

TARGET

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ZHOU HEI YA INTERNATIONAL HOLDINGS COMPANY LTD: IT CAME, IT SAW, IT CONQUERED !

Zhou Hei Ya International Holdings Company Ltd (周黑鴨國際控股有限公司) is an investment holdings company, based in The People's Republic of China (PRC), however, its entire Issued and Fully Paid-Up Share Capital, since November 11, 2016, has been listed on the premier equity market of The Stock Exchange of Hongkong Ltd.

The Company is, principally, engaged in the production, marketing, and retailing of casual braised duck-related food, braised red-meat products, vegetable products, and other braised poultry products.

Management relies, entirely, on the PRC domestic markets for the sales of its products, with Central and Southern China, being its major markets.

As at December 31, 2023, the Company had 3,816 retail stores, including 1,720 self-operating stores, and 2,026 franchised retail stores, covering 331 cities in 28 provinces, autonomous regions, and municipalities of the PRC.

In short, Zhou Hei Ya International Holdings Company Ltd (周黑鴨國際控股有限公司) (Code: 1458, Main Board, The Stock Exchange of Hongkong Ltd) is one of the largest enterprises in its chosen genre in the second-largest economy of the world, a country, being the home to not less than 1.41 billion, men, women and children.

The Company, known popularly as 'Zhou Hei Ya' in the PRC, published and disseminated its 2023 Annual Report on or about Thursday, April 18, 2024, in the Hongkong Special Administrative Region (HKSAR) of the PRC.

At pages five and six of this 204-page Annual Report, the Chairman of the Board of Directors of Zhou Hei Ya International Holdings Company Ltd, Mr Zhou Fu Yu (周富裕), had this to impart to his shareholders of the Company:

'In 2023, the global economy recovered slowly, and the Chinese economy posted good momentum despite pressures. The year 2023 marks the first year since the lifting of COVID-19 restrictions. As public travel resumed, we witnessed a gradual resurgence of human traffic, accompanied by a partial return of online traffic to offline channels, injecting new vitality

into the market. However, amidst the triple economic pressures of shrinking demand, disrupted supply and weakening expectations, the public consumption environment and habits have also undergone profound changes. Due to the challenges of slack consumer demand and weakened consumer confidence, consumer brands operating within the consumption upgrade cycle need to adapt to industry trends and embrace changes to achieve a soft landing amid consumption differentiation.

‘Looking back to 2023, Zhou Hei Ya closely followed changes in the consumer industry, adeptly adjusted its business strategies, and endeavored to improve its operational quality against considerable cost increases and intricate external challenges. In terms of store expansion, we concentrated on stores located in transportation hubs to enhance their operational efficiency. In terms of products, we aligned our strategies with consumer preferences and introduced cost-effective new products and packages. In terms of channel expansion, we proactively operated emerging online platforms and channels to expand our consumer reach. Meanwhile, we remained steadfast in meeting our highest standards in quality, flavors and services. On the supply chain side, we prioritized cost reduction, efficiency improvement and refined operations, and promoted the full-link collaboration, laying a foundation for our business growth.

*‘In 2023, quality remained paramount in our expansion efforts. In response to evolving market conditions, we actively adjusted the strategies on opening new stores, expanding the layout of stores in transportation hubs and high-potential business zones based on the development trends of different channels, with a view to optimizing and upgrading the structure of our store network and strengthening our channel advantages. As of December 31, 2023, the Group had a total of 3,816 retail stores. In 2023, our channel layout was more targeted. Based on our judgments of changes in consumer market trends, we improved the strategic layouts of both online and offline channels to foster multi-channel synergy, implementing refined management tailored to different channels, aiming to achieve optimal operational results and drive business growth. Flexible supply chain remains our consistent production philosophy. In 2023, we prioritized the three core strategies of “**supply assurance, quality improvement, and cost reduction and efficiency enhancement.**” Relying on the continuous and dynamic optimization of logistics network, the upgrades to the OCM management mechanism (Organizational Change Management) and other measures, we effectively mitigated the impact of rising raw material costs on gross profit margin and maintained a sound gross profit margin.*

