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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 30 September 2019, 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 sell Ingredients for Tea Beverages and Tea Snacks and 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; and (ii) 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 1 October 2019 to 31 December 2020. The Continuing Connected Transactions will be subject to the proposed annual caps in respect of the three months ending 31 December 2019 and 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. 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 is 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.

The Board announces that, on 30 September 2019, 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 sell Ingredients for Tea Beverages and Tea Snacks and to provide relevant operational support to the Group; and (ii) 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) for a term commencing 1 October 2019 to 31 December 2020. The principal terms of the Framework Cooperation Agreement are summarized below.

THE FRAMEWORK COOPERATION AGREEMENT

Principal terms of the Framework Cooperation Agreement

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

Date	30 September 2019
Parties	(1) The Company; and (2) Tea Mi Tea (HK).
Term	The Framework Cooperation Agreement is for a term commencing from 1 October 2019 to 31 December 2020.
Subject	Pursuant to the Framework Cooperation Agreement, (i) Tea Mi Tea (HK) agreed to sell Ingredients for Tea Beverages and Tea Snacks and to provide relevant operational support (" Purchase of Ingredients "), 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; and (ii) 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 ").

The quantity of the Ingredients to be provided to the relevant members of the Group is not fixed under the Framework Cooperation Agreement but to be determined and agreed between the relevant parties on a daily basis according to separate purchase orders.

During the current term of the Framework Cooperation Agreement, the Group may issue separate purchase orders on Tea Mi Tea Group's order system on a daily basis in respect of the quantity and the delivery schedule of the Ingredients.

Pricing Terms

(i) Purchase of Ingredients

The sale price of the Ingredients shall be determined by the parties after arm's length negotiations and at the lowest market price, based on (i) the historical purchase price, (ii) the procurement cost, including the cost of raw materials and administrative expenses, incurred in connection with the procurement of the Ingredients, and (iii) the market price of similar ingredients sold by comparable companies to independent third parties.

(ii) Revenue Sharing

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, 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, 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 on a bi-monthly basis, which shall be paid within five business days of the settlement day. Tea Mi Tea (HK) shall provide receipt to the Company within five days of receipt of the relevant payment.

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.

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 three months ending 31 December 2019 and the year ending 31 December 2020.

	For the three months ending 31 December 2019 RMB	For the year ending 31 December 2020 RMB
(i) Purchase of Ingredients	22,470,000	115,400,000
(ii) Revenue Sharing	<u>4,320,000</u>	<u>22,200,000</u>
Total	<u>26,790,000</u>	<u>137,600,000</u>

(i) Purchase of Ingredients

The annual caps in relation to the sales and purchase of Ingredients are estimated based on the following factors:

- (a) 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
- (b) the cost of raw materials, which is determined based on the Group's and Tea Mi Tea Group's historical procurement costs from independent third parties.

(ii) Revenue Sharing

The annual caps in relation to the revenue sharing are estimated based on the following factors:

- (a) 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
- (b) 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 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. In 2016, the Group saw the potential in tea beverages and snacks and started to provide such products at its Coucou and Xiabuxiabu 2.0 restaurants. The indispensable proprietary recipes and operational know-how of Tea Beverages and Tea Snacks sold at some of the Group's restaurants on a trial basis were developed by Mr. Ho, the Controlling Shareholder, and funded by his own financial and other resources. Initially, Mr. Ho agreed to provide such recipes and operational know-how to the Company for free, with an understanding that a financial compensation shall be further agreed in the future.

In light of the growth of sales of Tea and Beverages and Tea Snacks at the Group's restaurants, the Group decided to formally include Tea Beverages and Tea Snacks in its menu offerings and provide Tea Beverages and Tea Snacks at more restaurants of the Group. In order to ensure its access to the proprietary recipes and operational know-how, the Group decided to formalize such cooperation to support the expansion of its Tea Beverage and Tea Snacks offerings. In addition to Tea Mi Tea (HK), the Group had invited other players in the tea beverages and snacks industry to submit tender for the procurement of tea beverages and 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.

With more of the Group's restaurants commencing to sell Tea Beverages and Tea Snacks after entering into the Framework Cooperation Agreement, the Group expects the sales of Tea Beverages and Tea Snacks at the Group's restaurants will continue to increase. The provision of Tea Beverages and Tea Snacks at the Group's restaurants will not only complement the hotpot dishes offered at the Group's restaurants, but will also increase the customer traffic at the Group's restaurants during off-peak hours. Upon entering into the Framework Cooperation Agreement, the Group plans to combine Tea Beverages and Tea Snacks to create set menus and offer them during breakfast, lunch and tea hours at the Group's restaurants to diversify its source of revenue and enhance utilisation of its restaurants. In addition, taking into account the existing supplier network and operation workflow of Tea Mi Tea Group, the Group will also benefit from the delegation of selection and procurement of Ingredients to Tea Mi Tea Group to streamline its operations and to ensure that the Ingredients are of satisfactory quality.

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 of the Company 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 the Tea Mi Tea Group. The Tea Mi Tea Group is primarily engaged in businesses including operating tea beverages and snacks shops, selection and procurement of ingredients for tea beverages and snacks and innovation of proprietary recipes for tea beverages and 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 30 September 2019 entered into between the Company and Tea Mi Tea (HK) in respect of the purchase of Ingredients by the Group from Tea Mi Tea Group and the profit 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 People’s Republic of China
“Ingredients”	ingredients needed for the production of Tea Beverages and Tea Snacks
“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 of the Company and the spouse of Mr. Ho
“PRC”	the People’s Republic of China
“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\$0.000025 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.

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

PRC, 30 September 2019

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.