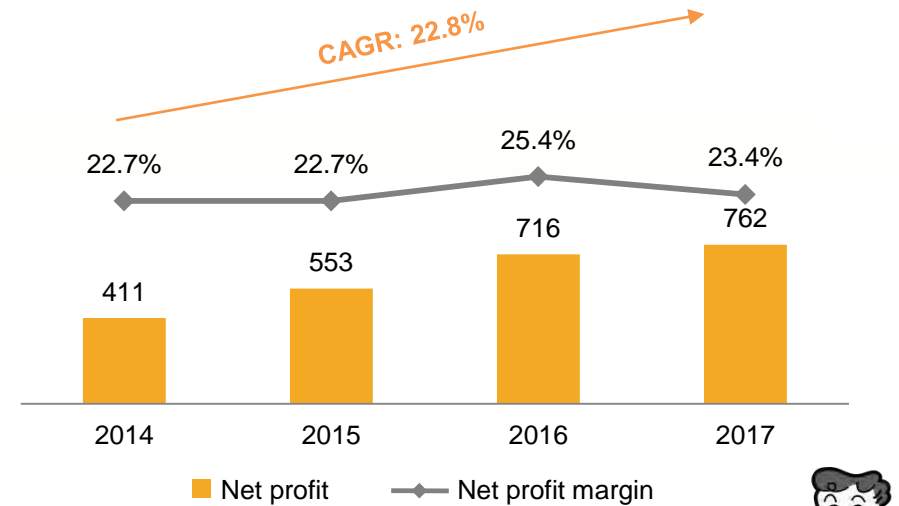
Profit before Tax

(RMB MM)



Net Profit

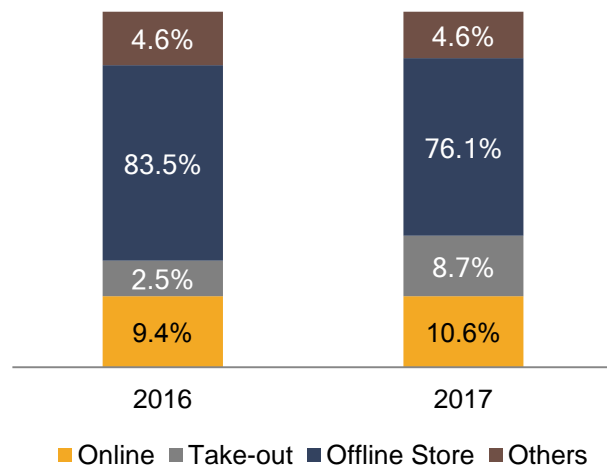
(RMB MM)



Revenue by Segments, Selling and Distribution Expenses

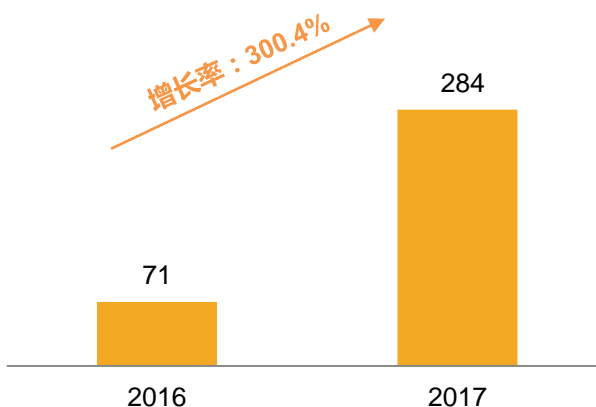
Revenue by Channel

(%)



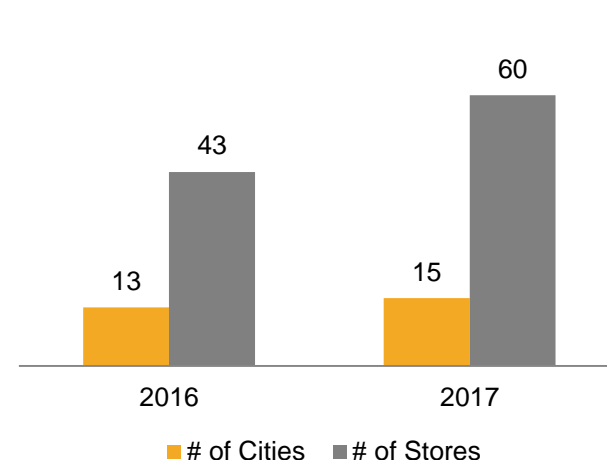
Take-out Revenue

(RMB MM)



