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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 TRANSACTIONS  
(I) THE LICENSING AGREEMENTS AND  
(II) THE PURCHASE OF CONDIMENT PRODUCTS AND  
INSTANT FOODS FROM THE JV SUBSIDIARY**

**THE LICENSING AGREEMENTS**

On 14 December 2020, Xiabuxiabu Catering Management (HK) Holdings Co., Ltd. and Coucou (HK) Holdings Co., Limited, wholly-owned subsidiaries of the Company, separately entered into the Licensing Agreements with the JV Subsidiary, Xiabuxiabu (China) Food Co. Ltd., pursuant to which Xiabuxiabu HK and Coucou HK grant to the JV Subsidiary a non-transferable right and license to use the Trademarks owned by Xiabuxiabu HK and Coucou HK in connection with the production and sale of Condiment Products and Instant Foods for a term commencing from 1 January 2021 and ending on 31 December 2023. Xiabuxiabu HK and Coucou HK shall charge a royalty equaling 1% of the total revenue of the JV Subsidiary generated from the sale of Condiment Products and Instant Foods. The total royalties payable by the JV Subsidiary to the Company pursuant to the Licensing Agreements are expected to be no more than RMB3,240,000, RMB5,280,000 and RMB8,160,000 for the years ending 31 December 2021, 2022 and 2023, respectively.

## **PURCHASE OF CONDIMENT PRODUCTS AND INSTANT FOODS FROM THE JV SUBSIDIARY**

On 14 December 2020, 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 and Instant Foods from the JV Subsidiary for sale in the Group's restaurants. The Framework Purchase Agreement shall have a term commencing from 1 January 2021 and ending on 31 December 2023. The annual cap for the total purchase of Condiment Products and Instant Foods by the Group from the JV Subsidiary pursuant to the Framework Purchase Agreement shall be no more than RMB38,000,000, RMB44,550,000 and RMB59,400,000 for the years ending 31 December 2021, 2022 and 2023, respectively.

## **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, Xiabuxiabu (China) Food Holdings Co. Ltd., is currently a 60% non-wholly-owned subsidiary of the Company and is owned as to 40% by Mr. Ho. The JV Company in turn indirectly wholly owns 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 Agreements 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 Agreements; 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 Agreements 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 31 May 2019 relating to, among other things, the former licensing agreement and former framework purchase agreement entered into between the Company and the JV Subsidiary.

The Board announces that on 14 December 2020, Xiabuxiabu HK and Coucou HK separately entered into the Licensing Agreements with the JV Subsidiary, pursuant to which Xiabuxiabu HK and Coucou HK shall grant to the JV Subsidiary a non-transferable right and license to use the Trademarks owned by Xiabuxiabu HK and Coucou HK in connection with the production and sale of Condiment Products and Instant Foods.

On 14 December 2020, 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 and Instant Foods from the JV Subsidiary for sale in the Group's restaurants.

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

## **THE LICENSING AGREEMENTS**

### **Xiabuxiabu HK 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, 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 a non-transferable right and license to use the Trademarks, including the marks

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

Term: The term of the Licensing Agreement shall commence on 1 January 2021 and shall end on 31 December 2023. The parties to the Licensing Agreement may negotiate to extend the agreement within two months before the expiry of the Licensing Agreement.

Royalty: The Company shall charge a royalty equaling 1% of the total revenue of the JV Subsidiary generated from the sale of Condiment Products and Instant Foods.

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

Historical transaction amount: The aggregate amount of fees payable by the JV Subsidiary to Xiabuxiabu HK under the former licensing agreement during the period from 1 June 2019 to 31 December 2019 was RMB693,000, which did not exceed the annual cap for the seven months ended 31 December 2019.

### Coucou HK Licensing Agreement

Parties: Coucou 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, 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: Coucou HK grants to the JV Subsidiary a non-transferable right and license to use the Trademarks, including the marks “湊湊”,

 “湊湊”, “湊湊”, “湊湊”, “湊湊”, “湊湊” and “湊湊” registered

under Class 30 and owned by Coucou HK in connection with the production and sale of Condiment Products and Instant Foods.

Term: The term of the Licensing Agreement shall commence on 1 January 2021 and shall end on 31 December 2023. The parties to the Licensing Agreement may negotiate to extend the agreement within two months before the expiry of the Licensing Agreement.

Royalty: The Company shall charge a royalty equaling 1% of the total revenue of the JV Subsidiary generated from the sale of Condiment Products and Instant Foods.

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

### **Annual Caps and Basis**

The annual caps for the Licensing Agreements shall be the expected maximum aggregate royalties payable by the JV Subsidiary to the Group for each of the years ending 31 December 2021, 2022 and 2023 as set out below:

	<b>Annual caps for the</b>		
	<b>year ending 31 December</b>		
	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Royalties payable	3,240	5,280	8,160

These amounts are determined with reference to (i) the expected market demand of the Condiment Products and Instant Foods; (ii) the expected demand of Condiment Products and Instant Foods of the Group's restaurants; (iii) the prevailing market price of similar products in the Condiment Products and Instant Foods market; and (iv) trademark royalty charged by other licensors for similar transactions.

### **THE FRAMEWORK 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 and Instant Foods from the JV Subsidiary for onward sale in the Group's restaurants. The quantity of Condiment Products and Instant Foods 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 and Instant Foods, purchase volume, sales price and delivery date.

Term: The term of the Framework Purchase Agreement shall commence on 1 January 2021 and shall end on 31 December 2023.

