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BEST FOOD HOLDING COMPANY LIMITED

百福控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 01488)

EXEMPTED CONTINUING CONNECTED TRANSACTIONS

THE NON-QJC AGREEMENTS

On 17 May 2022, Xinladao Trading (an indirect non-wholly owned subsidiary of the Company) entered into the following food ingredients purchase agreements, namely:

- (i) the XLJ Food Ingredients Purchase Agreement with Xinliangji in relation to the supply of certain food ingredients by Xinliangji to the Xinladao Group;
- (ii) the YWY Condiments and Seasonings Purchase Agreement with Zigong Yanweiyuan in relation to the supply of certain condiments and seasonings by Zigong Yanweiyuan to the Xinladao Group; and
- (iii) the YDY Food Ingredients Purchase Agreement with Yudaoyuan in relation to the supply of fish ingredients by Yudaoyuan to the Xinladao Group.

QJC AGREEMENTS

On 17 May 2022, the Company and Quan Jin Cheng entered into (i) the QJC Food Ingredients and Condiments Purchase Agreement in relation to the provision of food ingredients and condiments by Quan Jin Cheng to the Group; and (ii) the QJC Warehousing Services Agreement in relation to the provision of warehousing services by Quan Jin Cheng to the Group.

On the same day, Xinladao Trading (an indirect non-wholly owned subsidiary of the Company) and Quan Jin Cheng entered into the QJC Ingredient Processing Services Agreement in relation to the provision of ingredient processing services by Quan Jin Cheng to Xinladao Trading.

LISTING RULES IMPLICATIONS

The Non-QJC Agreements

Each of Mr. Li and Mr. Xu, being a substantial shareholder of Xinladao Catering, is a connected person of the Company at the subsidiary level. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the date of this announcement, Beijing Ligao, being an entity ultimately held as to 86.64% by Mr. Li and 13.36% by Mr. Xu, holds 32.4% equity interest of Xinliangji and the entire equity interest of Zigong Yanweiyuan and Yudaoyuan. Accordingly, each of Xinliangji, Zigong Yanweiyuan and Yudaoyuan is a connected person of the Company at the subsidiary level and the transactions contemplated under the Non-QJC Agreements constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

By virtue of Rule 14A.101 of the Listing Rules, since (i) Xinliangji, Zigong Yanweiyuan and Yudaoyuan is a connected person at the subsidiary level, (ii) the Board has approved the transactions contemplated under the Non-QJC Agreements, and (iii) the Directors (including the independent non-executive Directors) have also confirmed that the terms of the Non-QJC Agreements are fair and reasonable and the transactions contemplated thereunder are on normal commercial terms or better and in the interests of the Company and the Shareholders as a whole, the Non-QJC Agreements are subject to the reporting, announcement and annual review requirements, but are exempt from the circular, independent financial advice and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Further, as one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) (other than the profits ratio) in respect of the aggregate amount of the annual caps under the Non-QJC Agreements, on an aggregated basis, exceeds 0.1% but all of them are less than 5%, the Non-QJC Agreements are subject to the reporting, announcement and annual review requirements, but are exempt from the circular, independent financial advice and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The QJC Agreements

As at the date of this announcement, Quan Jin Cheng is an indirect non-wholly owned subsidiary of Hony Capital Fund V, whose general partner is indirectly held as to 80% by Exponential Fortune, which is in turn held as to 49% by Mr. Zhao, being an executive Director. Accordingly, Quan Jin Cheng is regarded as an associate of Mr. Zhao and a connected person of the Company under Chapter 14A of the Listing Rules, and the transactions contemplated under the QJC Agreements constitute continuing connected transactions of the Company.

As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) (other than the profits ratio) in respect of the aggregate amount of the annual caps under the QJC Agreements, on an aggregated basis, exceeds 0.1% but all of them are less than 5%, the QJC Agreements are subject to the reporting, announcement and annual review requirements, but are exempt from the circular, independent financial advice and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

XLJ FOOD INGREDIENTS PURCHASE AGREEMENT

Date

17 May 2022

Parties

- (1) Xinladao Trading; and
- (2) Xinliangji.

Term

From 1 January 2022 to 31 December 2022

Subject Matter

Pursuant to the XLJ Food Ingredients Purchase Agreement, Xinliangji will supply the Xinladao Group with food ingredients, including chilled fish, sauce ingredients, garlic flavored and pickled vegetable hotpot condiments.

Pricing policies

The pricing of each product is determined based on the agreed price list of the parties enclosed with the XLJ Food Ingredients Purchase Agreement with reference to the product cost and market price, and should follow the following pricing principles:

- (a) The pricing of each product shall be Xinliangji's cost plus a premium of 6% (excluding tax), whereas "Xinliangji's cost" is the sum of the cost of the product's raw materials and the processing cost.