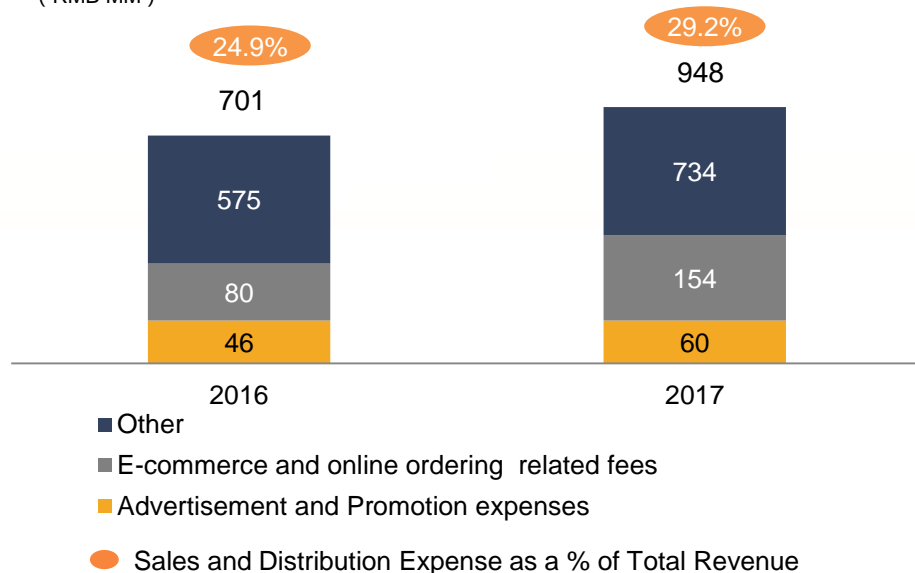
Store Penetration

(# of stores)



Selling and Distribution Expenses

(RMB MM)



- ✓ In 2017, company continued to focus on conducting online marketing and promotional activities as well as collaborating with delivery platforms. As a result, the selling and distribution expenses related to online and take-out have increased, which is in line with company's development strategy to develop online and take out business and both would drive company's future growth
- ✓ Rental and advertisement expenses have increased slightly, as store network expands at a stable pace



Section 3

Business Review

Promising Industry Outlook

Positive Momentum in China Consumer Market



Stable increase in disposable income per capita driven by economic development ⁽¹⁾

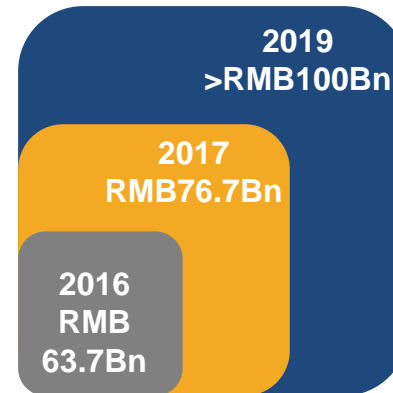


Consumer confidence reaches highest level of recent years, with evolving lifestyle and consumer habits

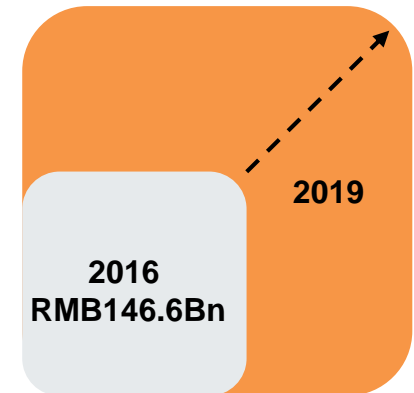


Young consumers with strong purchasing power and willingness are becoming the main stream

Braised Food Industry is Sizable, Fast-growing and Showing Huge Potential



Market size of the casual braised food industry⁽¹⁾



Market Size of Crayfish⁽²⁾

Retail is Continuously Evolving with a Focus on Innovation against the Backdrop of Consumption Upgrade

- ✓ The big data capability as the core competence of the new retail enterprise can empower retailers through the whole process from development to marketing
- ✓ The retail “marketplace” is evolving as various unmanned retail stores and stores equipped with smart hardware are booming



