

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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)

CONTINUING CONNECTED TRANSACTION

CONTINUING CONNECTED TRANSACTIONS

The Board announces that, on 1 April 2019, the Company entered into the Master Property Lease Agreement with Mr. and Mrs. Zhou, pursuant to which the Company and Mr. and Mrs. Zhou agreed that Hubei Shiji Yuanjing, a member of the Group, and Mr. or Mrs. Zhou shall further enter into the Lease Agreements in respect of the leasing of each of the Premises based on the pricing policy as set out in the Master Property Lease Agreement, as well as lease agreements between relevant members of the Group and Mr. and/or Mrs. Zhou in respect of additional premises for rentals that fall within the proposed annual caps. The Continuing Connected Transactions will be subject to the proposed annual caps in respect of the years ending 31 December 2019, 2020 and 2021.

Reference is made to the Prospectus in relation to, inter alia, the 2016 Property Lease Transactions. As disclosed in the Prospectus, relevant members of the Group (as lessees), entered into property leasing transactions with Mr. Zhou or Mrs. Zhou (as lessors) in respect of the Five Premises. The 2016 Property Lease Transactions were fully exempted from reporting, annual review, announcement and independent shareholders' approval requirements under Rule 14A.76(1) of the Listing Rules. We renewed the leases for one of the Five Premises in April 2017 and three of the Five Premises in January 2018 upon their respective expiration dates. At the time of the renewal, the total rentals payable to Mr. and Mrs. Zhou remain to be below the de minimis threshold as stipulated under Rule 14A.76(1)(a) of the Listing Rules and remained fully exempted. The existing leases of the Five Premises are set to expire between June 2019 and January 2021. The relevant members of the Group and Mr. or Mrs. Zhou intend to renew the property leases in respect of the leasing of each of the Five Premises.

In light of the Group's increased business and expansion plan that involves the leasing of more commercial premises, Hubei Shiji Yuanjing on the one hand and Mr. or Mrs. Zhou on the other hand, wish to enter into lease agreements in respect of the leasing of each of the 2019 Premises. Furthermore, if Mr. Zhou and/or Mrs. Zhou acquire more commercial premises suitable for the Group's retail stores or offices, the Group intends to preserve the flexibility in leasing those commercial premises on a market rate on arm's-length basis, and therefore the Group and Mr. and Mrs. Zhou further agreed that they may enter into lease agreements for those premises under the Master Property Lease Agreement.

LISTING RULES IMPLICATIONS

Mr. and Mrs. Zhou are both connected persons of the Company under Rule 14A.07 of the Listing Rules as (i) Mr. Zhou is an executive Director; and (ii) each of Mr. and Mrs. Zhou is a controlling shareholder of the Company. Accordingly, the transactions between the Group on one hand and Mr. or Mrs. Zhou on the other as contemplated under the Master Property Lease Agreement and the Lease Agreements constitute continuing connected transactions of the Company under the Listing Rules.

Since one of the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the annual cap for the amounts payable by the Company under the Master Property Lease Agreement is above 0.1% but below 5%, the transactions contemplated thereunder is classified as a continuing connected transaction under Rule 14A.76(2) of the Listing Rules and is only subject to the reporting, annual review and announcement requirements set out in the Listing Rules but is exempt from the independent shareholders' approval requirement under the Listing Rules. Details of the Master Property Lease Agreement will be included in the annual report and accounts of the Company in accordance with Rules 14A.49, 14A.71 and 14A.72 of the Listing Rules.

The Board announces that, on 1 April 2019, the Company entered into the Master Property Lease Agreement with Mr. and Mrs. Zhou, pursuant to which the Company and Mr. and Mrs. Zhou agreed that Hubei Shiji Yuanjing, a member of the Group, and Mr. or Mrs. Zhou shall further enter into the Lease Agreements in respect of the leasing of each of the Premises based on the pricing policy as set out in the Master Property Lease Agreement, as well as lease agreements between relevant members of the Group and Mr. and/or Mrs. Zhou in respect of additional premises for rentals that fall within the proposed annual caps. The Continuing Connected Transactions will be subject to the proposed annual caps in respect of the years ending 31 December 2019, 2020 and 2021.

