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Xiabuxiabu Catering Management (China) Holdings Co., Ltd.
呷哺呷哺餐飲管理(中國)控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 520)

CONTINUING CONNECTED TRANSACTION

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The Board announces that, on 11 January 2021, the Company entered into the Framework Cooperation Agreement with Tea Mi Tea (HK) for the sale of Tea Beverages and Tea Snacks at the Group's restaurants, pursuant to which (i) Tea Mi Tea (HK) agreed to provide relevant operational support, primarily (a) recipes of Tea Beverages and Tea Snacks and proprietary know-how as to the on-site preparation of Tea Beverages and Tea Snacks; (b) advices on development of new products of Tea Beverages and Tea Snacks; and (c) staff training in respect of operation workflow at the restaurants, to the Group; (ii) Tea Mi Tea (HK) granted to the Company and its subsidiaries a non-transferable right to use trademarks owned by Tea Mi Tea (HK) to produce and sell Tea Beverages and Tea Snacks; and (iii) the Company agreed to share 5% of the revenue from the sales of Tea Beverages and Tea Snacks at the Group's restaurants with Tea Mi Tea (HK). The Framework Cooperation Agreement is for a term commencing from 11 January 2021 to 31 December 2023. The Continuing Connected Transactions will be subject to the proposed annual caps in respect of the three years ending 31 December 2023.

LISTING RULES IMPLICATIONS

Mr. Ho is the Chairman of the Board, an executive Director and the Controlling Shareholder, and thus a connected person of the Company pursuant to Chapter 14A of the Listing Rules. Tea Mi Tea (HK) is owned by Mr. Ho as to 100% and is therefore an associate of Mr. Ho and hence a connected person of the Company. Accordingly, the transactions between the Company and Tea Mi Tea (HK) as contemplated under the Framework Cooperation Agreement constitute continuing connected transactions of the Company under the Listing Rules.

As more than one of the relevant percentage ratios under the Listing Rules in respect of the Continuing Connected Transactions exceed 0.1% but are less than 5% on an annual basis, the Continuing Connected Transactions are therefore exempt from the independent shareholders' approval requirements and are only subject to the reporting, announcement and annual review requirements under Chapter 14A of the Listing Rules.

Reference is made to the announcement of the Company dated 30 September 2019 relating to, among other things, the former framework cooperation agreement entered into between the Company and Tea Mi Tea (HK).

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THE FRAMEWORK COOPERATION AGREEMENT

Principal terms of the Framework Cooperation Agreement

The principal terms of the Framework Cooperation Agreement are summarized as follows.

Date	11 January 2021
Parties	(1) The Company; and (2) Tea Mi Tea (HK)
Term	The Framework Cooperation Agreement is for a term commencing from 11 January 2021 to 31 December 2023.

Subject	Pursuant to the Framework Cooperation Agreement, (i) Tea Mi Tea (HK) agreed to provide relevant operational support, primarily (a) recipes of Tea Beverages and Tea Snacks and proprietary know-how as to the on-site preparation of Tea Beverages and Tea Snacks; (b) advices on development of new products of Tea Beverages and Tea Snacks; and (c) staff training in respect of operation workflow at the restaurants, to the Group; (ii) Tea Mi Tea (HK) granted to the Company and its subsidiaries a non-transferable right to use trademarks owned by Tea Mi Tea (HK) to produce and sell Tea Beverages and Tea Snacks; and (iii) the Company agreed to share 5% of the revenue from the sales of Tea Beverages and Tea Snacks at the Group’s restaurants with Tea Mi Tea (HK) (“ Revenue Sharing ”).
Pricing Terms	The Company shall pay 5% of the revenue from the sales of Tea Beverages and Tea Snacks to Tea Mi Tea (HK) in consideration of the relevant operational support as well as the non-transferable right to use trademarks provided to the Group by Tea Mi Tea Group. Calculation of the Revenue Sharing should be based on the revenue generated from the sales of Tea Beverages and Tea Snacks stated on the monthly sales reports to be provided to Tea Mi Tea Group by the Group. The amount of revenue to be shared is determined with reference to the revenue sharing arrangement in a number of similar cooperation by other industry players.
Payment Terms	Fees payable under the Framework Cooperation Agreement will be billed every calendar month, which shall be paid within five business days of the settlement day. The Company shall pay the amount due upon receipt of the invoice issued by Tea Mi Tea (HK).
Indemnity Terms	Tea Mi Tea (HK) is responsible for quality control of Tea Beverages and Tea Snacks and will indemnify and hold the Company harmless against all losses arising from quality issue of Tea Beverages and Tea Snacks, unless it is proven that such quality issue is attributable to the negligence of the employees at the Group’s restaurants.
Historical Transaction Amount	Under the former framework cooperation agreement, the aggregate amount of revenue shared by the Group to Tea Mi Tea (HK) during the three months from 1 October 2019 to 31 December 2019 was approximately RMB3.2 million, and the aggregate amount of revenue shared by the Group to Tea Mi Tea (HK) during the year from 1 January 2020 to 31 December 2020 was approximately RMB20.4 million, which did not exceed the relevant annual caps.