- (b) During the term, Xinliangji shall ensure that the price of each product is the lowest price offered by Xinliangji for the same product of the same quality during the same period. If any of the following circumstances occurs, the price of the product will be adjusted accordingly:
- (1) if Xinladao Trading finds that the price of the product is higher than the lowest market price, Xinliangji shall immediately adjust the price of the product to the lowest market price after receiving notice from Xinladao Trading and pay Xinladao Trading an amount equal to two times of the price difference in respect of the actual purchases made by the Xinladao Group during the term as liquidated damages; and
 - (2) if Xinliangji offers product(s) to a third party at a price lower than that on the agreed price list, Xinliangji shall notify Xinladao Trading on the day when it signs the contract with the third party, and the product price offered to Xinladao Trading shall be automatically adjusted to the same price offered to the third party. If Xinliangji fails to notify Xinladao Trading, Xinladao Trading has the right to reduce the purchase quantity or terminate the agreement and demand payment by Xinliangji an amount equal to two times of the price difference in respect of the actual purchases made by the Xinladao Group during the same period as liquidated damages.

Payment terms

The payment period will take place based on the payment cycle agreed by both parties. The accounts shall be reconciled and confirmed by the parties on the 10th to 15th of the calendar month immediately after the date of delivery. Payment will be made in cash after Xinladao Trading confirms receipt of the invoice from Xinliangji.

The Group will use its internal resources to fund the payments.

Historical transaction amounts

The amount of sales of the food ingredients by Xinliangji to the Group for the three years ended 31 December 2019, 2020 and 2021 were RMB49,959,000, RMB19,146,000 and RMB15,003,000 respectively.

Proposed annual cap and basis of determination

The Directors propose that the annual cap for the transaction contemplated under the XLJ Food Ingredients Purchase Agreement will not exceed RMB7,000,000 for the year ending 31 December 2022.

The annual cap has been determined with reference to: (i) the historical transaction amount with Xinliangji for the purchase of food ingredients in the past two years; (ii) the current market price of the food ingredients supplied under the XLJ Food Ingredients Purchase Agreement; and (iii) the expected decrease in demand in the food ingredients from Xinliangji for year 2022 as compared to year 2021 due to the increase in purchases of fresh fish from independent third party suppliers and the increase in purchases of chilled fish ingredients from Yudaoyuan by the Group.

YWY CONDIMENTS AND SEASONINGS PURCHASE AGREEMENT

Date

17 May 2022

Parties

- (1) Xinladao Trading; and
- (2) Zigong Yanweiyuan.

Term

From 1 January 2022 to 31 December 2022

Subject matter

Pursuant to the YWY Condiments and Seasonings Purchase Agreement, Zigong Yanweiyuan will supply the Xinladao Group with condiments and seasonings, including pepper, pickled ginger and spicy condiments.

Pricing Policies

The pricing of each product is determined based on the agreed price list of the parties enclosed with the YWY Condiments and Seasonings Purchase Agreement with reference to the product cost and market price, and should follow the pricing principles set out in such agreement. Such pricing principles are equivalent to those as set out in the section headed “XLJ Food Ingredients Purchase Agreement — Pricing policies”, with necessary adaptations.

Payment terms

The payment period will take place based on the payment cycle agreed by both parties. The accounts shall be reconciled and confirmed by the parties on the 10th to 15th of the calendar month immediately after the date of delivery. Payment will be made in cash after Xinladao Trading confirms receipt of the invoice from Zigong Yanweiyuan.

The Group will use its internal resources to fund the payments.

Historical transaction amounts

The amount of sales of the condiments by Zigong Yanweiyuan to the Group for the three years ended 31 December 2019, 2020 and 2021 were RMB1,068,000, RMB796,000 and RMB944,000, respectively.

Proposed annual cap and basis of determination

The Directors propose that the annual cap for the transaction contemplated under the YWY Condiments and Seasonings Purchase Agreement will not exceed RMB1,400,000 for the year ending 31 December 2022.

The annual cap has been determined with reference to: (i) the historical transaction amount with Zigong Yanweiyuan for the purchase of condiments in the past two years; (ii) the current market price of the condiments supplied under the YWY Condiments and Seasonings Purchase Agreement; (iii) the estimated volume of food ingredients required to be purchased from Zigong Yanweiyuan for year 2022, taking into the historical volume of ingredients consumed by the Group in 2021; and (iv) a buffer of around 10% to allow for the potential increase in demand of processed food ingredients and condiments by the Group from Zigong Yanweiyuan.