Reference is made to the Prospectus in relation to, inter alia, the 2016 Property Lease Transactions. As disclosed in the Prospectus, relevant members of the Group (as lessees), entered into property leasing transactions with Mr. Zhou or Mrs. Zhou (as lessors) in respect of the Five Premises. The 2016 Property Lease Transactions were fully exempted from reporting, annual review, announcement and independent shareholders' approval requirements under Rule 14A.76(1) of the Listing Rules. We renewed the leases for one of the Five Premises in April 2017 and three of the Five Premises in January 2018 upon their respective expiration dates. At the time of the renewal, the total rentals payable to Mr. and Mrs. Zhou remain to be below the de minimis threshold as stipulated under Rule 14A.76(1)(a) of the Listing Rules and remained fully exempted. The existing leases of the Five Premises are set to expire between June 2019 and January 2021. The relevant members of the Group and Mr. or Mrs. Zhou intend to renew the property leases in respect of the leasing of each of the Five Premises.

In light of the Group's increased business and expansion plan that involves the leasing of more commercial premises, Hubei Shiji Yuanjing on the one hand and Mr. or Mrs. Zhou on the other hand, wish to enter into lease agreements in respect of the leasing of each of the 2019 Premises. Furthermore, if Mr. and/or Mrs. Zhou acquire more commercial premises suitable for the Group's retail stores or offices, the Group intends to preserve the flexibility in leasing those commercial premises on a market rate on arm's-length basis, and therefore the Group and Mr. Zhou and Mrs. Zhou further agreed that they may enter into lease agreements for those premises under the Master Property Lease Agreement.

The Master Property Lease Agreement

On 1 April 2019, the Company entered into the Master Property Lease Agreement with Mr. and Mrs. Zhou, pursuant to which the Company and Mr. and Mrs. Zhou agreed that Hubei Shiji Yuanjing and Mr. or Mrs. Zhou shall further enter into the Lease Agreements in respect of the leasing of each of the Premises based on the pricing policy as set out in the Master Property Lease Agreement, as well as lease agreements between relevant members of the Group and Mr. and/or Mrs. Zhou in respect of additional premises for rentals that fall within the proposed annual caps.

Principal terms of the Master Property Lease Agreement

Date	1 April 2019
Parties	(1) The Company; (2) Mr. Zhou; and (3) Mrs. Zhou.

Term	The Master Property Lease Agreement is for a term of three years commencing from 1 April 2019 to 31 March 2022.
Subject	The Master Property Lease Agreement sets out a framework of the terms on which the Company has agreed to procure members of the Group to lease the Premises from Mr. or Mrs. Zhou to use as retail stores or offices. The relevant members of the Group shall further enter into separate agreements with Mr. or Mrs. Zhou in order to set out the specific terms and conditions of the leasing of the Premises. Initially, the Master Property Lease Agreement shall cover the Five Premises and the 2019 Premises. Members of the Group and Mr. or Mrs. Zhou may enter into lease agreements in respect of additional premises for rentals that fall within the proposed annual caps.
Pricing Policy	The rents under the Master Property Lease Agreement payable to Mr. or Mr. Zhou represents the prevailing market conditions and the rental level of properties with similar size within the same building or, if not available, properties with similar sizes in the vicinity of the rental properties, and in any event, such rent payable shall not be exceeding the market rent.

