



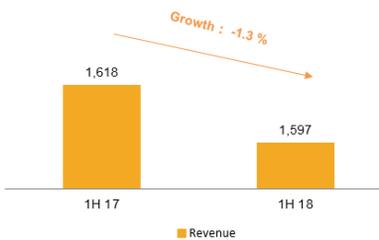
Newsletter (3rd Quarter 2018) Oct 2018

I. Zhou Hei Ya Announces 2018 Interim Results

The Group announced its interim results on 29th August 2018 and issued the interim report on 24th September 2018. The domestic food industry is facing strong competition and the reformation of the retail market continues to adjust. However, under this complicated business environment, the Group's performance remained stable. The Group improved its business by optimizing production capacity, renovating stores, entering into new cities and enhancing brand image, which led to a solid profit. In the future, leveraging the enhancement of optimization and improvement in all aspects of business, the Group is expected to make a strong recovery.

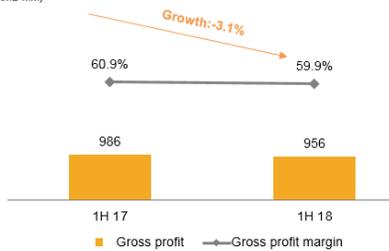
Revenue

(RMB MM)



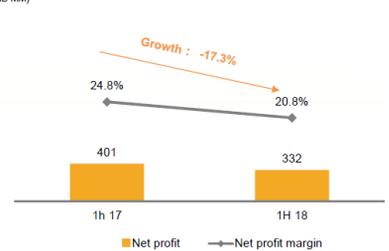
Gross Profit

(RMB MM)



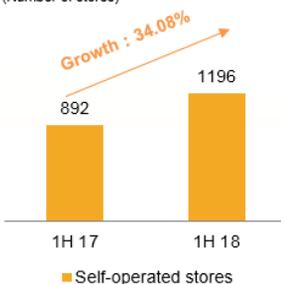
Net Profit

(RMB MM)



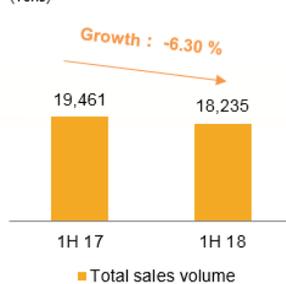
Number of self-operated retail stores

(Number of stores)



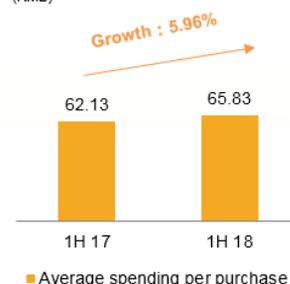
Total sales volume

(Tons)



Average spending per purchase order

(RMB)



Average selling price

(RMB/Kg)

