



# **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

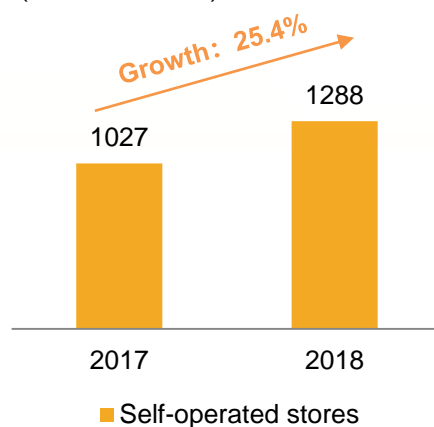
## Financial Summary

(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%

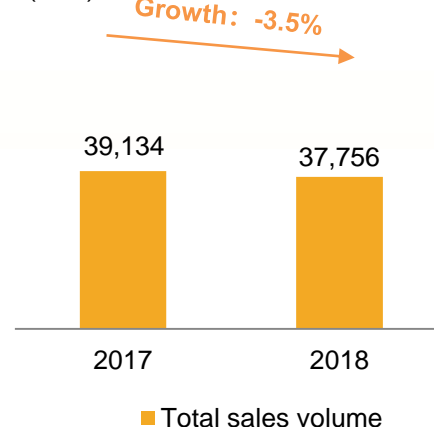
## No. of Self-operated Retail Stores

(Number of stores)



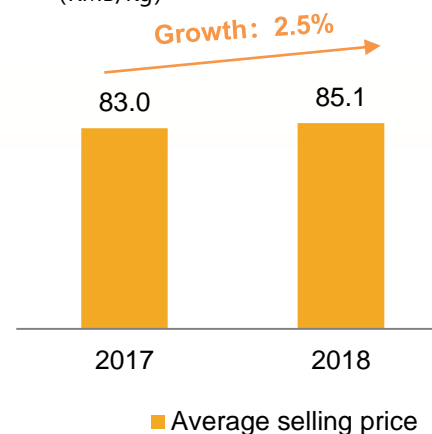
## Total Sales Volume

(Tons)



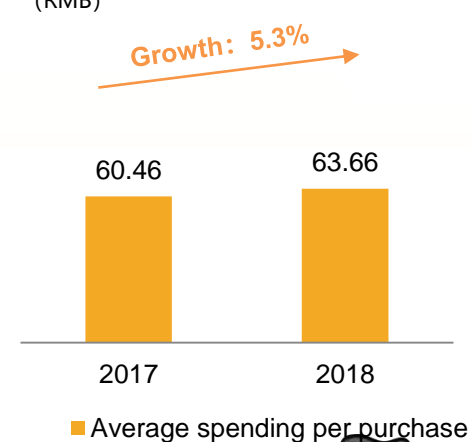
## Average Selling Price

(RMB/Kg)



## Average Spending per Purchase Order

(RMB)





