



Zhou Hei Ya International Holdings Company Limited 2019 Annual Results Announcement

March 2020

免责声明

This presentation and the accompanying slides (the "Presentation") have been prepared by Zhou Hei Ya International Holdings Limited ("Zhou Hei Ya" or the "Company") solely for information purposes.

This Presentation does not constitute or form part of and should not be construed as, an offer or invitation to acquire, purchase or subscribe for any securities of the Company nor is it calculated to invite any such offer or invitation nor shall it constitute any offer or sale of such securities in any jurisdiction. No part of this Presentation shall form the basis of or be relied upon in connection with any investment decision, contract or commitment whatsoever.

This Presentation has been prepared by the Company based on information and data which the Company considers reliable, but the Company makes no representation or warranty, express or implied, whatsoever, on the truth, accuracy, completeness, fairness and reasonableness of the contents of this Presentation. The Company reserves the right to amend or update all or any part of this Presentation at any time, but the Company shall not be under any obligation to provide the recipient of this Presentation with any such amended or updated information or correct any inaccuracies herein unless otherwise required by the Rules Governing The Listing Of Securities On The Stock Exchange Of Hong Kong Limited or any applicable law.

This Presentation may not be all-inclusive and may not contain all of the information that you may consider material. Neither the Company nor any of its affiliates or representatives make any representation or warranty, express or implied, as to the accuracy or completeness of the information contained herein or any other written or oral communication transmitted or made available to any recipient. The Company and its affiliates and representatives expressly disclaim any and all responsibility or liability based, in whole or in part, on any of the information contained herein, errors herein or omissions here from. In all cases, interested parties should conduct their own investigations and analyses of the Company, its businesses, assets, financial conditions and prospects, and of the information set forth in this Presentation.

This Presentation contains statements that reflect the Company's intentions, beliefs or expectations about the future or future events (the "forward- looking statements"). These forward looking statements are based on a number of assumptions about the Company's operations, its future development plans, market (financial and otherwise) conditions, growth prospects and certain plans and objects of the management of the company, and are subject to significant risks, uncertainties and other factors beyond the Company's control, and accordingly, actual results may differ materially from these forward-looking statements. You should not take any forward-looking statements contained in this Presentation regarding past trends or activities as a representation that such trends or activities will continue in the future. The Company expressly disclaims any obligation to update these forward-looking statements.



Section 1

Results Review

Key Financial Highlights

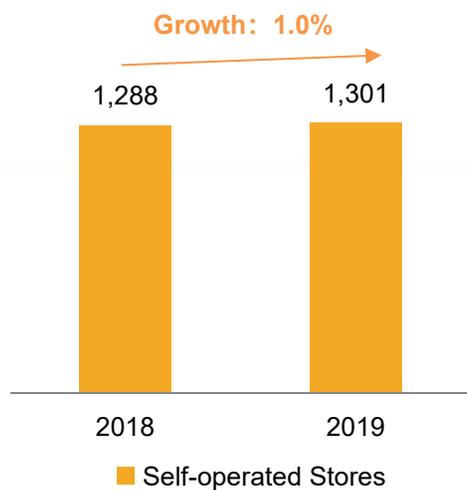
Financial summary

(RMB Thousand)

	2018	2019	Y-o-Y growth (%)
Revenue	3,211,521	3,186,040	(0.8%)
Gross Profit	1,847,432	1,801,400	(2.5%)
Profit before tax	726,971	545,210	(25.0%)
Net profit	540,093	407,448	(24.6%)