Proposed Annual Caps and Basis of Determination

The Board proposes that the below annual caps be set for the transactions contemplated under the Framework Cooperation Agreement in respect of each of the years ending 31 December 2023.

	For the year ending 31 December		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Revenue Sharing	<u>45,000⁽¹⁾</u>	<u>55,000</u>	<u>68,000</u>

Note:

- (1) The annual cap of 2021 is estimated based on the revenue from the sales of Tea Beverages and Tea Snacks to Tea Mi Tea (HK) during the entire year from 1 January 2021 to 31 December 2021.

The annual caps in relation to the Revenue Sharing are estimated based on the following factors:

- (a) historical transaction amount;
- (b) estimated sales volume of the Tea Beverages and Tea Snacks, which in turn is primarily based on the expected market demand for the Tea Beverages and Tea Snacks at the Group's restaurants, for which the Company has taken into account the potential seasonality of the sales of Tea Beverages and Tea Snacks at the Group's restaurants and the Group's expansion plan of its restaurant network; and
- (c) the prevailing market price of similar Tea Beverages and Tea Snacks sold to the customers and the historical price of such Tea Beverages and Tea Snacks or similar products the Group sold at its restaurants.

REASONS FOR AND BENEFITS OF ENTERING INTO THE FRAMEWORK COOPERATION AGREEMENT

The Group is a leading casual restaurant operator in China, focusing primarily on providing bar-style hotpot cuisine and offering customers a casual dining experience. The Group also sells Tea Beverages and Tea Snacks at the Group's restaurants. The provision of Tea Beverages and Tea Snacks at the Group's restaurants not only complements the hotpot dishes offered at the Group's restaurants, but also increases the customer traffic at the Group's restaurants. The Group combines Tea Beverages and Tea Snacks to create set menus and offers them during breakfast, lunch and tea hours at the Group's restaurants to diversify its source of revenue and enhance utilisation of its restaurants. Given the market potential, in 2019, the Group formalized the cooperation with Tea Mi Tea (HK) in order to ensure its access to the proprietary recipes and operational know-how. Capitalized on such cooperation and with more of the Group's restaurants

commencing to sell Tea Beverages and Tea Snacks, the Group experienced a growth in the sales of Tea Beverages and Tea Snacks at the Group's restaurants. In light of such growth, the Group decided to continue cooperating with Tea Mi Tea (HK) to support the expansion of its Tea Beverage and Tea Snacks offerings by entering into the Framework Cooperation Agreement. In addition, the Group no longer needs to procure the ingredients from Tea Mi Tea (HK), because after more than one year of communication with the suppliers of Tea Mi Tea (HK) during the Group's previous cooperation with them, it has established a good relationship with the suppliers and ensured that the ingredients provided by the suppliers are of good quality and meet the Group's quality standards. As such, the Group has decided to procure the ingredients directly from the suppliers instead of procuring through Tea Mi Tea (HK), so as to streamline the operation.

In addition to Tea Mi Tea (HK), the Group had invited other players in the tea beverages and tea snacks industry to submit tender for the procurement of tea beverages and tea snacks. The Group considered various factors during the bidding process, including (i) the terms offered, including recipe sharing, fee schedule and responsibility of quality control; (ii) product portfolio; (iii) source of ingredients; and (iv) brand and market position. The Group ultimately determined that the terms offered by Tea Mi Tea (HK) are the most favourable to the Group and Tea Mi Tea (HK) can better satisfy the demands of the Group. As such, the Framework Cooperation Agreement was entered into on an arm's length basis. In the course of assessing whether the terms and conditions under the Framework Cooperation Agreement are no less favourable than the terms and conditions offered by an independent third party, the Directors compared the terms and conditions under the Framework Cooperation Agreement with other similar agreements entered into for similar transactions by other industry players.

Based on the aforesaid, the Directors (including the independent non-executive Directors) believe that the terms of the Framework Cooperation Agreement and the transactions contemplated thereunder are fair and reasonable, are on normal commercial terms and in the ordinary and usual course of business of the Group and are in the interests of the Company and the Shareholders as a whole.

