

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.



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 TRANSACTIONS

(I) THE LICENSING AGREEMENT AND

**(II) THE PURCHASE OF CONDIMENT PRODUCTS FROM
THE JV SUBSIDIARY**

THE LICENSING AGREEMENT

On 31 May 2019, Xiabuxiabu Catering Management (HK) Holdings Co., Ltd., a wholly-owned subsidiary of the Company entered into the Licensing Agreement with the JV Subsidiary, Xiabuxiabu (China) Food Co. Ltd., pursuant to which Xiabuxiabu HK grants to the JV Subsidiary an exclusive and non-transferable right and license to use the Trademarks owned by Xiabuxiabu HK in connection with the production and sale of Condiment Products for an initial term commencing from 1 June 2019 and ending on 31 December 2020. Xiabuxiabu HK shall charge a royalty equaling 1% of the total revenue of the JV Subsidiary generated from the sale of the Condiment Products. The total royalties payable by the JV Subsidiary to the Company pursuant to the Licensing Agreement is expected to be no more than RMB2.0 million for the seven months ending 31 December 2019 and RMB6.0 million for the year ending 31 December 2020.

PURCHASE OF CONDIMENT PRODUCTS FROM THE JOINT VENTURE SUBSIDIARY

On 31 May 2019, the Company also entered into the Framework Purchase Agreement with the JV Subsidiary, pursuant to which the JV Subsidiary agreed to sell, and the Company (for itself and on behalf of its subsidiaries (other than the JV Company and the JV Subsidiary)) agreed to purchase, certain Condiment Products from the JV Subsidiary for sale in the Group's restaurants. The Framework Purchase Agreement shall have an initial term commencing from 1 June 2019 and ending on 31 December 2020. The annual cap for the total purchase of Condiment Products by the Group from the JV Subsidiary pursuant to the Framework Purchase Agreement shall be no more than RMB36.0 million for the seven months ending 31 December 2019 and RMB96.0 million for the year ending 31 December 2020.

LISTING RULES IMPLICATIONS

Mr. Ho is the Chairman of the Board, an executive Director and the Controlling Shareholder of the Company, and thus a connected person of the Company pursuant to Chapter 14A of the Listing Rules. The JV Company, Xiabuxiabu (China) Food Holdings Co. Ltd., is currently a 60% held non-wholly-owned subsidiary of the Company and is owned as to 40% by Mr. Ho. The JV Company in turn indirectly wholly-owned the JV Subsidiary. Therefore, the JV Subsidiary is 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 each of the Licensing Agreement and the Framework Purchase 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 each of (i) the royalties payable by the JV Subsidiary to the Group under the Licensing Agreement; and (ii) the transactions contemplated under the Framework Purchase Agreement, exceed 0.1% but are less than 5%, the royalties payable by the JV Subsidiary to the Group under the Licensing Agreement and the transactions contemplated under the Framework Purchase Agreement 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 18 October 2016 relating to, among other things, the formation of the JV Company between the Company and Mr. Ho.

The Board announces that on 31 May 2019, Xiabuxiabu HK and the JV Subsidiary entered into the Licensing Agreement pursuant to which Xiabuxiabu HK shall grant to the JV Subsidiary an exclusive and non-transferable right and license to use the Trademarks owned by Xiabuxiabu HK in connection with the production and sale of Condiment Products.

On 31 May 2019, the Company and the JV Subsidiary entered into the Framework Purchase Agreement pursuant to which the JV Subsidiary agreed to sell, and the Company (for itself and on behalf of its subsidiaries (other than the JV Company and the JV Subsidiary)) agreed to purchase, certain Condiment Products from the JV Subsidiary for sale in the Group's restaurants.

The major terms of the Licensing Agreement and the Framework Purchase Agreement are set out as follows:

THE LICENSING AGREEMENT

Parties: Xiabuxiabu HK (as the licensor); and

The JV Subsidiary (as the licensee).

The JV Subsidiary is owned as to 40% by Mr. Ho, the Chairman of the Board, an executive Director and the Controlling Shareholder of the Company, and hence is an associate of Mr. Ho. Therefore, the JV Subsidiary is a connected person of the Company under Chapter 14A of the Listing Rules.

