

A cartoon character with black hair, wearing a black apron with a yellow duck face, and an orange long-sleeved shirt. The character is smiling and has their fists clenched in a determined pose. The background is a colorful grid of various icons including a duck, a chili pepper, a lotus seed, a film reel, a checkered pattern, and a stylized duck face.

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

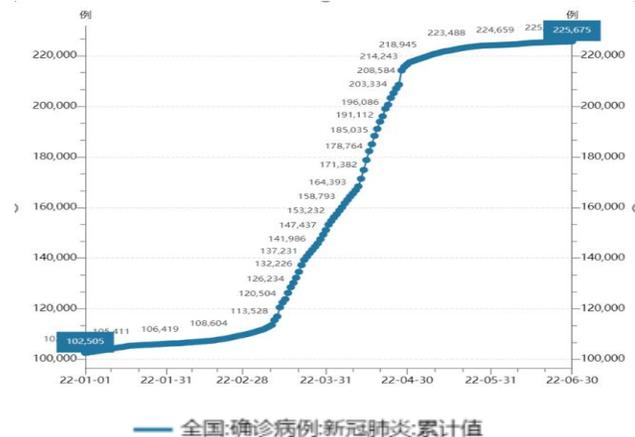


Lockdown in Wuhan for 76 Days

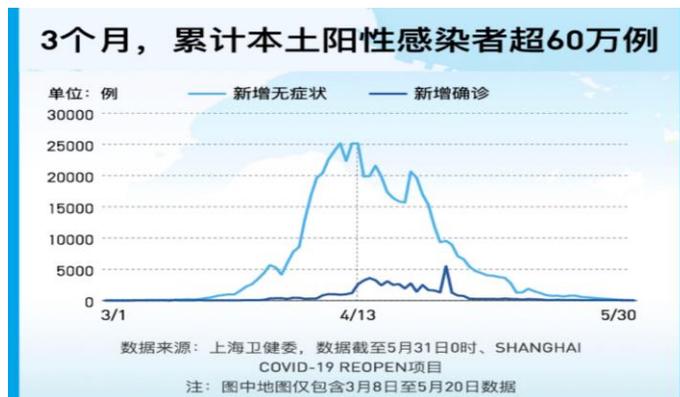
- **Limited regions** under substantial impact nationwide: except for Hubei, other regions back to normal since mid-April.
- **Traffic flows back to normal in May**