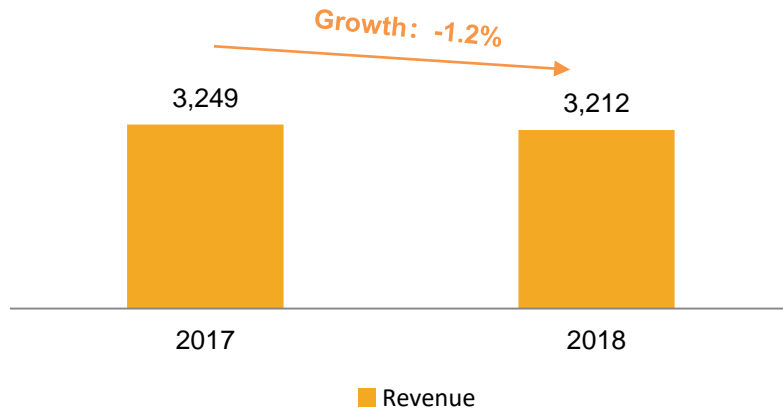
# Section 2

## Financial Performance

# Financial Data Analysis

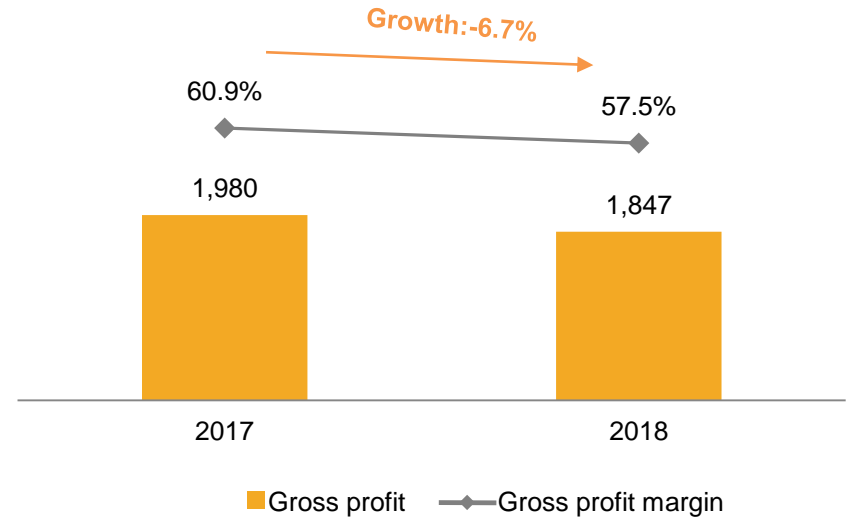
## Revenue

(RMB MM)



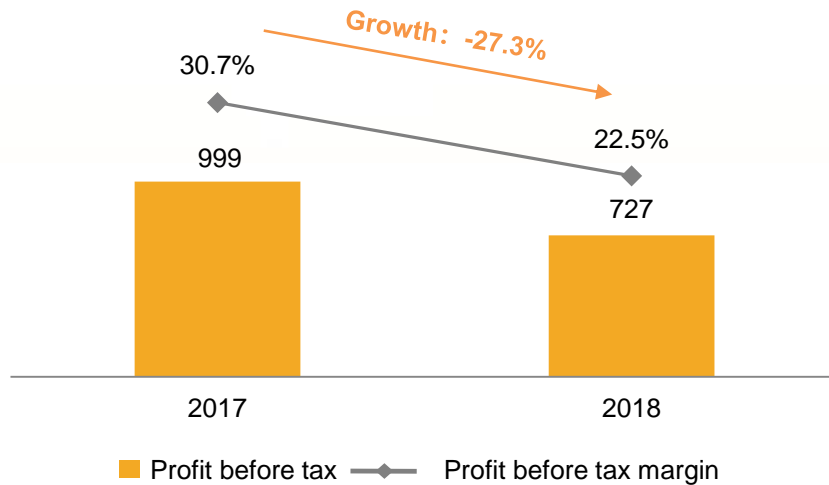
## Gross Profit

(RMB MM)



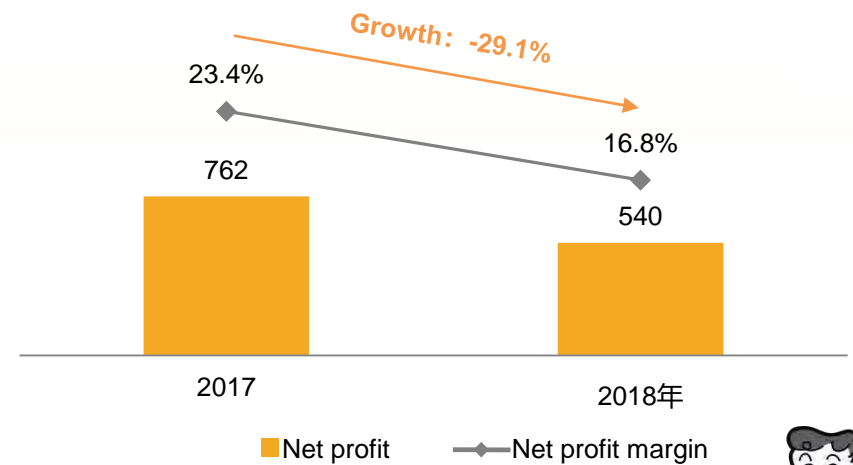
## Profit before Tax

(RMB MM)