‘Brand and product strengths are the core fundamentals of the Company. Under the strategies of product diversification and brand rejuvenation, we continued to attract young consumers in line with market trends and endeavored to enhance our brand influence and competitiveness, with a view to winning the favor of consumers amidst increasing market competition. On the one hand, in an effort to horizontally expand categories and flavors and vertically extend the price range, the Group

has introduced a variety of cost-effective new products and packages and made great effort to build a product matrix catering to the diversified consumer needs. On the other hand, the Group implemented the brand rejuvenation strategy, and attracted more Generation Z consumers through co-branding activities and fun interactions, unleashing the vitality of brand rejuvenation. Meanwhile, the Group has steadfastly upheld its commitment to quality, and constantly optimized its products and services to promote the high-quality development of the Group.

*‘Despite the external environment has been challenging in recent years, the experiences and trials throughout the year have instilled Zhou Hei Ya with greater stability, composure, and resilience. At the same time, we are confident in the Chinese economy and market, as well as the growth potential of the braised food market. In the coming year, we will follow our established strategy with unwavering confidence to cope with the differentiated consumer market and capitalize on our foreseeable business development to address unpredictable changes, becoming a long-term leader in the braised food industry. We will continue to promote the dual-drive mode of “**self-operation + franchise**”, consolidate our advantages in high-potential channels, and enhance the quality of store operations. We will also persist in promoting product innovation to capture online and offline opportunities, and make all-out and concerted efforts to create unique braised Chinese food based on our values of “**being open-minded, pragmatic, honest and trustworthy**”, thus providing more delicious, healthy and convenient braised food for our consumers. Meanwhile, we will remain committed to exploring new consumption scenarios and creating new growth poles to enhance the resilience of the Company. Finally, on behalf of the Board, I would like to express my sincere gratitude to all employees of Zhou Hei Ya, all Shareholders, consumers and partners for your consistent support. The year 2024 stands as the most pivotal year for Zhou Hei Ya to achieve a soft landing. Despite a complex and severe external environment, we will strive to secure a stable soft landing for our flagship brands and will explore expanding the casual braised and table braised two-in-one new store model. We are well prepared to tackle challenges and capture opportunities, and are poised to maintain sustainable development and deliver outstanding results in the future!’*

At pages seven through to 30 of the 2023 Annual Report of the Company, ‘**The Business Review and Outlook**’ was presented, from which this medium determined to extract that which were considered amongst the most-interesting, separate pieces of intelligence:

‘Although there is an overall upturn in China’s consumer market in 2023, the recovery of residents’ purchasing power and confidence is still relatively slow, leading to noticeable structural disparities in consumer demand. On one hand, the consumer demand in discretionary spending has slowed down under the backdrop of subdued income expectations, with more prudent consumption preference and pursuing products that are more affordable and offer the best value for their money. On the other hand, as the trend of consumption upgrading persisted, consumers

increasingly prioritized the fulfillment of personal value and the satisfaction of inner demand as well as the growing emphasis on experiences and services. Furthermore, with the development of the Internet, the accelerated integration of online and offline channels and the rapid development of emerging social media platforms, the overall shopping experience for consumers also continued to improve.

‘In the new consumption patterns, companies in the consumer industry must adapt to the industry trend, proactively embrace change and seek for new market opportunities amid pressures and challenges. At the same time, in the face of intricate and ever-evolving economic landscape and increasing industry competition, enterprises should remain committed to a “people-oriented” approach, prioritize core consumer groups and thoroughly understand and satisfy consumers’ evolving needs to constantly seek for innovation and growth and capture consumers’ attention with innovative ... [CLICK TO ORDER FULL ARTICLE](#)

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