- ✓ The mobile ordering and payment system have been widely applied in various retail scenarios, taking the lead to breaking the barriers between online and the offline channels
- ✓ As logistics become more efficient and intelligent, the industrial chain efficiency is improved
- ✓ As consumers demand for higher standard consumption experience, retailers need to obtain precise consumer profiles to improve their products and services

Notes

1. Sources: National Bureau of Statistics of China, Frost & Sullivan Report, Morgan Stanley Research
2. Bureau of Fisheries Administration under MOA, National Fishery Technology Extension Centre, China Society of Fisheries

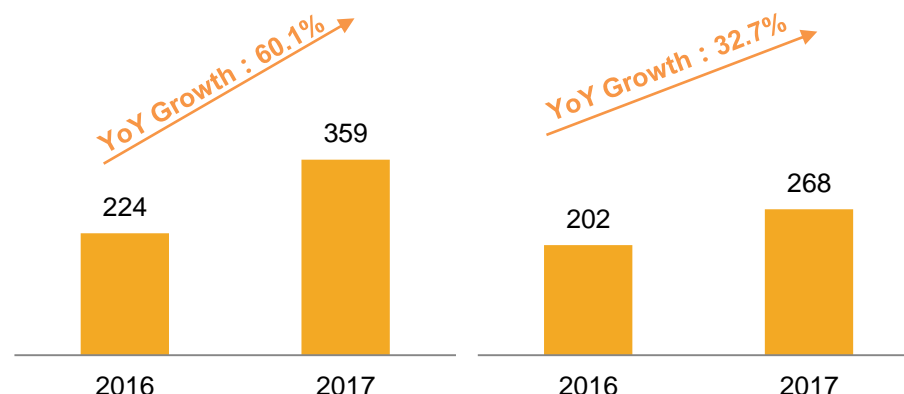
Continue to Expand Store network with a Focus on Strategic Locations

Stable Revenue Increase with Strong Offline Network Expansion

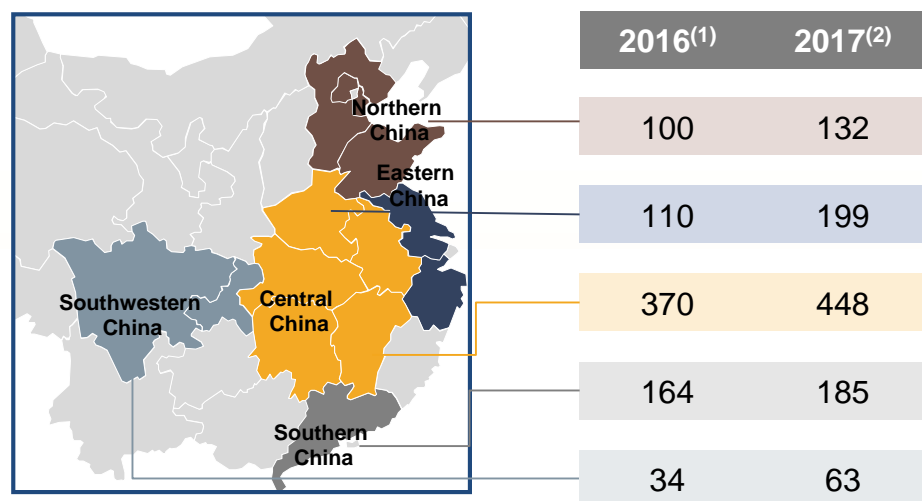
- ✓ Currently, Zhou Hei Ya has **1027** self-operated retail stores covering **15** provinces and **60** cities⁽¹⁾
- ✓ Newly entered Anhui and Shandong province and 17 cities⁽³⁾
- ✓ Opened **313** stores and closed **64** stores in 2017
- ✓ Highly standardized and replicable business model enables a stable growth in the number of retail stores
- ✓ Sales in different regions have become more balanced with the expansion of sales network

Eastern China Grew Significantly while Northern China presented strong growth potential