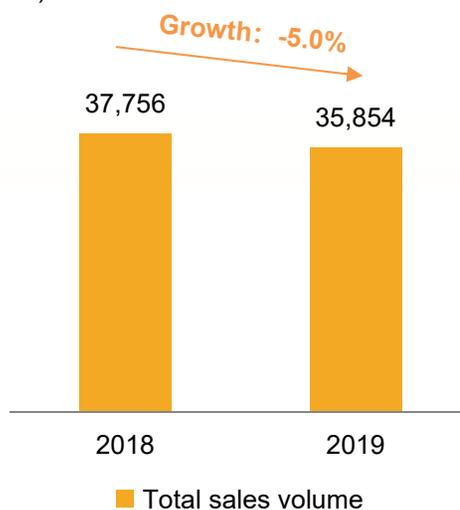
No. of self-operated retail stores

(Number of stores)



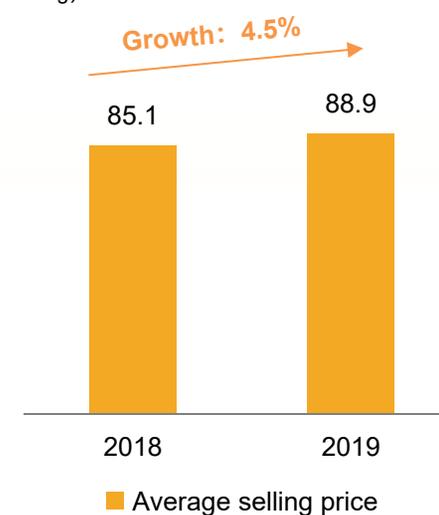
Total sales volume

(Tons)



Average selling price

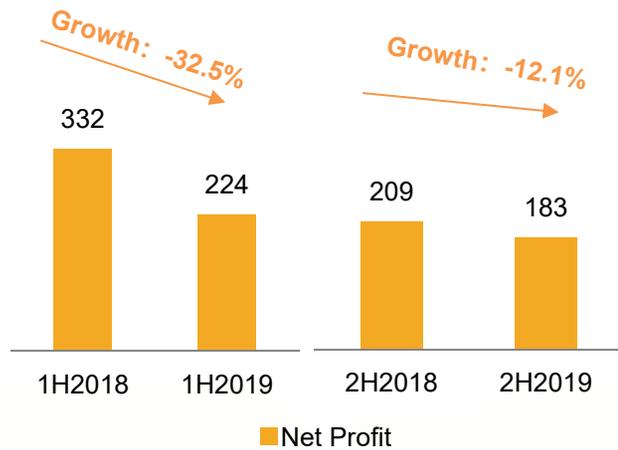
(RMB/Kg)



Cost control starts to receive positive results, with a Y-O-Y increase in gross profit and a slowed decline in net profit for 2H of the year.

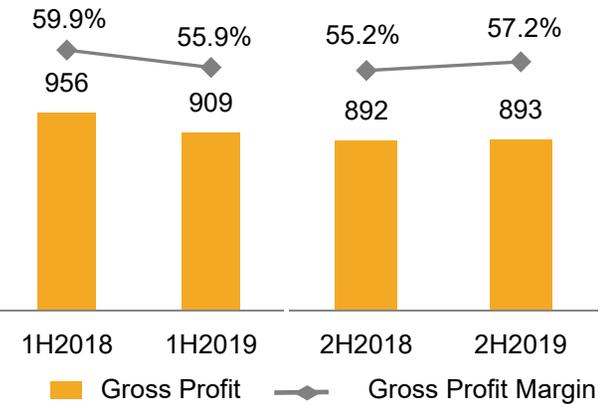
Net Profit

(RMB mm)



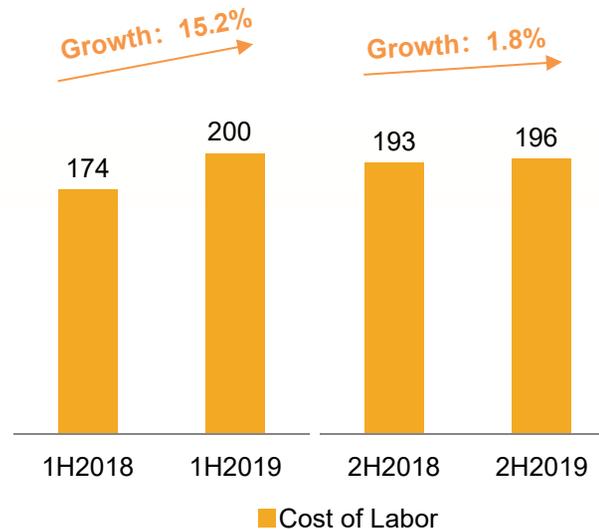
Gross Profit

(RMB mm)



