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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)

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

In order to renew the Existing Agreements which will expire on 31 December 2023, on 29 December 2023 (after trading hours), (a) the Company and Quan Jin Cheng entered into (i) the 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 Warehousing Services Agreement in relation to the provision of warehousing services by Quan Jin Cheng to the Group; and (b) Xinladao Trading (an indirect non-wholly owned subsidiary of the Company) and Quan Jin Cheng entered into the Ingredient Processing Services Agreement in relation to the provision of ingredient processing services by Quan Jin Cheng to Xinladao Trading.

LISTING RULES IMPLICATIONS

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 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 Agreements, on an aggregated basis, exceeds 0.1% but all of them are less than 5%, the 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.

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

Reference is made to the announcement of the Company dated 12 January 2023 in relation to the Existing Agreements.

In order to renew the Existing Agreements which will expire on 31 December 2023, on 29 December 2023 (after trading hours), (a) the Company and Quan Jin Cheng entered into (i) the 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 Warehousing Services Agreement in relation to the provision of warehousing services by Quan Jin Cheng to the Group; and (b) Xinladao Trading (an indirect non-wholly owned subsidiary of the Company) and Quan Jin Cheng entered into the Ingredient Processing Services Agreement in relation to the provision of ingredient processing services by Quan Jin Cheng to Xinladao Trading.

FOOD INGREDIENTS AND CONDIMENTS PURCHASE AGREEMENT

Date

29 December 2023 (after trading hours)

Parties

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

Term

From 1 January 2024 to 31 December 2024

Subject Matter

Pursuant to the 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 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 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 Food Ingredients and Condiments Purchase Agreement 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

Payment shall be made in cash and will take place based on the payment cycle agreed by both parties. The Company shall make the full payment for the purchase price of the orders placed under the Food Ingredients and Condiments Purchase Agreement on the same day when the Company places the order. The Group will use its internal resources to fund the payments.

Historical transaction amounts

For the year ended 31 December 2022 and the eleven months ended 30 November 2023, the sales of food ingredients from Quan Jin Cheng to the Group were approximately RMB2,615,000 and RMB2,952,000, respectively. The purchases from Quan Jin Cheng under the Food Ingredients and Condiments Purchase Agreement were mainly made by 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.

Proposed annual cap and basis of determination

The Directors propose that the annual cap for the transaction contemplated under the Food Ingredients and Condiments Purchase Agreement will not exceed RMB4,500,000 for the year ending 31 December 2024.

The annual cap has been determined with reference to: (i) the unaudited historical transaction amount of food ingredients and condiments purchased from Quan Jin Cheng in the past one year; (ii) the recent increases in market price and Quan Jin Cheng's price quotation of the products supplied under the Food Ingredients and Condiments Purchase Agreement; (iii) the estimated volume of food ingredients required to be provided by Quan Jin Cheng to the Group for the year ending 31 December 2024 taking into account Baiquan's store opening plan for 2024; and (iv) 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. Based on the above, the Company considers that notwithstanding that the annual cap is higher than the historical transaction amounts, the annual cap of RMB4,500,000 is fair and reasonable.

In considering the estimated volume of food ingredients required from Quan Jin Cheng, the Company also considered that (i) Baiquan operate Quan Jin Cheng brand stores and need to purchase some proprietary food ingredients and condiments of Quan Jin Cheng; and (ii) Quan Jin Cheng offers food ingredients of the same level of quality but at a better price and stable supply, as compared with the price and quality of food ingredients offered by other third party suppliers.

INGREDIENT PROCESSING SERVICES AGREEMENT

Date

29 December 2023 (after trading hours)

Parties

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

Term

From 1 January 2024 to 31 December 2024

Subject Matter

Pursuant to the 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 based on the agreed price list by the parties enclosed with the Ingredient Processing Services Agreement 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) 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 1st to 5th 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 amount

For the year ended 31 December 2022 and for the eleven months ended 30 November 2023, the amount of ingredient processing services supplied by Quan Jin Cheng to the Group were approximately RMB651,000 and RMB1,295,000, respectively.

Proposed annual cap and basis of determination

The Directors propose that the annual cap for the transaction contemplated under the Ingredient Processing Services Agreement will not exceed RMB2,200,000 for the year ending 31 December 2024.