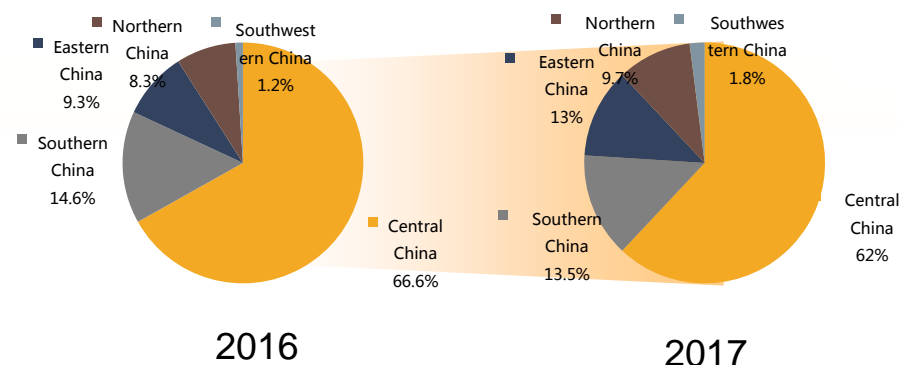
- Eastern China Revenue⁽²⁾ (RMB MM)
- Northern China Revenue⁽²⁾ (RMB MM)



Geographical Distribution of Retail Stores and Revenue Contribution in 2017



- Contribution from Eastern China increased significantly, making revenue streams more balanced



Notes:

1. As of December 31, 2017
2. Only indicates the number of self-operated retail stores
3. 17 cities including Guangshui, Wuxue, Yicheng, Luoyang, Shaoxing, Changzhou, Nantong, Yangzhou, Jiuyang, Xiangtan, Foshan, Huizhou, Jieyang, Shijiazhuang, Qingdao, Jinan and Hefei

Continue to Expand Store network with a Focus on Strategic Locations (Cont'd)

Strategic Presence of Self-operated Retail Stores

- ✓ There were totally 300 transport hub stores ⁽¹⁾ by the end of 2017
- ✓ Continue to establish presence at transport hubs and surrounding areas to enhance brand image and awareness; achieved great success in the co-operation with Shanghai Metro
- ✓ Tier 1 / 2 cities still have tremendous potential; Achieved great success in Eastern China market



Transport Hub Stores



Commercial Complex Stores



Campus Stores

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

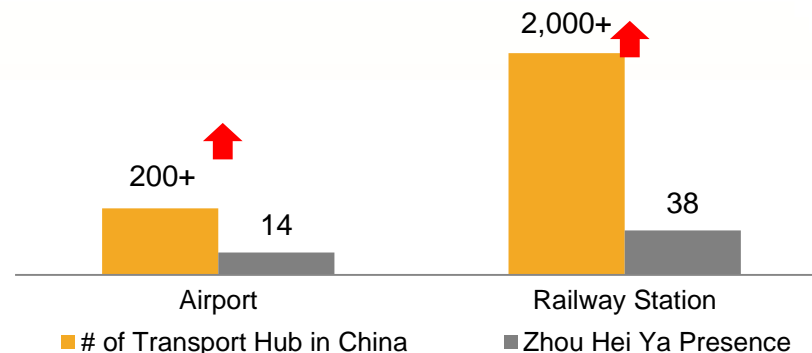
- Already-entered tier 1 & 2 cities with huge growth space, comparing to Wuhan

Store / Million Population⁽⁴⁾
(Average in existing cities)



- Strong upside potential to increase penetration rate in transport hubs

(Number of Transport Hub)

