



**Zhou Hei Ya International  
Holdings Company Limited  
2022 Interim Results  
Announcement**

**August 2022**

**MAKE WINNING A HABIT**

**ZHOU  
HEI YA.**



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# Content



## Results Overview



## Business Review



## Outlook



# Key Financial Highlights

## Financial Summary

	1H2021 (RMB Thousand)	1H2022 (RMB Thousand)	1H2021—1H2022 YoY Growth
Revenue	1,452,972	1,181,078	-18.7%
Gross profit	857,207	671,529	-21.7%
Profit/(loss) before tax	318,638	44,597	-86.0%
Net profit/(loss)	229,556	18,377	-92.0%
Total No. of retail stores	2,270	3,160	+890
Including: No. of self-operated stores	1,161	1,342	+181
No. of franchised stores	1,109	1,818	+709



# Pandemic is on - More Stringent Control, More Challenges in 1H2022

## 2020: COVID-19 Outbreak in Wuhan

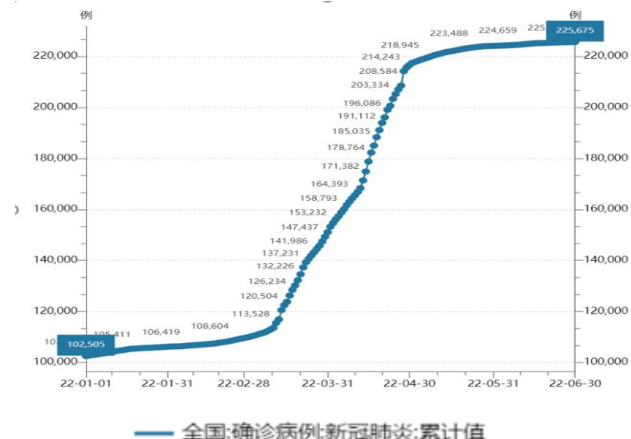


### Lockdown in Wuhan for 76 Days

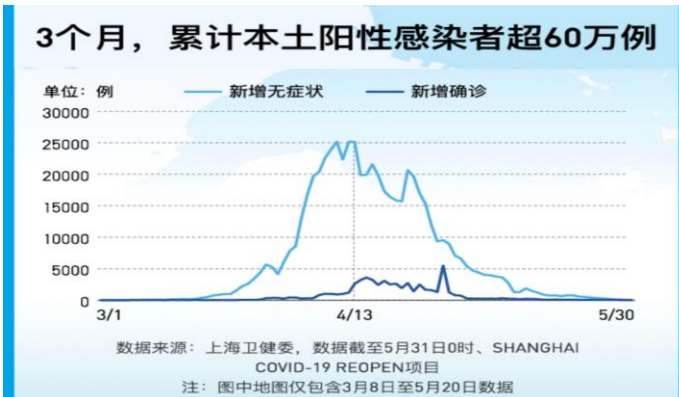
- **Limited regions** under substantial impact nationwide: except for Hubei, other regions back to normal since mid-April.
- Traffic flows back to normal in May

## 2022: More Aggravated Impact, Broader Area and Tighter Regulation

### From January to June, More than 120,000 COVID-19 Cases Nationwide

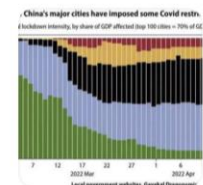


### Up to June 1, Shanghai Has been Locked Down for 61 Days



### GDP前100近九成有防疫封控 - 东方财富网股吧

“Gavekal对中国GDP排名前100位的城市进行的自下而上的分析发现,除了13个城市外,其他城市都正在实施某种形式的防疫封控措施,而且这...



