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Zhou Hei Ya International Holdings Company Limited

周黑鴨國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1458)

CLARIFICATION ANNOUNCEMENT AND RESUMPTION OF TRADING

This announcement is made by Zhou Hei Ya International Holdings Company Limited (the “**Company**”) further to the announcement of the Company dated March 5, 2019 with respect to a report (the “**Report**”) recently issued by an entity which contains allegations against the Company’s business operations and financial results, and is published by the Company pursuant to Rule 13.09 of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the “**SFO**”) to refute and/or clarify the certain allegations made in the Report. Save as disclosed in this announcement, after having made enquiries with respect to the Company as is reasonable in the circumstances, the Company confirms that it is not aware of any information which must be announced to avoid a false market in the Company’s securities or any inside information that needs to be disclosed under the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the SFO.

The Report disclosed that its author may have a short interest in the shares of the Company (the “**Shares**”) and therefore stand to realize significant gains in the event that the price of the Shares declines. As such, the board of directors of the Company would like to emphasize that the shareholders of the Company and potential investors should exercise extreme caution in reading the Report and that its allegations should be read in light of the significant gains its author may stand to realize. As explained

in detail below, the Report contains a concoction of errors of fact, deliberately misleading statements, and unfounded speculations which the Company believes are combined in the Report with a view to manipulate the price of the Shares and undermine the Company's reputation.

CLARIFICATION ANNOUNCEMENT

The Company denies and refutes the unfounded allegations in the Report

The Company hereby responds to and refutes the allegations made in the Report on the business operations and financial results of the Company and its subsidiaries (collectively, the “**Group**”).

The Report falsely accused the Group of overstating its revenue for the six months ended 30 June 2018 by inflating its sales volume, primarily through sales order cancelation, as well as inflating average customer spending by unspecified means.

The Group will refute, as elaborated below, each of the core allegations and accusations as follow:

1. False allegation on the Group's sales recording

The Group would like to clarify that, as elaborated below, it does not record any canceled order as sales, and the Report entirely misunderstood how the sales slip number works. Also, in connection with the suspended orders, a canceled order does not mean a canceled transaction. The Group would also like to clarify that the cancelation allegedly observed by the investigator hired by the author of the Report is indeed a practice to promote operational efficiency and improve customer service.

a. The Group does not record canceled order as sales

Cancelation of sales order is not a rare occurrence in the retail business in China, and the Group, just like any other reasonable companies or business owners, does not record as sales canceled order or any other orders not coupled with a tender of payment. Therefore, the accusation that the Group inflates its sales through intentional cancelation of sales order is frivolous and without merit.

In particular, the Group record sales based on the record shown in its enterprise resource planning (“**ERP**”) system, which in turn is derived from the retail management system for points of sale (“**POS system**”). While the Group's POS system would record all the sales order processed through a specific machine, including all the canceled and suspended orders, only

orders coupled with payment will be uploaded to our ERP system and recorded as our sales. In addition, the Group also carries out a daily reconciliation of its sales record and its cash receipt to ensure the accuracy of its sales record.

b. Cancelation of sales order is normal and justifiable

Cancelation of sales order occurs in two scenarios, and as elaborated below, each of which is a normal part of the retail business and is entirely justifiable. In particular, as elaborated below, the Report misunderstood the meaning of original sales slip numbers shown on the Group's sales slip.

i. Normal cancelation

As a normal part of the retail business, customers sometimes change their mind and request to cancel the entire order outright. The Group accepts that it is normal for the nature of its business and allows its customers to cancel an order before payment. Such canceled transaction will not result in an original sales slip number on subsequent sales slip.

ii. Order suspension

From time to time, the Group's sales clerks assist the customers at the check-out counter to suspend an order to allow them to shop for additional items. This occurs frequently when customers learn about price break promotion at the counter and determine to purchase additional items to be qualified for the discount. In peak hours, the sales clerk would normally suspend the order being processed if the customer wishes to shop for more items, which allow the sales clerk to service the next customer in the long waiting line.

The suspended order would typically be canceled until the customer returns. Once the customer returns, the sales clerk would reactivate the suspended order and complete the sale. The sales slip would then show the number on the suspended order as an "original sale slip number."

To expedite customer services and improve operational efficiency, the Group's POS system allows the sales clerk to open a new sales order without canceling a suspended order, and some of the Group's sales clerks take advantage of this design and utilize non-peak hours to complete the cancelation process for the suspended orders generated in peak hours in bulk.