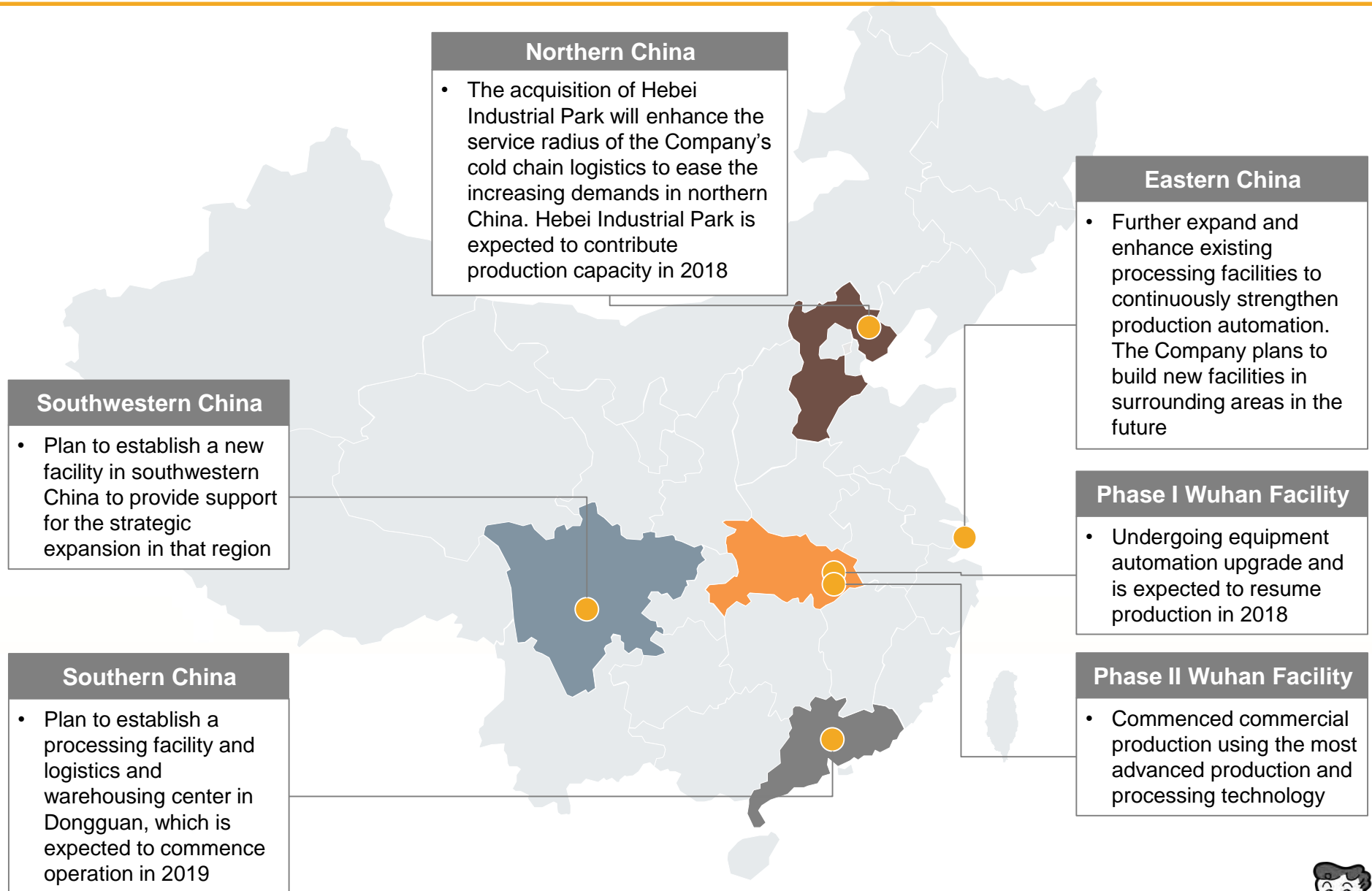


Note

- 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, 2017
- Tier 1 cities here refer to Beijing, Shanghai, Guangzhou, Shenzhen and Tianjin. Tier 2 cities include Wuhan, Chongqing, Dongguan, Changsha, Nanjing, Suzhou, Nanchang, Hangzhou, Ningbo, Wuxi, Zhengzhou and Chengdu. Wuhan is excluded in calculating both number of second-tier cities covered and number of stores per million people. Data as of December 31, 2017

Continuously Improve Production Efficiency and Optimize Nation-wide Production Capacity

Expand Geographical Coverage, Enhance Brand Awareness, Prolong Shelf Life and Expand Capacity to Drive Sales Growth



Innovate Production Technology to Effectively Expand Addressable Market Size of New Products

Tap into the Promising Crayfish Market and Obtain Access to Key Links across the Industrial Chain