2022: More Aggravated Impact, Broader Area and Tighter Regulation

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

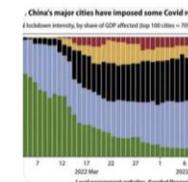


Up to June 1, Shanghai Has been Locked Down for 61 Days



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 个

高风险区

756 个

中风险区

170 个

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

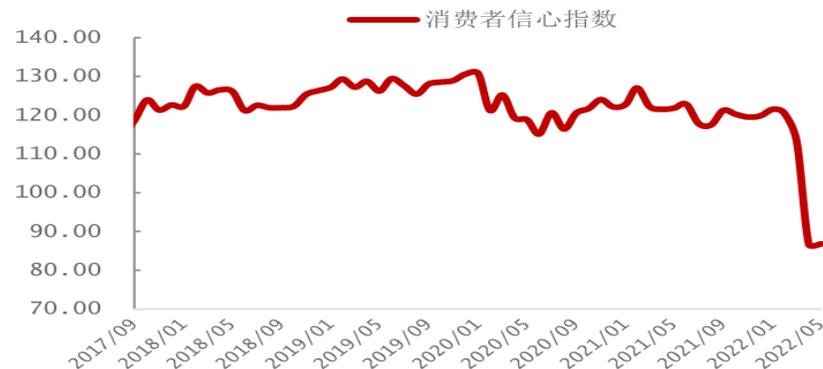
图 7: 城镇调查失业率, YOY



数据来源: 国家统计局, 东方证券研究所

Consumption Sentiment

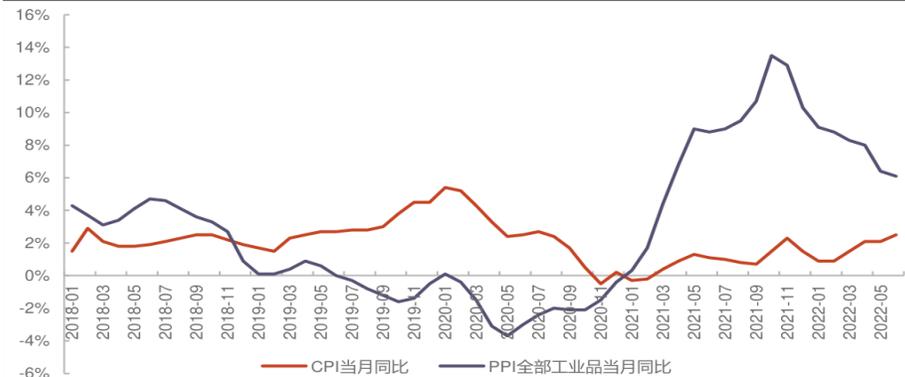
图 23 消费者信心指数



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。

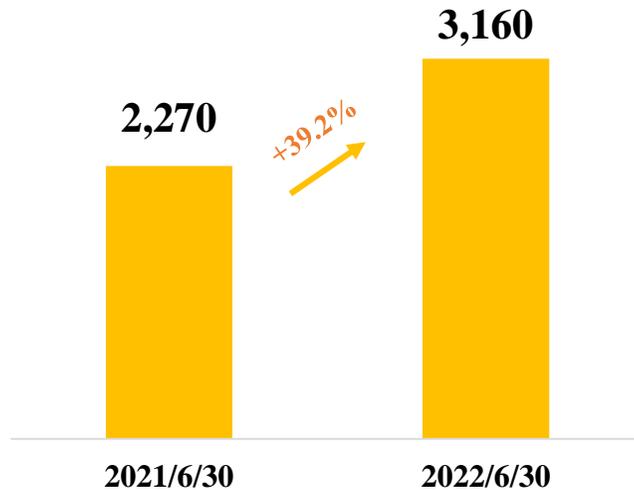




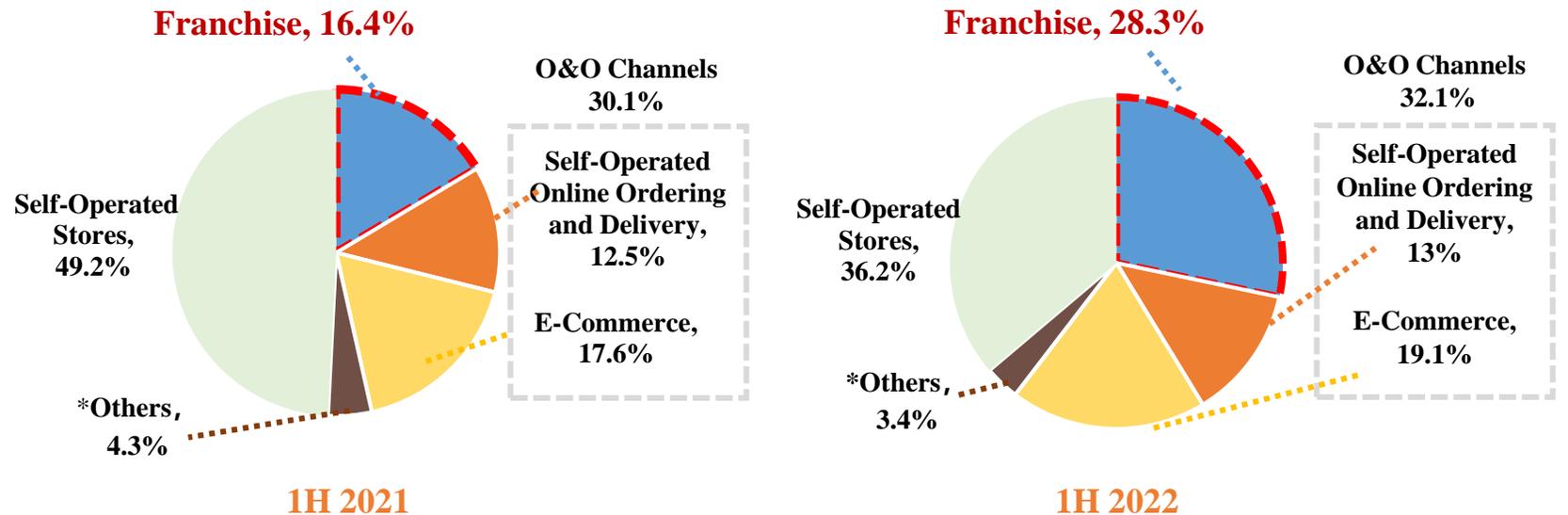
Results Review - Store Expansion & Omni-Channel Integration

