

The background image shows a bright, sunny day at a modern facility. In the foreground, there's a red running track curving through a green lawn. To the left, a colorful geometric structure with red, green, and blue panels sits on the grass. In the middle ground, there are various colorful sculptures and a playground area. The background features several large, multi-story buildings with colorful facades in shades of blue, green, and yellow. The sky is a clear blue with scattered white clouds.

Zhou Hei Ya International Holdings Company Limited

2021 Interim Results Announcement

August 2021



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没滋味?
就吃周黑鸭

春日上新季

NEW PRODUCTS
IN SPRING

Section I Results Review

川香藤椒
风味

“懒人专属”
去骨鸭掌

泰式青柠
风味

(宝藏山胡椒味)



Key Financial Highlights

Financial Summary

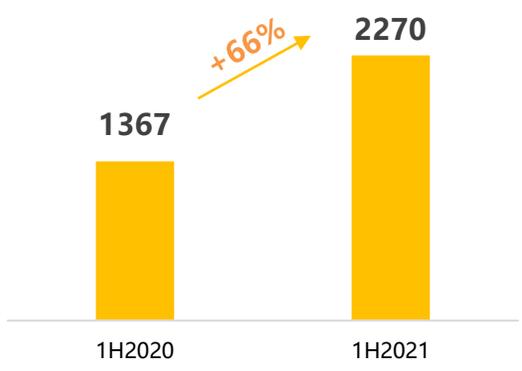
	1H2020 (RMB Thousand)	1H2021 (RMB Thousand)	20-21 Y-o-Y growth
Revenue	903,470	1,452,972	+60.8%
Gross profit	492,928	857,207	+73.9%
Loss/profit before tax	-51,531	318,638	+370 million
Net loss/profit	-42,194	229,556	+272 million
Total No. of retail stores	1,367	2,270	+ 903
Including: No. of self-operated retail stores	1,246	1,161	- 85
No. of franchised stores	121	1,109	+ 988



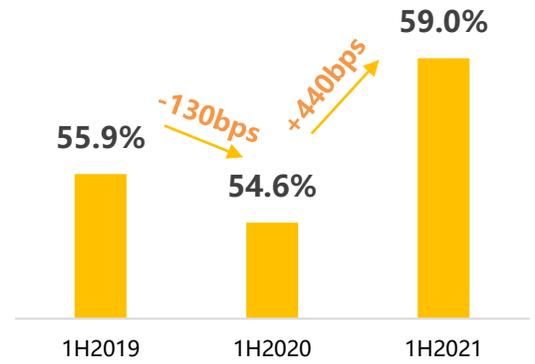
Healthier Business Structure , Significant Improvement in Operating

Total number of retail stores

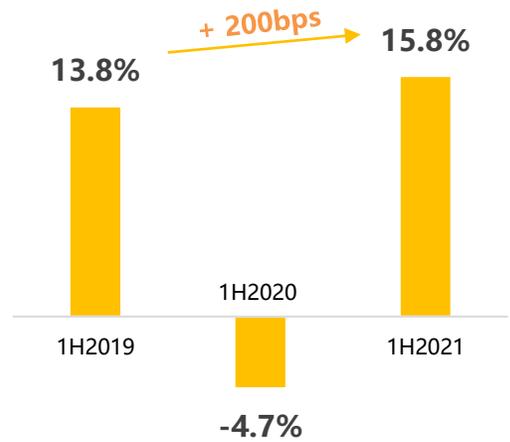
(stores)