Principal terms: Xiabuxiabu HK grants to the JV Subsidiary an exclusive and non-transferable right and license to use the Trademarks,

including the marks “呷哺呷哺”, “”, “” and “” registered under Class 30 and owned by Xiabuxiabu HK in connection with the production and sale of Condiment Products.

Term: The initial term of the Licensing Agreement commenced on 1 June 2019 and shall end on 31 December 2020. The parties to the Licensing Agreement may negotiate to extend the agreement within two months before the expiry of the Licensing Agreement.

Royalty and annual caps basis: The Company shall charge a royalty equaling 1% of the total revenue of the JV Subsidiary generated from the sale of the Condiment Products and the total royalties payable by the JV Subsidiary to the Company pursuant to the Licensing Agreement is expected to be no more than RMB2 million for the seven months ending 31 December 2019 and RMB6 million for the year ending 31 December 2020. These amounts are determined with reference to (i) the expected market demand of the Condiment Products; (ii) the expected demand of the Condiment Products of the Group's restaurants; (iii) the prevailing market price of similar products in the Condiment Products market; and (iv) trademark royalty charged by other licensors for similar transactions.

As the JV Subsidiary will only commence the sale of the Condiment Products in June 2019, therefore no royalty had previously been charged by the Group to the JV Subsidiary.

The royalties shall be paid by the JV Subsidiary to Xiabuxiabu HK on an annual basis and payable by the first month end immediately succeeding each period/year end.

Annual caps: The annual caps for the Licensing Agreement shall be the expected maximum aggregate royalties payable to the JV Subsidiary by the Group for each of the seven months ending 31 December 2019 and the year ending 31 December 2020 as set out below:

	Annual caps for the period/ year ending 31 December,	
	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Royalties payable	2,000	6,000

THE PURCHASE AGREEMENT

Parties:	The Company (as the purchaser); and The JV Subsidiary (as the supplier).
Principal terms:	The JV Subsidiary agreed to sell, and the Company (for itself and on behalf of its subsidiaries (other than the JV Company and the JV Subsidiary)) agreed to purchase, certain Condiment Products from the JV Subsidiary for onward sale in the Group's restaurants. The quantity of the Condiment Products to be purchased by the Group from the JV Subsidiary are not fixed under the Framework Purchase Agreement but are to be determined and agreed between the Group and the JV Subsidiary based on actual and individual purchase order placed by the Group from time to time during the term of the Framework Purchase Agreement. The purchase order shall specify information such as the type of Condiment Product, purchase volume, sales price and delivery date.
Term:	The initial term of the Framework Purchase Agreement commenced on 1 June 2019 and shall end on 31 December 2020.
Pricing policy:	The purchase price of the Condiment Products shall be determined by the Group and the JV Subsidiary with reference to (i) the lowest price of the Condiment Products sold by the JV Subsidiary to independent third party distributors and retail channels within the same area and region, (ii) a pre-determined discount of 5% on the price of the Condiment Products granted to the Group by the JV Subsidiary in light of its relationship with the Group and (iii) the prevailing market price of similar products in the Condiment Product market. The JV Subsidiary shall provide an updated price lists to the Group upon any proposed increase to the suggested price of the Condiment Products for the Group to review and confirm so as to ensure that the purchase price will be duly adjusted to reflect the updated price range which the JV Subsidiary charges. The Directors (including the independent non-executive Directors) are of the view that the said procedure can ensure that the transactions will be conducted on normal commercial terms and not prejudicial to the interest of the Company's Shareholders.

Payment for the purchases of Condiment Products by the Group shall be made within 60 days following delivery of the Condiment Products and the issuance of official invoices by the JV Subsidiary to the Group.

Annual caps: The annual caps for the Framework Purchase Agreement shall be the expected maximum aggregate purchase amount payable to the JV Subsidiary by the Group for each of the seven months ending 31 December 2019 and the year ending 31 December 2020 as set out below:

	Annual caps for the period/ year ending 31 December,	
	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Total purchase amount	36,000	96,000

Basis of annual caps: In determining the above annual caps, the Directors (including the independent non-executive Directors) have considered (i) the current business position and trading prospect of the restaurant operations segment of the Group, particularly in terms of restaurant network and customer traffic, and (ii) the expected demand of the Condiment Products of the Group's restaurant.