## Net Profit

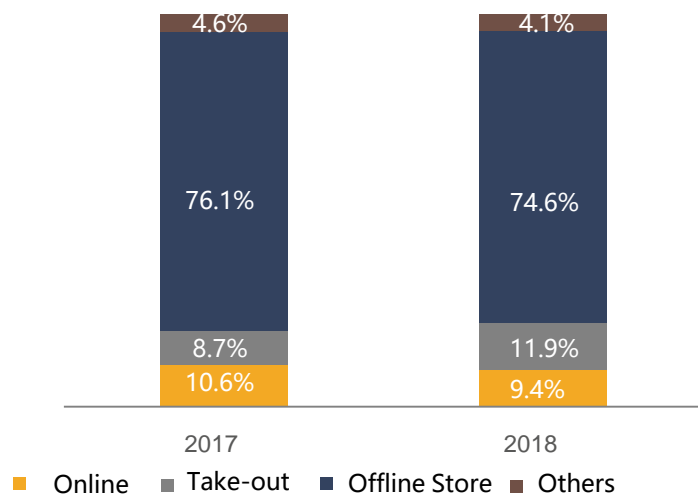
(RMB MM)



# Financial Data Analysis

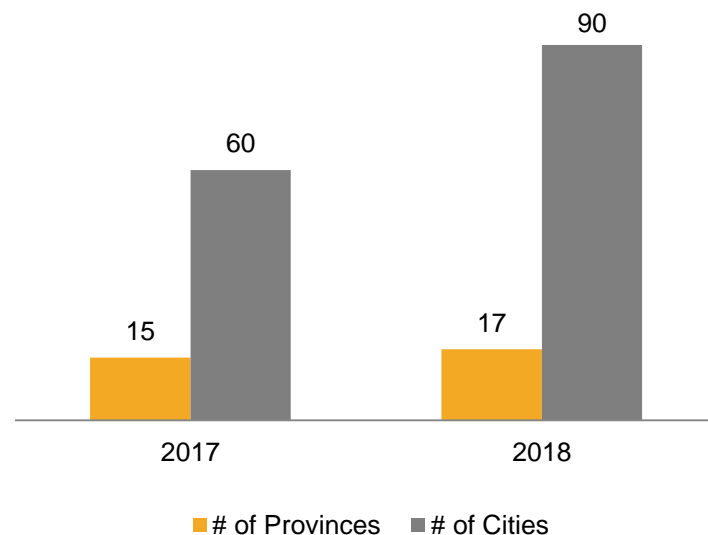
## Revenue by Channels

(%)