Total Number of Retail Stores

(STORES)



Revenue by Sales Channel



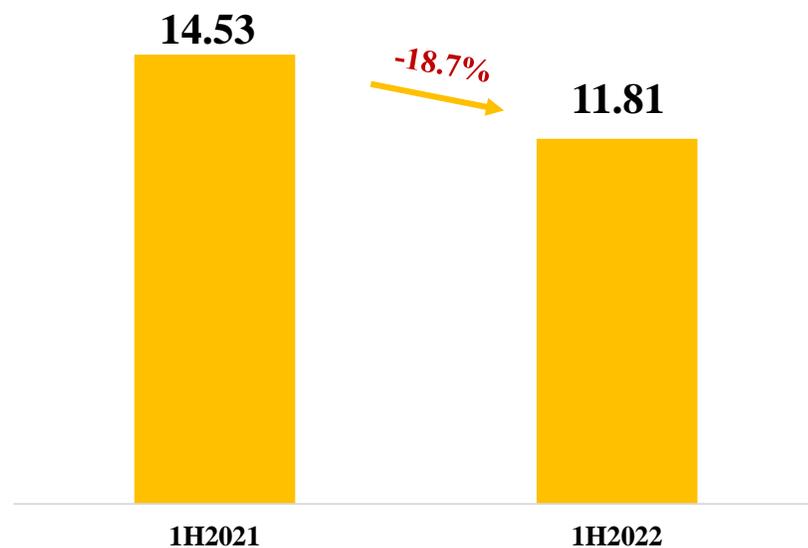
*Mainly generated from the distributors revenue



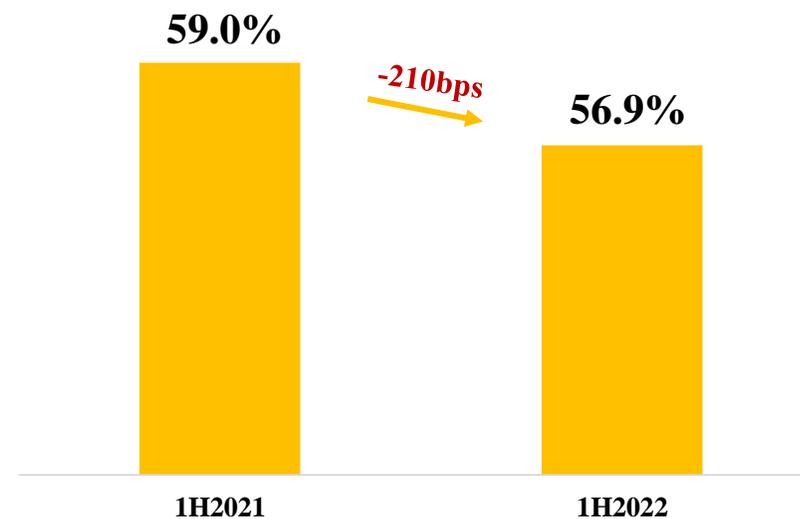
Results Review - Revenue & Gross Margin

Revenue

(RMB mm)



