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## **GUOQUAN FOOD (SHANGHAI) CO., LTD.**

### **鍋圈食品(上海)股份有限公司**

*(A joint stock company incorporated in the People's Republic of China with limited liability)*

**(Stock Code: 2517)**

## **CONTINUING CONNECTED TRANSACTIONS SERVICES PROCUREMENT FRAMEWORK AGREEMENT**

### **BACKGROUND**

Huading Cold Chain provides integrated digital cold chain warehousing and logistics solutions (the “**Cold Chain Warehousing and Logistics Services**”) to the Group, and as at the date of this announcement, Huading Cold Chain became a wholly-owned subsidiary of Guoquan Industry, a Controlling Shareholder of the Company. As such, since the date of this announcement, Huading Cold Chain has become a connected person of the Company under Rule 14A of the Listing Rules.

The Board announces that on July 22, 2024, relevant resolution was considered and passed by the Board to approve the entering into of the Services Procurement Framework Agreement between the Company (on behalf of the Group) and Huading Cold Chain (on behalf of Huading Cold Chain and its associates), pursuant to which Huading Cold Chain and its associates provide Cold Chain Warehousing and Logistics Services to the Group.

### **LISTING RULES IMPLICATIONS**

As of the date of this announcement, Guoquan Industry holds approximately 32.08% of the total issued share capital of the Company and is one of the Controlling Shareholders of the Company. As at the date of this announcement, Huading Cold Chain became a wholly-owned subsidiary of Guoquan Industry, a Controlling Shareholder of the Company, and Huading Cold Chain therefore has become a connected person of the Company under Chapter 14A of the Listing Rules with effect from the date of this announcement. Huading Cold Chain provides Cold Chain Warehousing and Logistics Services to the Group. Accordingly, the entering into of the Services Framework Procurement Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under the Listing Rules.

As the highest applicable percentage ratio in respect of the annual caps for the Services Procurement Framework Agreement for the purposes of Chapter 14A of the Listing Rules exceeds 0.1% but is less than 5%, the transactions contemplated under the Agreement are subject to the reporting, announcement and annual review requirements but are exempt from the circular (including the opinion of the independent financial adviser) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

## SERVICES PROCUREMENT FRAMEWORK AGREEMENT

The principal terms of the Services Procurement Framework Agreement are set out below:

- Date:** July 22, 2024
- Parties:**
- (1) the Company (on behalf of the Group); and
  - (2) Huading Cold Chain (on behalf of Huading Cold Chain and its associates)
- Term of the Agreement:** From July 22, 2024 to December 31, 2026
- Subject matter:** Huading Cold Chain and its associates will provide Cold Chain Warehousing and Logistics Services to the Group during the term of the Agreement
- Basis of price determination**
- The pricing of Cold Chain Warehousing and Logistics Services under the Services Procurement Framework Agreement shall be determined based on normal commercial terms after arm's length negotiation in the ordinary course of business and in accordance with the following principles:
- (i) The pricing of Cold Chain Warehousing and Logistics Services shall be determined with reference to factors including, but not limited to, fulfillment solutions, optimal route design, shipping mode, freight costs, delivery areas, warehouse property type, storage duration, cargo specifications, volume size, service complexity, and market competitiveness;
  - (ii) The price and terms shall be no less favorable to the Group than the price and terms at which services would be provided by independent third-party service providers for substantially the same or similar transactions during the same period, in any event.
- Payment and settlement terms:** The Group will enter into specific agreements or place orders with Huading Cold Chain and its associates to set out the specific terms and conditions for the provision of the Cold Chain Warehousing and Logistics Services. The Group will make payments in accordance with the principles set out in the Services Procurement Framework Agreement at the time and in the manner and subject to the conditions agreed in the specific agreement or order.