Gross profit margin

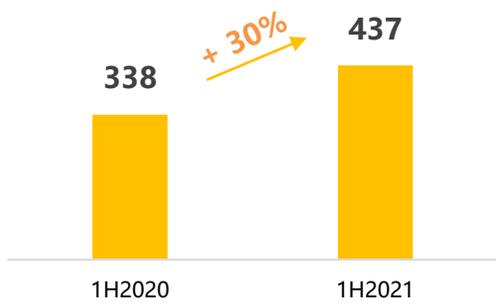


Net profit margin

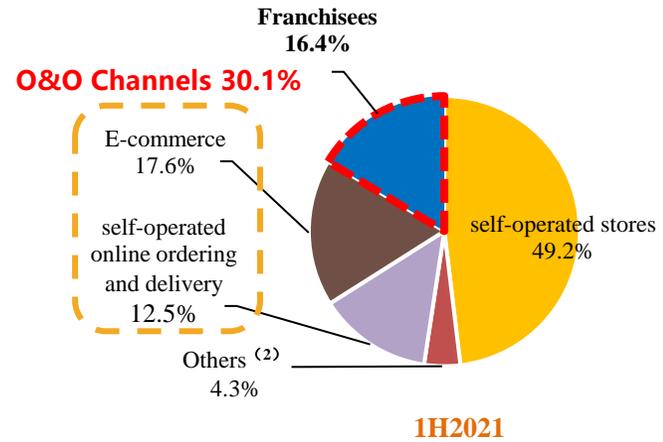
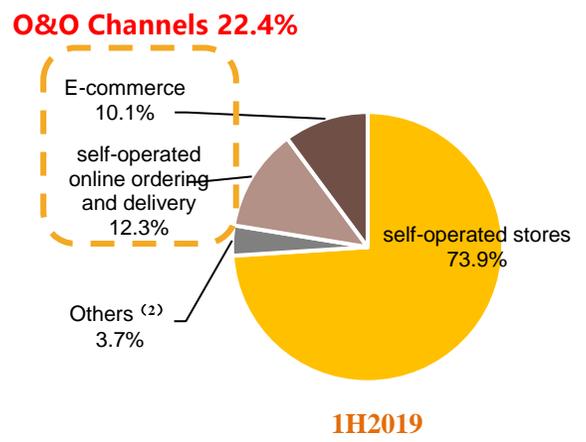


Revenue from O&O channel (1)

(RMB million)



Revenue by sales channel



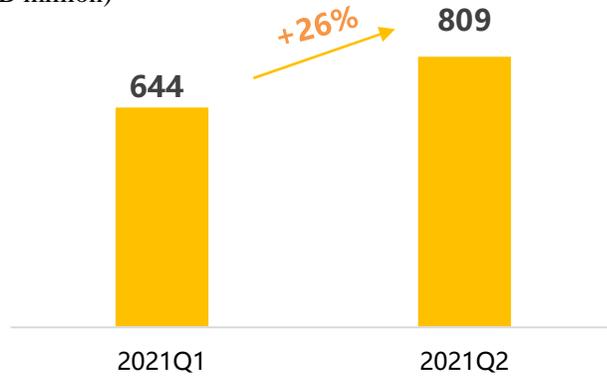
(1) E-commerce + Self-operated online ordering and delivery
 (2) Primarily arises from the revenue of distributors



Affected by Pandemic in Q1, Achieving a Significant Improvement in Q2

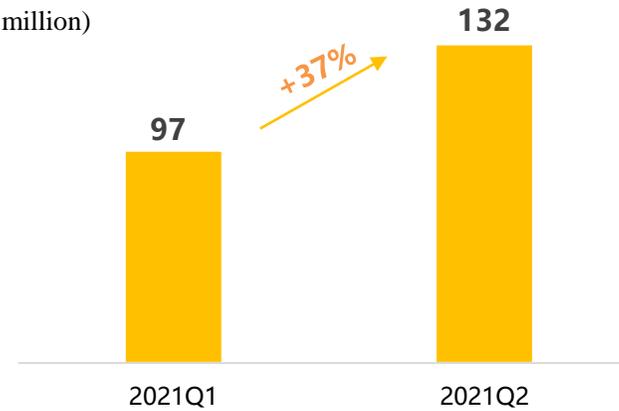
Total revenue

(RMB million)



