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ZHENGYE INTERNATIONAL HOLDINGS COMPANY LIMITED

正業國際控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 3363)

CONTINUING CONNECTED TRANSACTIONS RENEWAL OF TENANCY AGREEMENTS

The Board is pleased to announce that, on 1 January 2020, the Renewed Tenancy Agreement No.1, Renewed Tenancy Agreement No.2 and Renewed Tenancy Agreement No.3 were entered into between Zheng Ye Packaging (Zhongshan) as tenant and Zheng Ye Leasing as landlord.

Zheng Ye Leasing is owned by Mr. Hu Zheng, Mr. Hu Hancheng and Mr. Hu Hanchao, who are all our Directors, by 51%, 25% and 20% respectively. Zheng Ye Leasing is therefore our Connected Person according to Rules 1.01 and 14A.11. As such, Mr. Hu Zheng, Mr. Hu Hancheng and Mr. Hu Hanchao are connected persons of the Group and the transactions contemplated under the Renewed Tenancy Agreements constitute continuing connected transaction of the Company.

Since the relevant percentage ratios (other than profits ratio) calculated on an annual basis by reference to the maximum aggregate sum of rentals payable by the Group under the Renewed Tenancy Agreements and the Existing Tenancy Agreements (where applicable) is greater than 0.1% but less than 5.0%, in accordance with Rule 14A.34 of the Listing Rules, these tenancy agreements are only subject to the reporting, announcement and annual review requirements set out in Rules 14A.45 to 14A.47 and Rules 14A.37 to 14A.40 of the Listing Rules and are exempted from the independent shareholders' approval requirement.

INTRODUCTION

Reference is made to the Announcement. The leases under the Tenancy Agreement No.1, Tenancy Agreement No.2 and Tenancy Agreement No.3 will expire on 31 December 2019. With a view to renew the respective terms of such leases, the parties to the Tenancy Agreement No.1, Tenancy Agreement No.2 and Tenancy Agreement No.3 entered into the Renewed Tenancy Agreement No.1, Renewed Tenancy Agreement No.2 and Renewed Tenancy Agreement No.3 (collectively, “**Renewed Tenancy Agreements**”) respectively. The details of the Renewed Tenancy Agreements are set out below:

THE PRINCIPAL TERMS OF THE RENEWED TENANCY AGREEMENTS

(1) The Renewed Tenancy Agreement No.1:

Date	:	1 January 2020
Landlord	:	Zheng Ye Leasing
Tenant	:	Zheng Ye Packaging (Zhongshan)
Premises	:	The Tenancy Agreement No.1 Premises
Area	:	A total gross floor area of approximately 36,474.62 square metres (as appraised by Ke Xing)
Term	:	Three years commencing on 1 January 2020 and expiring on 31 December 2022, both dates inclusive
Rental	:	RMB401,242.38 per calendar month commencing on 1 January 2020 to 31 December 2021 RMB409,267.22 per calendar month commencing on 1 January 2022 to 31 December 2022
Management fee		RMB58,362.53 per calendar month commencing on 1 January 2020 to 31 December 2021 RMB59,529.78 per calendar month commencing on 1 January 2022 to 31 December 2022
Total of rental and management fee		RMB459,604.91 per calendar month commencing on 1 January 2020 to 31 December 2021 RMB468,797.00 per calendar month commencing on 1 January 2022 to 31 December 2022 The above rental and management fee have been inclusive of government taxes but exclusive of gas, electricity and water charges, and all other outgoings
Deposit	:	RMB300,000.00 (paid on the Tenancy Agreement No.1)

(2) The Renewed Tenancy Agreement No.2:

Date	:	1 January 2020
Landlord	:	Zheng Ye Leasing
Tenant	:	Zheng Ye Packaging (Zhongshan)
Premises	:	The Tenancy Agreement No.2 Premises
Area	:	A total gross floor area of approximately 7,843.96 square metres (as appraised by Ke Xing)
Term	:	Three years commencing on 1 January 2020 and expiring on 31 December 2022, both dates inclusive
Rental	:	RMB86,283.00 per calendar month commencing on 1 January 2020 to 31 December 2021 RMB88,009.00 per calendar month commencing on 1 January 2022 to 31 December 2022
Management fee		RMB12,550.00 per calendar month commencing on 1 January 2020 to 31 December 2021 RMB12,801.00 per calendar month commencing on 1 January 2022 to 31 December 2022
Total of rental and management fee		RMB98,833.00 per calendar month commencing on 1 January 2020 to 31 December 2021 RMB100,810.00 per calendar month commencing on 1 January 2022 to 31 December 2022 The above rental and management fee have been inclusive of government taxes but exclusive of gas, electricity and water charges, and all other outgoings
Deposit	:	RMB100,000.00 (paid on the Tenancy Agreement No.2)

(3) The Renewed Tenancy Agreement No.3:

Date	:	1 January 2020
Landlord	:	Zheng Ye Leasing
Tenant	:	Zheng Ye Packaging (Zhongshan)
Premises	:	The Tenancy Agreement No.3 Premises
Area	:	A total gross floor area of approximately 2,926 square metres (as appraised by Ke Xing)
Term	:	Three years commencing on 1 January 2020 and expiring on 31 December 2022, both dates inclusive
Rental	:	RMB32,186.00 per calendar month commencing on 1 January 2020 to 31 December 2021 RMB32,829.00 per calendar month commencing on 1 January 2022 to 31 December 2022
Management fee	:	RMB4,681.00 per calendar month commencing on 1 January 2020 to 31 December 2021 RMB4,775.00 per calendar month commencing on 1 January 2022 to 31 December 2022
Total of rental and management fee	:	RMB36,867.00 per calendar month commencing on 1 January 2020 to 31 December 2021 RMB37,604.00 per calendar month commencing on 1 January 2022 to 31 December 2022 The above rental and management fee have been inclusive of government taxes but exclusive of gas, electricity and water charges, and all other outgoings
Deposit	:	RMB50,000.00 (paid on the Tenancy Agreement No.3)

THE IMPLICATIONS UNDER THE LISTING RULES

Zheng Ye Leasing is owned by Mr. Hu Zheng, Mr. Hu Hancheng and Mr. Hu Hanchao, who are all our Directors, by 51%, 25% and 20% respectively. Zheng Ye Leasing is therefore our Connected Person according to Rules 1.01 and 14A.11. As such, Mr. Hu Zheng, Mr. Hu Hancheng and Mr. Hu Hanchao are connected persons of the Group and the transactions contemplated under the Renewed Tenancy Agreements constitute continuing connected transaction of the Company.

Since the Existing Tenancy Agreements, details of which are set out in the Announcement, and the Renewed Tenancy Agreements were entered into between (i) an indirect wholly-owned subsidiary of the Company as tenants; and (ii) landlords who are associated with each other, the tenancies under the Existing Tenancy Agreements and the Renewed Tenancy Agreements may be regarded as a series of transactions under Rules 14A.25 of the Listing Rules. Accordingly, the annual cap for the rentals payable by the Group under these tenancies shall be aggregated for the purpose of calculating the applicable percentage ratios under the Listing Rules. Based on the rents and management fees payable per month as set out in the Existing Tenancy Agreements and the Renewed Tenancy Agreements, the breakdown of the annual cap payable by the Group thereunder is as follows:

	Year ending 31 December 2020 <i>RMB</i>	Year ending 31 December 2021 <i>RMB</i>	Year ending 31 December 2022 <i>RMB</i>
Renewed Tenancy Agreement No. 1	5,515,260	5,515,260	5,625,564
Renewed Tenancy Agreement No.2	1,185,996	1,185,996	1,209,720
Renewed Tenancy Agreement No.3	<u>442,404</u>	<u>442,404</u>	<u>451,248</u>
Total:	<u><u>7,143,660</u></u>	<u><u>7,143,660</u></u>	<u><u>7,286,532</u></u>

Other than the Existing Tenancy Agreements, the Group has not entered into any other continuing connected transactions that are still subsisting with the landlords of the Renewed Tenancy Agreements and/or their respective associates within the 12-months period preceding the execution date of the Renewed Tenancy Agreements.

Since the relevant percentage ratios (other than profits ratio) calculated on an annual basis by reference to the maximum aggregate sum of rentals payable by the Group under the Renewed Tenancy Agreements and the Existing Tenancy Agreements (where applicable) is greater than 0.1% but less than 5.0%, in accordance with Rule 14A.34 of the Listing Rules, these tenancy agreements are only subject to the reporting, announcement and annual review requirements set out in Rules 14A.45 to 14A.47 and Rules 14A.37 to 14A.40 of the Listing Rules and are exempted from the independent shareholders' approval requirement.

REASON FOR THE TRANSACTIONS

The Tenancy Agreement No.1 Premises and Tenancy Agreement No.2 Premises have been used as the production sites and ancillary facilities of Zheng Ye Packaging (Zhongshan).

The terms of the Renewed Tenancy Agreement No.1 were negotiated on an arm's length basis between the parties thereto with reference to the prevailing market value of the monthly rental of the Tenancy Agreement No.1 Premises ranging from RMB401,221 to RMB474,170, as assessed by Ke Xing.

The terms of the Renewed Tenancy Agreement No.2 were negotiated on an arm's length basis between the parties thereto with reference to the prevailing market value of the monthly rental of the Tenancy Agreement No.2 Premises ranging from RMB86,284 to RMB101,971, as assessed by Ke Xing.

The Tenancy Agreement No.3 Premises has been used as the workshop and canteen of Zheng Ye Packaging (Zhongshan).

The terms of the Renewed Tenancy Agreement No.3 were negotiated on an arm's length basis between the parties thereto with reference to the prevailing market value of the monthly rental of the Tenancy Agreement No.3 Premises ranging from RMB32,186 to RMB38,038, as assessed by Ke Xing.