股吧 全网 4月20日

### 全国高中低风险疫情地区

全国

截至 2022-08-19 11时

1032 ↑

高风险区

756 ↑

中风险区

170 ↑

低风险区

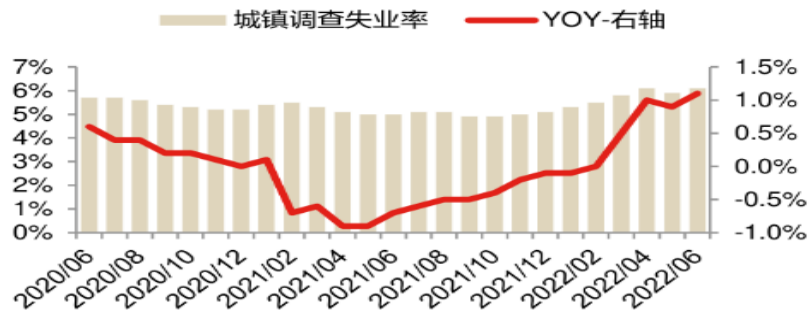
有关信息来自当地上报的疫情风险等级



# Macro Environment - Pandemic Coupled with Inflation, Sluggish Recovery

## Unemployment Rate

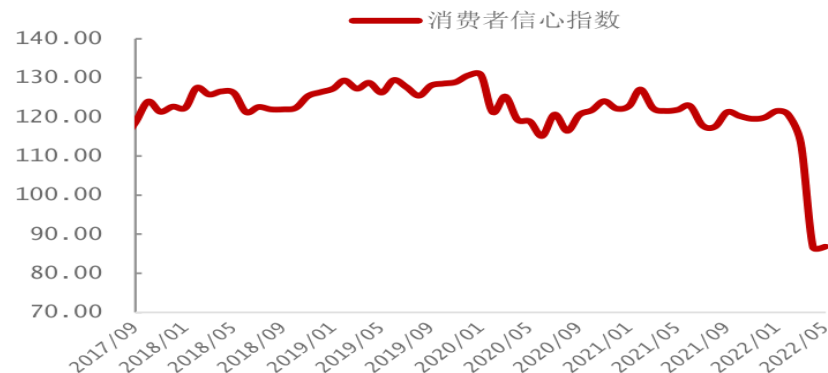
图 7：城镇调查失业率，YOY



数据来源：国家统计局，东方证券研究所

## Consumption Sentiment

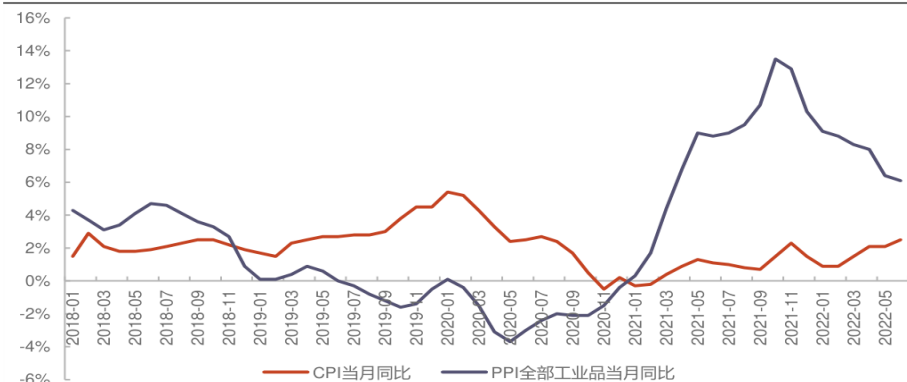
图 23 消费者信心指数



资料来源：国家统计局，东海证券研究所

## CPI-PPI Scissors Gap

图 6：6 月 CPI 继续上行，PPI 继续回落



资料来源：Wind，光大证券研究所，数据截至 2022 年 6 月

## Over 370,000 Restaurants Closure in 1H2022

上半年消失37万家餐厅，“供应链们”也挺惨...



餐饮老板内参

2022-7-22 14:54 · 来自北京 · 餐饮老板内参

关注

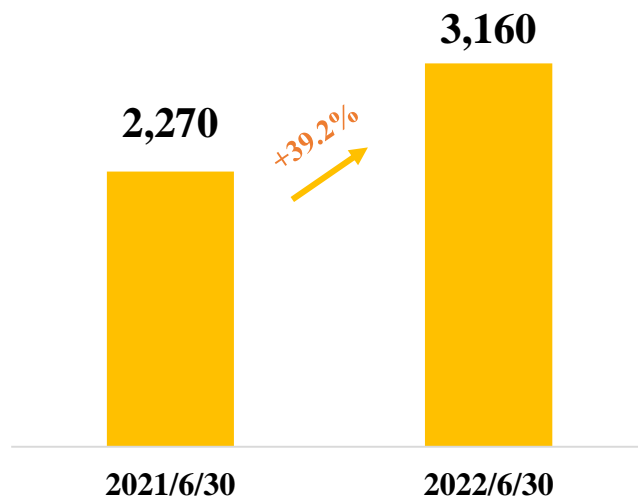
有数据显示，在 2022 年上半年，全国餐饮店注销数量约 37.3 万家：其中奶茶店注销数量 8 万家，快餐小吃店 12 万家，火锅店 1.2 万家。