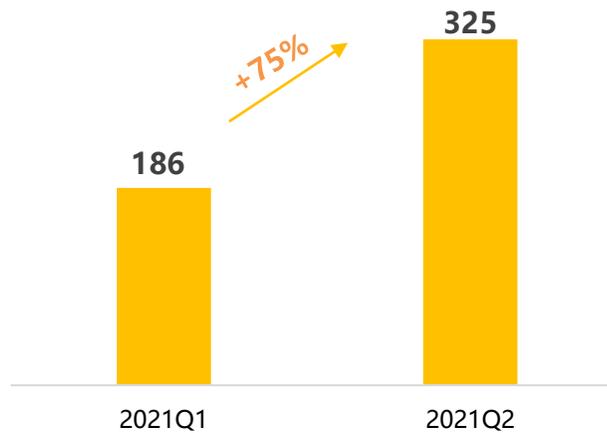
Net profit

(RMB million)

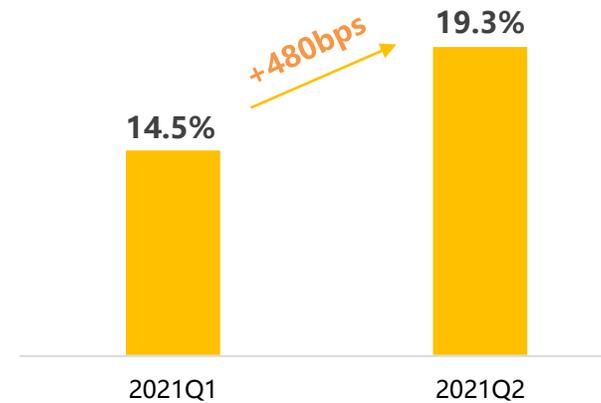


Number of franchised stores opening

(stores)



Proportion of new product sales





没滋味?
就吃周黑鸭

经典甜辣
鸭锁骨

限时 换购

Spring

9块9

踏青

有滋味!

Section 2

Progress of

Six Development Strategies



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Slow Macroeconomic Recovery, Accelerated Industry Reform, and Coexistence of Challenges and Opportunities

Slow Macroeconomic Recovery

- ✓ The cumulative passenger traffic in 1H2021 recovered to just **50%** of the same period in 2019*, impact was particularly severe during the Spring Festival period.
- ✓ The economy recovered **slowly in a K-shape**, but recovery momentum is marginal weakening.

Complicated post-pandemic era

- ✓ Delta variant cause the epidemic appear again, situation of epidemic prevention and control is still severe
- ✓ Normalized pandemic prevention and control lead to a dramatic decrease in migration movements and **the slow recovery of consumer sentiment.**
- ✓ Face the pressure of **co-exist with the epidemic for a long time.**

Challenges along with opportunities

- ✓ Shift of **consumption scenarios** and rapid changes in **consumption habits** and **demands.**
- ✓ Market concentration rate is low, benefit to brand at the head .
- ✓ Enterprises that have **online/offline omni-channel** tend to have more opportunities.

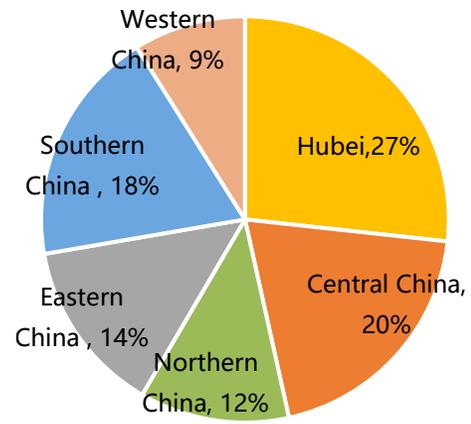
* Source: Passenger traffic (including the total traffic of railway, road and water transportation and civil aviation) published by the National Bureau of Statistics



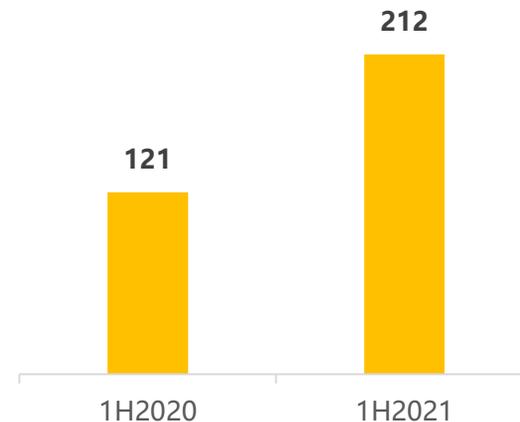
1. Upgraded Business Model — **511** New Franchised Stores, Terminal Sales Nearly RMB 500 Million



