



2021 Annual Results Announcement

**Zhou Hei Ya International Holdings
Company Limited
March 2022**

MAKE WINNING A HABIT ● ● ●



**ZHOU
HEI YA.**

CONTENT



Results Review



Operation Analysis



Outlook



Key Financial Highlights

Financial Summary

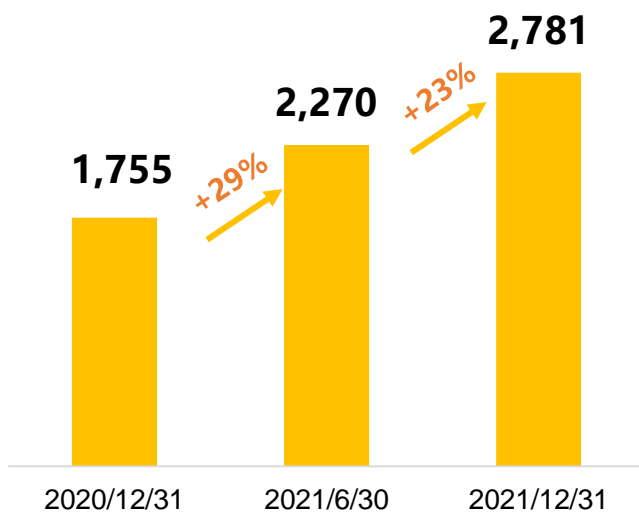
	2020 (RMB Thousand)	2021 (RMB Thousand)	20-21 Y-o-Y Growth
Revenue	2,181,502	2,869,963	+31.6%
Gross profit	1,210,156	1,658,393	+37.0%
Profit/loss before tax	200,058	450,990	+125.4%
Net profit/loss	151,221	342,424	+126.4%
Total No. of retail stores	1,755	2,781	+1,026
Including: No. of self-operated retail stores	1,157	1,246	+ 89
No. of franchised stores	598	1,535	+ 937



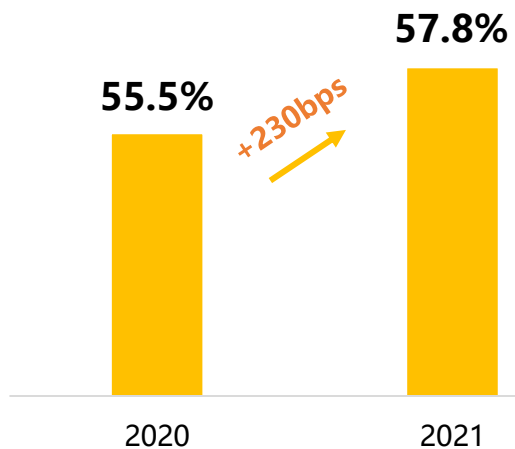
Results Review--Maintain Steady Growth Throughout the Year

Total Number of Retail Stores

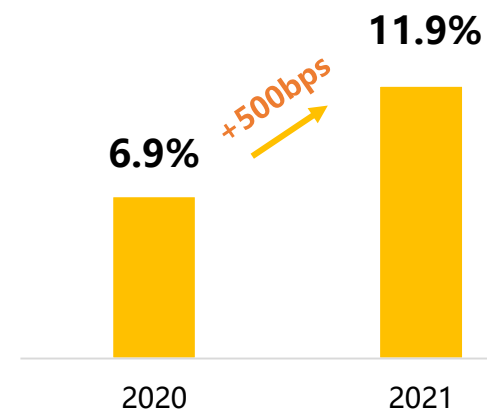
(stores)