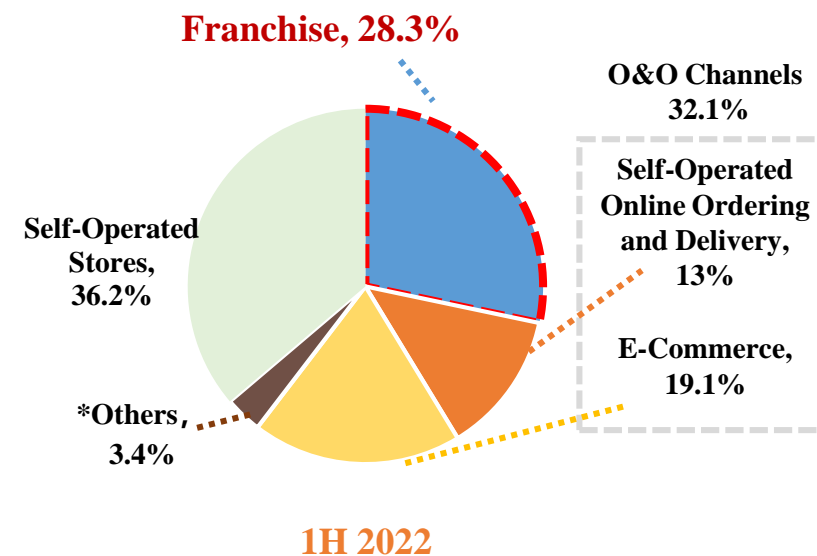
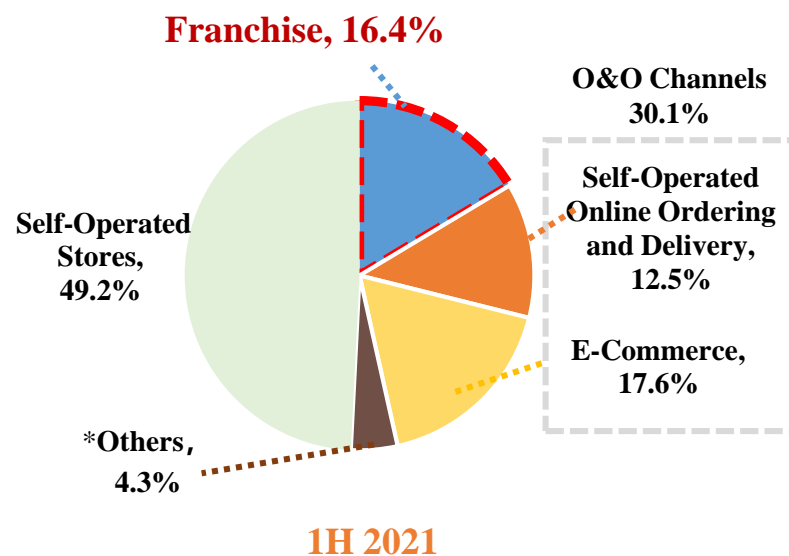
# Results Review - Store Expansion & Omni-Channel Integration

## Total Number of Retail Stores

(STORES)



## Revenue by Sales Channel



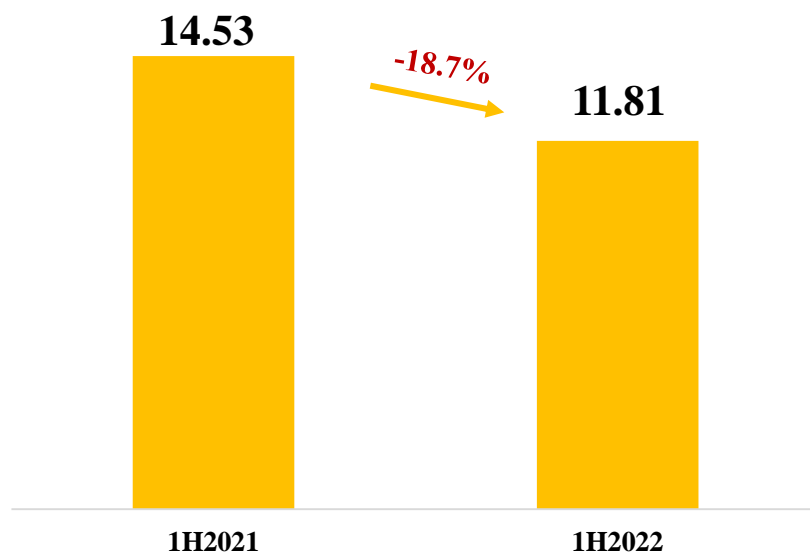
\*Mainly generated from the distributors' revenue



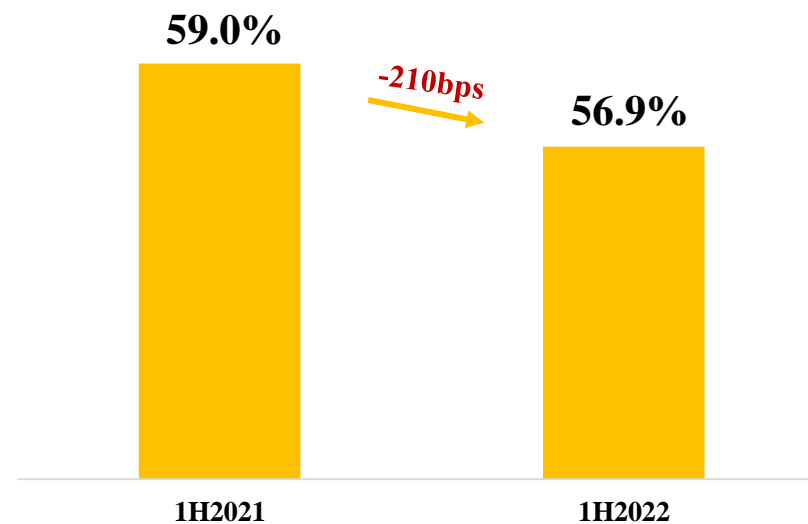
# Results Review - Revenue & Gross Margin