The directors of the Company (excluding Mr. Hu Zheng, Mr. Hu Hancheng and Mr. Hu Hanchao, who abstained from participating in the approval of the Renewed Tenancy Agreements due to the conflict of interest), including the remaining non-executive director and the independent non-executive directors of the Company consider that the terms of the Renewed Tenancy Agreements were entered into in the usual and ordinary course of business of the Group, were negotiated and conducted by the Group on an arm's length basis and on normal commercial terms, and such terms are fair and reasonable and in the interests of the shareholders of the Company as a whole.

FUNDING OF THE RENTALS

The rental payable under the Renewed Tenancy Agreements will be satisfied by the internal resources of the Group.

INFORMATION ABOUT THE COMPANY AND ZHENG YE PACKAGING (ZHONGSHAN)

The Company

The Company is listed on the Main Board of the Stock Exchange and the Group is principally engaged in manufacturing and sale of paper, paperboard and paper-based packaging products.

Zheng Ye Packaging (Zhongshan)

Zheng Ye Packaging (Zhongshan) is a limited liability company established in the PRC and is an indirect wholly-owned subsidiary of the Company. It is engaged in manufacturing and operating of paper-based packaging products, packaging related business and printing of decorative packaging products.

DEFINITIONS

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

“Announcement”	the announcement dated 28 December 2016 published by the Company, in accordance with the Existing Tenancy Agreements
“Board”	the board of Directors
“Company”	Zhengye International Holdings Company Limited, a company incorporated in Bermuda with limited liability and the issued shares of which are listed on the Main Board of the Stock Exchange (stock code: 3363)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules

“Director(s)”	the director(s) of the Company
“Existing Tenancy Agreements”	collectively, the Tenancy Agreement No.1, Tenancy Agreement No.2 and Tenancy Agreement No.3
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Ke Xing”	Zhongshang City Ke Xing Land and Assets Appraisal Company Limited* (中山市科興土地及資產評估有限公司), a licensed independent real estate appraiser in the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC” or “China”	the People’s Republic of China which, for the purpose of this announcement only, does not include Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Renewed Tenancy Agreements”	collectively, the Renewed Tenancy Agreement No.1, Renewed Tenancy Agreement No.2 and Renewed Tenancy Agreement No.3
“Renewed Tenancy Agreement No.1”	the tenancy agreement date 1 January 2020 entered into between Zheng Ye Packaging (Zhongshan) as tenant and Zheng Ye Leasing as landlord on terms similar to the Tenancy Agreement No.1
“Renewed Tenancy Agreement No.2”	the tenancy agreement date 1 January 2020 entered into between Zheng Ye Packaging (Zhongshan) as tenant and Zheng Ye Leasing as landlord on terms similar to the Tenancy Agreement No.2
“Renewed Tenancy Agreement No.3”	the tenancy agreement date 1 January 2020 entered into between Zheng Ye Packaging (Zhongshan) as tenant and Zheng Ye Leasing as landlord on terms similar to the Tenancy Agreement No.3
“RMB”	Renminbi Yuan, the lawful currency of the PRC
“Shareholder(s)”	shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tenancy Agreement No.1”	the tenancy agreement dated 28 December 2016 entered into between Zheng Ye Packaging (Zhongshan) as tenant and Zheng Ye Leasing as landlord

“Tenancy Agreement No.2”	the tenancy agreement dated 28 December 2016 entered into between Zheng Ye Packaging (Zhongshan) as tenant and Zheng Ye Leasing as landlord
“Tenancy Agreement No.3”	the tenancy agreement dated 28 December 2016 entered into between Zheng Ye Packaging (Zhongshan) as tenant and Zheng Ye Leasing as landlord
“Tenancy Agreement No.1 Premises”	the premises located at Dongcheng Road, Dongshen Town, Zhongshan City, Guangdong, the PRC
“Tenancy Agreement No.2 Premises”	the premises located at No. 126 Dongcheng Road, Dongshen Town, Zhongshan City, Guangdong, the PRC
“Tenancy Agreement No.3 Premises”	the premises are the workshop and canteen located at Nos. 119 and 126 Dongcheng Road, Dongshen Town, Zhongshan City, Guangdong, the PRC
“Zheng Ye Leasing”	Zhongshan City Zheng Ye Leasing Company Limited* (中山市正業租賃有限公司), a limited company established in the PRC and owned as to 51%, 25% and 20% by Mr. Hu Zheng, Mr. Hu Hancheng and Mr. Hu Hanchao, respectively
“Zheng Ye Packaging (Zhongshan)”	Zheng Ye Packaging (Zhongshan) Company Limited* (正業包裝(中山)有限公司), a limited company established in the PRC and an indirect wholly-owned subsidiary of the Company
“%”	per cent.

By order of the Board
Zhengye International Holdings Company Limited
Hu Zheng
Chairman

Hong Kong, 1 January 2020

As at the date of this announcement, the Board comprised Mr. Hu Zheng (Mr. Hu Jianpeng as his alternate), Mr. Hu Hancheng (Mr. Hu Jianjun as his alternate) and Mr. Hu Hanchao (Mr. Tan Xijian as his alternate) as executive directors, Mr. Chen Riyue as non-executive director and Mr. Chung Kwok Mo John, Mr. Liew Fui Kiang and Mr. Shin Yick Fabian as independent non-executive directors.

** For identification purposes only*