Growing in the Rice Field



Ultrasonic Cleaning

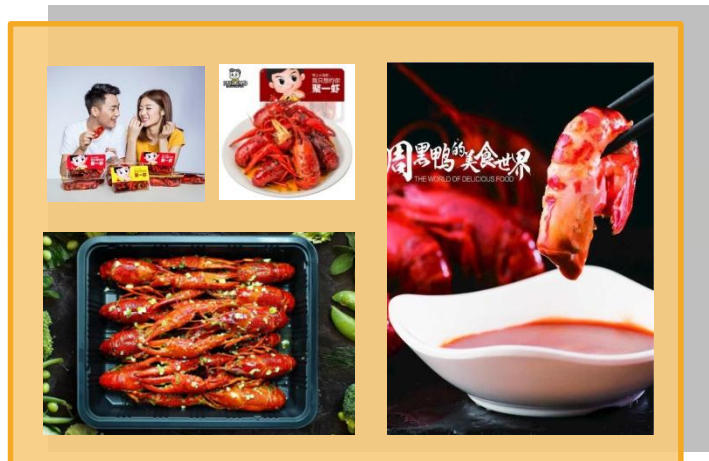


Modern Plant



- ✓ The total economic output from crayfish industrial chain exceeded RMB140Bn, representing huge market potential ⁽¹⁾
- ✓ Zhou Hei Ya obtains access to key links across the industrial chain and successfully breaks through the crayfish storage and seasonality limitations via technology innovation

Quality and Safe Crayfish Available All Year Round



- 1 Break the seasonal restriction to make crayfish available all year round**
- 2 Strict raw material selection of the crayfish ensures premium quality**
- 3 Strict food safety control assures consumers' choice of Zhou Hei Ya**

Note

1. Based on 2016 data from the report of the Ministry of Agriculture

Capture Precise Customer Portrait via Big Data Technology and Conduct Targeted Marketing Strategy

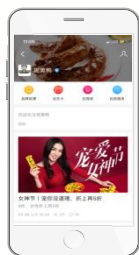
Collect customer information via e-membership, store location and mobile payment technologies and leverage big data to generate customer profile to achieve precise target marketing




E-Membership Card



Store Location Technology



Mobile Payment



Member Profile

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

The number of online members exceeding 10 MM

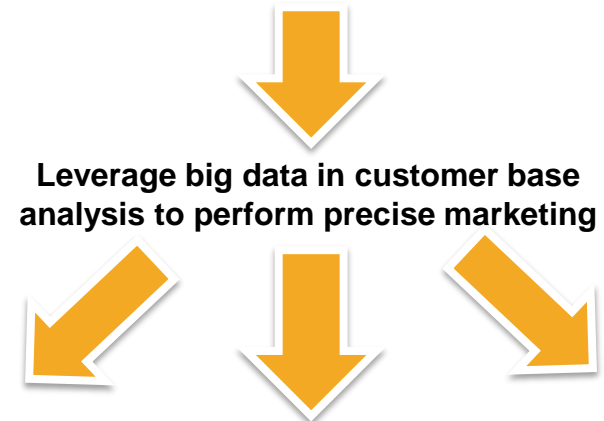
电子会员 数据分析 客户消费习惯

移动支付 消费额度 定向营销

会员生日 周黑鸭 客户反馈 鸭脖 小龙虾

“学校门口好像开店了” 精确定位

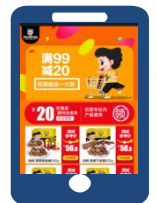
会员线下活动 新品研发



Bali Tour for Members



Trial Event of Crayfish



Exclusive Discount

Strengthen Entertainment-based Marketing Strategy and Enhance Branding Investment and Efficiency

- Internet celebrities livestream and interactions on WeChat and Weibo to enhance brand popularity and customer loyalty



Collaborate with Social Media

- Redefine consumption scenarios by closely following seasonal, festival and holiday trends



Create Consumption Scenarios



Focus on Member Benefits



- Integration of online and offline membership, membership registration by QR codes, gifts for new members and Members' Day events

Increase Advertisement Coverage

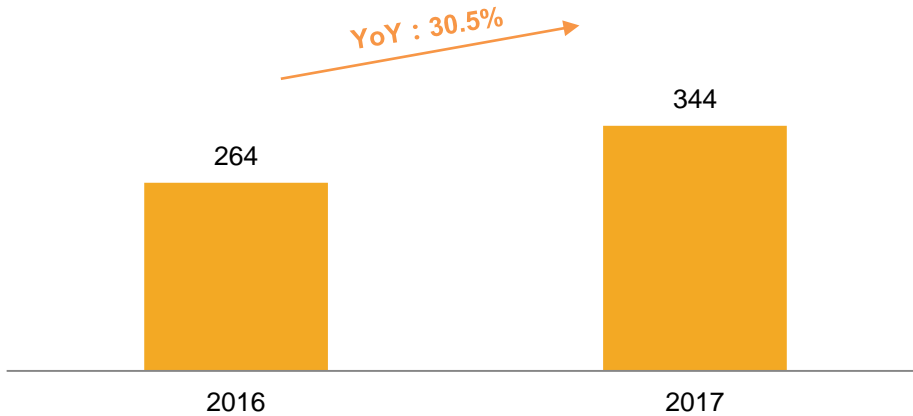


- Create an energetic brand image through sponsorship in marathon events, title sponsorship in the cherry blossom festival and outdoor advertisement at transportation hubs