YDY FOOD INGREDIENTS PURCHASE AGREEMENT

Date

17 May 2022

Parties

- (1) Xinladao Trading; and
- (2) Yudaoyuan.

Term

From 1 January 2022 to 31 December 2022

Subject Matter

Pursuant to the YDY Food Ingredients Purchase Agreement, Yudaoyuan will supply the Xinladao Group with certain chilled fish ingredients.

Pricing Policies

The pricing of each product is determined based on the agreed price list of the parties enclosed with the YDY Food Ingredients Purchase Agreement with reference to the product cost and market price, and should follow the pricing principles set out in such agreement. Such pricing principles are equivalent to those as set out in the section headed “XLJ Food Ingredients Purchase Agreement — Pricing policies”, with necessary adaptations.

Payment terms

The payment period will take place based on the payment cycle agreed by both parties. The accounts shall be reconciled and confirmed by the parties on the 10th to 15th of the calendar month immediately after the date of delivery. Payment will be made in cash after Xinladao Trading confirms receipt of the invoice from Yudaoyuan.

The Group will use its internal resources to fund the payments.

Historical transaction amounts

Prior to February 2022, Yudaoyuan had not supplied any fish ingredients to the Group.

Proposed annual cap and basis of determination

The Directors propose that the annual cap for the transaction contemplated under the YDY Food Ingredients Purchase Agreement will not exceed RMB1,200,000 for the year ending 31 December 2022.

The annual cap has been determined with reference to: (i) the current market price of the food ingredients supplied under the YDY Food Ingredients Purchase Agreement; and (ii) the estimated volume of chilled fish ingredients required to be provided by Yudaoyuan to the Group as of 31 December 2022, taking into account the historical volume of fish ingredients consumed by the Group in 2021.

QJC FOOD INGREDIENTS AND CONDIMENTS PURCHASE AGREEMENT

Date

17 May 2022

Parties

- (1) the Company; and
- (2) Quan Jin Cheng.

Term

From 1 January 2022 to 31 December 2022

Subject Matter

Pursuant to the QJC Food Ingredients and Condiments Purchase Agreement, Quan Jin Cheng will supply the Group with certain food ingredients, including prepared beef, prepared pork, prepared chicken, condiments and other ingredients.

Pricing Policies

The pricing of each product is determined based on the agreed price list by the parties enclosed with the QJC Food Ingredients and Condiments Purchase Agreement with reference to the market price of comparable products after arm's length negotiation between the parties, and should follow the following pricing principles:

- (a) During the term, Quan Jin Cheng shall ensure that the price of each product is the lowest price offered by Quan Jin Cheng for the same product of the same quality during the same period. If any of the following circumstances occurs, the price of the product will be adjusted accordingly:
 - (1) if the Company finds that the price of the product is higher than the lowest market price, Quan Jin Cheng shall immediately adjust the price of the product to the lowest market price after receiving notice from the Company and pay the Company an amount equal to two times of the price difference in respect of the actual purchases made by the Group during the term as liquidated damages; and
 - (2) if Quan Jin Cheng offers product to a third party at a price lower than that on the agreed price list, Quan Jin Cheng shall notify the Company on the day when it signs the contract with the third party, and the product price offered to the Company shall be automatically adjusted to the same price offered to the third party. If Quan Jin Cheng fails to notify the Company, the Company has the right to reduce the purchase quantity or terminate the agreement and demand payment by Quan Jin Cheng an amount equal to two times of the price difference in respect of the actual purchases made by the Group during the same period as liquidated damages.
- (b) Quan Jin Cheng agreed that regardless of any reasons, there shall be no increase in the prices for products to be supplied to the Group under the QJC Food Ingredients and Condiments Purchase Agreement without prior written consent of the Company.
- (c) In the event that Quan Jin Cheng needs to increase any price for the products supplied under the QJC Food Ingredients and Condiments Purchase Agreement as a result of the increase in raw materials costs and for reasons unrelated to Quan Jin Cheng, Quan Jin Cheng shall provide 30 days' prior written notice to the Company to propose the increase in price, which shall be subject to agreement by the Company.

Payment terms

The payment period will take place based on the payment cycle agreed by both parties. The accounts shall be reconciled and confirmed by the parties on the 10th to 15th of the calendar month immediately after the date of delivery. Payment will be made in cash after the Company confirms receipt of the invoice from Quan Jin Cheng.

The Group will use its internal resources to fund the payments.