Principal terms of the Lease Agreements

Date	Each of the Lease Agreements is dated 1 April 2019.
Parties	(1) Hubei Shiji Yuanjing, as the lessee; and (2) Mr. or Mrs. Zhou, as the lessor.
Term	All of the Lease Agreements will expire on 31 March 2022, the expiry date of the Master Property Lease Agreement. Please see the section entitled “The Premises” for the respective duration of each of the Leases.
Rental	A monthly rental (exclusive of tax (other than value-added tax) and any other fees due to the Government) is payable in advance. The monthly rental will be subject to a 5% to 6% increment after the end of each calendar year during the term of the relevant Lease Agreement.

Other charges arising from the actual usage of each of the Premises, including but not limited to utility charges (such as water, electricity, heating) and network communications fees, and such corresponding expenses to be contributed from occupiers, are to be borne by the relevant member of the Group as the lessee under the relevant Lease Agreement.

In the event that adjustment is made to the type of tax or tax rate as may be applicable to rentals or service fees (as the case may be) during the term of the relevant Lease Agreement, the parties to a Lease Agreement agree to adjust the rental and service fees accordingly, on the basis that the base rental or service fee amount that is exclusive of value-added tax will not be altered.

An upfront rental deposit is payable and may be returned upon the expiration of the lease, subject to any forfeiture or deduction by the lessor as a result of default on the part of the lessee.

The Premises

Set forth below are particulars of the Premises for which relevant members of the Group and Mr. or Mrs. Zhou have entered into Lease Agreements under the Master Property Lease Agreement:

Address	Size (sq.m.)	Usage	Lessor and Lessee	Duration
The Five Premises				
<i>Eastern Shopping Park Store</i> Business Street of Space Shuangcheng, Jiangan District, Wuhan, Hubei Province.....	50.00	Retail store	Mrs. Zhou and Hubei Shiji Yuanjing	1 January 2021 to 31 March 2022
<i>Optical Valley Carrefour Store</i> No. 1023, Block D1, Walking Street of Optical Valley World City, East Lake High-tech Development Zone, Wuhan, Hubei Province	46.94	Retail store	Mr. Zhou and Hubei Shiji Yuanjing	10 January 2021 to 31 March 2022

Address	Size (sq.m.)	Usage	Lessor and Lessee	Duration
<i>Optical Valley World City Business Street Store</i> No. 006, Unit B1, Block 1, Optical Valley World City, Business Street, East Lake High-tech Development Zone, Wuhan, Hubei Province	110.70	Retail store	Mr. Zhou and Hubei Shiji Yuanjing	10 January 2021 to 31 March 2022
<i>HSBC Office</i> No. 107, Block 6, HSBC Corporate Headquarters, Qiaokou District, Wuhan, Hubei Province	180.0	Office	Mrs. Zhou and Hubei Shiji Yuanjing	1 April 2020 to 31 March 2022
<i>Hankou City Plaza Store</i> No. 187, 1/F, Retail of Block B-1, C, 2 and 3, Phase 2, Hankou City Plaza, Jiangnan District, Wuhan, Hubei Province	86.09	Retail store	Mr. Zhou and Hubei Shiji Yuanjing	1 July 2019 to 31 March 2022
2019 Premises				
<i>Wuhan Fukemao Store</i> Room 1, 1/F, Block 5, Zone K2, Fuxinghuiyu Guojicheng, Wuchang District, Wuhan, Hubei Province	322.31	Retail store	Mrs. Zhou and Hubei Shiji Yuanjing	1 April 2019 to 31 March 2022
<i>Fanhu Office</i> Room 5, 22/F, Block 6, Wanguo Huayuan, 488 Qingnian Road, Jiangnan District, Wuhan, Hubei Province	354.11	Office	Mrs. Zhou and Hubei Shiji Yuanjing	1 April 2019 to 31 March 2022

Historical Figures

In 2016, 2017 and 2018, the rentals for the Five Premises paid to Mr. and Mrs. Zhou were RMB2.05 million, RMB2.06 million and RMB2.07 million.