Gross Profit Margin





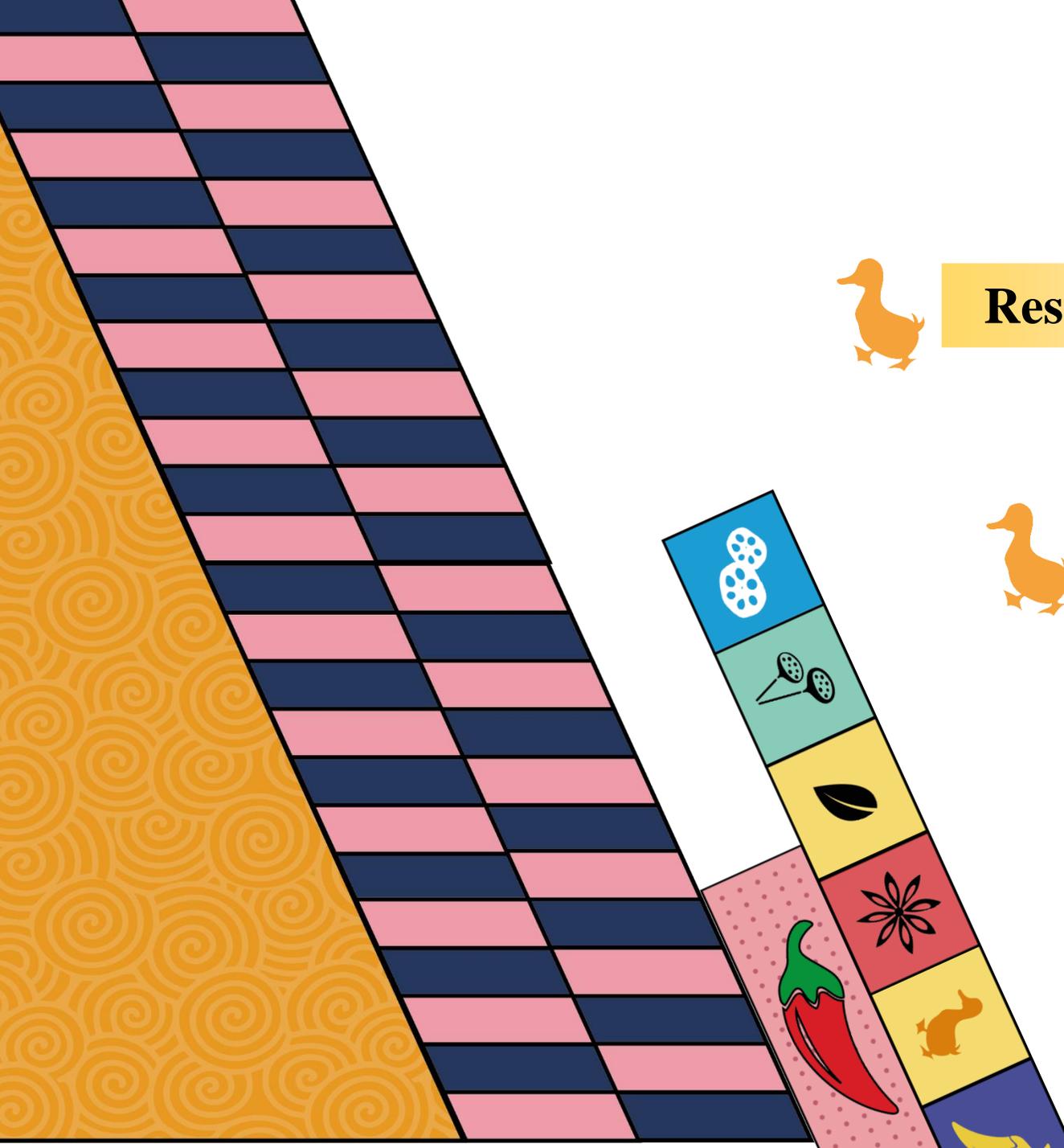
Results Review



Operation Analysis



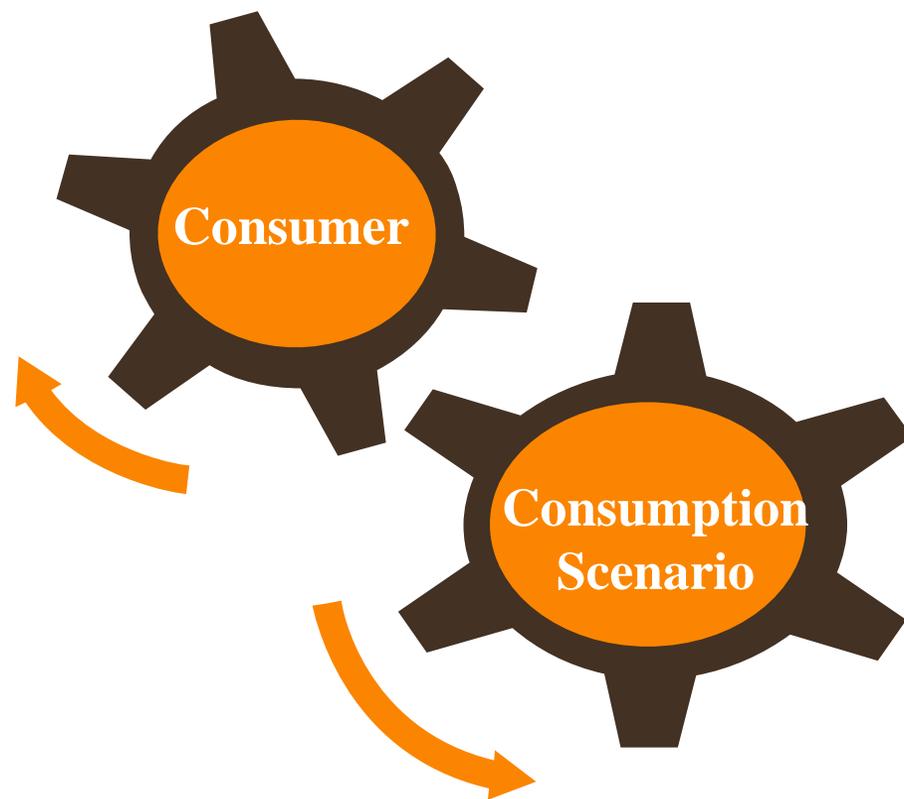
Outlook





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.

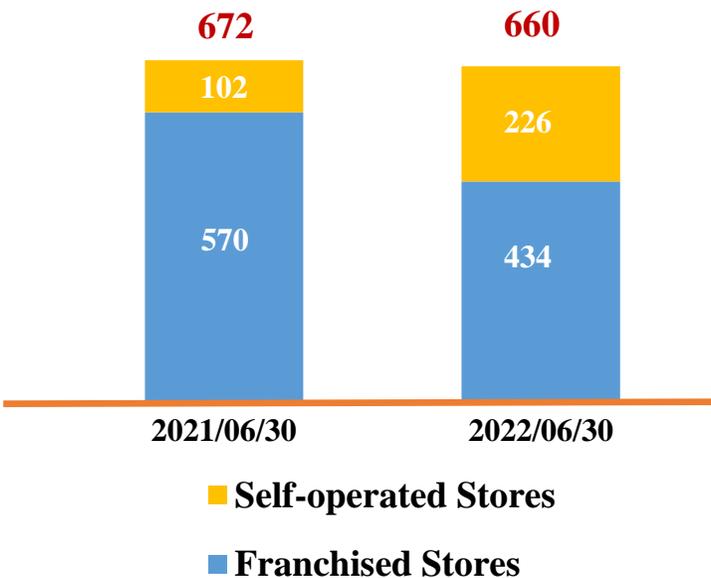


- **Traffic volume of transportation hubs** fluctuates significantly due to the pandemic.
- The traditional Mall traffic dropped significantly, and the traffic of **one-kilometer living circle in the community** increased.
- **The process of urbanization has been accelerated** with vast space for **lower-tier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



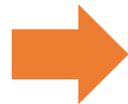
I. Offline Stores - Accelerated Expansion Driven by 'Light Investment' Stores