Historical transaction amounts

For the year ended 31 December 2021, the sales of food ingredients from Quan Jin Cheng to the Group was RMB661,000. Prior to year 2021, Quan Jin Cheng had not supplied any food ingredients to the Group. The purchases from Quan Jin Cheng under the QJC Food Ingredients and Condiments Purchase Agreement were mainly made by (i) Baiquan (百權), being an indirect non-wholly owned subsidiary of the Company and a small to medium-sized chained catering company which mainly commenced operations in the second half of 2021 and purchases a variety of food ingredients and condiments from Quan Jin Cheng; and (ii) the Xinladao Group, which proposes to purchase mainly beef ingredients as from June 2022.

Proposed annual cap and basis of determination

The Directors propose that the annual cap for the transaction contemplated under the QJC Food Ingredients and Condiments Purchase Agreement will not exceed RMB6,200,000 for the year ending 31 December 2022.

The annual cap has been determined with reference to: (i) the historical transaction amount of food ingredients and condiments purchased from Quan Jin Cheng in year 2021; (ii) the current market price of the products supplied under the QJC Food Ingredients and Condiments Purchase Agreement; (iii) the estimated volume of food ingredients required to be provided by Quan Jin Cheng to the Group as of 31 December 2022; (iv) the proposed purchases of part of the beef ingredients by the Xinladao Group from Quan Jin Cheng as from June 2022 taking into consideration that Quan Jin Cheng offers beef ingredients of the same level of quality but at a better price, as compared with the price and quality of beef ingredients offered by other third party suppliers; and (v) a buffer of around 10% to allow for the potential increase in demand of food ingredients and condiments by the Group from Quan Jin Cheng.

QJC INGREDIENT PROCESSING SERVICES AGREEMENT

Date

17 May 2022

Parties

- (1) Xinladao Trading; and
- (2) Quan Jin Cheng.

Term

From 1 April 2022 to 31 December 2022

Subject Matter

Pursuant to the QJC Ingredient Processing Services Agreement, Quan Jin Cheng will provide Xinladao Trading with the entrusted ingredient processing services.

Pricing policies

The pricing of processing services is determined with reference to the market price of processing services provided by independent third party suppliers through a competitive tender process and should follow the following pricing principles:

- (a) The processing fee payable by Xinladao Trading to Quan Jin Cheng for each unit of ingredients of not more than 700 grams is RMB1.70 per unit (inclusive of tax) and RMB1.50 (exclusive of tax). The minimum processing order to be procured by Xinladao Trading is 600,000 units per year.
- (b) During the term, Quan Jin Cheng shall ensure that the processing fee is the lowest price offered by Quan Jin Cheng for the same service of the same quality during the same period. If any of the following circumstances occurs, the processing fee will be adjusted accordingly:
 - (1) if the Company finds that the processing fee is higher than the lowest market price, Quan Jin Cheng shall immediately adjust the price of the service to the lowest market price after receiving notice from the Company and pay the Company an amount equal to two times of the price difference in respect of the actual services procured by the Group during the term as liquidated damages; and
 - (2) if Quan Jin Cheng offers services to a third party at a price lower than that on the agreed price list, Quan Jin Cheng shall notify the Company on the day when it signs the contract with the third party, and the processing fee offered to the Company shall be automatically adjusted to the same fee offered to the third party. If Quan Jin Cheng fails to notify the Company, the Company has the right to reduce the order quantity or terminate the agreement and demand payment by Quan Jin Cheng an amount equal to two times of the price difference in respect of the actual services procured by the Group during the same period as liquidated damages.

Payment terms

The payment period will take place based on the payment cycle agreed by both parties. The accounts shall be reconciled and confirmed by the parties on the 10th to 15th of the calendar month immediately after the date of delivery. Payment will be made in cash after Xinladao Trading confirms receipt of the invoice from Quan Jin Cheng.

The Group will use its internal resources to fund the payments.

Historical transaction amounts

Prior to year 2022, Quan Jin Cheng had not provided any ingredient processing services to the Group.

Proposed annual cap and basis of determination

The Directors propose that the annual cap for the transaction contemplated under the QJC Ingredient Processing Services Agreement will not exceed RMB1,000,000 for the year ending 31 December 2022.

The annual cap has been determined with reference to: (i) the current market price of the ingredient processing services supplied under the QJC Ingredient Processing Services Agreement; and (ii) the current actual production and operation volume of the Group.

QJC WAREHOUSING SERVICES AGREEMENT

Date

17 May 2022

Parties

- (1) the Company; and
- (2) Quan Jin Cheng.

Term

From 1 January 2022 to 31 December 2022

Subject Matter

Pursuant to the QJC Warehousing Services Agreement, Quan Jin Cheng will provide the Group with warehousing services, including room temperature storage, frozen storage and refrigerated storage.