## Revenue

(RMB mm)



## Gross Profit Margin





**Results Review**



**Operation Analysis**

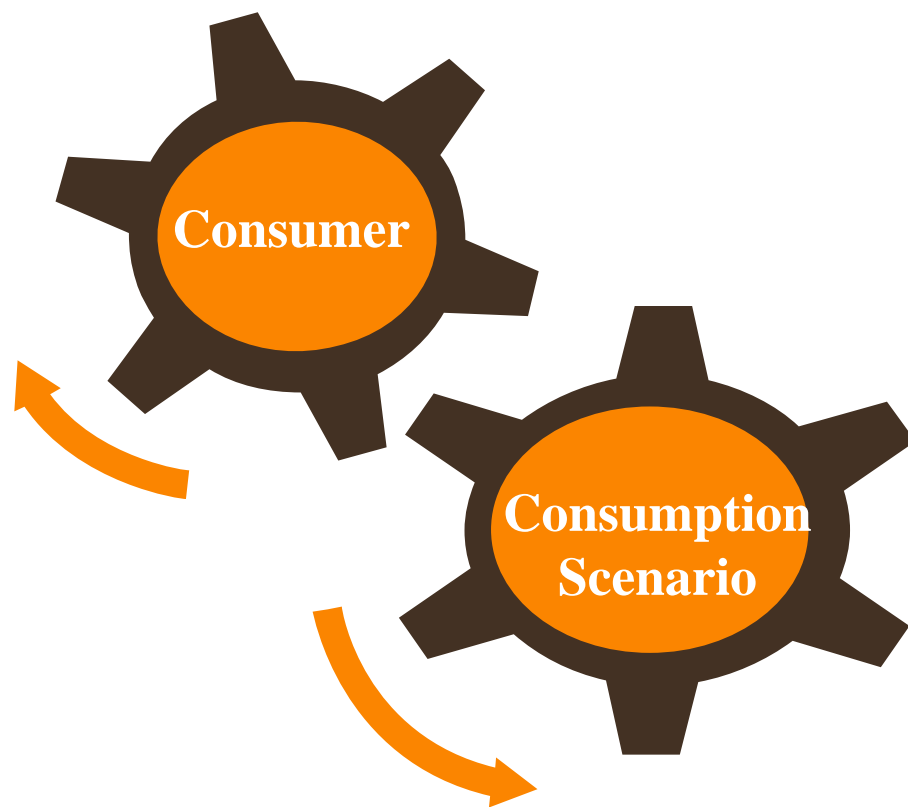


**Outlook**



# Industry Trend - New Situations, New Changes, New Path of Development

- **Generation Z** is the main consumers in the next 10 years in pursuit of **fashion and convenience**.
- The consumption is being impacted by weak recovery of economics , and consumers are getting **more rational**.
- The turbulent external environment prompts consumers to **have more confidence in well-known brands**.
- Consumer demand become more diversified.

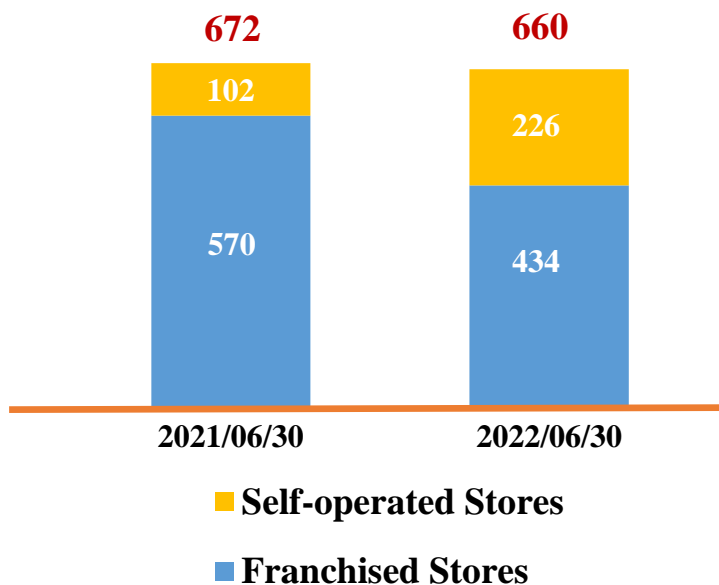


- **Traffic volume of transportation hubs** fluctuates significantly due to the pandemic.
- The traditional Mall traffic dropped significantly, and the traffic of **one-kilometer living circle in the community** increased.
- **The process of urbanization has been accelerated** with vast space for **lower-tier markets**.
- **New e-commerce** channels are emerging and traffic on traditional e-commerce platform is diminishing.