Proposed Annual Caps

As HKFRS 16 “Lease” has taken effect from 1 January 2019 and be applicable to financial years starting on or after 1 January 2019, pursuant to the requirements of the Hong Kong Stock Exchange, the annual caps for the continuing connected transactions under the Master Property Lease Agreement with the Group as the lessee for the years ended 31 December 2019, 2020 and 2021 will be set based on the total value of right-of-use assets relating to the leases to be entered into by the Group, as detailed in the table below:

	For the year ending 31 December		
	2019	2020	2021
	<i>(RMB'000)</i>		
Annual Cap	5,000 ⁽¹⁾	5,250	5,512.5

Note:

(1) Including the rentals paid or payable of approximately RMB2 million to Mr. and Mrs. Zhou under the existing leases for the Five Premises expiring in October 2019

The monthly rentals of each of the Premises have been arrived at after arm’s-length negotiations. Such rentals have been determined by the Company with reference to (i) the prevailing market rentals of the Premises according to its market research; (ii) the conditions of the Premises including but not limited to, the actual GFA, potential increase in market value, nature and use of each of the Premises, location, floor level, neighboring area and facilities available. In determining proposed annual caps for the years ending 31 December 2019, 2020 and 2021, in addition to the rentals paid or payable to Mr. or Mrs. Zhou for the Premises in each year, the Group also considered its own expansion plan, particular the number of additional premises it plans to rent and their respective locations.

Reasons and Benefit of Entering into the Master Property Lease Agreement

Mr. and Mrs. Zhou owns a number of commercial premises for their own investment, and these premises were considered by the Group to be suitable for rental as its retail stores and offices. The Directors are of the view that the Master Property Lease Agreement enables the Group to secure locations for some of its retail stores and offices at a fair market price and to prevent unnecessary costs and efforts as well as the interruption of business caused by relocation in the case of short term leases. In particular, the Five Premises have been used by the Group as either retail stores or office spaces for more than three years, and renewing the leases enable to Group to avoid any relocation or furnishing expenses.

The Directors (including the independent non-executive Directors) consider that the terms of the Master Property Lease Agreement have been negotiated on an arm's length basis and on normal commercial terms, and the transaction contemplated thereunder is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

None of the Directors has any material interest in the Continuing Connected Transactions or the proposed annual caps or was required to abstain from voting on the Board resolutions in relation to the Continuing Connected Transactions and the proposed annual caps, except for Mr. Zhou. Mr. Zhou is an executive Director and a controlling shareholder of the Company. Mr. or Mrs. Zhou will be the counterparty of the Continuing Connected Transactions. Accordingly, Mr. Zhou has abstained from voting on the Board resolutions in respect of the Master Property Lease Agreement, the Lease Agreements, the Continuing Connected Transactions and the proposed annual caps.

Listing Rule Implications

Mr. and Mrs. Zhou are both connected persons of the Company under Rule 14A.07 of the Listing Rules as (i) Mr. Zhou is an executive Director; and (ii) each of Mr. and Mrs. Zhou is a controlling shareholder of the Company. Accordingly, the transactions between the Group on one hand and Mr. or Mrs. Zhou on the other as contemplated under the Master Property Lease Agreement and the Lease Agreements constitute continuing connected transactions of the Company under the Listing Rules.

Given that the leases for the Five Premises that will expire in October 2019 and the Continuing Connected Transactions are entered into between members of the Group on the one hand and Mr. or Mr. Zhou on the other and the nature are similar, the rentals paid or payable to the Mr. and Mrs. Zhou under the leases for the Five Premises expiring in October 2019 has been included in the annual cap for 2019.

Since one of the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the annual cap for the amounts payable by the Company under the Master Property Lease Agreement is above 0.1% but below 5%, the transactions contemplated thereunder is classified as a continuing connected transaction under Rule 14A.76(2) of the Listing Rules and is only subject to the reporting, annual review and announcement requirements set out in the Listing Rules but is exempt from the independent shareholders' approval requirement under the Listing Rules. Details of the Master Property Lease Agreement will be included in the annual report and accounts of the Company in accordance with Rules 14A.49, 14A.71 and 14A.72 of the Listing Rules.