Cost of Labor

(RMB mm)

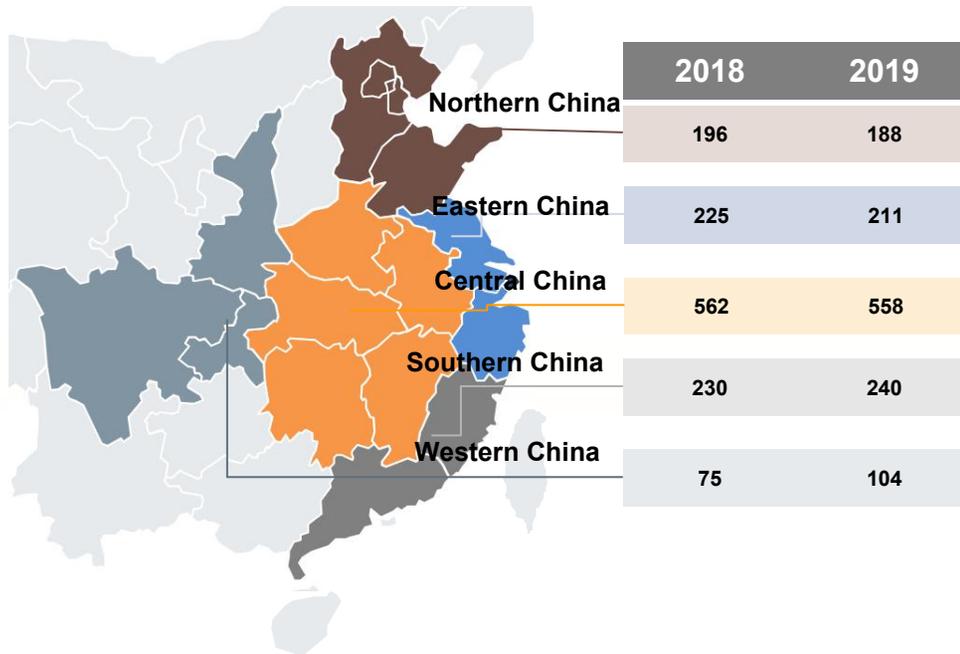


Optimized Store Network

Optimized store distribution

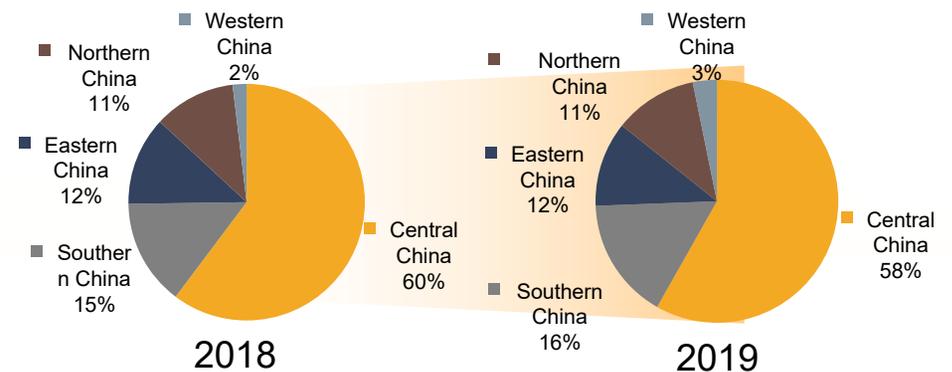
- ✓ In the 2019, Zhou Hei Ya had **1301** self-operated retail stores in **100** cities , **17** provinces and municipalities⁽¹⁾
- ✓ In 2019, Zhou Hei Ya newly opened **229** stores, and closed **216** stores. The closure is mainly as a result of unsatisfying performance or government renovation project.