Zhou Hei Ya's self-operated and franchised stores



Distribution of retail stores



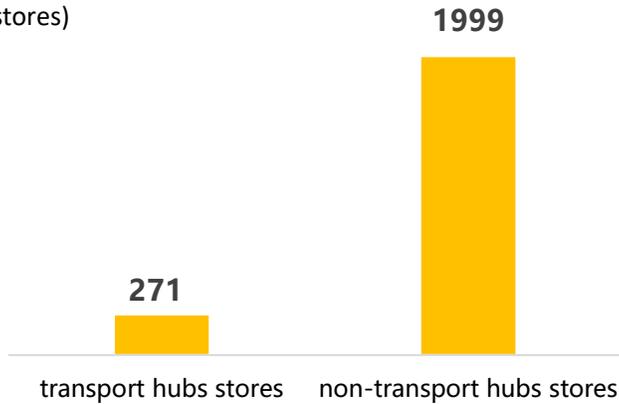
Number of cities covered

During the first half of the year, franchised terminal sales amounted to **RMB 469 million**, contributing **RMB 239 million** to the Group's revenue. During the same period, the total number of franchised stores reached 1,109 while the sum of self-operated and franchised stores was **2,270**.

1. The Sales Proportion and the Number of Non-transport Hubs Stores Increased Significantly

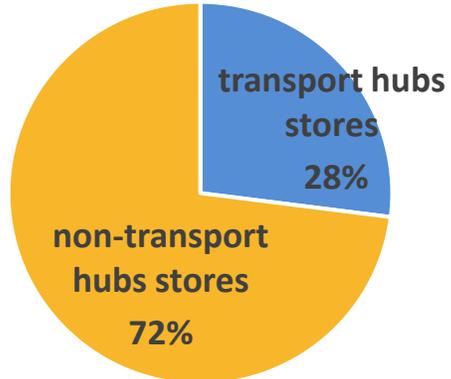
1

The number of non-transport hubs stores reached **1999** in the first half of the year (stores)



2

The terminal retail sales of non-transport hubs stores accounted for **72%** in the first half of the year



Proportion of GMV in transport hubs and non-transport hubs stores



Jiangnan Road Wenheyong Store



Wuhan Jiangchentianjie Store



Rongqiaocheng Community Store



Lidaomancheng Community Store

1. Accelerated Expansion into Lower-tier Cities, and Opened **666** Stores

1 Broad market in lower-tier cities



Quantity of lower-tier cities

2 Excellent product and brand help market exploration

The average store sales in lower-tier cities is higher than **90%** of average store sales in tier-2 cities and significantly higher than average industry level