Gross Profit Margin



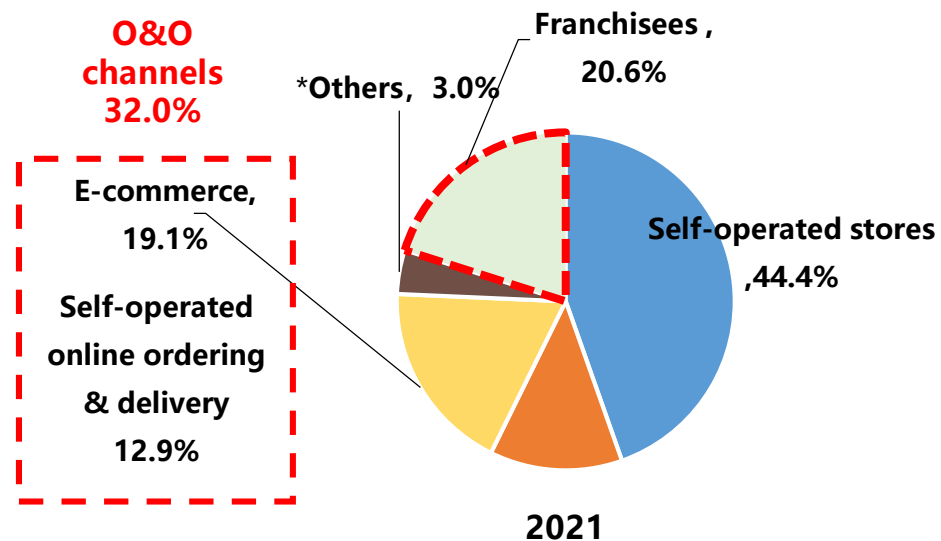
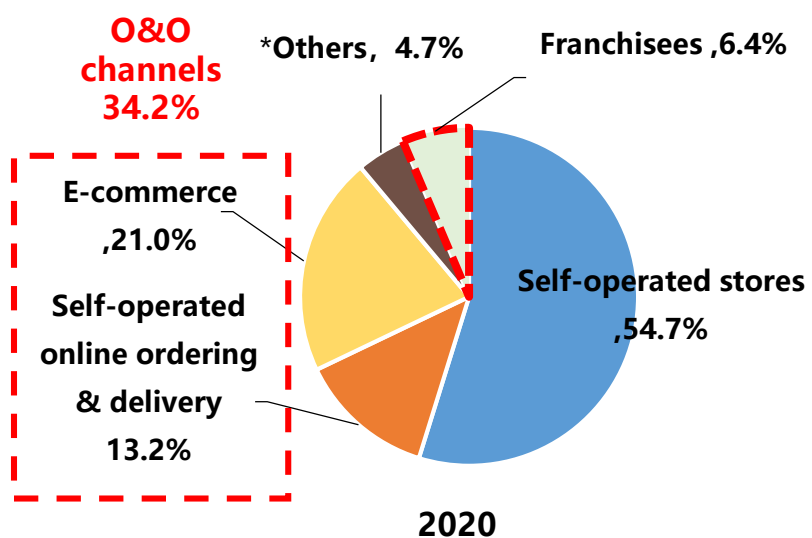
Net Profit Margin





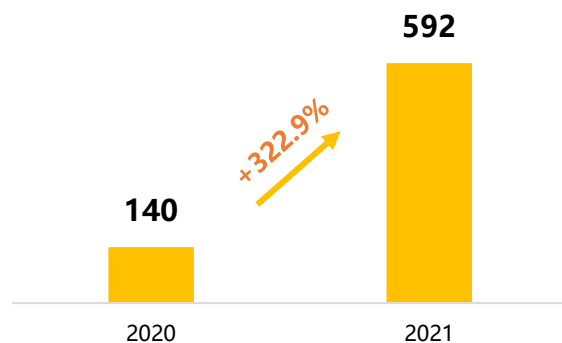
More Balanced Business Structure and New Businesses Growing Steadily

Revenue by Sales Channel



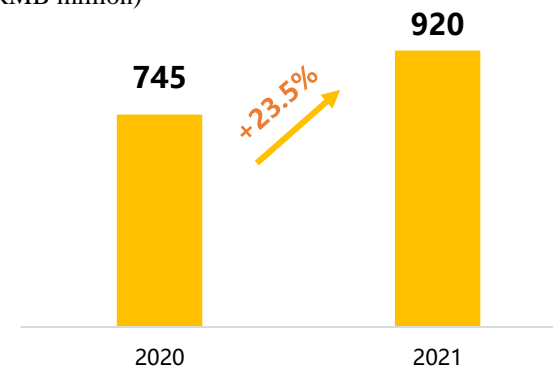
Revenue of Franchise Business

(RMB million)



Revenue from the O&O Channels

(RMB million)



* Mainly include direct revenue generated by distributors



Results Review



Operation Analysis



Outlook



Industry Review--In 2H2021, the Pandemic Escalated with Critical Situation

Delta and Omicron Spread Rapidly All Over the World

早安·世界|蔓延至全球92国!“德尔塔”变种传播速度引担忧 英国报告奥密克戎毒株传播力为德尔塔的3至4倍

“德尔塔”变种传播速度引担忧 当地时间2021年6月21日,印度西孟加拉邦,医护人员上门,为村民接种印度血...



澎湃新闻 0评论 2021年6月23日

该国累计新冠变异病毒奥密克戎毒株感染病例已激增至117...传染数R值为1.1至1.2之间。2021年12月6...

新华社 3评论 2021年12月17日



...

Pandemic Outbreak in Many Cities in China

中国发布 | “德尔塔”引发本土疫情波及17省 现有疫苗还能应对吗?

如何认识德尔塔变异株? 它对疫情防控带来了怎样的挑战? 2021年8月3日,北京确诊病例所在小区实行封闭...



中国发布 0评论 2021年8月5日

...

疫情一月解码:波及21省份, 1327病例确诊

2021年10月30日,甘肃张掖机场邀请甘肃方舟救援队对航站楼、办公楼、加油站、大院等场所进行“地...



南方周末 1评论 2021年11月18日

15个高风险+201个中风险!全国现有中高风险地区216个

截至2021年8月9日13时,全国有高风险地区等级地区15个,中风险等级地区201个。全国15个高风险201个中...



光明网 1评论 2021年8月9日

Lockdown Being Implemented in Many Cities

财联社电报

财经通讯社

2021-12-22 17:46 星期三

【西安宣布全面加强管控措施:全市小区、单位实行封闭式管理】

南京疫情最新情况!6934个自然村封闭管理、依法处理39人

在发布会上,南京市卫健委副主任杨大锁介绍到,2021年8月...都实施了封闭管理,设置卡口,实行物理隔离,对...