Geographical distribution of retail stores in 2019



Geographical distribution of revenue contribution in 2019

- ✓ Revenue contribution from Central China decreased, Southern China and Western China further increased

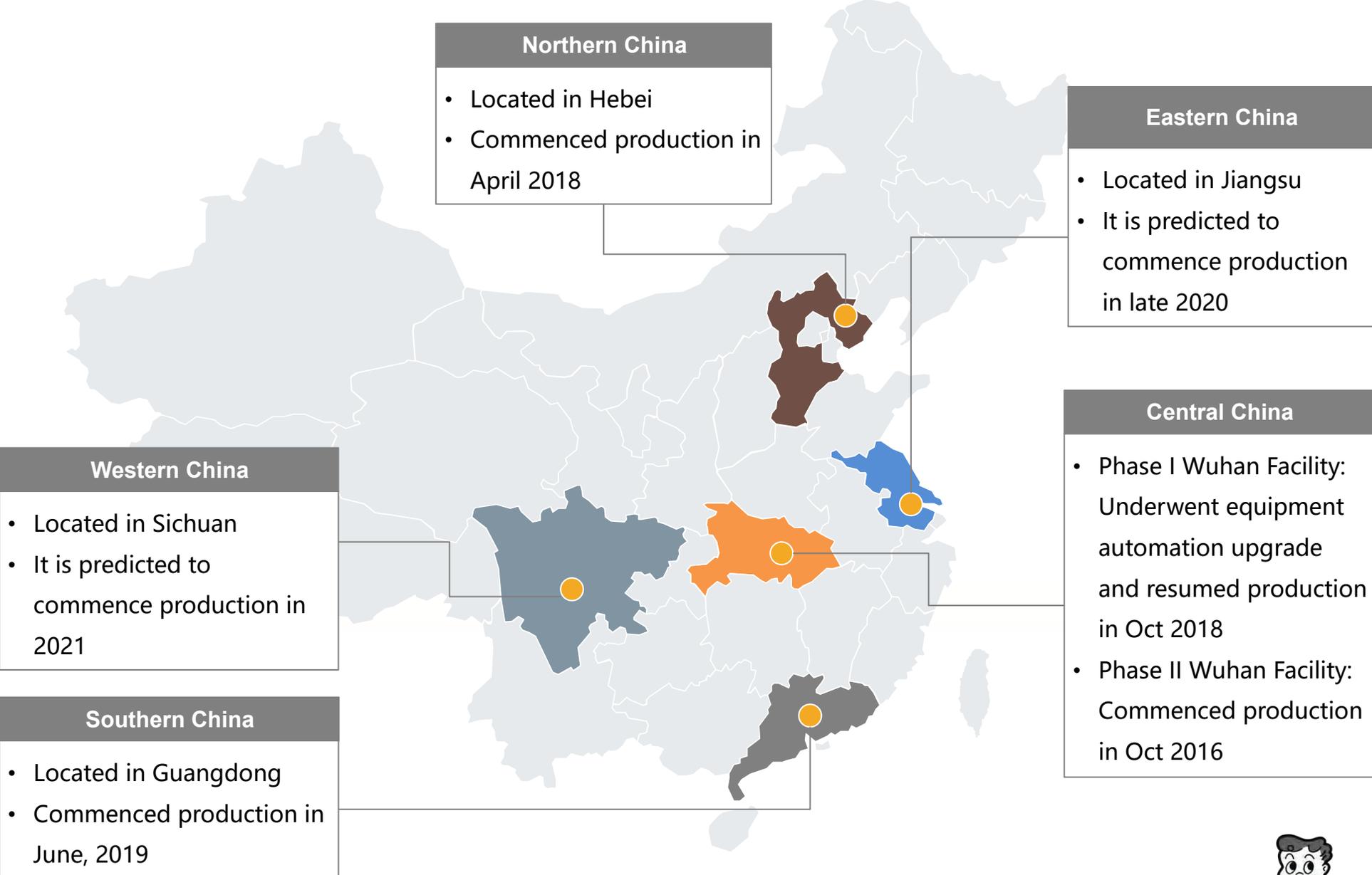


Notes

1. As of 31 December 2019

Production Facilities Nationwide

Southern China Industrial Park Commenced Production, Satisfy Increasing Needs in The Southern China



A top-down view of a light blue plate containing several pieces of golden-brown fried chicken wings. The plate is centered on a light blue background covered with crushed ice. Scattered around the plate are several lemon wedges, a small sprig of green mint, and several seashells. In the top right corner, a portion of a green watermelon is visible.

Section 2

Next Journey - Six New Strategies

Industry Review: Complex Market Environment and Intensified Competition

Macro Environment

- ✓ Domestic GDP stable development in 2019