Expand E-commerce Platforms, Enhance Take-out Business to Achieve Synergies with Offline Stores

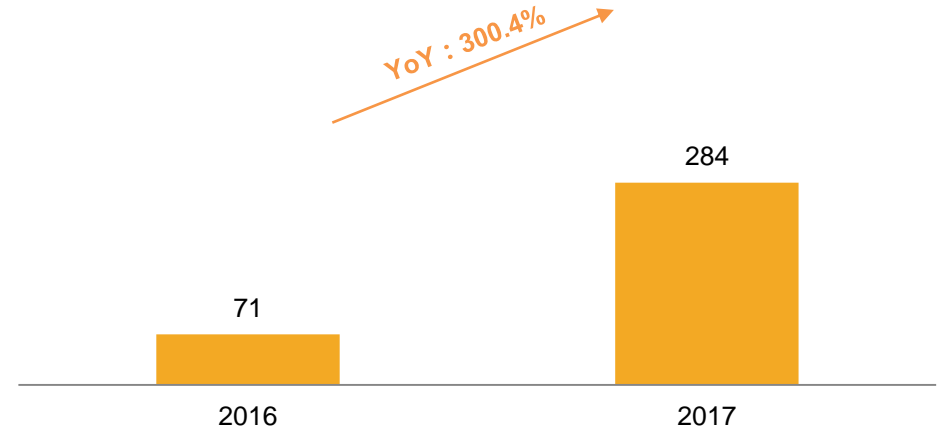
Continuous Growth in Online Revenue

(RMB MM)

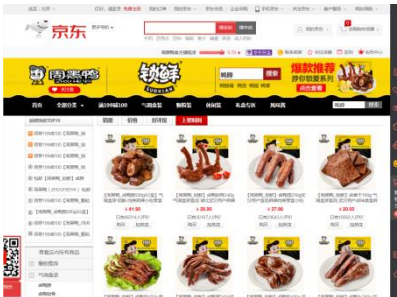


Take-out Revenue Grows Rapidly

(RMB MM)