Pricing policies

The pricing of warehousing services to be provided for each geographical area is determined based on the agreed price list by the parties enclosed with the QJC Warehousing Services Agreement with reference to the market price for the same quality of service.

During the term, Quan Jin Cheng shall ensure that the price of warehousing service is the lowest price offered by Quan Jin Cheng for the same service of the same quality during the same period. If any of the following circumstances occurs, the price of the service will be adjusted accordingly:

- (1) if the Company finds that the price of the warehousing service is higher than the lowest market price, Quan Jin Cheng shall immediately adjust the price of the service to the lowest market price after receiving notice from the Company and pay the Company an amount equal to two times of the price difference in respect of the actual purchases made by the Group during the term as liquidated damages; and
- (2) if Quan Jin Cheng offers warehousing service to a third party at a price lower than that on the agreed price list, Quan Jin Cheng shall notify the Company on the day when it signs the contract with the third party, and the service price offered to the Company shall be automatically adjusted to the same price offered to the third party. If Quan Jin Cheng fails to notify the Company, the

Company has the right to reduce the purchase quantity or terminate the agreement and demand payment by Quan Jin Cheng an amount equal to two times of the price difference in respect of the actual purchases made by the Group during the same period as liquidated damages.

Payment terms

The payment period will take place based on the payment cycle agreed by both parties. The accounts shall be reconciled and confirmed by the parties on the 5th to 10th of the calendar month. Payment will be made after the Company confirms receipt of the invoice from Quan Jin Cheng.

The Group will use its internal resources to fund the payments.

Historical transaction amounts

For the year ended 31 December 2021, the amount of sales of Quan Jin Cheng's warehousing services to the Group was RMB1,807,000. Prior to year 2021, Quan Jin Cheng had not provided any warehousing services to the Group.

Proposed annual cap and basis of determination

The Directors propose that the annual cap for the transaction contemplated under the QJC Warehousing Services Agreement will not exceed RMB2,400,000 for the year ending 31 December 2022.

The annual cap has been determined with reference to: (i) the historical transaction amount for the purchase of warehousing services in the past one year; (ii) the current market price of the Warehousing Services supplied under the QJC Warehousing Services Agreement; and (iii) a buffer of around 10% to allow for the potential increase in demand of warehousing services by the Group.

INTERNAL CONTROL MEASURES

In order to ensure that the pricing policies and the annual caps for the transactions contemplated under the Agreements are complied with and the prices are no less favourable than those provided to the Group by independent third party suppliers, the Company has adopted the following internal control measures:

- (i) the Group has obtained and reviewed, and will continue to obtain and review, quotations from and similar contracts with independent third party suppliers, with a view to get a reference on the prevailing market prices for the relevant products. Such quotations and/or similar contracts are to be cross-checked and assessed by the Group to ensure that the products sold/to be supplied (as the case may be) under the Agreements will be comparable to and no less favourable than the prices and terms for similar products offered by independent third parties. If the market price of certain product is lower than the price offered by Xinliangji, Zigong Yanweiyuan, Yudaoyuan or Quan Jin Cheng (as the case may be), the Group is entitled to request the relevant counterparty to lower their supply price immediately and to demand their payment of an amount equal to two times of the price difference in respect of the actual purchases made by the Group as liquidated damages;

- (ii) the purchase department of the Company will keep track of the aggregate amount paid by the Group to the relevant counterparty for the products supplied under the Agreements for the purpose of ensuring that the annual caps will not be exceeded;
- (iii) the internal control department of the Company will collect and total the transaction amount of the continuing connected transactions on a monthly basis based on the respective transaction amount reported by the relevant business departments. In every month after delivery is made, the Group will liaise with the relevant counterparty(ies) respectively to reconcile and confirm the accounts to ensure that the terms of the respective Agreements are being complied with;
- (iv) the independent non-executive Directors have reviewed and will continue to review the transactions under the Agreements to ensure all transactions contemplated thereunder are entered into on normal commercial terms or better and are fair and reasonable, the terms and conditions available to the Group are no less favorable than those available to independent third parties, and such transactions are carried out pursuant to the terms of such agreement; and
- (v) the auditor of the Company will also conduct an annual review to consider if such continuing connected transactions are, in all material respects, in accordance with relevant Agreements and the Group's pricing policies, and to confirm that the transaction amounts do not exceed the respective annual caps.