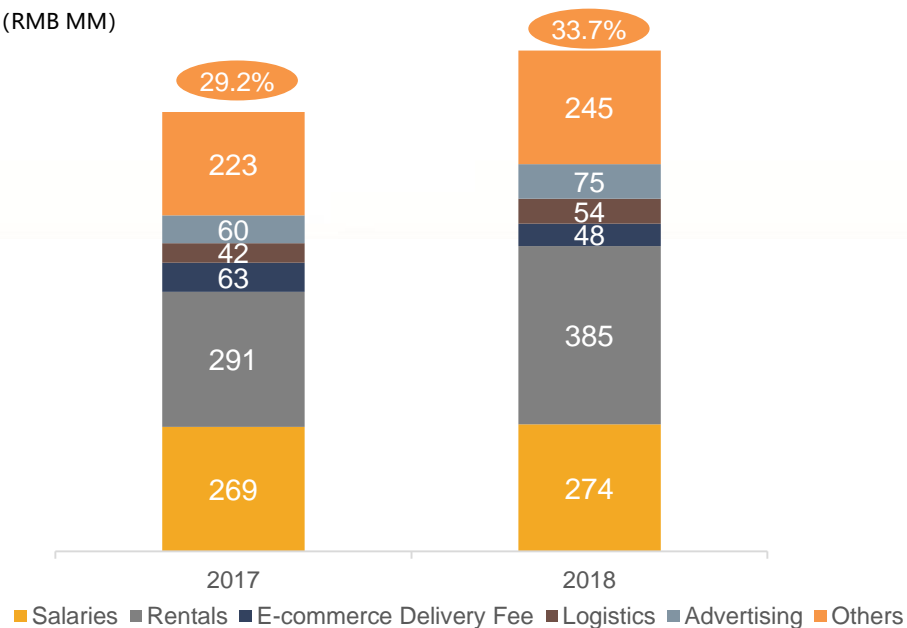
## Store Geographic Coverage

(# 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

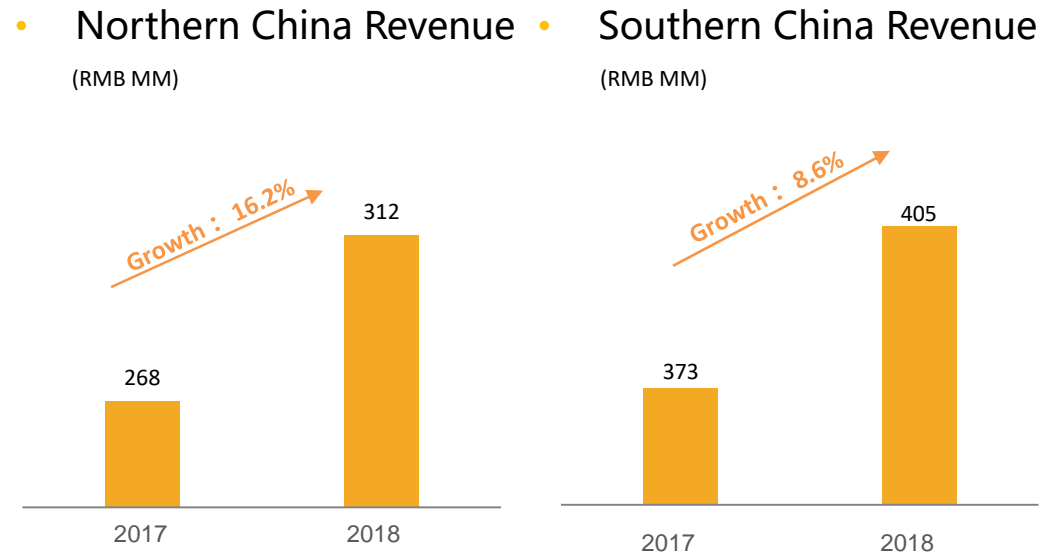
- Full-line food brands join the competition
- Online traffic slowly decline