Mr. Ho, the Chairman of the Board, an executive Director and the Controlling Shareholder, is materially interested in the transactions contemplated under the Framework Cooperation Agreement as he holds 100% of the total issued share capital in Tea Mi Tea (HK). Furthermore, Ms. Chen, a non-executive Director and the spouse of Mr. Ho, is also materially interested in the transactions contemplated under the Framework Cooperation Agreement. As such, Mr. Ho and Ms. Chen have abstained from voting on the relevant Board resolution in respect of the Framework Cooperation Agreement. Save for Mr. Ho and Ms. Chen, none of the other Directors has any material interest in the Framework Cooperation Agreement and was required to abstain from voting on the relevant Board resolution in respect of the Framework Cooperation Agreement.

LISTING RULES IMPLICATIONS

Mr. Ho is the Chairman of the Board, an executive Director and the Controlling Shareholder, and thus a connected person of the Company pursuant to Chapter 14A of the Listing Rules. Tea Mi Tea (HK) is owned by Mr. Ho as to 100% and is therefore an associate of Mr. Ho, and thus a connected person of the Company pursuant to Chapter 14A of the Listing Rules. Accordingly, the transactions contemplated under the Framework Cooperation Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As more than one applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the Continuing Connected Transactions exceed 0.1% but are less than 5%, the Continuing Connected Transactions are therefore exempt from the independent shareholders' approval requirements and are only subject to the reporting, announcement and annual review requirements under Chapter 14A of the Listing Rules.

GENERAL INFORMATION OF THE PARTIES

The Company

The Company is incorporated in the Cayman Islands as an exempted company with limited liability which shares have been listed on the Main Board of the Stock Exchange since 17 December 2014. The Group is a leading casual restaurant operator in China, focusing primarily on providing bar-style hotpot cuisine and offering customers a casual dining experience.

Tea Mi Tea (HK)

Tea Mi Tea (HK) is owned by Mr. Ho as to 100% and a limited liability company incorporated in Hong Kong. Tea Mi Tea (HK) is an investment holding company that holds Tea Mi Tea Group. Tea Mi Tea Group is primarily engaged in businesses including operating tea beverages and tea snacks shops, selection and procurement of ingredients for tea beverages and tea snacks and innovation of proprietary recipes for tea beverages and tea snacks.

DEFINITIONS

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

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors of the Company

“Company”	Xiabuxiabu Catering Management (China) Holdings Co., Ltd. (呷哺呷哺餐飲管理(中國)控股有限公司), a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange
“Continuing Connected Transactions”	the continuing connected transactions as contemplated under the Framework Cooperation Agreement, details of which are more particularly described in the paragraph headed “The Framework Cooperation Agreement” in this announcement
“Controlling Shareholder”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Framework Cooperation Agreement”	the framework cooperation agreement dated 11 January 2021 entered into between the Company and Tea Mi Tea (HK) in respect of the relevant operational support as well as the non-transferable right to use trademarks to be provided to the Group by Tea Mi Tea Group and the Revenue Sharing in consideration of the proprietary recipes and know-how provided by Tea Mi Tea Group
“Group”	the Company and its subsidiaries from time to time
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Mr. Ho”	Mr. Ho Kuang-Chi (賀光啓), an executive Director and the Chairman of the Board
“Ms. Chen”	Ms. Chen Su-Yin (陳素英), a non-executive Director and the spouse of Mr. Ho
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) in the capital of the Company with nominal value of US\$0.000025 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
“subsidiaries”	has the meaning ascribed thereto in the Listing Rules
“Tea Beverages and Tea Snacks”	the tea beverage and tea snack products that are currently selling and/or expected to be sold at the Group’s restaurants
“Tea Mi Tea Group”	Tea Mi Tea (HK) and its subsidiaries
“Tea Mi Tea (HK)”	Tea Mi Tea (HK) Holdings Co., Limited (茶米茶(香港)控股有限公司)
“%”	per cent

By order of the Board
Xiabuxiabu Catering Management (China) Holdings Co., Ltd.
HO Kuang-Chi
Chairman

PRC, 11 January 2021

As at the date of this announcement, the Board comprises Mr. HO Kuang-Chi and Ms. ZHAO Yi as executive Directors; Ms. CHEN Su-Yin and Mr. ZHANG Chi (Ms. LI Jie as his alternate) as non-executive Directors; and Ms. HSIEH Lily Hui-yun, Mr. HON Ping Cho Terence and Ms. CHEUNG Sze Man as independent non-executive Directors.