Pricing policy: The purchase price of Condiment Products and Instant Foods shall be determined by the Group and the JV Subsidiary with reference to (i) the lowest price of Condiment Products and Instant Foods 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 no less than 5% on the price of Condiment Products and Instant Foods 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 and Instant Foods market.

The JV Subsidiary shall provide an updated price list to the Group upon any proposed increase to the suggested price of Condiment Products and Instant Foods 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 Shareholders.

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

Historical transaction amount: The aggregate amount of purchase price paid by the Group to the JV Subsidiary under the former framework purchase agreement during the period from 1 June 2019 to 31 December 2019 was RMB6,115,000, which did not exceed the annual cap for the seven months ended 31 December 2019.

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 years ending 31 December 2021, 2022 and 2023 as set out below:

	<b>Annual caps for the</b>		
	<b>year ending 31 December</b>		
	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Total purchase amount	38,000	44,550	59,400

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 Condiment Products and Instant Foods of the Group's restaurants.

#### **REASONS FOR AND BENEFITS OF THE LICENSING AGREEMENTS 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 2019 Announcement, the purpose of entering into the former licensing agreement and the former framework purchase agreement with the JV Subsidiary is to research, develop, produce and distribute Condiment Products, which the Group believes has been complementing its hotpot cuisine by offering unique and tasty flavors. Under such agreements, the JV Subsidiary serves as a reliable supplier of the Group and specializes in the production of seasonings and food products under the "Xiabuxiabu" brand, and the Group's sale of such seasonings and food products in turn complements its principal business in restaurants operations and further strengthens the brand recognition. In particular, the JV Subsidiary has strong capabilities and experiences in the development, production, sales and distribution of seasonings and food products, while Mr. Ho has extensive network and experience in the catering service industry, product development, sales and distribution, and enterprise management.

The Group has been benefited from such agreements in 2019 and 2020, and expects to continue the cooperative relationship with the JV Subsidiary and Mr. Ho by entering into the Licensing Agreements and the Framework Purchase Agreement. In addition, in view of the strong potential of the market for Instant Foods, the Licensing Agreements and the Framework Purchase Agreement will also allow the production and sale of Instant Foods under the “Xiabuxiabu” brand and “Coucou” brand. Furthermore, the Board considers the sale of Instant Foods at the Group’s restaurants provides the Group with a strong growth potential, supplements the Group’s catering service business and strengthens the operational efficiency of the Group’s restaurants.

Based on the aforesaid, the Directors (including the independent non-executive Directors) believe that the terms of the Licensing Agreements 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 Agreements and the Framework Purchase Agreement as he holds 40% of the total issued share capital in the JV Company, which in turn wholly owns the JV Subsidiary. Furthermore, Ms. Chen, a non-executive Director and the wife of Mr. Ho, is also materially interested in the transactions contemplated under each of the Licensing Agreements and the Framework Purchase Agreement. As such, Mr. Ho and Ms. Chen have abstained from voting on the relevant Board resolutions in respect of the Licensing Agreements and the Framework Purchase Agreement. Save for Mr. Ho and Ms. Chen, none of the other Directors has any material interest in the Licensing Agreements and the Framework Purchase Agreement and was required to abstain from voting on the relevant Board resolutions in respect of the Licensing Agreements 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% non-wholly-owned subsidiary of the Company and is owned as to 40% by Mr. Ho. The JV Company in turn indirectly wholly owns 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 Agreements 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 Agreements; 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 Agreements 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% 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 has commenced the sale of Condiment Products to the Group and in the market in June 2019 and it is currently developing various kinds of Instant Foods, and will commence the sale of Instant Foods to the Group and in the market after successful development in 2021. The principal business activity of the JV Subsidiary is the research, development, production and sale of Condiment Products. Condiment Products and Instant Foods 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:

“2019 Announcement”	the announcement of the Company dated 31 May 2019 relating to, among other things, the former licensing agreement and the former framework purchase agreement entered into between the Company and the JV Subsidiary
“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 Agreements
“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
“Coucou HK”	Coucou (HK) Holdings Co., Limited, a limited liability company incorporated in Hong Kong and is a wholly-owned subsidiary of the Company
“Directors”	the directors of the Company
“Framework Purchase Agreement”	the framework purchase agreement entered into between the Company and the JV Subsidiary on 14 December 2020 in relation to the purchase of Condiment Products and Instant Foods by the Group from the JV Subsidiary
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

“Instant Foods”	minced beef, minced pork and other flavoured sauces which products shall apply the trademarks licensed to be used by the JV Subsidiary pursuant to the Licensing Agreements
“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% 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(s)”	the two trademark licensing agreements entered into between Xiabuxiabu HK and the JV Subsidiary, and Coucou HK and the JV Subsidiary, respectively, on 14 December 2020, pursuant to which Xiabuxiabu HK and Coucou HK shall grant to the JV Subsidiary a non-transferable right and license to use the Trademarks owned by Xiabuxiabu HK and Coucou HK in connection with the production and sale of Condiment Products and Instant Foods
“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), 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 and the wife of Mr. Ho
“PRC”	The People’s Republic of China
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Shareholder(s)”	the holder(s) of the share(s) of the Company

“Trademarks” trademarks, including the marks “呷哺呷哺”, “”,  
  
“” and “” registered under Class 30 and owned by  
Xiabuxiabu HK as well as “湊湊”, “”, “”, “”,  
“ 湊湊”, “ 湊湊” and “” registered under Class 30 and owned  
by Coucou HK, which are licensed to the JV Subsidiary pursuant  
to the Licensing Agreements

“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

“%” per cent

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

Hong Kong, 14 December 2020

*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.*