2. *Unfounded speculations on sales volume inflation*

The Report alleged that the Group inflated its average daily sales volume (“ADSV”) for its stores in Central China, which comprises Hubei, Hunan, Henan, Jiangxi and Anhui provinces, for the six months ended 30 June 2018 by 38.7%. The Group would like to clarify that such outrageous accusation is arrived at by a combination of overestimation of the Group’s ADSV for the six months ended 30 June 2018, unfounded speculations on the Group’s ADSV for the three months ended 30 September 2018 and a misleading comparison between different periods.

a. Overestimation of the Group’s ADSV for the six months ended 30 June 2018

The Report alleged that the Group’s stores in Central China has an ADSV of 174 for the six months ended 30 June 2018, which is based on the assumption that the Group’s stores in Central China recorded the same average spending per order (“ASPO”) as the national average.

However, the Group would like to clarify that, for the six months ended 30 June 2018, the Group’s Central China ASPO was approximately RMB10 higher than the national average. Based on the Group’s actual Central China ASPO, the Group’s Central China ADSV for the six months ended 30 June 2018 was approximately 150, which is approximately 14% lower than the ADSV calculated in the Report.

b. Unfounded speculations on the Group’s ADSV for the three months ended 30 September 2018

The Report alleged that the Group’s Central China ADSV for the three months ended 30 September 2018 is inflated by 28% on the following basis: (i) the last hour sales slips obtained in each of the Group’s stores in Central China on one or more given days; and (ii) a field survey conducted in 11 of the over 500 stores on one or more given days.

The Group would like to point out that the Report arrives at its conclusion on flawed assumptions and methodologies on the following grounds:

i. Misunderstanding of retail business

The Report alleged that it can infer the Group's "true sales volume" by monitoring activities in 11 of the Group's more than 500 stores in two out of the five provinces defined as Central China. It is alleged that the sales slip number is 28% higher than the number of transactions observed.

While there is no proof that the survey technique and methodology undertaken by the author of the Report is thorough and accurate, the Group assumes for the purpose of argument that the 28% difference existed in the 11 stores monitored. The Group would like to clarify that the difference could be the result of the combination of (i) the sales slip number includes canceled and suspended sales orders, and it will inevitably be higher than the actual sales volume as explained above, and (ii) the wrongful assumption that one observed transaction can only render one sales order. In reality, numerous scenarios could lead to multiple sales order from one observed transaction. For example, delivery riders typically have to fulfill multiple separate delivery orders and therefore has to place multiple separate sales orders from the stores. Customers may split their purchases into multiple orders in order to enjoy the price break discount on each of the orders.

ii. Insufficient sample size

Assuming for the purpose of argument that the author of the Report did dispatch investigators to visit each of the Group's more than 500 stores in Central China to collect sales slips on one given day out of the 92 business days in the three months ended 30 September 2018, the sample size would only be approximately 1.1%, by no means a statistically significant sample size unless the daily sales volume fluctuations for most if not all the stores are insignificant.

To suit its own purpose, the Report wrongfully assumes that the daily sales volume fluctuation is insignificant. However, the difference of the highest and lowest daily sales volume for an individual store can be as much as 10 times. Therefore, the Group cannot agree that the sample size of the Report is sufficient.

On the other hand, assuming for the purpose of argument that the author of the Report did dispatch investigator to monitor 11 of the Group's over 500 stores on one out of the 92 business days in two of the five provinces defined as Central China and the transaction count is thorough and accurate, the sample size of approximately 0.02% in terms of store operating days again cannot be justified as a statistically significant sample size considering the sales volume differences among stores and daily sales volume fluctuation of a given store. The Report is also unclear as to how the 11 stores subject to real time monitoring were picked, thereby casting further doubt as to whether the sampling is sufficiently representative even if the Group assumes that the author of the Report did not maliciously pick lower performing stores.

c. Misleading comparison of third quarter and the first two quarters of 2018

The Report alleged that the third quarter of a calendar year should be the best performing period for the Group in a given year. However, the Group would like to clarify that it actually recorded a lower ADSV for its Central China stores for the three months ended 30 September 2018.

Therefore, even if the Group's ADSV for the three months ended 30 September 2018 is as alleged by the Report, which the Group has explained to be incorrect, it is still misleading to use such number to infer the Group's ADSV for the six months ended 30 June 2018.