Store in Hengyang



Store in Huaihua



Store in Gaoan

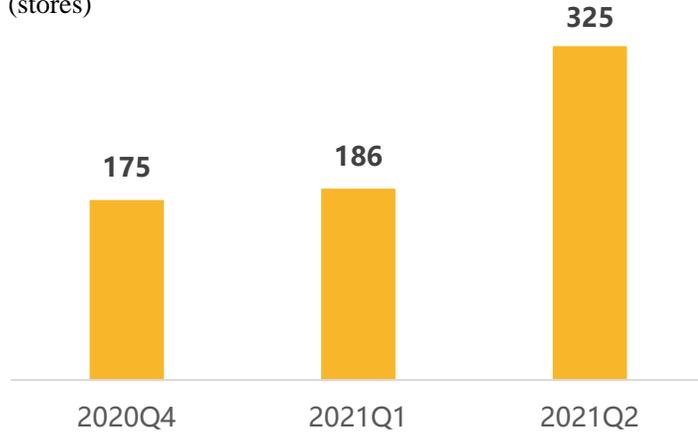


Store in Zibo

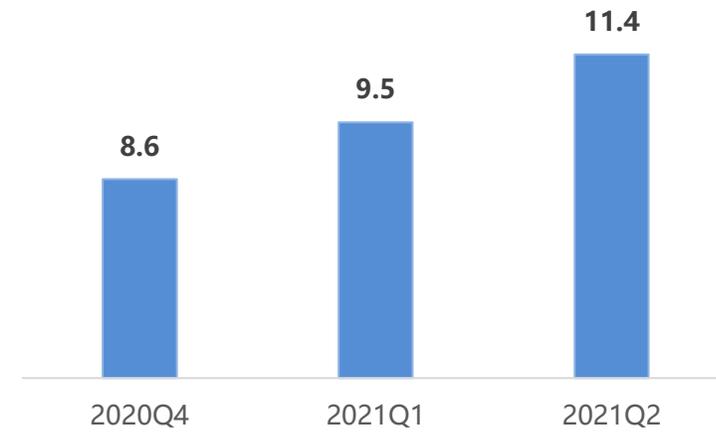


1. "Community of Common Future" Plan — Accelerating Store Opening Speed & Improving Store Quality. Aroused Franchisees' Enthusiasm for Cooperation

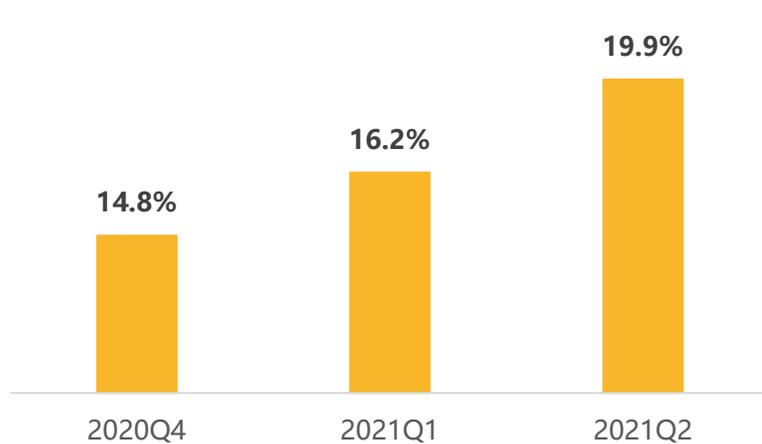
1 Significantly accelerating store-opening speed within guidance
(stores)



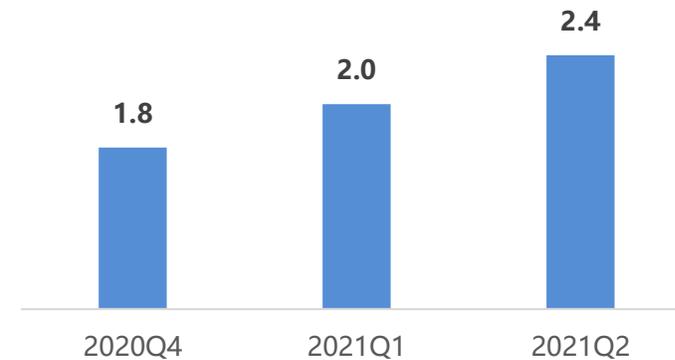
2 The number of store-openings kept rising QOQ
(stores) Numer of stores per multi-store franchisee



3 Proportion of franchised online ordering & delivery rises QOQ



Numer of stores per single-store franchisee



2. Omni-Channel Coverage — Revenue from the O&O Channel +30% YoY, Contributed 30% of Revenue

Sales of new e-commerce formats exceeded 100 million

Acquired clients by brand live-streaming and cooperated with KOLs, which contributed sales exceeded **RMB 85 million**.

- ✓ Quickly approached the major livestreaming platforms such as Tik-Tok and Kuaishou.
- ✓ Held 1,000+ livestreams, attracted at least 30 million audients.

By optimizing community retail and accelerating regional expansion, the community fresh-food e-commerce channel contributed almost **RMB 30 million** to the revenue.



Own brand live-streaming



Livestreaming by Wei Ya



Livestreaming by Li Jiaqi on CCTV



Boot screen promotion



Braised Food Festival



Website advertisement

Terminal sales from online ordering and delivery (self-operated + franchised) amounted to be **RMB 280 million**.