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



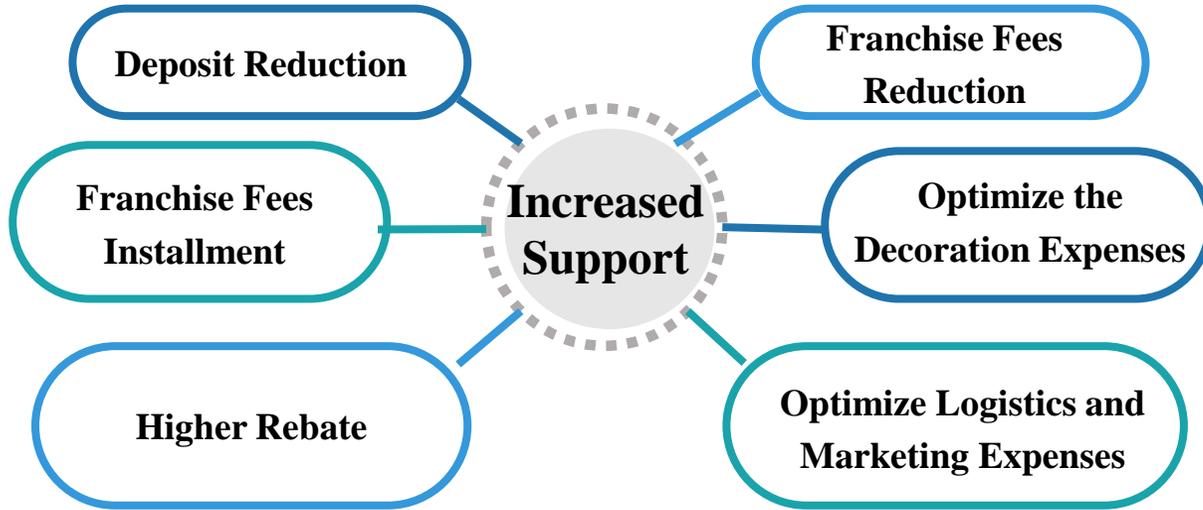
Self-operated Store with Heavy Investment and Fees 'Little Yellow Store'

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





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



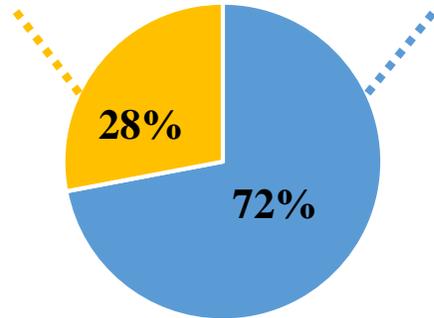
Single-Store Franchise Model 2.0

Lowered Cost

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

517 Stores in the Multi-Store Franchise Model

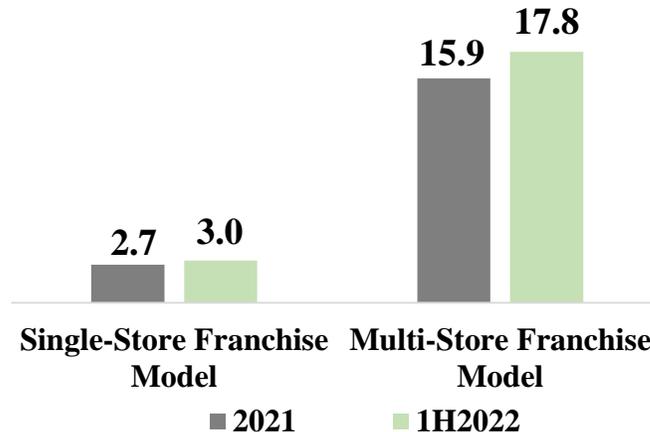
1,301 Stores in the Single-Store Franchise Model



Number and Proportion of Franchised Stores by Model

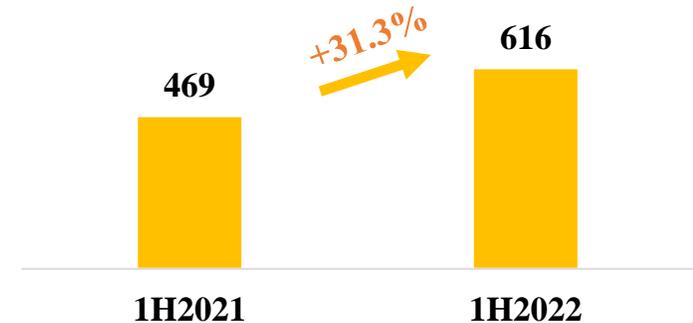
Number of Stores Per Franchisee

(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"> • 300+ First Class Railway Stations and Above • 40 Airports with an Annual Passenger Throughput of More than 5 Million 	229
Commercial District	6,000+ Shopping Malls	2050
Community	190,000+ Urban Communities	561