- ✓ Leisure food market continues to expand
- ✓ Residents' income and overall spending power increased

Intensified Competition in industry

- Raw material costs continued to increase due to environmental protection and Africa Swine Fever
- Fierce competition for store resources in high traffic transportation hubs and commercial districts
- Online emerging players further divert traffic

Changing Market Environment ; Challenges and Opportunities Coexist

Changes in Consumption

Concepts and Consumers

- Upgrades of consumption concepts and brand awareness
- Increasing purchasing power of the post-00 and post-90 generations

Changes in Operating

Environment

- Increasing demands for poultry meat products
- Leading brands with strong resources
- Stringent quality control

Changes in Industry

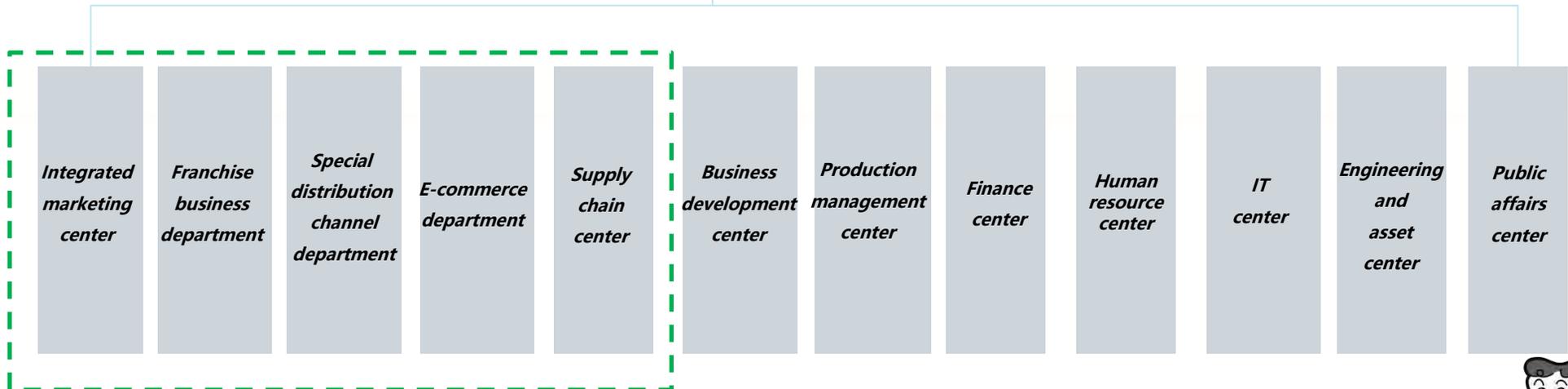
- Consumption upgrades and big-data intelligence empowered the "new retail"
- Enhanced operational efficiency through organizational transformation