# Continued to Expand Store Network and Enhanced Market Coverage

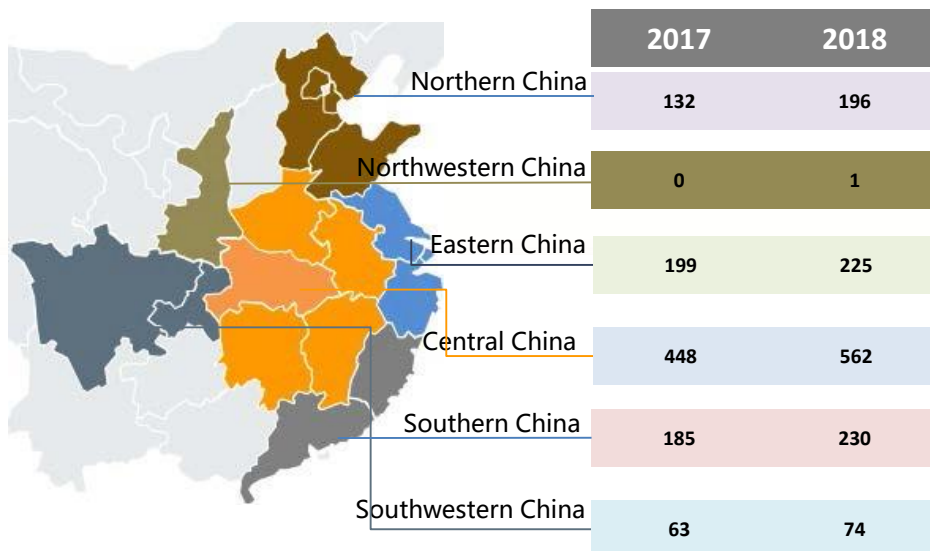
## Stable Offline Store Expansion

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

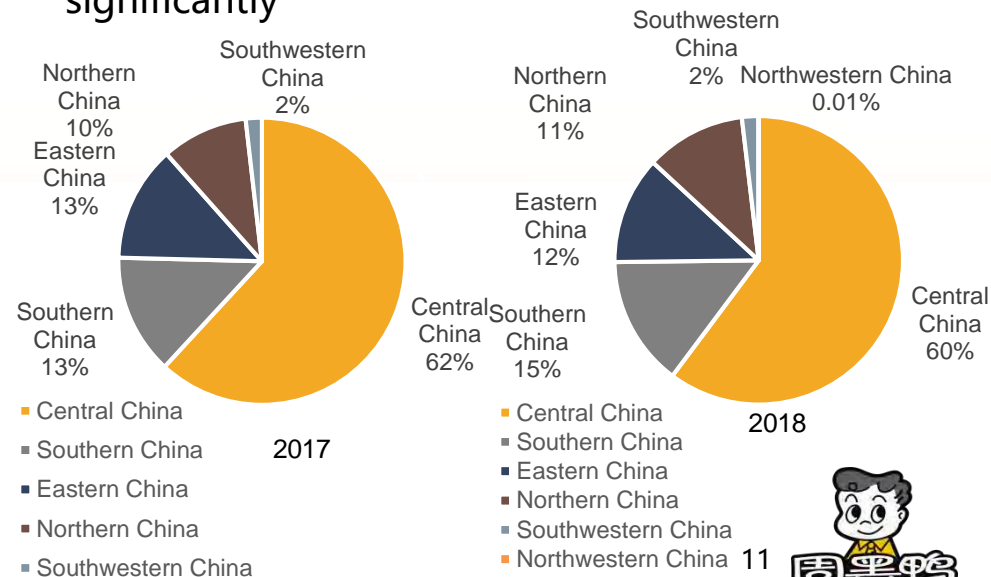
## Northern China Presented Strong Growth Potential while Southern China Grew Steadily



## 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

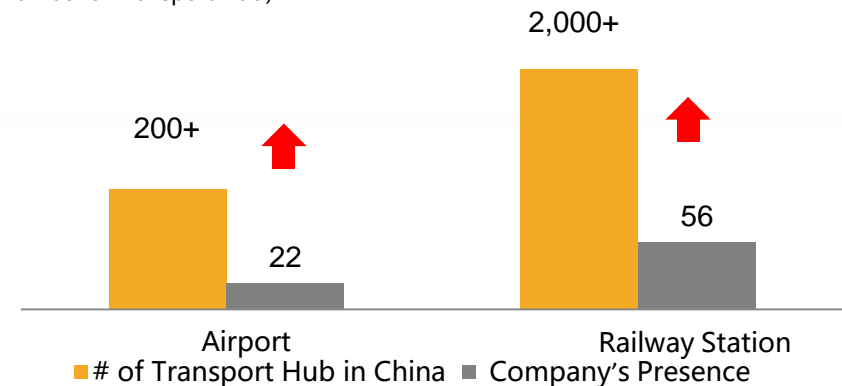
- The other tier-1 and 2 cities that Zhou Hei Ya entered enjoy more growth potential than Wuhan

(Store/Million Population)



- Strong growth potential for store opening in transport hubs

(Number of Transport Hub)