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



2nd Best-seller among
all SKUs





IV. Youngsters Oriented Campaign for Crayfish Product





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

Accurately Capture Buying Time

- Improve **Volume-Price Forecasting Model**
- **Diversified Procurement Means**

Continuously Reduce Cost and Increase Efficiency

- **Energy Consumption Management Matrix**
- **Self-operated Technical Transformation of Sewage Treatment**
- **Improvement of Value Chain of Single Product Raw Materials**

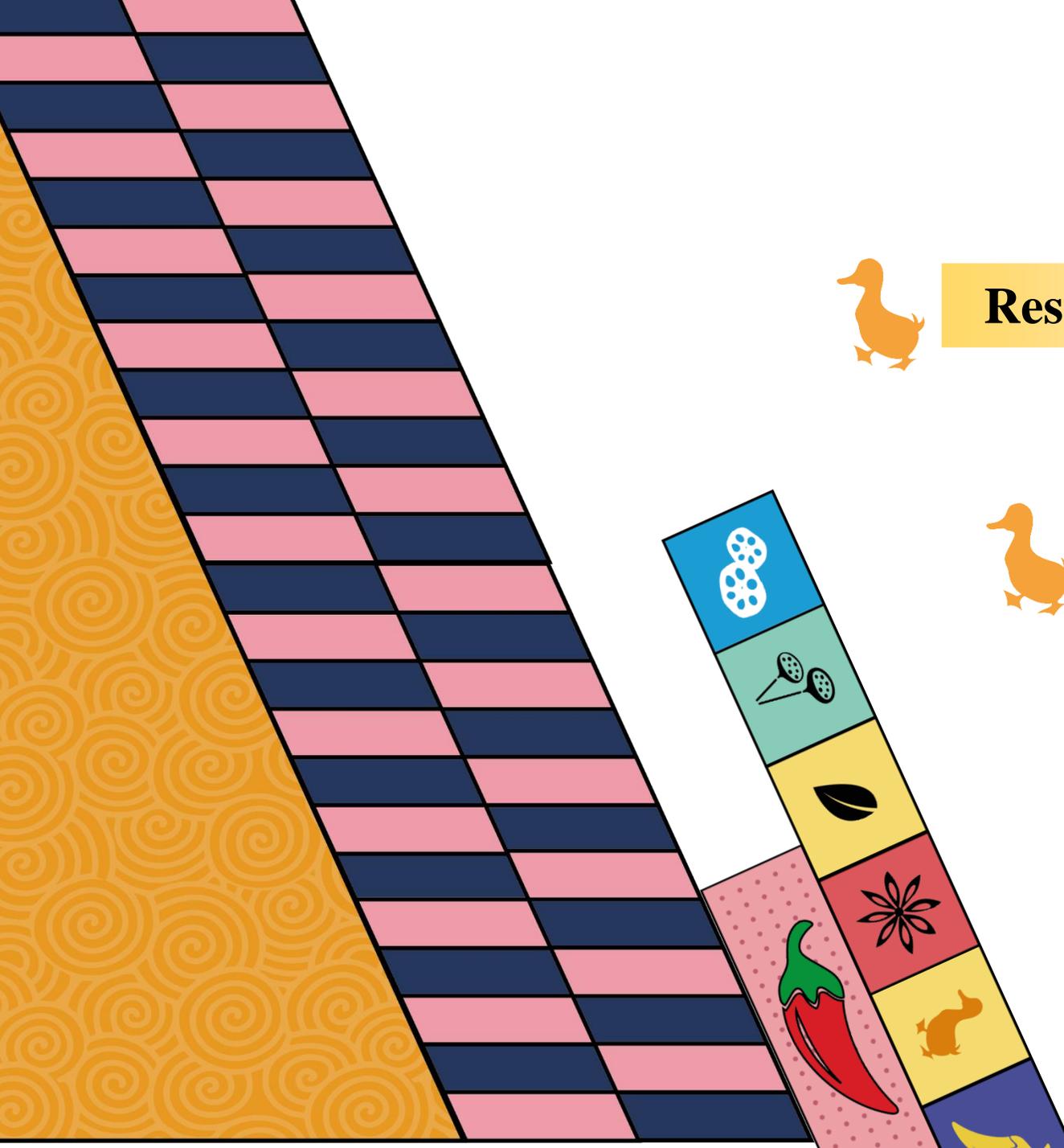
Coordination of Production, Supply and Marketing