全国党媒信息公共平台 86评论 2021年8月4日

扬州:主城区封控小区实行“足不出小区”,可分楼栋错时出户

扬州发布 2021-08-23 06:35 长三角政商 >

Over 15,000 Cases Diagnosed in the Whole Year, Over 10,000 Cases Diagnosed in H2, Accounting for 69% of the Whole Year

全国新冠疫情报告病例数及死亡数

	1月	2月	3月	4月	5月	6月	7月	8月	9月	10月	11月	12月	合计
确诊病例	2493	348	305	454	451	670	1213	1893	1264	1081	1581	3490	15243
死亡病例	2	0	0	0	0	0	0	0	0	0	0	0	2

数据自国家卫健委



Industry Review--Pressure on the Industry Amplified by the Pandemic

The Cumulative Passenger Traffic* Declined by 14.1% YoY Throughout 2021 and 31.6% in 2H2021

交通运输部部长李小鹏表示,2021年,交通运输行业坚持稳中...全年完成营业性客运量83亿人,同比下降14.1%...

长江日报 0评论 2月28日

The Catering Industry Has Been Severely Damaged in 2021

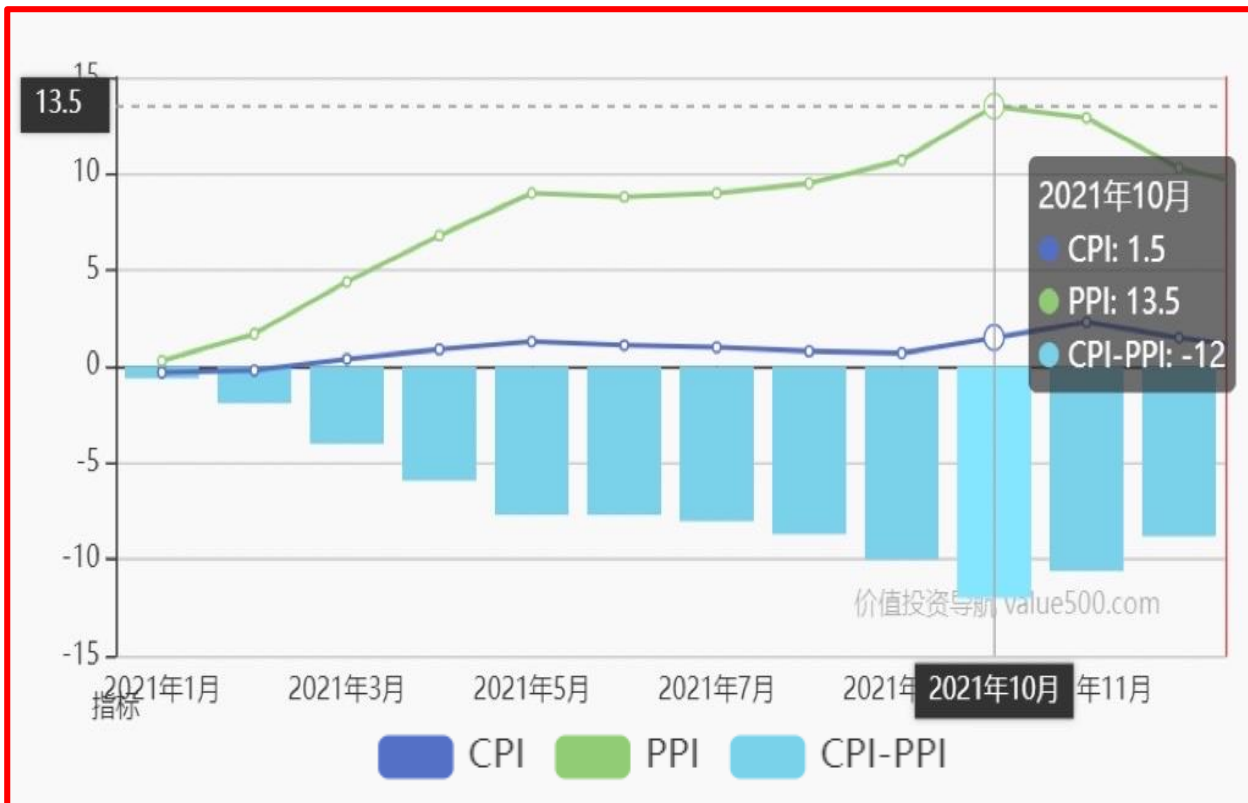
2021年,100万家餐饮店掉队倒闭,有人挥泪离场, ... _手机网易网

据了解,2021年,光是奶茶店、快餐店以及火锅店之类的餐饮店,倒闭的就有100万家。这些餐饮店倒闭的...