- ✓ Introduced talents to build a professional operations team.
- ✓ Delicacy management in various scenarios, e.g launched the “afternoon tea” theme activity, and etc.
- ✓ Improved marketing efficiency, exposure increase by 67% YoY in 2009.

Strengthened online ordering and delivery operations

3. Product Diversification — Revenue from New Products Exceed RMB 250 Million in 1H and Proportion Was Roughly 20% in Q2

Broadened price range from RMB 9.9 to 25

Supplemented flavors and categories

Embraced trend, launched hit products

Covered multiple consumption scenarios



Created the **five biggest hit** products , among which, monthly sales of "Spicy Shrimp Balls" and “Multi-spiced Duck Neck" exceeded RMB 10 million respectively.

4. Integrated Branding and Marketing — Extended the Brand's Leading Advantage



“China's 500 Most Valuable Brands” by the World Brand Lab in 2021 again



Clear position, Improve shopping experience

- ✓ Closer to client—New slogan "No appetite? Let's eat Zhou Hei Ya" cover physical and psychological scenario.
- ✓ Upgrading brand through refreshing new store image nationwide



Upgrading slogan



Upgrading store image



Unified theme to enhance brand image

- ✓ Increased marketing investment in omni-channel
- ✓ Selected as exclusive partner in the meat category of film "Chinese Doctors".
- ✓ Focused on the "Product Driving Brand" strategy to promote new products



Ads on mega LED on Jiangnan Road



Partnership with "Chinese Doctors"

5. Integrated Supply Chain Organization — Significant Cost Reduction and Efficiency Improvement, Gross Margin Increase by 4.4% YoY

Delicacy management to reduce the cost by OCM

- ✓ Accounted cost by sub-items, corrected deviation from monthly indicators, and reduced costs and enhanced efficiency.

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	●	-67	509	-80	550	●
42	●	-16	52	-6	55	●
44	●	-8	37	-14	45	●
370	●	51	347	28	315	●
172	●	-87	252	-7	236	●
188	●	-83	194	-77	245	●
130	●	-57	133	-54	159	●
51	●	7	46	2	41	●
20	●	-37	32	-25	43	●
47	●	-14	28	-33	39	●
-5	●	-58	34	-20	44	●

Operating Cost Management (OCM) mechanism

Improved efficiency by reforming technology and process

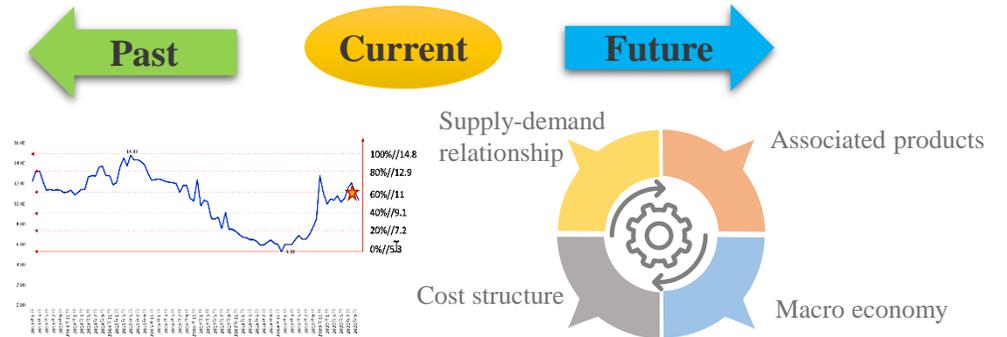
- ✓ Improved the automation level of each process



per capita unit output increased by 80%

Optimized procurement strategy and cost

- ✓ Built a model to forecast price trends and develop procurement strategies.
- ✓ Connected the front and back ends, and coordinated the marketing and procurement strategies



Industry-leading production standard

- ✓ Obtained ISO14001, ISO9001, HACCP, FSSC22000 system certification.