# I. Offline Stores - Accelerated Expansion Driven by 'Light Investment' Stores

## 660 Newly Opened Stores in 1H2022



✓ 30 Newly Penetrated Cities in 1H2022

✓ 297 Cities in Total

## Heavy-Asset Stores Upgraded to 'Light Investment and Flexible' Stores

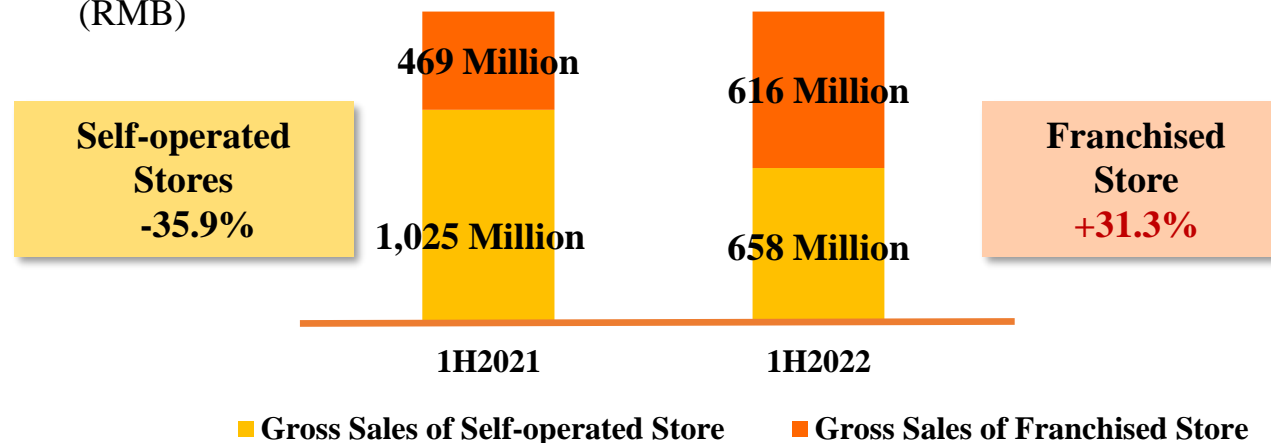


Self-operated Store with Heavy Investment and Fees

'Little Yellow Store'

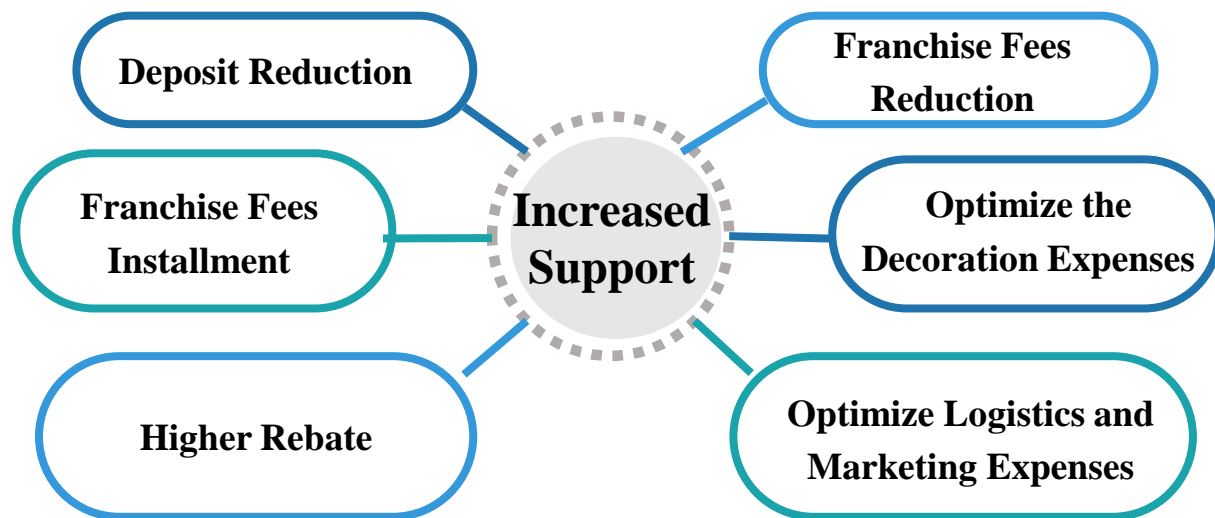
Self-operated Business with Pressure under Pandemic while Franchise Business has Significant Growth Potential

(RMB)