手机网易网 2021年12月29日 全网

China's "Scissors Gap" between CPI and PPI Were Once as High as 12%, With High Inflationary Pressure



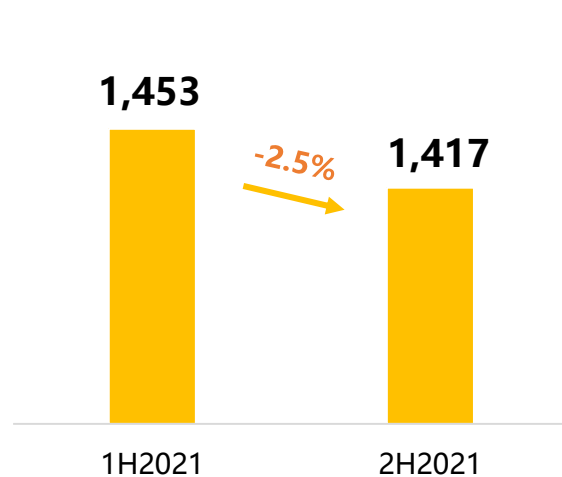
*Data of tourism passenger traffic (including aggregation of railway, road, water and civil aviation traffic) published by the National Bureau of Statistics



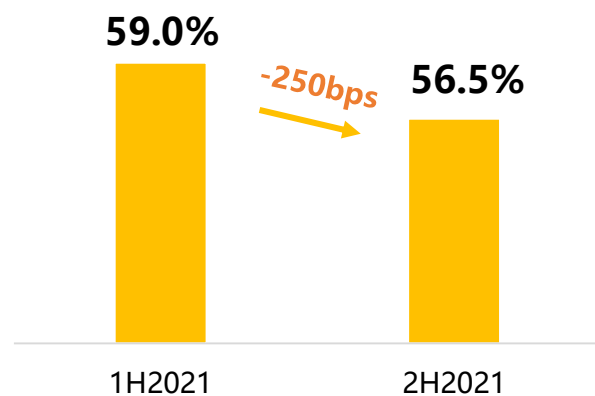
Results Review--Shocked by the Pandemic, 2H2021 Results Under Pressure

Total Revenue

(RMB million)

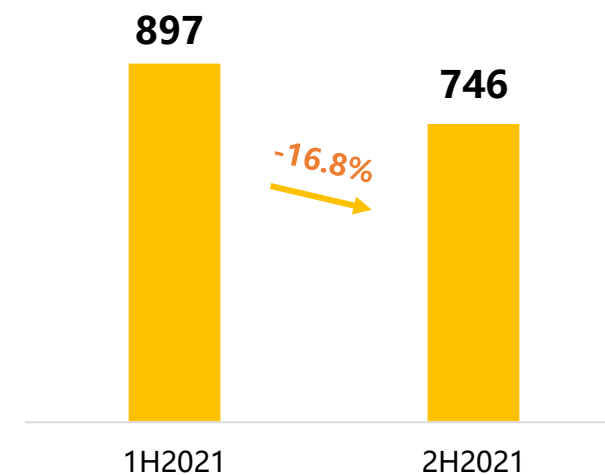


Gross Profit Margin



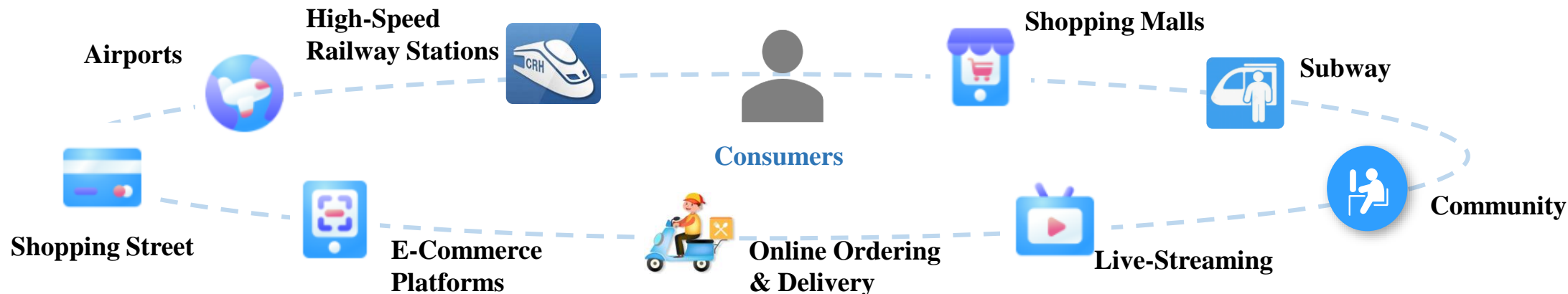
Self-operated Stores Revenue

(RMB million)