New Core Management Team and Optimized Organizational Structure

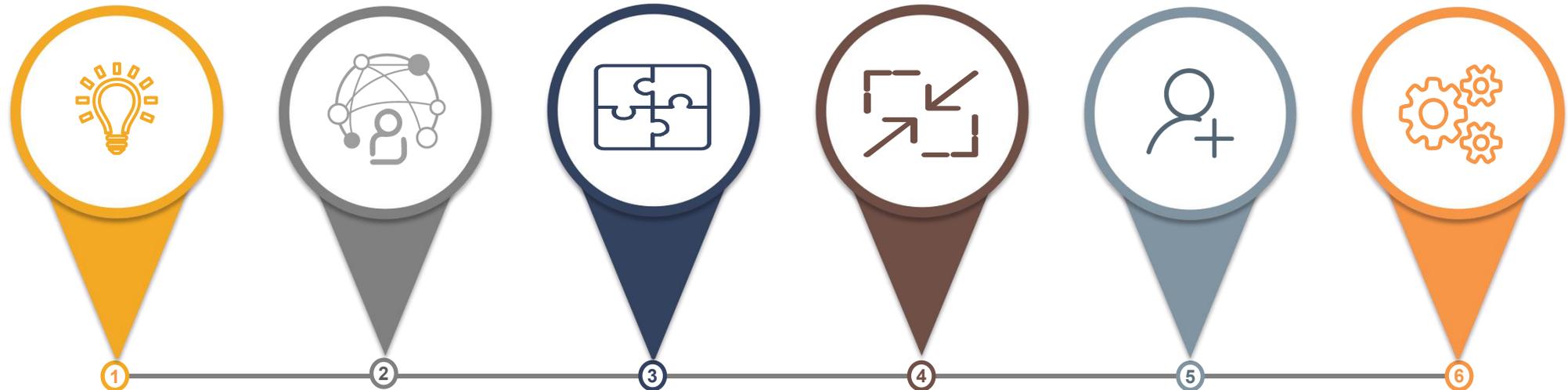
Mr. Zhou Fuyu
*Founder,
Chairman of the board*



Mr. Zhang Yuchen
CEO



Six New Development Strategies



**Upgrade Of
Business Model**

**Omni-channel
Coverage**

**Products
Diversification**

**Integrated
Branding and
Marketing**

**Organization and
Incentive
Enhancement**

**Supply
Chain
Optimization**

Upgrade of Business Model - Launched Franchise Business in Selected Market

Development Principles

Steady Development

Quality Assurance

Value—sharing

Store Expansion

4 cities

3 Franchisees

5 Franchised stores

Outputs to franchisees

A

Comprehensive training & franchisee management and evaluation system

B

Supply products and implement store managerial skill on a collective and standardized basis

C

Comply with “Zhouheiya standards” in daily operation



Nanning franchisee signing announcement



Grand opening of Nanning franchised stores



Franchisee training



Grand opening of Guiyang franchised stores



Advertisement in Guiyang Railway Station



Award Ceremony

Omni-Channel Coverage - Enhanced brand visibility

E-commerce platform

- ✓ New social commerce platforms
- ✓ New retail opportunities
- ✓ Enhanced membership operation by leveraging the trending internet celebrity economy

17.8%
E-Commerce growth 17.8%

+ The proportion of e-commerce and online ordering and delivery revenue in the total revenue is **23.8 %**



Online ordering and delivery services

- ✓ Deepening cooperation with various delivery platforms
- ✓ Improved Operation Efficiency with data analysis



Convenience stores and supermarkets

- ✓ Improved penetration in retail chains;
- ✓ A dedicated team
- ✓ Production line dedicated to convenience store



FamilyMart



Walmart

Today 今天



13



Products Diversification - Met the Market Trends and Various Demands

Re-established a new product research and development system, covering all aspect of management and operational processes

Market intelligence

Project Proposal

Research

Testing

Marketing

Evaluation

Launched non-spicy products

Non-spicy Products



Campaigns



- Launched non-spicy products nationwide
- The total sales of 4 SKUs alone exceeded RMB 50 million, accounting for nearly 9% of the sales for the single month.