# I. Franchise Business - Continued Efforts on Franchisees Empowerment, **+31.3%** YOY on Sales



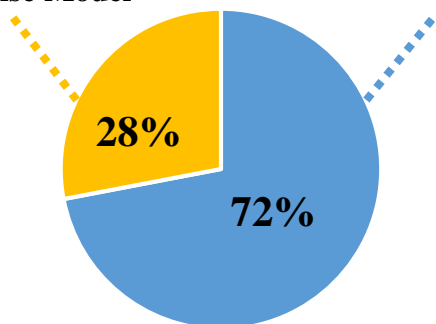
**Lowered Cost**

**Single-Store Franchise Model 2.0**

**CAPEX Reduced to RMB 80k-100k**  
(Excluding rental and labor costs)

517 Stores in the Multi-Store Franchise Model

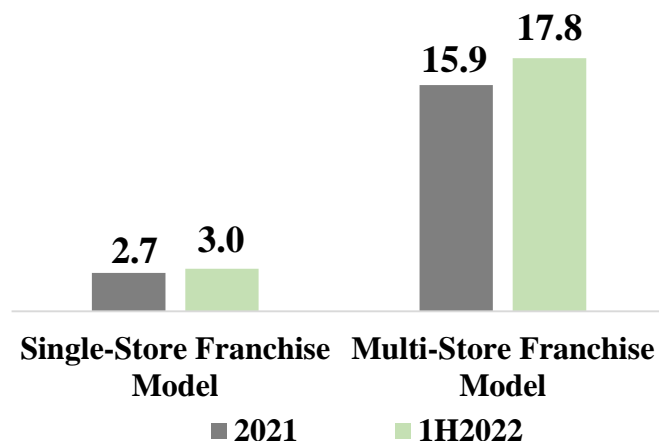
1,301 Stores in the Single-Store Franchise Model



**Number and Proportion of Franchised Stores by Model**

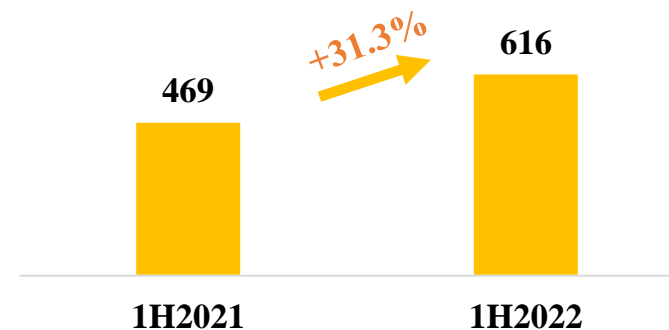
## Number of Stores Per Franchisee

(STORES)



## Gross Sales of Franchised Stores

(RMB Million)





# I. Offline Business - Focused on Community Stores under Pandemic Situation

- ◆ Under the pandemic, the community stores have stable operation and strong anti-risk ability
- ◆ Community consumption is of high frequency, strong stickiness and low investment cost
- ◆ It was piloted in October 2021 and expanded nationwide in February 2022
- ◆ As of June 30, the number of community stores reached **561**

Position	Number	Number of ZHY Stores (as of June 2022)
Transportation Hub	<ul style="list-style-type: none"><li>• <b>300+</b> First Class Railway Stations and Above</li><li>• <b>40</b> Airports with an Annual Passenger Throughput of More than 5 Million</li></ul>	229
Commercial District	<b>6,000+</b> Shopping Malls	2050
Community	<b>190,000+</b> Urban Communities	<b>561</b>



Community Store in Caihong New Town , Daxing District, Beijing



Community Store on Wulian Road, Shanghai



Community Store in Xiashiwei ,Bao'an District, Shenzhen



Community Store in Optical Valley City, Wuhan



## I. Offline Business - Accelerate Penetration into Lower-Tier Markets

**70%**  
of the Population,  
288 Cities

**Huge Potential in Lower-tier Markets**

**1000+**

**Total Number of Stores in Lower-Tier Markets**

**161**

**Number of Cities with ZHY Business**



**Store in Gaoan, Shandong**



**Store in Huaihua, Hunan**



**Store in Mengcheng, Anhui**

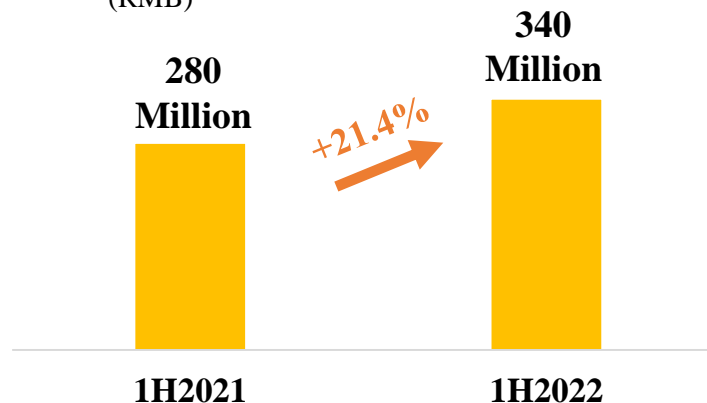


## II. Channel Diversification - Differentiated Strategy of Takeaway Business, Gross Sales to RMB 300 Million+

490  
Million Times

Exposure on Meituan and Ele.me

Gross Sales of Self-Operated and  
Franchised Takeaway Business  
(RMB)