## HISTORICAL AMOUNT

The historical transaction amounts of the Cold Chain Warehousing and Logistics Services purchased by the Group from Huading Cold Chain for the three years ended December 31, 2023 and the three months ended March 31, 2024 are set out below:

	For the year ended December 31,			For the three months ended
	2021	2022	2023	March 31, 2024
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Total amount of Cold Chain Warehousing and Logistics Services purchased by the Group from Huading Cold Chain (approximate) <sup>(Note)</sup>	198,496	339,063	275,412	66,668

*Note:* Henan Huading Supply Chain Management Co., Ltd. (河南華鼎供應鏈管理有限公司), the sole shareholder of Huading Cold Chain prior to the date of this announcement, had commenced the provision of Cold Chain Warehousing and Logistics Services to the Group prior to January 1, 2021, and since January 1, 2024, Henan Huading Supply Chain Management Co., Ltd. transferred the aforesaid business to Huading Cold Chain as a result of its implementation of internal reorganization, whereby Huading Cold Chain provides Cold Chain Warehousing and Logistics Services to the Group. Accordingly, in order to reflect the Group's actual historical demand for Cold Chain Warehousing and Logistics Services, the historical information set out in the above table is calculated based on the assumption that Henan Huading Supply Chain Management Co., Ltd. has transferred the aforesaid business to Huading Cold Chain prior to January 1, 2021.

## ANNUAL CAPS AND BASIS OF DETERMINATION

The annual caps for the Cold Chain Warehousing and Logistics Services to be purchased by the Group from Huading Cold Chain and its associates for the three years ending December 31, 2026 are set out below:

	For the year ending December 31,		
	2024	2025	2026
	(RMB'000)	(RMB'000)	(RMB'000)
Total amount of Cold Chain Warehousing and Logistics Services to be purchased by the Group from Huading Cold Chain and its associates (approximate)	140,000	225,000	225,000

The proposed annual caps for the transactions contemplated under the Services Procurement Framework Agreement were determined after taking into account the following factors, including: (i) the historical transaction amount of the Group's procurement of Cold Chain Warehousing and Logistics Services from Huading Cold Chain; (ii) the business prospects of the Group and the logistics requirements arising therefrom; (iii) the transaction volume of the Group's future procurement of Cold Chain Warehousing and Logistics Services from other Independent Third Parties; and (iv) the complexity of the logistics requirements of the Group.

## **REASONS FOR AND BENEFITS OF ENTERING INTO THE SERVICES PROCUREMENT FRAMEWORK AGREEMENT**

Huading Cold Chain is a stable and reliable supplier of the Group, possessing specialized expertise and experience in the cold chain logistics for the consumer retail industry. The quality and efficiency of the Cold Chain Warehousing and Logistics Services provided by Huading Cold Chain and its associates can meet our logistics requirements, particularly through their centralized and integrated cold chain logistics services operations that allow for the efficient and timely provision of nationwide integrated digital cold chain warehousing and logistics services at a relatively low cost. Compared to the third-party providers of integrated cold chain warehousing and logistics services, Huading Cold Chain has a superior understanding of our delivery requirements and is more familiar with our nationwide store network. Therefore, it can better integrate with our enterprise resource planning system, which is critical to our operations. The Company believes that the entering into of the Services Procurement Framework Agreement with Huading Cold Chain is beneficial to the Group and in the interests of the Shareholders as a whole.

### **Internal Control**

In order to further safeguard the interests of the Shareholders as a whole (including the minority Shareholders), the Group has implemented the following internal control measures in relation to the continuing connected transactions:

- (i) The Group's business department will regularly obtain quotation for similar services from independent service providers to review the market prices of the services provided under the agreements;
- (ii) The Group's business department will regularly conduct surveys to review and assess whether the transactions as contemplated under the relevant continuing connected transactions are conducted according to the terms of their respective agreements, and also maintain a regular update on market prices to consider whether the pricing of specific transactions is fair, reasonable and in line with the aforementioned pricing policy;
- (iii) The Group's finance department will regularly monitor transactions under the agreements to ensure that the transaction amounts each do not exceed the respective annual caps. If any transaction amount approximates the corresponding annual cap, the management of the Company will update the relevant annual cap or temporarily suspend the relevant transactions, as the case may be;
- (iv) The Company's external auditors will conduct an annual review of the transactions to confirm (a) whether the transactions under the Services Procurement Framework Agreement have been approved by the Board; (b) whether such transactions have been entered into in accordance with the provisions of the Services Procurement Framework Agreement; and (c) whether the proposed annual caps have been exceeded;