### Note

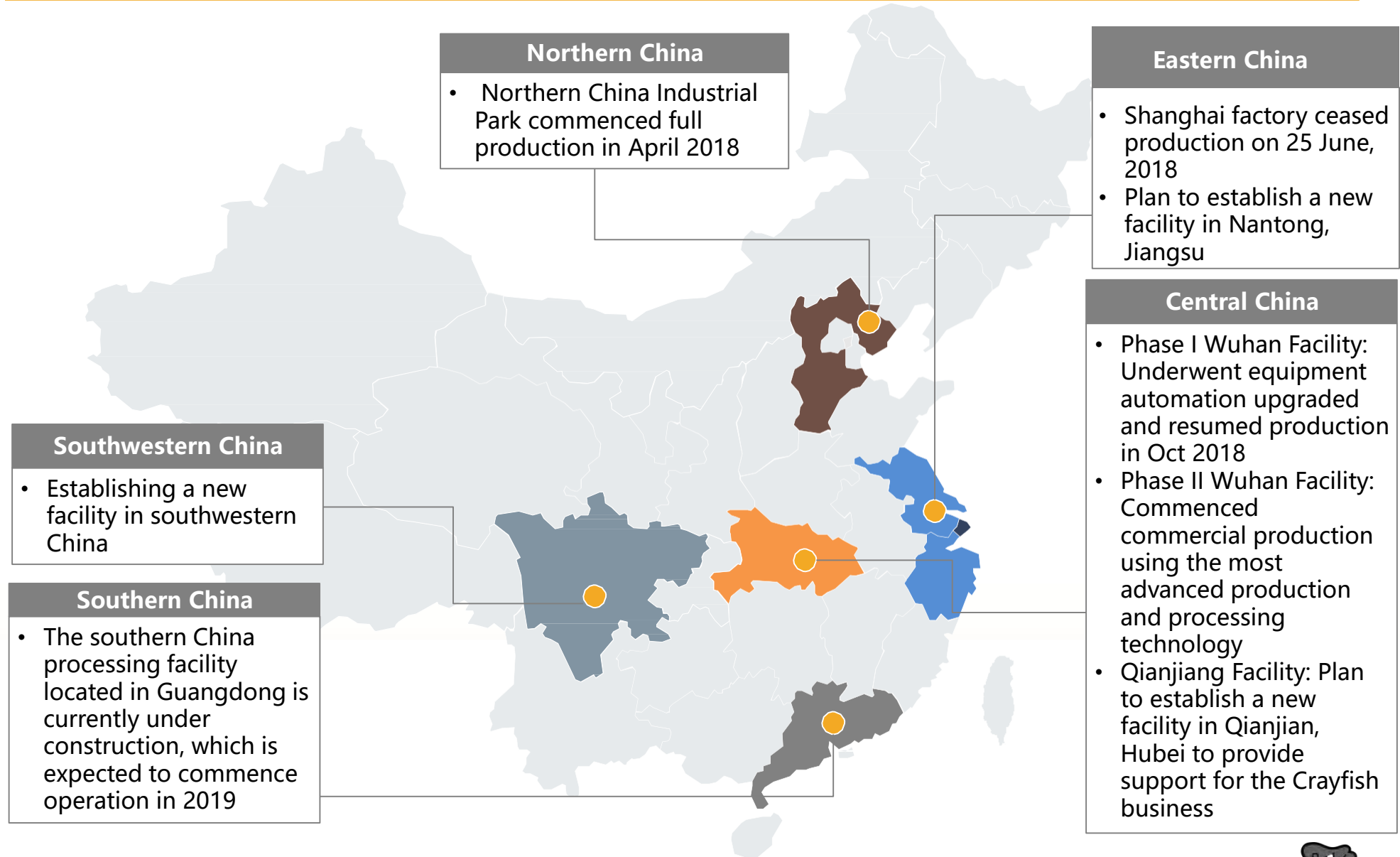
1. Public transport infrastructures, such as airports, railway stations and metro stations as well as supporting facilities around transport infrastructures. Number of transport hubs in China is from Frost & Sullivan, as of December 31, 2015; number of airports and railway stations covered by self-operated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