+ 10.5%  
YoY

Increase in the Number of New  
Customers on Takeaway Platform in  
1H2022



Co-branded Campaigns – “Super Brand  
Day”



Precise Marketing on Platforms



New Products Campaigns

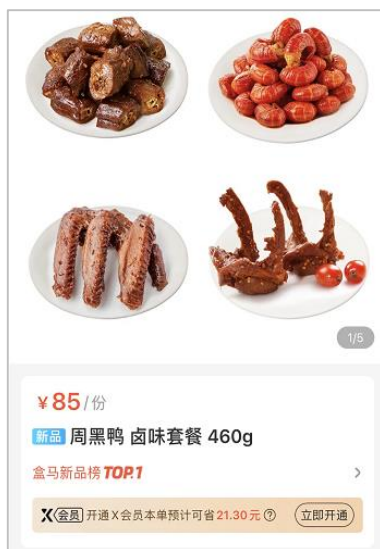


## II. Channel Diversification - Embrace Emerging Channels

Community Fresh Grocery Channels  
Sales in 1H2022: RMB 70 million+, +119 % YOY

7 Major Mainstream Platforms and 170 Cities Covered

and Over 4000 Front Warehouses



Combo Sales



"Brand Day"



Weekend Promo

Livestreaming and Short Videos Channels  
Sales in 1H2022 : Nearly RMB 60 Million

500 Million  
Livestreaming  
Viewers

Total AIPL : 109 \*  
Million People

Top 5% in Food and  
Beverage Industry



Tik Tok Live



Kuaishou Live



Self-Operated  
Livestreaming

\*Taken from "yuntu.oceanengine" on Aug 3, 2022



### III. Crayfish - 2022 New Best-Seller

#### New Spokesperson

Z-generation's Favorite:  
Chaoyue Yang



Sales in July:  
RMB 32+ Million

#### New Flavor Spicy → Minced Garlic and Five Spices

Multiple Flavors to Cover More  
Consumer Groups



Sales Contribution:  
10+ %

#### Sample Sales Package

Exclusively on Platform to  
Launch New Products



The Repurchase: 10+ %

#### New Packaging

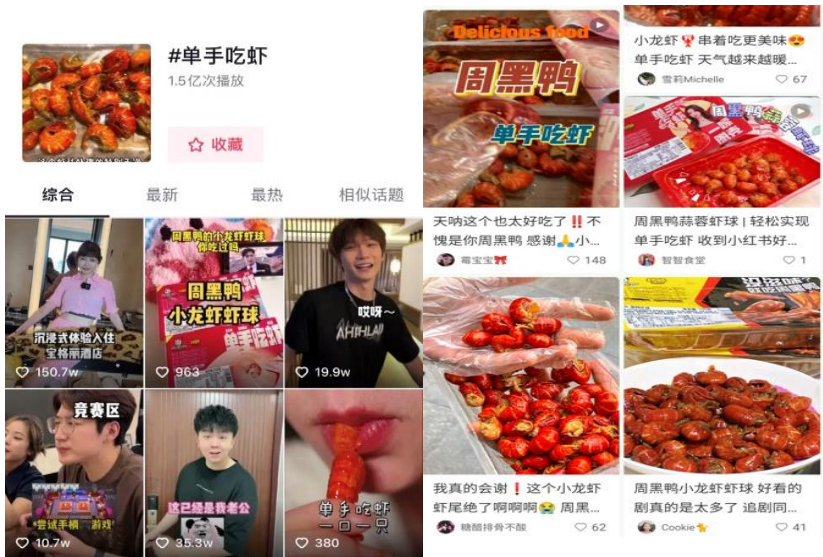
More Impressive, More Convenient



2<sup>nd</sup> Best-seller among  
all SKUs



# IV. Youngsters Oriented Campaign for Crayfish Product





## V. Optimization of Supply Chain Capacity - Reinforce OCM Cost Control





## Results Review



## Operation Analysis



## Outlook



# Accelerate Business Reform to Drive QoQ Improvement in 2H

**Online and Offline Omni-Channel Coverage to Broaden Customer Outreach;  
Self-Operated + Franchised:  
Focus on Light Investment Stores**

**Product Diversification  
to Create a Second Growth Curve**

**Integrate Marketing to Rejuvenate Brand**

## Fully Support Business Development

**Integrate Supply Chain  
to Constantly Reduce Costs and Increase Efficiency**

**New Management Team  
to Enhance Core Competitiveness**

**Systematic Governance to Ensure Sustainable Growth**

**Transform Quickly and Decisively**



# 'Ten-Thousand Store Plan' Catalyzed by 'Light Investment Store' Type

## Light Asset Stores

## Lower Cost

## Support Ten Thousand Stores Development

(RMB)