As the JV Subsidiary will only commence the sale of the Condiment Products in June 2019, therefore no sale and purchase of Condiment Products had previously been carried out between the Group and the JV Subsidiary.

REASONS FOR AND BENEFITS OF THE LICENSING AGREEMENT AND THE FRAMEWORK PURCHASE 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. As disclosed in the 2016 Announcement, the purpose of forming the JV Company, and in turn the JV Subsidiary, is to research, develop, produce and distribute Condiment Products, namely soup bases, dipping sauces, seasoning sauces and products and various compound condiments, which the Group believes will complement its hotpot cuisine by offering unique and tasty flavors. In addition, the Board believes there is a great potential in the field of production and sale of sauce and seasoning products. In recent years, Chinese consumers are placing increasing importance on food safety and quality, health and wellness, cuisine flavor and tastes, and in particular, high-end sauce and

seasoning products. In view of the strong potential of the market for Condiment Products, the Board considers the venture into the Condiment Products business via the JV Subsidiary provides the Group with a strong growth potential, supplements the Group's catering service business and consolidates the Group's leading market position as a casual restaurant operator in China.

The Board further believes that the cooperation with Mr. Ho through the JV Company, and in turn the JV Subsidiary, will benefit the Group as whole by leveraging Mr. Ho's network and extensive experience in the catering service industry, product development, sales and distribution, and enterprise management. The Group's business focus is catering service and its expertise and core competence include the development and management of restaurant network and individual restaurants, development of menu, procurement management and personnel training. The Group, however, has limited experience in the development, production, sales and distribution of Condiment Products. The partnership with Mr. Ho greatly augments capability as to these key aspects, which the Board believes to be essential success factors for both the Group and the JV Company. In addition, with Mr. Ho's familiarity with and dedication to our brand and our dining concept, the Board believes that he is the most reliable partner to jointly operate the JV Subsidiary for the purpose of developing and expanding the sauce and seasoning industry. Accordingly, the Board is of the view that the arrangements under the Licensing Agreement and the Purchase Agreement relating to the Condiment Products is in line with the business development strategies and planning of the Group, and offers a good opportunity to the Group to leverage its iconic brand to further expand in the sauce and seasoning industry.

Instead of manufacturing the Condiment Products by a wholly-owned subsidiary of the Company, the Group has granted the license to use the Trademarks to the JV Subsidiary under the Licensing Agreement. The Trademarks are essential for the successful launching of the Condiment Products in the market. The Group's onward sale of the Condiment Products that it purchased from the JV Subsidiary to its restaurant customers is expected to create a new source of income stream for the Group. In addition, as a consolidated subsidiary, revenues to be generated from the sales of Condiment Products to third parties by the JV Subsidiary will also reflect in the Company's financial results and is expected to create another new source of income for the Group.

Going forward, the JV Subsidiary will be specializing in the production of the Condiment Products under the "Xiabuxiabu" brand and hence would continue to remain as a reliable supplier of the Group. The selling of the "Xiabuxiabu" brand Condiment Products could complement the Group's principal business in restaurants operations and further strengthen the brand and hence beneficial to the Group.

Based on the aforesaid, the Directors (including the independent non-executive Directors) believes that the terms of the Licensing Agreement and the Framework Purchase 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 each of the Licensing Agreement and the Framework Purchase Agreement as he holds 40% of the total issued share capital in the JV Company, which in turn wholly-owned the JV Subsidiary. Furthermore, Ms. Chen, a non-executive Director of the Company and the wife of Mr. Ho, is also materially interested in the transactions contemplated under the each of the Licensing Agreement and the Framework Purchase Agreement. As such, Mr. Ho and Ms. Chen have abstained from voting on the relevant Board resolution in respect of the Licensing Agreement and the Framework Purchase Agreement. Save for Mr. Ho and Ms. Chen, none of the other Directors has any material interest in the Licensing Agreement and the Framework Purchase Agreement and was required to abstain from voting on the relevant Board resolution in respect of the Licensing Agreement and the Framework Purchase 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. The JV Company is currently a 60% held non-wholly-owned subsidiary of the Company and is owned as to 40% by Mr. Ho. The JV Company in turn indirectly wholly-owned the JV Subsidiary. Therefore, the JV Subsidiary is 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 each of the Licensing Agreement and the Framework Purchase 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 each of (i) the royalties payable by the JV Subsidiary to the Group under the Licensing Agreement; and (ii) the transactions contemplated under the Framework Purchase Agreement, exceed 0.1% but are less than 5%, the royalties payable by the JV Subsidiary to the Group under the Licensing Agreement and the transactions contemplated under the Framework Purchase Agreement 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 ON 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.