REASONS FOR AND BENEFITS OF ENTERING INTO THE AGREEMENTS

Xinliangji has been supplying food ingredients, including chilled fish, spices, sauce ingredients, garlic flavored and pickled vegetable hotpot condiments to the Group as a non-exclusive supplier, with proven track record of qualification, stability and competitive pricing. Yudaoyuan provides certain chilled fish ingredients with a competitive price and a stable supply. Zigong Yanweiyuan supplies condiments, such as pepper, chilli and other spices, for further processing. Baiquan (百權), being an indirect non-wholly owned subsidiary of the Company and a small to medium-sized chained catering company, purchases food ingredients and condiments from Quan Jin Cheng, which provides products of stable quality at reasonable prices. Separately, the Xinladao Group also proposes to require beef ingredients from Quan Jin Cheng as from June 2022, taking into consideration that Quan Jin Cheng offers such ingredients of the same level of quality but at a better price, as compared with other third party suppliers. While the Group has also reached out to other independent third party suppliers for the supply of food ingredients and condiments, the Company expects that the supply from Xinliangji, Yudaoyuan, Zigong Yanweiyuan and Quan Jin Cheng will be beneficial to the Group to ensure stable supply, assured quality and reasonable cost when sourcing raw materials.

Certain subsidiaries of the Company, which operate in the chained catering sector, have high requirements for warehousing services. Due to the closure of the previous warehousing suppliers, after comparison of prices offered by other third party suppliers in the market, Quan Jin Cheng was selected due to its favorable price for the same quality of service.

The previous supplier of ingredient processing service engaged by Xinladao Group have ceased to operate. Quan Jin Cheng was eventually selected as the ingredient processing service supplier of the Group after a competitive bidding/quotation process.

As there is no provision in any of the Agreements that requiring the Group to exclusively purchase food, condiments, or procure the warehousing services and ingredient processing services from the relevant counterparties of the Agreements, the Group is free to source the food ingredients, condiments and procure the warehousing and processing services from other suppliers. The quantity of products and services to be purchased by the Group will depend on the actual production and operation demand and capacity (depending on the specific orders placed by the Group). The terms of these Agreements are the results of arm's length negotiations between the Company and the relevant counterparties, respectively. The pricing basis will be determined with reference to the market price of the relevant products or services provided by/to independent third parties and the cost of the relevant products. An adjustment mechanism is established to ensure that the pricing terms of products and services supplied to the Group will be no less favourable than those provided to the Group by independent third party suppliers.

Based on the above, the Directors (including the independent non-executive Directors) are of the view that the Agreements were entered into in the ordinary and usual course of business of the Company, and the terms of the Agreements are fair and reasonable, on normal commercial terms or better and in the interests of the Company and its shareholders as a whole.

Save for Mr. Zhao John Huan who has abstained from voting on the QJC Agreements by virtue of his indirect interest in Quan Jin Cheng, none of the Directors has any material interest in the Agreements and the transactions contemplated thereunder and was required to abstain from voting on the Board resolutions to approve the Agreements.

INFORMATION OF THE PARTIES

The Group and Xinladao Trading

The principal activity of the Company is investment holding. The Group is principally engaged in the operation of chain restaurants.

Xinladao Trading is mainly engaged in the wholesale and retail of spicy fish and condiments. As at the date of this announcement, it is an indirect non-wholly owned subsidiary of the Company and is wholly owned by Xinladao Catering. Xinladao Catering is mainly engaged in the operation of Chinese hot pot chain restaurants in the PRC. As at the date of this announcement, it is an indirect non-wholly owned subsidiary of the Company and is held as to approximately 87.0% by the Company, 6.85% by Mr. Li and 6.15% by Mr. Xu, respectively.

Xinliangji

Xinliangji is principally engaged in providing solutions for manufacturing and distributing products, including spicy crawfish, spicy crab, pickled fish, Basa fish and seasoning to its customers in catering service sector.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, Xinliangji is held as to:

- (a) approximately 32.44% by Beijing Ligao, which is in turn ultimately held as to (i) 86.64% by Mr. Li and (ii) 13.36% Mr. Xu;
- (b) approximately 18.02% by Jinan Yuanzhen Chousheng Equity Investment (Funds) Management Centre (Limited Partnership) (濟南遠珍疇晟股權投資(基金)管理中心(有限合夥)), an entity in turn ultimately held as to (i) 25.90% by Sino-Ocean Group Holding Limited (stock code: 3377.HK), which engages in property investment and development activities in the PRC; and (ii) 21.57% by Taikang Insurance Group (泰康保險集團), which is principally engaged in insurance and financial services and is ultimately controlled by Mr. Chen Dongsheng and his family; and
- (c) approximately 17.96% by He Cheng (Tianjin) Catering Management Centre (Limited Partnership) (合成(天津)餐飲管理中心(有限合夥)), an entity ultimately held as to (i) 28.89% by Mr. Chen Jianying (陳建英); (ii) 25.71% by Mr. Xu; (iii) 20.32% by Mr. Zhao Wenju (趙文舉); and (iv) 14.29% by Mr. Li.