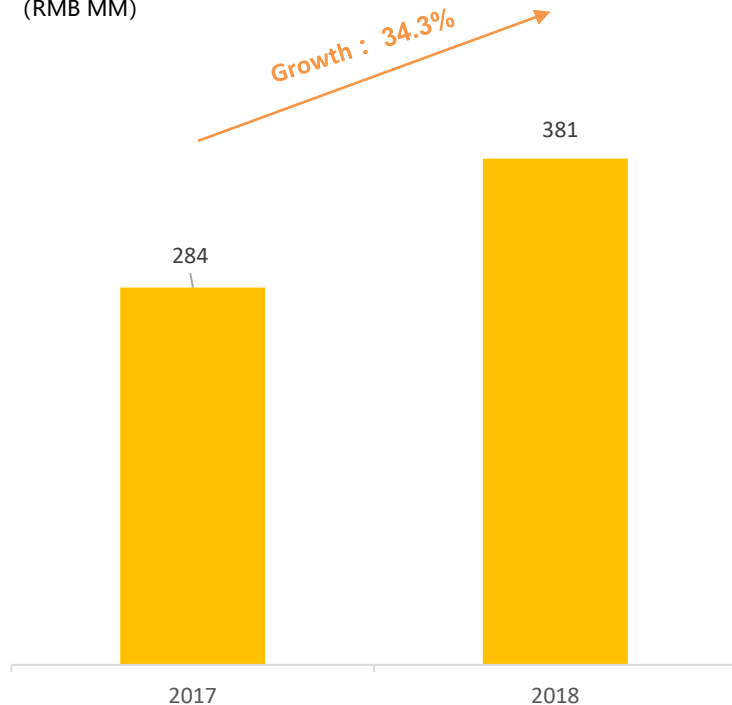


# Integrated Online and Offline Resources, Strengthening Ordering and Delivering Operation

## 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

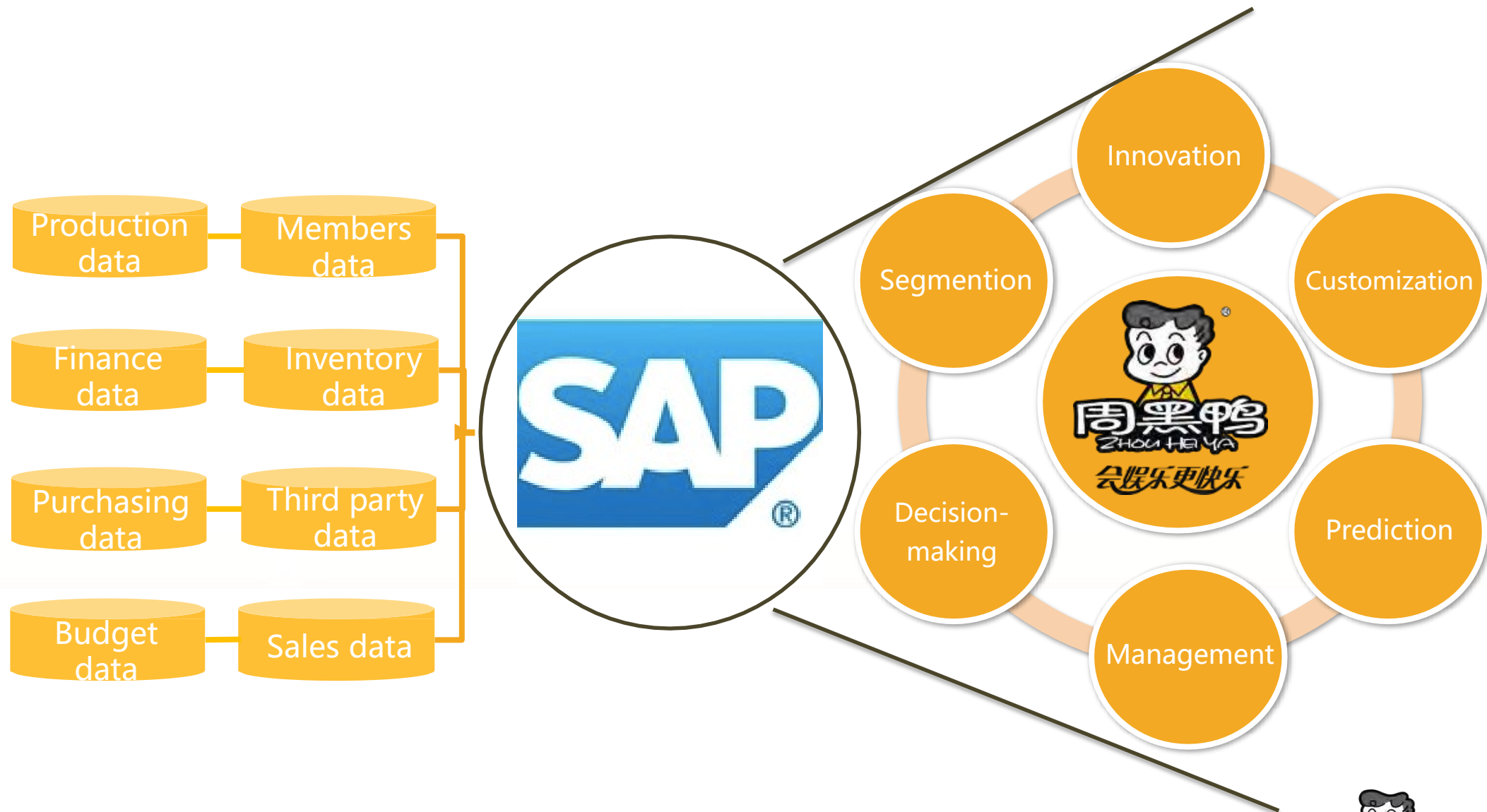
## Food Ordering In-app Mini-program on Wechat



- ✓ 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 <sup>(1)</sup>

- #2 The **second largest** casual braised food company in China by total revenue<sup>(2)</sup>
- #2 The **second largest** casual braised food brand in China by retail sales value<sup>(2)</sup>
- #2 Operates the **second largest** self-operated retail store network in casual braised food industry in China<sup>(3)</sup>
- #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<sup>(2)</sup>

### 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 <sup>(1)</sup>



**Convenient Sales  
Network**

- Covering 78 cities in 16 provinces and municipalities<sup>(2)</sup>
- 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**