- **Coordination Meeting of Production, Supply and Marketing**
- **Adjust Product Portfolio and Promotion Plan**

Improve Logistics Efficiency

- **Dynamic Management for Each Layer of Networks**
- **Scenario Analysis based on Big Data**





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 1st Year
Deposit: RMB50k
Decoration and Equipment: RMB100k - 150k

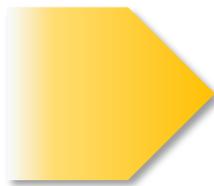
Entry Franchise Fee:
RMB30k in the 1st Year
Deposit: RMB10k
Decoration and Equipment: RMB40k - 60k



Little Yellow Store
Store Area: From 20 m² + → 10m²

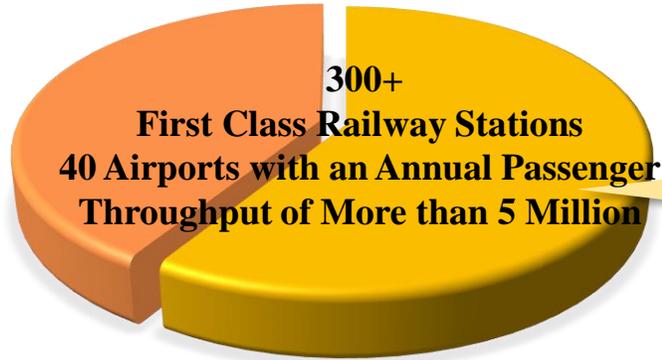


Steadily Promote Community Store Model



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

700 Stores



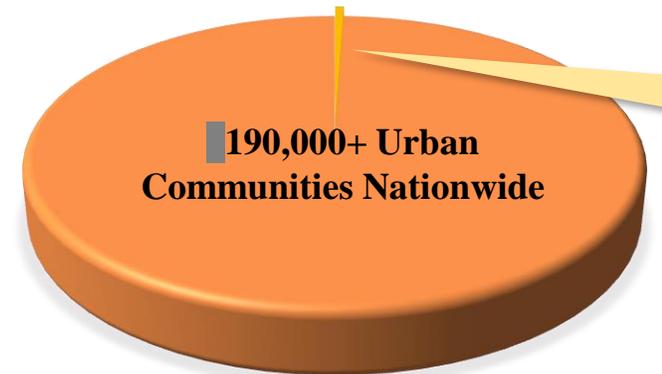
Maintain the Leading Role

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

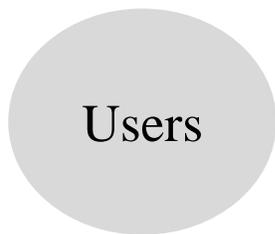
Slightly-Spicy Series



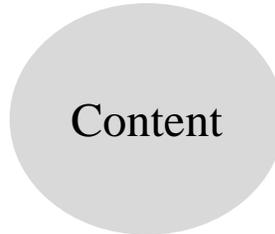
Next: RTE & RTC Series



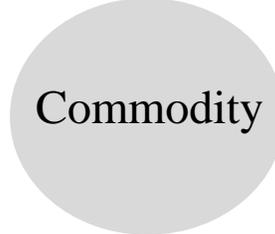
Emerging Growth Platform: Content-Oriented E-Commerce Platform



Viewing



Purchase



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**



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THANK YOU



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