Integrated Branding and Marketing

Centralized organization

- ✓ Integration of the front, middle and back ends, unified allocation of resources



Precise segmentation & marketing

- ✓ Cooperation with young consumers favorite platform



Tou tiao



RED (Xiaohongshu)

Unified publicity theme

- ✓ Cooperation with idol spokespersons ; Uniform advertising across Omni-channel



Strengthened online interactive communication

- ✓ Increased the engagement level and conversion rates of existing members



Organization and Incentive Enhancement



The adjustment of organizational structure

- ✓ Emphasized the strategic function of each department
- ✓ Established an efficient organizational structure

Roles & Responsibilities review

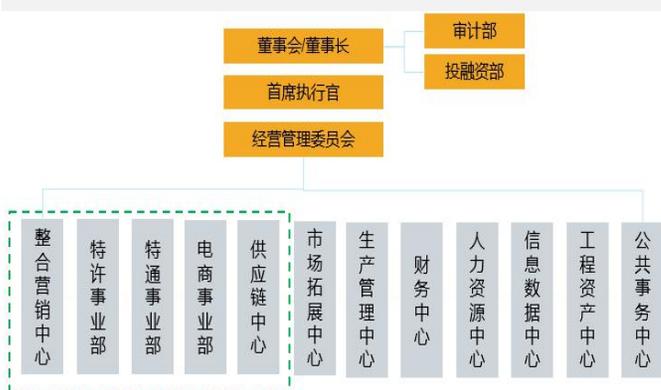
- ✓ Multi-layer talent review
- ✓ Competition mechanism

New performance management system

- ✓ Balanced score card and key performance indicator.
- ✓ Enhanced the employee evaluation and facilitated the performance execution

Training

- ✓ Established systematic training programs
- ✓ Established talent mapping for key positions



The adjustment of organizational structure

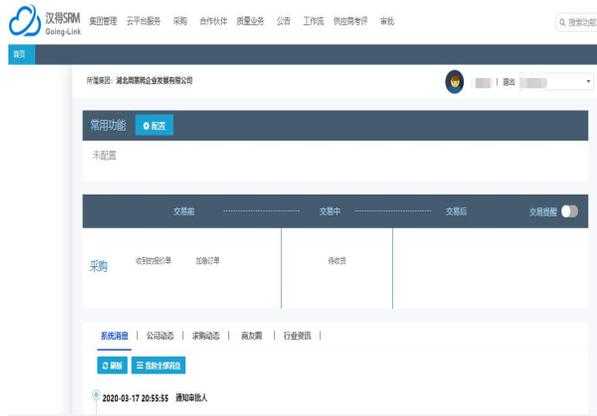
维度	战略目标	战略子目标指标	核心衡量指标	保守值	目标值	行动计划	预算支出	责任人
发展特许经营模式	发展空白市场		特许经营商数量 (家)					
			平均单店销售收入 (万元)					
	现有市场加密		特许经营商数量 (家)					
			平均单店销售收入 (万元)					
	打造内创机制		低效门店转化个数					
			新开门店个数					
自创门店规模增长	拓展自创门店及增效		新开门店数量					
			新开门店单店销售收入 (万元)					
深化电商渠道	/	/	新增合作平台数量					
			电商平台SKU数量					
			平均每平台销售收入 (万元)					
拓展便利店渠道	/	/	合作便利店数量					
			便利店渠道SKU数量					