Diversified Access to Consumers in the Post-Pandemic Era



Hefei Baohe Community Store



Ele.me



Tik Tok Live



Community Fresh Grocery

Complete the Fast-Growing Community Consumption Scenes

Cater the New Consumer Demands of New Generation in All-Round Way

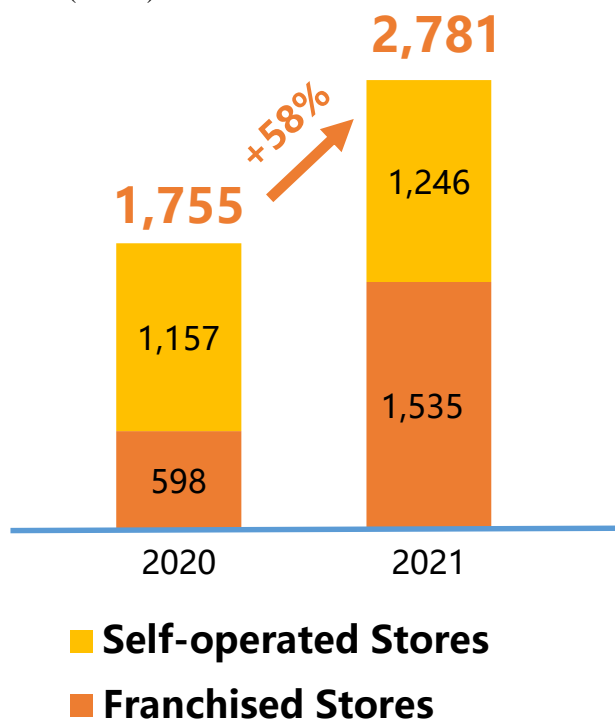


I. Offline Business--Fundamental Changes in Store Structure to Make Business Development Healthier

1

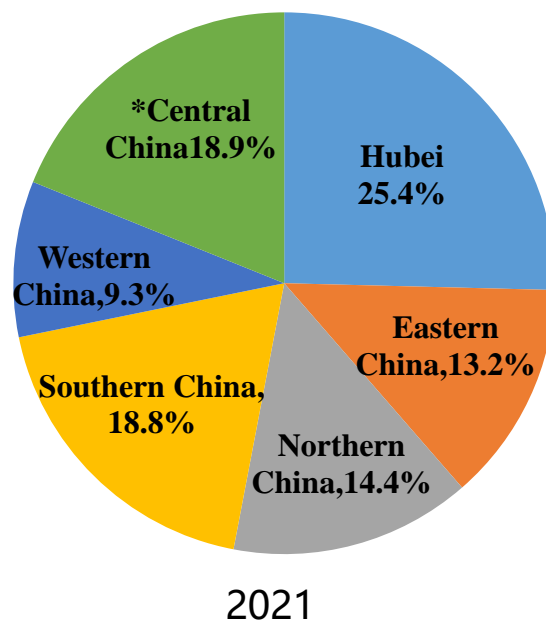
Total Number of Stores Reached 2,781

(Stores)



2

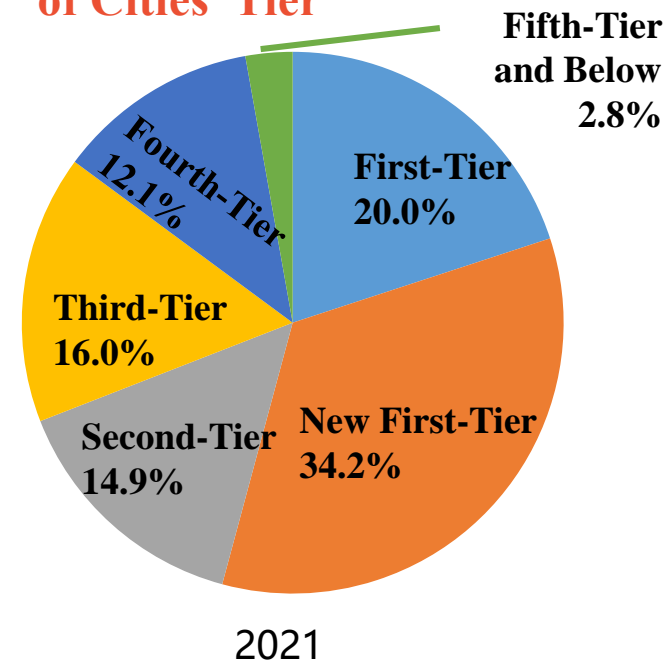
More Balanced Distribution of Stores Nationwide



*Including Hunan Province, Henan Province, Jiangxi Province, Anhui Province and Shanxi Province