**2019**  
Initial  
Investment  
:  
200-250 k

**2022**  
Initial  
Investment  
:  
80-100 k

**Entry Franchise Fee:**  
RMB50k in the 1<sup>st</sup> Year  
**Deposit:** RMB50k  
**Decoration and**  
**Equipment:** RMB100k -  
150k

**Entry Franchise Fee:**  
RMB30k in the 1<sup>st</sup> Year  
**Deposit:** RMB10k  
**Decoration and**  
**Equipment:** RMB40k -  
60k



Little Yellow Store

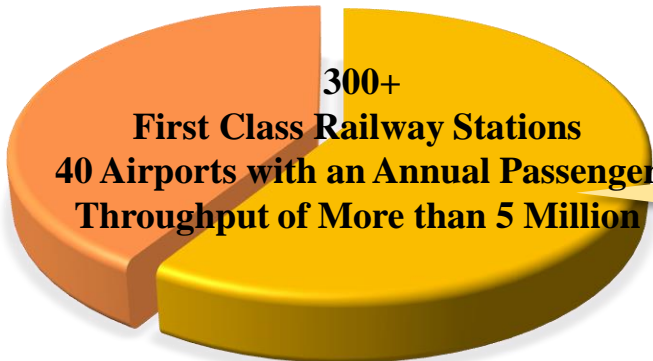
Store Area: From 20 m<sup>2</sup> + ➔ **10m<sup>2</sup>**



# Steadily Promote Community Store Model



**Target: No. of Community Stores by the End of 2022**



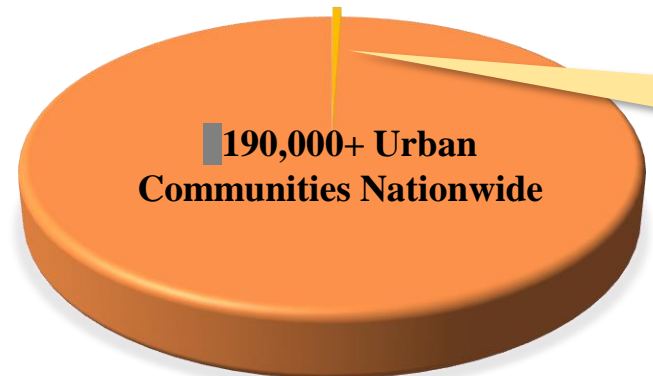
**Maintain the Leading Role**

**Penetration: 59 %**



**Continue the Optimization**

**Penetration: 33%**



**Accelerating the Planning in  
Communities and Neighborhood**

**Penetration: 0.5 %**



# Product Diversification: Crayfish Leads the New Product Growth...And More



## Crayfish Sales Continues to Grow



### Market Size:

The crayfish **market scale** in China is about RMB **400 billion**.

At present, it is a fragmented market dominated by regional 2B players.

### Geographical Advantages:

**Hubei** is the largest **production base of crayfish** in China.



Next: Light-Flavored Series to Capture New Target Group

Five-Spice Series

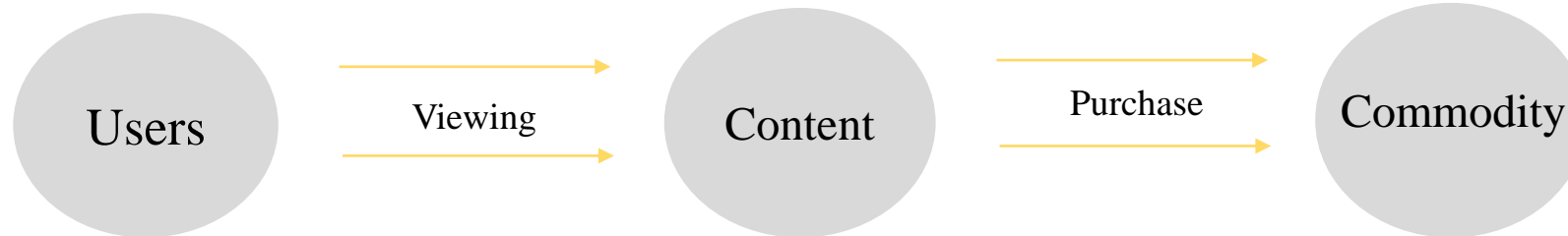
Slightly-Spicy Series



Next: RTE & RTC Series



# Emerging Growth Platform: Content-Oriented E-Commerce Platform



Talent matrix, marketing activities, in-depth content recommendation

TikTok livestreaming + TikTok Local Life

Paid traffic + Free traffic,

Short-video Promotion



TikTok Corporate Account



Local Life live-Streaming



- Outreaching **Generation Z Customers**
- Improve **Conversion Rate**
  - Increase **Ticket Size**
  - Improve **Overall GMV**
  - Improve **Profit Margin**

THANK YOU



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