Balanced score card



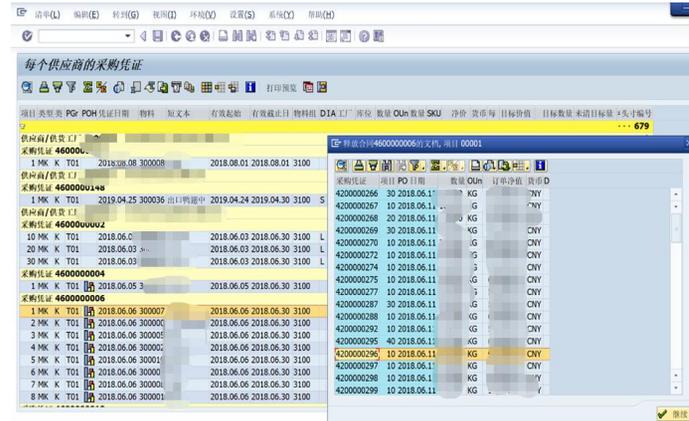
Strategy workshop

Supply Chain Optimization



Re-engineered procurement procedures

- Full life-cycle management of suppliers
- Monitored the supply and purchase prices in the raw material market
- Signed long-term supply agreements with partners



On-demand procurement system

- Optimized the procurement planning
- Reduced losses, controlled costs and improved efficiency



Storage and logistics

- Improved the warehousing and sorting efficiency
- Increased the coverage of service radius

Resources Consolidation

On-demand procurement

Efficiency

Six strategies achieved preliminary success

1. Upgrade of business model

A franchise management system has been established, thus preliminarily forming the franchise operation model and comprehensively empowering the franchisee. 3 franchisees signed agreements, with the opening of 5 stores.

2. Omni-Channel Coverage

Implement its omni-channel strategy to cover multiple consumption scenarios online and offline and deepened the e-commerce marketing strategy, with 17.8% growth in e-commerce for the year. It continues to enhance the promotion of food delivery, and such business together with e-commerce business accounts for 23.8% of the total business of the Company

3. Products Diversification

It optimized and improved the product innovation system. It strategically launched new products based on the market-oriented principle, thus effectively increasing the contribution rate of new products. Since the launch of the non-spicy series in October 2019, the total sales have exceeded RMB 50 million, accounting for nearly 9% of the sales for the single month.

4. Integrated Branding and marketing

It reviewed and optimized the functions and organizational structure of the marketing center, and has constructed a nation-wide unified brand marketing theme and strategy. With the help of big data, it achieved precise orientation towards young consumer groups and strengthened online interaction and communication to enhance the activity level of members.

5. Organization and Incentive Enhancement

It optimized and adjusted the organizational structure, and completed the review of functions, and reconstructed the performance-oriented evaluation system, established the systematic training system, and mobilized and improved the efficiency of the organization.

6. Supply Chain Optimization

It has further optimized the purchase process and established a strategic purchase system. It has optimized the distribution network to improved efficiency and control costs, through the establishment of a platform for purchase from suppliers and with the help of big data.



Section 3

Outlook

Response to the COVID-19 outbreak in early 2020

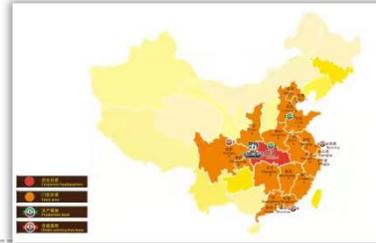
01

Active prevention measures



02

Flexible allocation of nationwide production capacities



03

Community group purchase & online promotion



04

New campaign - "Assurance of Freshness & Safety"



05

Social responsibilities



Mid-to-long Term Outlook

Further improve the multiple layer business model with self-operation and franchise, accelerate the development of franchise business and optimize nationwide store network;

Further enhance omni-channel coverage and solidify advantages of online business and accelerate the development of distribution channels of convenience stores and supermarkets;

Develop more tastes and product types to cater to more potential consumers and optimize product portfolio;

Further consolidate branding and marketing efforts, precisely target consumers and enhance marketing efficiency;

Re-build employee performance evaluation system, improve incentive scheme and enhance organizational strengths;

Further consolidate supply chain capabilities, optimize cost structure and improve supply chain management.