3

More Balanced Distribution of Cities' Tier

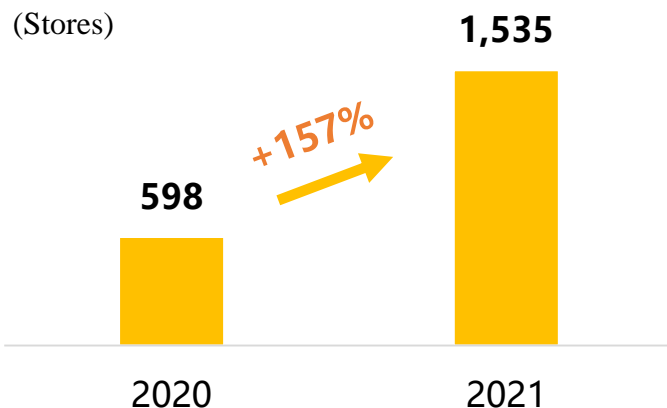


- ✓ **116** Cities Newly Covered in 2021
- ✓ **267** Cities Covered in Total

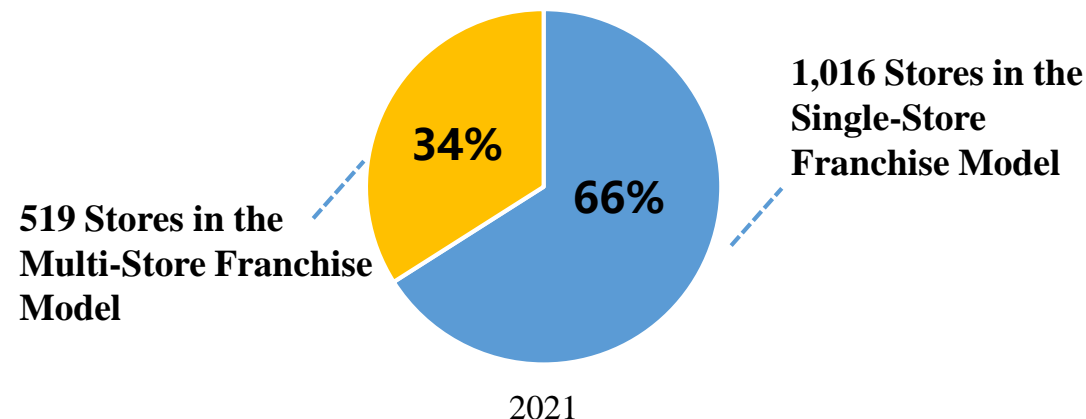


I. Franchise Business--**1,535** Stores and Gross Sales Exceeding **RMB 1,000 Million**

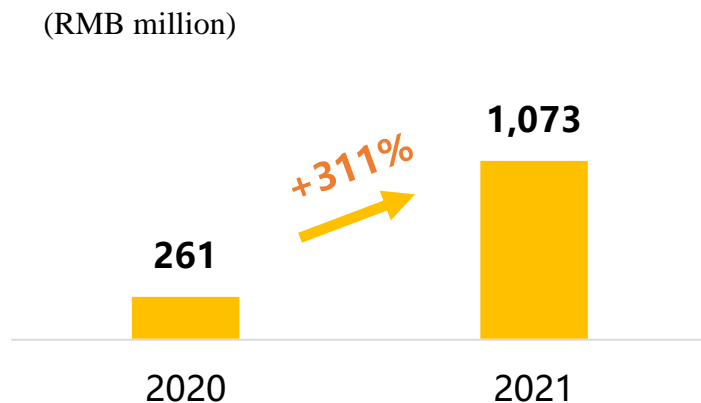
Total Number of Franchised Stores



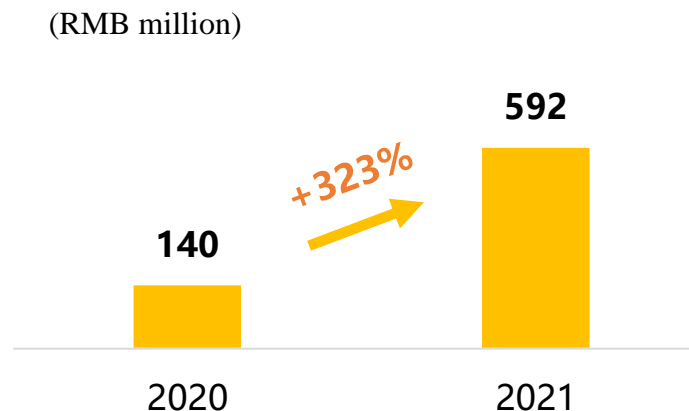
Number and Proportion of Franchised Stores by Model



Gross Sales of Franchised Stores



Revenue of Franchise Business



- ✓ New applications nearly **16,000**
- ✓ **400** franchisees in total



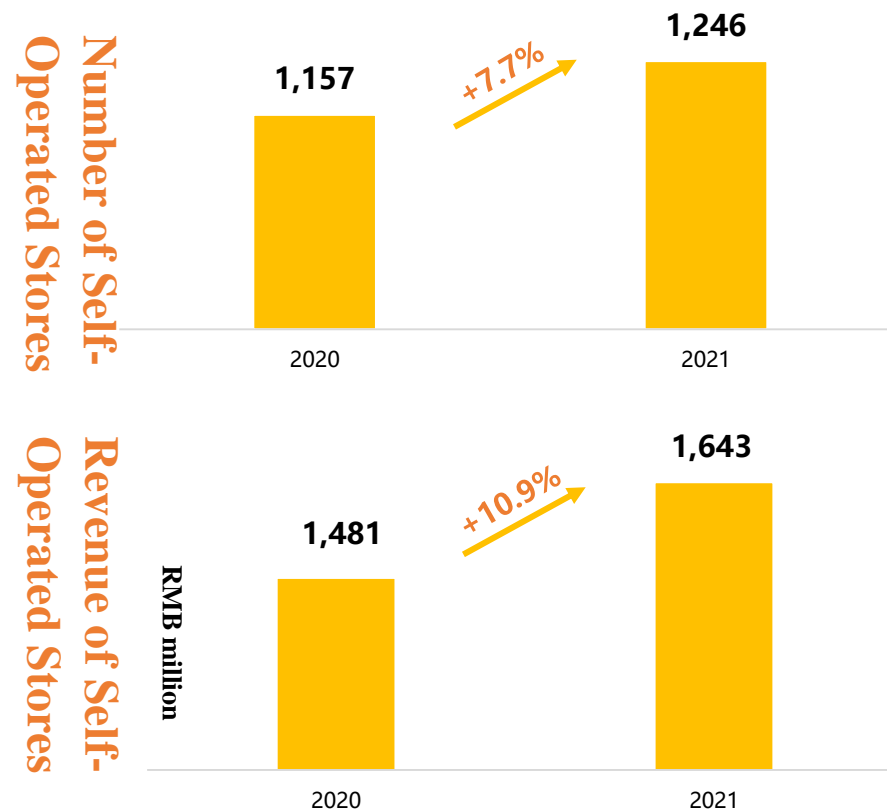
I. Self-Operation Business--Dynamic Optimization and Strengthening of the Operational Resilience