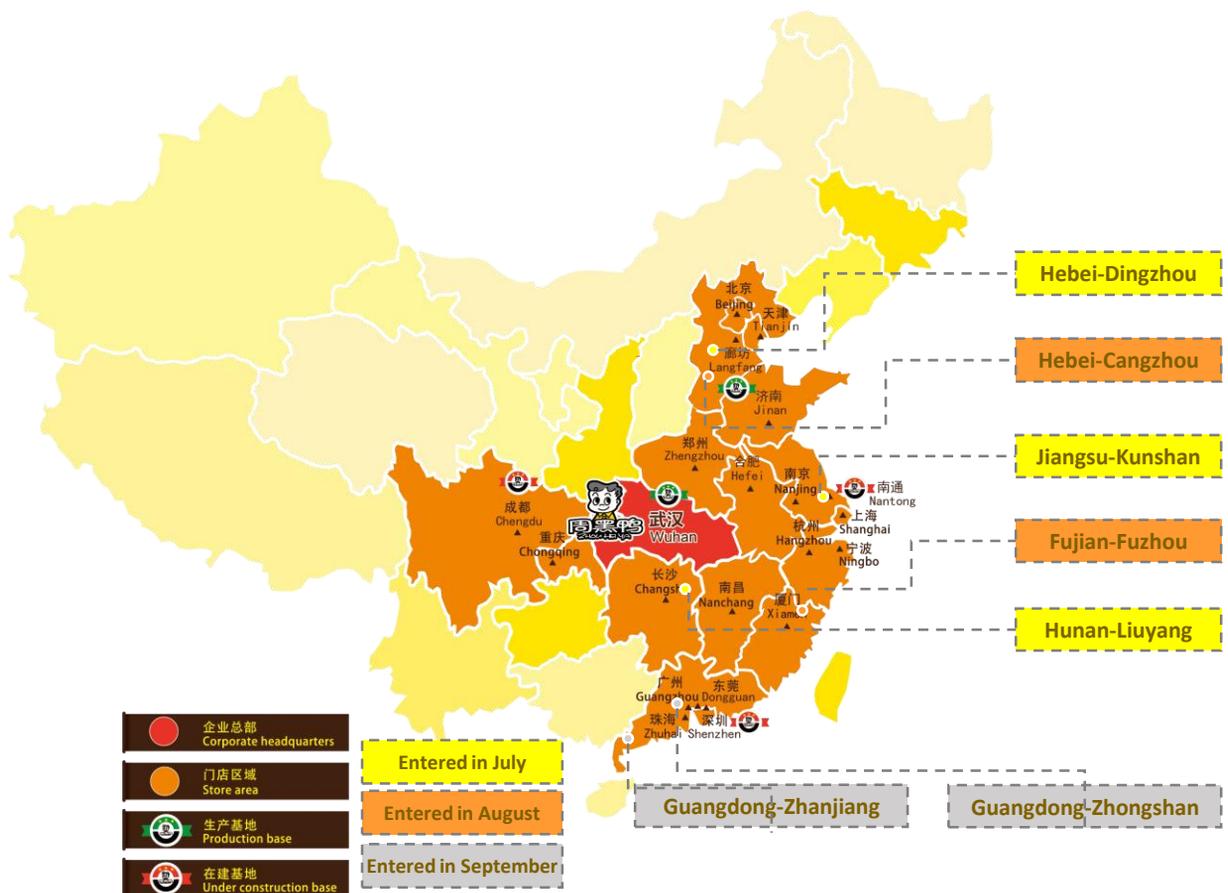




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II. Continues Optimizing Production Capacity, Stores Enter New Cities

To further optimize production operation, increase capacity and efficiency, the Group's Shanghai processing facility was closed in June 2018. A new processing facility in Nantong, Jiangsu will serve the demands of cities in East China. Furthermore, the automated upgrading of the Wuhan processing facility phase I has been completed.



As of Q3 2018, the Group had entered into seven new cities with recognized consumption potential. The Group is on track to complete its comprehensive retail store network in North, Central, East and South China. Zhou Hei Ya has stores in 16 provinces and municipalities, in a total of 85 cities.



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III. Diversified Brand Placement: Upgrade Store Image and Boost Brand Recognition

With increasing market competition in Mainland China, Zhou Hei Ya has successively upgraded its store design. The new design shows the concept of “more entertainment, more fun” by applying the logo and elements related to products in a fashionable, modern and youthful way. The store image upgrade will improve the brand image and optimize customers’ purchasing experience, to enhance the brand recognition of Zhou Hei Ya.



Currently, the image upgrade is focused on stores in Central China. The Group believes that leveraging the store image upgrade will help to increase the offline retail performance and the customer flow volume, leading to the growth of product sales.



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III. Diversified Brand Placement: Deliver Brand Value and Expand Brand Impact

To enhance brand identity among young customers, especially those at universities in North China, Zhou Hei Ya sponsored a music festival, “HeyYA! The Campus of Rock Festival”, in September. Zhou Hei Ya supported young people’s love of music and their pursuit of dreams, and the Group integrated the brand concept of “more entertainment, more fun” at the festival, to boost brand loyalty. The festival also disseminated brand culture and positioning.



To strengthen its brand impact in South China, in October 2018, as the Official Snack Provider of China International Cartoon Festival Exploration (CICF EXPO), Zhou Hei Ya provided uniforms and snacks for more than 300 on-site staff. It also set up a *Zhou Hei Ya Braised Food Store* at the EXPO to provide its products to visitors. Meanwhile, the Zhou Hei Ya team was invited to the China International E-sport Enterprise Cup Competition and won the first prize. Brand awareness of Zhou Hei Ya was boosted at the event with over 2.5 million different types of exposure. The Group also advertised its support to cartoon and E-sport industries, further expanding its target group and spreading its brand concept.



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III. Diversified Brand Placement: Advocate for Environment Protection, Enrich Brand Connotation

Zhou Hei Ya understands that the stable development of an enterprise must be in line with its social responsibility. In August, Zhou Hei Ya opened a theme store on Jiangnan Road in Wuhan, called River Dolphin Store. As a domestic brand founded in Wuhan, Zhou Hei Ya's theme store aims to arouse awareness towards the protection of river dolphins and nature by telling customers about the dangers of plastic bags and improving their awareness of nature in Wuhan and across China.





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II. Recognized by Hubei Top 100 Manufacturers and Wuhan Top 100 Enterprises

In July 2018, Zhou Hei Ya was awarded the “2018 Hubei Top 100 Manufacturers” issued by Hubei enterprises Association and Hubei Entrepreneurs Association.

In August, Zhou Hei Ya was featured on the “2018 Wuhan Top 100 Enterprises”. The list is jointly released by Wuhan Enterprises Association, Wuhan Entrepreneurs Association, Changjiang Daily Newspaper Group, Wuhan broadcasting System and Wuhan Development Strategy Institution.



The two awards showed that the comprehensive strength of Zhou Hei Ya has been recognized by authoritative institutions, the market, and the society. As a domestic enterprise in Hubei, Zhou Hei Ya keeps striving to be the market leader, constantly seeks innovative and diverse product directions while consolidating the business foundation, ensuring steady and sustainable growth. The Group also pays attention to corporate social responsibility and shows its gratitude to social support.



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