The remaining equity interest of Xinliangji is held by independent third parties, each holds equity interest ranging 0.2% to 7.23%.

Zigong Yanweiyuan

Zigong Yanweiyuan is principally engaged in the manufacturing of pickled vegetables.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, Zigong Yanweiyuan is a wholly-owned subsidiary of Beijing Ligao, an entity ultimately held as to 86.64% and 13.35% by Mr. Li and Mr. Xu, respectively.

Yudaoyuan

Yudaoyuan is principally engaged in food production, food sales and aquaculture.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, Yudaoyuan is a wholly-owned subsidiary of Beijing Ligao, an entity ultimately held as to 86.64% and 13.35% by Mr. Li and Mr. Xu, respectively.

Quan Jin Cheng

Quan Jin Cheng is mainly engaged in the manufacture and sale of processed catering ready-to-eat food, warehousing agency services and food sales.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, Quan Jin Cheng is an indirect non-wholly owned subsidiary of Hony Capital Fund V. Hony Capital Fund V is an exempted limited partnership formed under the laws of the Cayman Islands as an investment vehicle. Its general partner is Hony Capital Fund V GP, L.P., whose general partner is Hony Capital Fund V GP Limited ("**Hony Fund V GP**"). Hony Fund V GP is wholly-owned by Hony Group Management Limited ("**Hony Group Management**"), 80% equity interest of which is held by Hony Managing Partners Limited ("**Hony Managing Partners**"), which in turn is wholly-owned by Exponential Fortune. Exponential Fortune is held as to 49% by Mr. Zhao, being a director of Hony Fund V GP, Hony Group Management, Hony Managing Partners and Exponential Fortune.

LISTING RULES IMPLICATIONS

The Non-QJC Agreements

Each of Mr. Li and Mr. Xu, being a substantial shareholder of Xinladao Catering, is a connected person of the Company at the subsidiary level. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the date of this announcement, Beijing Ligao, being an entity ultimately held as to 86.64% by Mr. Li and 13.36% by Mr. Xu, holds 32.4% equity interest of Xinliangji and the entire equity interest of Zigong Yanweiyuan and Yudaoyuan. Accordingly, each of Xinliangji, Zigong Yanweiyuan and Yudaoyuan is a connected person of the Company at the subsidiary level and the transactions contemplated under the Non-QJC Agreements constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

By virtue of Rule 14A.101 of the Listing Rules, since (i) Xinliangji, Zigong Yanweiyuan and Yudaoyuan is a connected person at the subsidiary level, (ii) the Board has approved the transactions contemplated under the Non-QJC Agreements, and (iii) the Directors (including the independent non-executive Directors) have also confirmed that the terms of the Non-QJC Agreements are fair and reasonable and the transactions contemplated thereunder are on normal commercial terms or better and in the interests of the Company and the Shareholders as a whole, the Non-QJC Agreements are subject to the reporting, announcement and annual review requirements, but are exempt from the circular, independent financial advice and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Further, as one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) (other than the profits ratio) in respect of the aggregate amount of the annual caps under the Non-QJC Agreements, on an aggregated basis, exceeds 0.1% but all of them are less than 5%, the Non-QJC Agreements are subject to the reporting, announcement and annual review requirements, but are exempt from the circular, independent financial advice and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The QJC Agreements

As at the date of this announcement, Quan Jin Cheng is an indirect non-wholly owned subsidiary of Hony Capital Fund V, whose general partner is indirectly held as to 80% by Exponential Fortune, which is in turn held as to 49% by Mr. Zhao, being an executive Director. Accordingly, Quan Jin Cheng is regarded as an associate of Mr. Zhao and a connected person of the Company under Chapter 14A of the Listing Rules, and the transactions contemplated under the QJC Agreements constitute continuing connected transactions of the Company.