The annual cap has been determined with reference to: (i) the historical transaction amount of ingredient processing services supplied by Quan Jin Cheng in the past one year; (ii) the recent decrease in market price of the ingredient processing services supplied under the Ingredient Processing Services Agreement; (iii) the current actual production and operation volume of the Group; (iv) the estimated amount of ingredient processing services required to be provided by Quan Jin Cheng to the Group for the year ending 31 December 2024 taking into account certain new stores opened in the 4th quarter of 2023 and the Group's store opening plan for 2024; and (v) a buffer of around 10% to allow for the potential increase in demand of ingredient processing services by the Group from Quan Jin Cheng. The Company considers that notwithstanding that the annual cap is higher than the historical transaction amounts, and there has been a recent decrease in market price of the ingredient processing services, the annual cap of RMB2,200,000 is fair and reasonable, as the expected increase in demand in such services brought about by the new stores opened in the 4th quarter of 2023 or to be opened in 2024 is expected to offset the effect of the recent decrease in market price of such services.

WAREHOUSING SERVICES AGREEMENT

Date

29 December 2023 (after trading hours)

Parties

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

Term

From 1 January 2024 to 31 December 2024

Subject Matter

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

Pricing policies

The pricing of warehousing services to be provided is determined with reference to the market price for the same quality of services. The warehousing services fees payable by the Group to Quan Jin Cheng for each month will be a sum equal to 2.3% of the total costs of sales of the products stored at Quan Jin Cheng's warehouse and subsequently sold by the group for the relevant month.

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 2022 and the eleven months ended 30 November 2023, the amount of sales of Quan Jin Cheng's warehousing services to the Group were approximately RMB2,110,000 and RMB1,367,000, respectively.

Proposed annual cap and basis of determination

The Directors propose that the annual cap for the transaction contemplated under the Warehousing Services Agreement will not exceed RMB2,600,000 for the year ending 31 December 2024.

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 recent decrease in market price of the warehousing services supplied under the Warehousing Services Agreement; (iii) the expected volume of warehousing services required from the Group for the year ending 31 December 2024 having taken into account the Group's store opening plan for 2024; and (iv) 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 Quan Jin Cheng (as the case may be), the Group is entitled to request Quan Jin Cheng to lower its supply price immediately and to demand its 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

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 and competitive prices. 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, the Company expects that the supply from Quan Jin Cheng under the Agreements 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. Quan Jin Cheng is able to offer favorable prices for the same quality of warehousing services offered by third parties suppliers, and it can also provide high quality ingredient processing services which are specifically tailored to the needs of the Group. After comparison of prices and services offered by other suppliers in the market, the Company decided to continue to engage Quan Jin Cheng to provide warehousing services and ingredient processing services to the Group due to its favourable price and the quality of services.

Separately, as there is no provision in any of the Agreements that requiring the Group to exclusively procure the warehousing services and ingredient processing services from the relevant counterparties of the Agreements, the Group is free to 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 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 Jian and 6.15% by Mr. Xu Bochun, 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

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 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 Agreements, on an aggregated basis, exceeds 0.1% but all of them are less than 5%, the 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 Food Ingredients and Condiments Purchase Agreement, the Ingredient Processing Services Agreement and the Warehousing Services Agreement
“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)
“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
“Existing Agreements”	(i) the framework agreement dated 12 January 2023 between the Company and Quan Jin Cheng in relation to the supply of food ingredients and condiments; (ii) the framework agreement dated 12 January 2023 between the Company and Quan Jin Cheng in relation to the provision of warehousing services; and (iii) the framework agreement dated 12 January 2023 entered into between Xinladao Trading and Quan Jin Cheng in relation to the provision of entrusted ingredient processing services
“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
“Food Ingredients and Condiments Purchase Agreement”	the framework agreement dated 29 December 2023 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

“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
“Ingredient Processing Services Agreement”	the framework agreement dated 29 December 2023 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
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Zhao”	Mr. ZHAO John Huan, an executive Director and the chairman of the Company
“PRC”	the People’s Republic of China
“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
“Warehousing Services Agreement”	the framework agreement dated 29 December 2023 entered into between the Company and Quan Jin Cheng in relation to the provision of warehousing services by Quan Jin Cheng to the Group
“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% by the Company as at the date of this announcement

“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 indirectly held as to 87% by the Company as at the date of this announcement

“%”

per cent

By order of the Board
Best Food Holding Company Limited
Zhao John Huan
Chairman

Hong Kong, 29 December 2023

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.