Relocation Self-Operated Store



- Optimize the business resources of self-operated stores precisely and dynamically to improve the anti-risk capability
- Set a model for stores in new cities / of new types and build up a business benchmark





I. Offline Business--The Progress of Community Stores in the Post-Pandemic Era



Xinzhu Road
Community Store



Optical Valley City
Community Store

The Community Stores were Opened Nationwide While The Pandemic has become severer in 2H2021

- ✓ There are over 200 community stores in Wuhan and takes the leadership in the industry
- ✓ The community store pilots were opened in **Changsha, Hefei, Guangzhou and Shenzhen** in October, with 22 stores opened and a success rate of 91%
- ✓ Young customers in communities are the mainstay, with differentiated competitive advantages in products and brand

The Community Consumption Has Been Growing Rapidly During the Pandemic

- ✓ During the pandemic, the community consumption has increased due to longer time of staying at home and shorter activity radius
- ✓ Community stores have **high consumption frequency, strong stickiness, low investment cost** and low impact from the pandemic



Shenzhen Longhua
Community Store



Changsha Mawangdui
Community Store



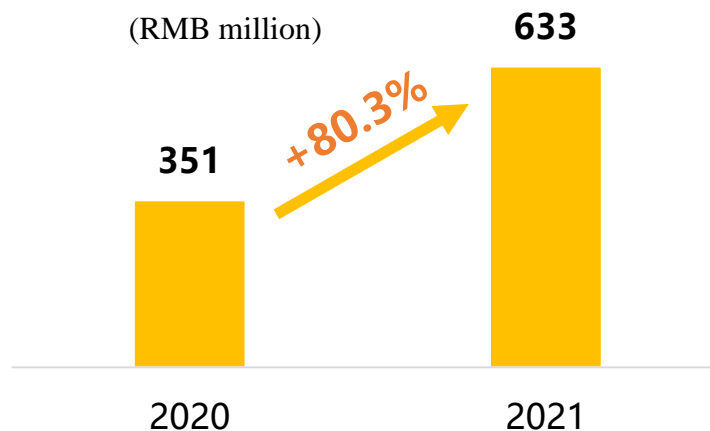
II. Channel Diversification--Upgrading of Refined Ordering & Delivery

840
Million Times

Exposure of Dual Ordering &
Delivery Platforms in 2021
(Including Meituan and Ele.me)

Gross Sales of Self-Operated and Franchised Ordering & Delivery

(RMB million)



+81.2%

Increase in the Number of New
Customers of Ordering & Delivery in
2021 VS 2020



Carried out co-branding and initiated the Braised
Food Festival



Acquired site resources and deepened
brand penetration



Precise advertising and improved the
customer acquisition





II. Channel Diversification--Expansion of Emerging Channels in the Post-Pandemic Era

Tax-included sales amounted to RMB **168 million** from live streaming and short-form videos

- ✓ Dual drivers of live streaming by KOLs and self-operated online stores provided more than **3,000** livestreams shows with up to **1,500** million viewers throughout 2021, both brand publicity and sales went up



Kuaishou Live



Tik Tok Live



Self-livestreaming

Strong momentum of community fresh grocery with the revenue exceeding RMB **100 million**

- ✓ Closely followed the trend of consumer scene shifting, settled in 7 major mainstream platforms, carried out co-branding and precise traffic attraction, improved the customer acquisition rate, achieve rapid sales growth





III. Product Diversification--New Signature Products Which Contributed Over RMB 500 million to the Revenue, Accounting for 18%



Supplemented the
Leading Flavor

Broadened the
Low Price Scope

Created New Hit
Products



In 2021, the Monthly Sales of **Shrimp Balls** and **Multi-Spiced Duck Necks** Exceeded **RMB 10 million**



IV. Marketing Diversification--Deepening the Youthful Brand Image , Further Extend the Minds of Young Consumers

New Image of Stores

ZHOU HEI YA Little
Yellow Store



Cross-Industry Cooperation

ZHOU HEI YA & KFC



ZHOU HEI YA &
Chinese Doctors

Near-Store Media Promotion

Outdoor screen at
Jiangnan Road, Wuhan



Content Release on Leading Platforms

Attract consumers through
Tik Tok short-form videos



Attract consumers through
pictures and texts on the
Xiaohongshu



Awarded as “500 Most Valuable Brands in China” By the World Brand Lab in 2021 Again