The JV Company

The JV Company is incorporated in the Cayman Islands as an exempted company with limited liability on 28 October 2016. The JV Company is a 60% held non-wholly-owned subsidiary of the Company and is owned as to 40% by Mr. Ho. The principal business activity of the JV Company is investment holding.

The JV Subsidiary

The JV Subsidiary is a limited liability company established in the PRC on 27 May 2017 and an indirect wholly-owned subsidiary of the JV Company. The JV Subsidiary commenced the production of the Condiment Products in May 2019 and will commence the sale of the Condiment Products to the Group and in the market in June 2019. The principal business activity of the JV Subsidiary is the research, development, production and sale of Condiment Products. The Condiment Products are generally available for sale by the JV Subsidiary to third party distributors and retail channels and to the Group as an exclusive restaurant channel.

DEFINITIONS

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

“2016 Announcement”	the announcement of the Company dated 18 October 2016 relating to, among other things, the formation of the JV Company between the Company and Mr. Ho
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Company”	Xiabuxiabu Catering Management (China) Holdings Co., Ltd. (呷哺呷哺餐飲管理(中國)控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 14 May 2008

“Condiment Products”	soup bases, dipping sauces, seasoning sauces and products and various compound condiments, and products with gift-wrapping and limited editions which target at mid- to high-end customers, which products shall apply the Trademarks licensed to be used by the JV Subsidiary pursuant to the Licensing Agreement
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Controlling Shareholder”	has the meaning ascribed to it under the Listing Rules
“Directors”	the directors of the Company
“Framework Purchase Agreement”	the framework purchase agreement entered into between the Company and the JV Subsidiary on 31 May 2019 in relation to the purchase of the Condiment Products by the Group from the JV Subsidiary
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Xiabuxiabu HK”	Xiabuxiabu Catering Management (HK) Holdings Co., Ltd., a limited liability company incorporated in Hong Kong and is a wholly-owned subsidiary of the Company
“JV Company”	Xiabuxiabu (China) Food Holdings Co. Ltd. (呷哺呷哺(中國)食品控股有限公司), a limited liability company incorporated in the Cayman Islands on 28 October 2016, and a 60% held non-wholly-owned subsidiary of the Company and is owned as to 40% by Mr. Ho
“JV Subsidiary”	Xiabuxiabu (China) Food Co. Ltd. (呷哺呷哺(中國)食品有限公司), a limited liability company established in the PRC on 27 May 2017 and an indirect wholly-owned subsidiary of the JV Company
“Licensing Agreement”	the trademark licensing agreement entered into between Xiabuxiabu HK and the JV Subsidiary on 31 May 2019, pursuant to which Xiabuxiabu HK shall grant to the JV Subsidiary an exclusive and non-transferable right and license to use the Trademarks owned by Xiabuxiabu HK in connection with the production and sale of Condiment Products

“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Mr. Ho”	Mr. Ho Kuang-Chi (賀光啟), the Chairman of the Board, an executive Director and the Controlling Shareholder
“Ms. Chen”	Ms. Chen Su-Yin (陳素英), a non-executive Director of the Company and the wife of Mr. Ho
“PRC”	The People’s Republic of China
“Trademarks”	trademarks, including the marks “呷哺呷哺”, “  ”,   ” and “  ” registered under Class 30 and owned by Xiabuxiabu HK, which are licensed to the JV Subsidiary pursuant to the Licensing Agreement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

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

Hong Kong, 31 May 2019

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