INFORMATION OF THE PARTIES

The Company is an investment holding company and the Group (including certain members of the Group who are parties to the Lease Agreements) is leading brand in the fast-growing casual braised food industry in China, and produce, market and retail casual braised food, in particular, braised ducks and duck parts.

Hubei Shiji Yuanjing is a wholly-owned subsidiary of the Group established in the PRC with limited liability. Its principal business activity is food retail business in Hubei Province.

DEFINITIONS

In this announcement, the following expressions have the following meanings, unless the context requires otherwise:

“2016 Property Lease Transactions”	the continuing fully exempted connected transactions between the Group and Mr. and Mrs. Zhou in respect of the leasing of the Five Premises, as disclosed in the Prospectus
“2019 Premises”	the premises to be leased by relevant members of the Group (as lessees) from Mr. or Mrs. Zhou (as lessees) pursuant to the Master Property Lease Agreement, namely, Wuhan Fukemao Store (武漢武昌區福客茂店) and Fanhu Office(範湖辦公室)
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors of the Company
“Company”	Zhou Hei Ya International Holdings Company Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the main board of the Stock Exchange
“Continuing Connected Transactions”	the continuing connected transactions as contemplated under the Master Property Lease Agreement, details of which are more particularly described in the paragraph headed “The Master Property Lease Agreement” in this announcement
“controlling shareholders”	have the meaning ascribed thereto in the Listing Rules

“Director(s)”	the director(s) of the Company
“Five Premises”	together, (i) Eastern Shopping Park Store, (ii) Optical Valley Carrefour Store, (iii) Optical Valley World City Business Street Store, (iv) HSBC Office, and (v) Hankou City Plaza Store, as leased by relevant members of the Group (as lessees) from Mr. or Mrs. Zhou (as lessors) under lease agreements in force as at the date of this announcement, and to be renewed pursuant to the Master Property Lease Agreement
“Group”	the Company and its subsidiaries from time to time
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hubei Shiji Yuanjing”	湖北世紀願景商貿有限公司 (Hubei Shiji Yuanjing Commerce & Trade Co., Ltd.), a company established in the PRC on February 2, 2008 and our wholly owned subsidiary
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Lease Agreements”	together, the lease agreements entered into between certain members of the Group on the one hand, and Mr. or Mr. Zhou on the other, as contemplated under the Master Property Lease Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Master Property Lease Agreement”	the master property lease agreement dated 1 April 2019 entered into between the Company and Mr. and Mrs. Zhou in respect of the leasing of certain premises by members of the Group from Mr. or Mrs. Zhou
“Mr. Zhou”	Mr. Zhou Fuyu (周富裕), the chairman, executive Director and a controlling shareholder of the Company
“Mrs. Zhou”	Ms. Tang Jianfang (唐建芳), Mr. Zhou’s wife and a party acting in concert with Mr. Zhou, and a controlling shareholder of the Company
“PRC”	the People’s Republic of China

“Premises”	the premises to be leased by relevant members of the Group from Mr. or Mrs. Zhou pursuant to the Master Property Lease Agreement
“Prospectus”	the Company’s prospectus dated 1 November 2016
“RMB”	Renminbi, the lawful currency of the People’s Republic of China;
“Share(s)”	ordinary share(s) in the capital of the Company with nominal value of US\$0.000001 each and listed on the Main Board of the Stock Exchange
“Shareholder(s)”	the holder(s) of the share(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“sq.m.”	square metres
“subsidiaries”	has the meaning ascribed thereto in the Listing Rules
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules
“%”	per cent.

The Chinese name of the entities incorporated in the PRC is the official name and the English name is the translation for identification purpose only.

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

Hong Kong, 1 April 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 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.