3. *Unfounded speculations of customer spending inflation*

The Report alleged that the Group inflated its ASPO for the six months ended 30 June 2018 by 6.8%. The Group would like to clarify that such outrageous accusation is arrived at by a sample size that is by no means statistically significant and the overlook of daily ASPO fluctuations for a given store and the ASPO differences among different stores.

a. Statistically insignificant sample size

The author of the Report divided the Group's Central China stores into three categories and picked two stores in each category to conduct a six-hour monitoring on a given business day. The aggregate of six stores out of the Group's more than 500 stores in Central China, representing a sampling size of approximately 1.2%, is by no means of statistical significance. Unless it is proven that most if not all individual store does not have significant daily ASPO fluctuation and there is no significant ASPO disparity among different stores, the sampling is seriously flawed due to the small sample size that is neither statistically significant nor representative.

Also, assuming for the purpose of argument that the author of the Report did dispatch investigators to conduct the six-hour monitoring on one given day out of the 92 12-hour business days in the three months ended 30 September 2018, the sample size of lower than 1% cannot be justified as a statistically significant sample size.

Furthermore, the Report is unclear as to how the six stores subject to real time monitoring were picked, thereby casting further doubt as to whether the sampling is sufficiently representative.

b. Overlooking for daily ASPO fluctuation and ASPO differences among different stores

The daily ASPO of any given store in a given period or the annual or quarterly ASPO for each of the Group's stores are affected by a wide array of factors. Therefore, individual stores of the Group typically experienced strong daily ASPO fluctuation within a given period. The annual or quarterly ASPO among different stores, even within a same category as designated by the Report, also shows a great disparity. The Group believes that such occurrence is in line with industry norm.

That being said, it is by no means assured that the six stores being monitored and the day on which the investigators dispatched by the author of the Report conducted the monitoring can be representative of the more than 500 stores in Central China and the 92 days in the three months ended 30 September 2018.

4. *False allegation of fraudulent financial information*

The Report alleged that, based on its misconceived accusation of the Group's inflation of revenue through ADSV and ASPO inflation, the Group's historical financial record is also forged and fraudulent.

The Group has refuted all the unsubstantiated allegations and accusations in the Report about ADSV and ASPO inflation, and the Group believes the accusation of fraudulent historical financial information to be utterly frivolous and unfounded. The Group would like to further point out that all of its historical financial information disclosed in the prospectus for its initial public offering and its annual financial information published since then has been audited by reputable independent accountants with unqualified opinions. Furthermore, nothing in the Group's published annual or interim financial information points to a mismatch between the Group's revenue and profit and the Group's cash and debt positions.

CONCLUSION

We welcome the supervision from shareholders, investors, and regulators over the Company's business operations and financial results. At the same time, we will not tolerate what seems to be an outright malicious attack on the Company for personal gains which harms the Company's reputation and business prospects. In the event that any substantial loss is incurred by the Company and/or its shareholders and investors, the Company reserves absolutely all its rights to safeguard such interests by legal means or any other means as appropriate or necessary.

To this end, we will continue to strengthen the Company's corporate governance and endeavor to increase the transparency of the Company. The independent non-executive directors and the Audit Committee of the Board of Directors of the Company have reviewed and approved this Announcement. We are full of confidence for the Group's future. We will continue to leverage our core competence and brand to strengthen the leading position in the casual braised food industry and expanding market share.

Shareholders and potential investors are reminded to exercise extreme caution when dealing in the securities of the Company.

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares (stock code: 01458) was suspended with effect from 9:00 a.m. on March 5, 2019, pending the release of this clarification announcement. The Company has applied to the Stock Exchange for resumption of trading in its shares on the Stock Exchange with effect from 9:00 a.m. on March 6, 2019. The Company reserves absolutely its rights to take legal action for damages or other relief against the entity and/or associated individual(s) that published the Report.

By Order of the Board
Zhou Hei Ya International Holdings Company Limited
ZHOU Fuyu
Chairman

Hong Kong, March 6, 2019

As at the date of this announcement, Mr. Zhou Fuyu, Mr. Hao Lixiao, Ms. Li Ying, Mr. Wen Yong and Mr. Hu Jiaqing are the executive directors of the Company; Mr. Pan Pan is the non-executive director of the Company; and Mr. Wu Chi Keung, Mr. Chan Kam Ching, Paul and Mr. Lu Weidong are the independent non-executive directors of the Company.