5. Supply Chain Optimization — Support Front-end Business Expansion . Dynamic Optimization of Logistics Network for Better Speed and Efficiency



-  4 primary warehouses (Integrated production, warehouse and distribution)
-  8 secondary warehouses (Integrated warehouse and distribution)
-  City distribution



The logistics cost per box was reduced by **10-15% YoY** in 2019



80% stores support delivery within **24 hours**
100% stores support delivery within **48 hours**



The **Nantong plant** was inaugurated in January 2021 and the distribution radius in East China was **500-600 km shorter** than that in 2020

6. Organization — Driving Sustainable Development



Professional Core Leader Team



Xie Jun
Chief Retail Development
Officer

Previously worked at McDonald's (China), and now is in charge of store development, franchising and comprehensive retailing operation management



Yang Yue
Chief Marketing Officer

Previously worked at Ogilvy, Yili, Lenovo, Mengniu and Baixiang Food, and now is in charge of marketing and branding



Kang Peng
Chief Supply Chain Officer

Previously worked at Mattel, Lenovo, Mars and Carlsberg, and now is in charge of integrated supply chain management



Guo Rong
Chief Financial Officer

Previously worked at Creawor, Longping High-tech and LBX Pharmacy, and now is in charge of overall finance work



Lv Bingran
Chief Human Resource
Officer

Previously worked at Adidas, Puma, Semir and Amass, and now is in charge of organizational development, corporate college and human resource



Share-based incentive – rolling every year and unlocking in four years to bind the benefits of company and employees in long term

- 1 Expanded from 24 persons to **160**.
- 2 Coverage of RSU expanded to key staff, including excellent front-line employees.
- 3 Repurchased **10.63 million** shares to expand employee equity pool.



Per capita operating profit increased
11% compared to 1H2019

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天天

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新品上市
NEW!!!

(卤鸭肠、鸭郡把、卤鸭翅根) 原价 24.9元/盒



没滋味?
就吃周黑鸭



弹韧
卤鸭肠
80g

脆爽
鸭郡把
100g

Section III

Outlook

香嫩
卤鸭翅根
170g

Layout of Community scenarios in the Post-pandemic Era

Explored community store model

- ✓ Over 200 community stores have been opened in Wuhan that have leading single-store sales the industry
- ✓ With low operation costs and the excellent financial model, more than 95% of the franchised community stores are profitability
- ✓ Community consumers have high loyalty, franchisees are willing to open stores



Xinzhu Road Community Store



Guanggu Zuobiaocheng Community Store

Accelerated layout of community scenarios



Duplicate successful model in Wuhan community, and accelerate to promote it nationwide



Be diligent in the development of near-field retail, and follow consumption tendency in emerging channel, such as community fresh-food e-commerce and new retail



Combine consumption habits of community scenarios to develop categories that are rigid demand and high frequency



Six Development Strategies Consolidate Foundation, Mitigate Risk of Pandemic Normalization, Support Sustainable Growth

Upgrade of Business Model

After developed franchised capacity , we bulid successful franchised store model and opened 1109 new franchise stores . We will continue to increase the coverage of offline stores and gradually promote the community store model .

Omni-channel Coverage

The O&O channel revenue grew rapidly by 30%. Favorable achievements were made in new business channels like livestream, community fresh food e-commerce channel and online ordering and delivery. We will continue to upgraded digital and intelligent operation capacity to increase the sales efficiency and maintain high-speed growth of the O&O channel

Product Diversification

The group has formulated a full-lifecycle product R&D system, and has capacity to launch diversified products. Revenue of new products accounted for nearly 20% of the total revenue in Q2. In the future, we strive to launch five new biggest hit products that can sale over RMB 100 million in the annual sales, and focus on innovate categories that adapt to diversified consumption scenarios



Integrated Branding and Marketing

Increasing marketing investment promote to reach more consumers. The new store image “Little Yellow Stores” and the new slogan "No appetite? Let's eat Zhou Hei Ya" address on consumer mind and deepen brand awareness

Supply Chain Optimization

The group adopt delicacy management to reduce the production costs while increasing efficiency, mainly depend on measures beyond: OCM management mechanism, optimization of purchase strategies, improving auto level of producing and dynamic optimization of logistics network .

Organization Capacity Enhancement

The professional management team promotes strategy implementation. The share-based incentive plan that roll every year and unlock in four year bind the benefits of company and employees in long term, so as to drive the sustainble development of the group

THANK YOU