Expand E-commerce Platforms, Enhance Take-out Business



JD.com store



Tmall store



Takeout Services



Eleme+Zhou Hei Ya Super Brand Day Event



Section 4

Opportunities and
Outlook

Future Development Strategies



1

Further Penetrate Existing Markets and Strategically Expand into New Regions



2

Technology and Product Innovation



3

Strengthen Development and Utilization of Big Data and Enhance Members' Benefits



4

Attract Young Consumers and Create Unique Culture and Lifestyle



5

Strengthen Industrial Resource Cooperation and Integration



6

Enhance Talent Cultivation and Optimize Organizational Flow

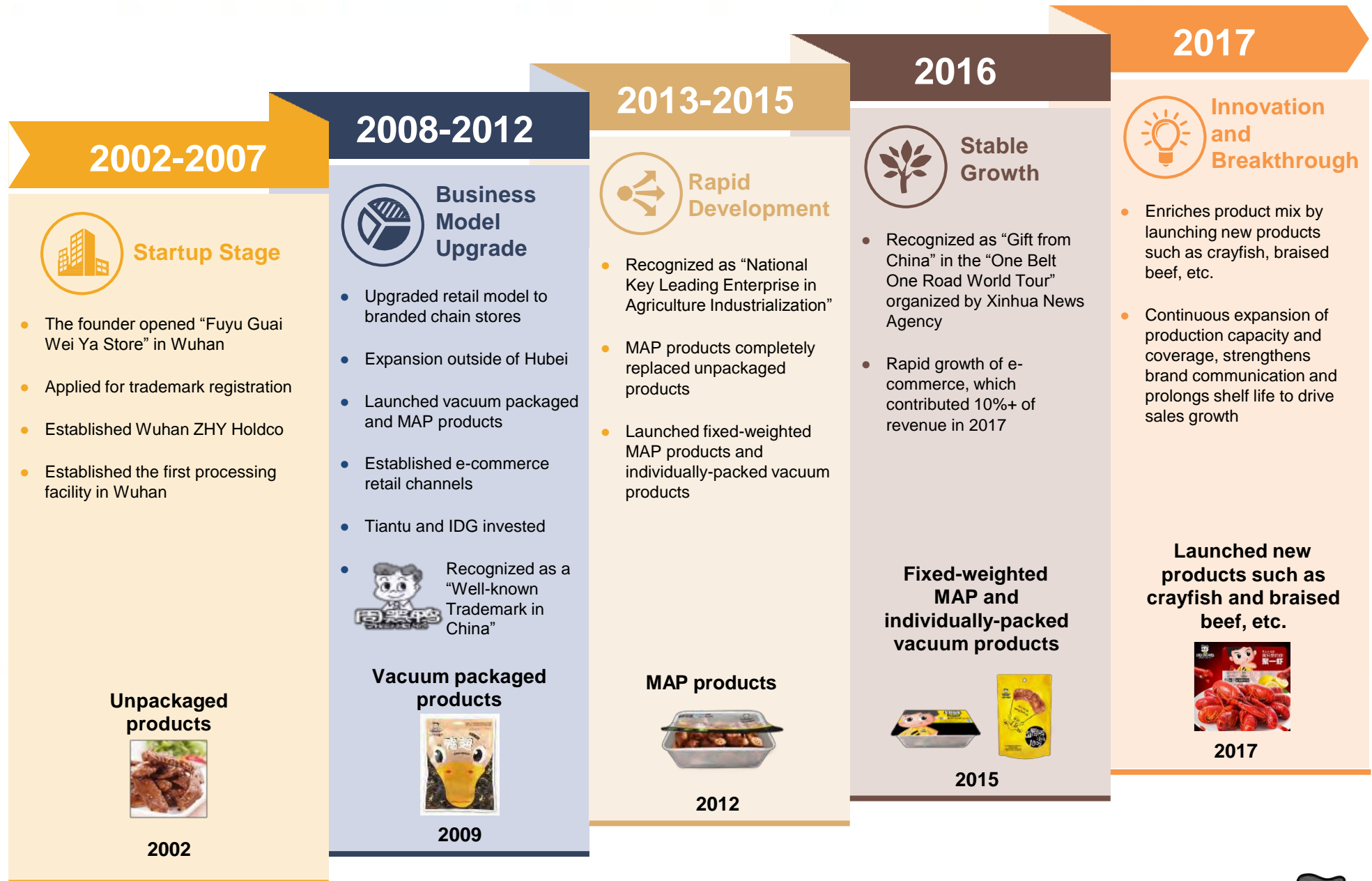




Appendix

Investment Highlights

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⁾



The second largest casual braised food company in China by total revenue⁽²⁾



The second largest casual braised food brand in China by retail sales value⁽²⁾



Operates the second largest self-operated retail store network in casual braised food industry in China⁽³⁾



Ranked first in terms of brand awareness and customer satisfaction in 2015



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



**Safe and Reliable
Product Quality**



**High-Quality
Raw Material**



**Advanced
Manufacturing and
Technologies**



Brand Awareness



**Convenient Sales
Network**



**Excellent Store
Management
and Customer Service**

Our competitive advantages

- Stringent quality control across supply chain; able to trace final products back to the key raw material sources
- First to shift from unpackaged products to MAP products
- Works together with leading domestic poultry companies
- Stringent quality standards on raw materials and inspection upon arrival
- Procures spices from their regions of origin
- Automated manufacturing and processing facilities
- Imported MAP production lines and quality packaging materials
- Distinguishable brand image
- Ranked first in terms of brand awareness and customer satisfaction⁽¹⁾
- Covers 60 cities in 15 provinces and municipalities⁽²⁾
- Located areas with high pedestrian traffic
- Quickly expanding online channels with stores on 15 online marketplaces⁽²⁾
- Customer-focused corporate culture
- Mature store management system

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



Notes

1. According to Frost & Sullivan industry report and interviews conducted on casual braised food with over 2,000 customers across 20 cities in China
2. As of December 31, 2017