As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) (other than the profits ratio) in respect of the aggregate amount of the annual caps under the QJC Agreements, on an aggregated basis, exceeds 0.1% but all of them are less than 5%, the QJC Agreements are subject to the reporting, announcement and annual review requirements, but are exempt from the circular, independent financial advice and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

DEFINITIONS

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

“Agreements”	the Non-QJC Agreements and the QJC Agreements
“associates”	has the meaning ascribed to it under the Listing Rules
“Baiquan”	Beijing Baiquanerling Food Technology Co., Ltd. (北京百權二零食品科技有限公司)
“Beijing Ligao”	Beijing Ligao Enterprise Management Co., Ltd.* (北京勵高企業管理有限公司), a company established in the PRC with limited liability
“Board”	the board of Directors
“Company”	Best Food Holding Company Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 1488)
“Director(s)”	the director(s) of the Company

“Exponential Fortune”	Exponential Fortune Group Limited, a company incorporated in the Cayman Islands with limited liability, which is held as to 49% by Mr. Zhao as at the date of this announcement
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hony Capital Fund V”	Hony Capital Fund V, L.P., an exempted limited partnership formed under the laws of the Cayman Islands
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Li”	Mr. LI Jian* (李劍)
“Mr. Xu”	Mr. XU Bochun* (徐伯春)
“Mr. Zhao”	Mr. ZHAO John Huan, an executive Director and the chairman of the Company
“Non-QJC Agreements”	the XLJ Food Ingredients Purchase Agreement, the YWY Condiments and Seasonings Purchase Agreement and the YDY Food Ingredients Purchase Agreement
“PRC”	the People’s Republic of China
“QJC Agreements”	the QJC Food Ingredients and Condiments Purchase Agreement, the QJC Ingredient Processing Services Agreement and the QJC Warehousing Services Agreement
“QJC Food Ingredients and Condiments Purchase Agreement”	the framework agreement dated 17 May 2022 entered into between the Company and Quan Jin Cheng in relation to the supply of food ingredients and condiments by Quan Jin Cheng to the Group
“QJC Ingredient Processing Services Agreement”	the framework agreement dated 17 May 2022 entered into between Xinladao Trading and Quan Jin Cheng in relation to the provision of entrusted ingredient processing services by Quan Jin Cheng to Xinladao Trading
“QJC Warehousing Services Agreement”	the framework agreement dated 17 May 2022 entered into between the Company and Quan Jin Cheng in relation to the provision of warehousing services by Quan Jin Cheng to the Group

“Quan Jin Cheng”	Quan Jin Cheng Food Processing (Beijing) Co., Ltd.* (權金城食品加工(北京)有限公司), a company established in the PRC with limited liability
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary shares of HK\$0.10 each in the capital of the Company
“Shareholder(s)”	holders of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Xinladao Catering”	Beijing Xinladao Catering Management Co., Ltd.* (北京新辣道餐飲管理有限公司), a company established in the PRC and a non- wholly owned subsidiary which is held as to 87.0% by the Company as at the date of this announcement
“Xinladao Group”	Xinladao Catering and its subsidiaries, including Xinladao Trading
“Xinladao Trading”	Beijing Xinladao Trading Co., Ltd.* (北京新辣道商貿有限公司), a company established in the PRC with limited liability, which is an indirect non-wholly owned subsidiary of the Company and is held as to 87% by the Company as at the date of this announcement
“Xinliangji”	XLJ Food Technology (Beijing) Co., Ltd.* (信良記食品科技(北京)有限公司), a company established in the PRC with limited liability
“XLJ Food Ingredients Purchase Agreement”	the framework agreement dated 17 May 2022 entered into between Xinladao Trading and Xinliangji in relation to the supply of certain food ingredients by Xinliangji to the Xinladao Group
“YDY Food Ingredients Purchase Agreement”	the framework agreement dated 17 May 2022 entered into between Xinladao Trading and Yudaoyuan in relation to the supply of certain chilled fish ingredients by Yudaoyuan to the Xinladao Group
“Yudaoyuan”	Shandong Fish Road Source Biotechnology Co., Ltd. (山東魚道源生物科技有限公司), a company established in the PRC with limited liability
“YWY Condiments and Seasonings Purchase Agreement”	the framework agreement dated 17 May 2022 entered into between Xinladao Trading and Zigong Yanweiyuan in relation to the supply of certain condiments and seasonings by Zigong Yanweiyuan to the Xinladao Group

“Zigong Yanweiyuan”

Zigong Yanweiyuan Food Co., Ltd.* (自貢鹽味源食品有限公司), a company established in the PRC with limited liability

“%”

per cent

By order of the Board
BEST FOOD HOLDING COMPANY LIMITED
ZHAO John Huan
Chairman

Hong Kong, 17 May 2022

As at the date of this announcement, the Board comprises three executive Directors, namely Mr. Zhao John Huan, Mr. Wang Xiaolong and Mr. Jing Shen and three independent non-executive Directors, namely Mr. Leung Kwai Kei, Mr. Heng Victor Ja Wei, and Mr. Lo Wei-Ren.

* *For identification purposes only*