V. Supply Chain Optimization--All-Round Synergy and Continuous Improvement

Push the Gross Profit Margin up **2.3% YoY**

OCM

Monthly Review and Continuous Optimization

Procurement

- ✓ Volume and price forecasting model, precise decision-making
- ✓ Full lifecycle management of suppliers

Production

- ✓ Full process monitoring

- ✓ Automation improvement

Inspection

- ✓ Dynamic inspection and analysis

One Code for One Box Traceability System

- ✓ Four processing facilities put into production
- ✓ 80% stores support delivery within **24 hours**
- ✓ 100% stores support delivery within **48 hours**

In-store Sales

Warehousing & Distribution

- ✓ WMS
- ✓ TMS
- ✓ Three-tier network consisting of trunk lines, branch lines and urban distribution

吨均成本分析及改善的管理结构--- OCM (Operating Cost Management) 管理机制

上月实际值	上月成本差异 (红/黄/绿灯)	1月~上月YTD 实际值	1月~上月YTD成本差异 (红/黄/绿灯)	21年预估复盘 (=1月~上月YTD实际值+本月~12月预算值)	21年预估复盘成本差异 (红/黄/绿灯)
522	●	509	●	550	●
42	●	52	●	55	●
44	●	37	●	45	●
370	●	347	●	315	●
172	●	252	●	236	●
188	●	194	●	245	●
130	●	133	●	159	●
51	●	46	●	41	●
20	●	32	●	43	●
47	●	28	●	39	●
-5	●	34	●	44	●
-67	●	-80	●	-38	●
-16	●	-6	●	-2	●
-8	●	-14	●	-7	●
51	●	28	●	-4	●
-87	●	-7	●	-22	●
-83	●	-77	●	-26	●
-57	●	-54	●	-27	●
7	●	2	●	-2	●
-37	●	-25	●	-14	●
-14	●	-33	●	-21	●
-58	●	-20	●	-10	●



VI. Organization—Enhance the Core Competitiveness



Increase the Equity Incentive

- Expanded from 24 persons to **160**
- Coverage of RSU expanded to key staff, including excellent front-line employees
- Repurchase shares to expand the equity incentive pool from 65,410,000 shares to **76,040,000** shares



Strengthen Talent Training and Incentive



Incentive for front-line employees



New store manager transformation training



Investment promotion training



Entrepreneur conference



Results Review



Operation Analysis



Outlook



Lockdown of Several Cities Due to the Worsening Pandemic in 2022; Higher Risk of Imported Inflation Due to the High Global Inflation



New Coronavirus are More Infectious



The Pandemic Situation is Grim



Dramatic Increase of Infections With More Medium/High-Risk Areas



Many Cities "Ready to Be in Lockdown" With Multiple Rounds of NAT



Commodities Prices Driven up by Russia-Ukraine Conflict

国家统计局: 2月份CPI总体保持稳定 输入性通胀压力有所加大

央视网 | 2022年03月10日 09:00:38

中央经济工作会议: 经济发展面临需求收缩、供给冲击、预期转弱三重压力, 强调“稳字当头、稳中求进”

2021-12-10 23:22:10 来源: 每日经济新闻

Enterprises Face pressure From Rising Production Costs Due to the Imported Inflation



Relieve Business Stress of the Franchisee

Deposit Relief

Partial **rebate** for the multi-store franchise model

Down to RMB 10,000 for the single-store franchise model

Franchise Fee Installment

Multi-store franchise model :
RMB 10,000 / store /year

Single-store
franchise model : '3+2'

Higher Share

Step up for
multiple stores

Site Selection

Training

Construction

IT

Supply
Chain

Operation

Marketing

Ordering
& Delivery

**All-Round
Support**



The Number of New Self-operated + Franchised
Stores to be Opened in 2022

200 Stores Were Opened in 2022Q1

1000



Strengthen Diversified Growth Strategies to Reply to the Risks of the Pandemic

More Stores with Light Investment and Flexible Operation

Adapt to staying at home under the pandemic and produce braised foods for young people in communities



ZHOU HEI YA
Little Yellow Store

Creation of New Hit Products

Meet the consumer demands and create hit products of the year



ZHOU HEI YA
Little Red Box

Ordering & Delivery Promote Sales

Respond to the Quarantine, strengthen the consumer stickiness, improve the consumption frequency



Enhance the Ordering & Delivery Operation



Core Strategies in the Post-Pandemic Era



○ Diversified and Multi-Scenario Access to Consumers

Dynamic expansion and optimization of business structure

○ Flexible and Precise Cost Control

Rolling Budget for the whole chain to increase efficiency

○ Excellent Management Ability

Make prudent decisions under the unfavorable environment, to spread risks and seek steady growth

THANK YOU



MAKE WINNING A HABIT

ZHOU
HEI YA.