- (v) The independent non-executive Directors will review the transactions on an annual basis to ensure that the Company has complied with internal approval procedures, the terms of the agreement and the relevant provisions under the Listing Rules, and will confirm in the annual report whether the transactions under the Services Procurement Framework Agreement: (a) were entered into in the ordinary course of the Group's business; (b) were conducted on normal commercial terms or better; and (c) were executed in accordance with the Services Procurement Framework Agreement on terms that are fair, reasonable, and in the interests of the Company's Shareholders as a whole; and
- (vi) When considering any renewal or revisions to the agreements, the interested Directors and Shareholders shall abstain from voting on the resolutions to approve such transactions at Board meetings or shareholders' general meetings (as the case may be).

## **OPINION FROM THE BOARD**

The Directors (including the independent non-executive Directors) consider that (i) the terms of the Services Procurement Framework Agreement and the proposed annual caps are fair and reasonable; (ii) the transactions contemplated thereunder are on normal commercial terms and in the ordinary and usual course of business of the Group, and (iii) the entering into of the Services Procurement Framework Agreement is in the interests of the Company and the Shareholders as a whole.

Mr. Yang Mingchao and Mr. Meng Xianjin, being the executive Directors interested in 55.61% and 37.07% in Guoquan Industry, respectively, have a material interest in the transactions contemplated under the Services Procurement Framework Agreement. Therefore, Mr. Yang Mingchao and Mr. Meng Xianjin have abstained from voting on the relevant resolution at the Board meeting to approve the Service Procurement Framework Agreement. Save as disclosed above, none of the other Directors has a material interest in the transactions contemplated under the Agreement. On July 22, 2024, relevant resolution was considered and passed by the Board to approve the entering into of the Services Procurement Framework Agreement between the Company (on behalf of the Group) and Huading Cold Chain (on behalf of Huading Cold Chain and its associates).

## **INFORMATION ON THE PARTIES**

As a leading and rapidly growing home meal products brand in China, the Group offers a variety of ready-to-eat, ready-to-heat, ready-to-cook and prepared ingredients, with a focus on at-home hotpot and barbecue products.

Huading Cold Chain, a company incorporated in the PRC with limited liability, is principally engaged in the provision of efficient and synergistic integrated cold chain warehousing and logistics solutions for customers relying on big data and Internet of Things technology. As at the date of this announcement, Huading Cold Chain became a wholly-owned subsidiary of Guoquan Industry, a Controlling Shareholder of the Company. As of the date of this announcement, Guoquan Industry, being one of the Controlling Shareholders of the Company is held as to 55.61% by Mr. Yang Mingchao, 37.07% by Mr. Meng Xianjin, and 7.32% by Mr. Li Xinhua, all being a Controlling Shareholder of the Company.

## LISTING RULES IMPLICATIONS

As of the date of this announcement, Guoquan Industry holds approximately 32.08% of the total issued share capital of the Company and is one of the Controlling Shareholders of the Company. As at the date of this announcement, Huading Cold Chain became a wholly-owned subsidiary of Guoquan Industry, a Controlling Shareholder of the Company, and Huading Cold Chain therefore has become a connected person of the Company under Chapter 14A of the Listing Rules with effect from the date of this announcement. Huading Cold Chain provides Cold Chain Warehousing and Logistics Services to the Group. Accordingly, the entering into of the Services Procurement Framework Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under the Listing Rules.

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## DEFINITIONS

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of directors of the Company
“China” or “PRC”	the People’s Republic of China, excluding, for the purpose of this announcement only, Hong Kong, Macau Special Administrative Region and Taiwan of the PRC
“Company”	Guoquan Food (Shanghai) Co., Ltd. (鍋圈食品(上海)股份有限公司), a joint stock company established under the laws of the PRC with limited liability on July 11, 2019, and the H Shares of which are listed on the Main Board of the Hong Kong Stock Exchange (stock code: 2517)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	director(s) of our Company
“Group”	our Company and its subsidiaries
“Guoquan Industry”	Guoquan Industry (Shanghai) Co., Ltd. (鍋圈實業(上海)有限公司), a company incorporated under the laws of the PRC with limited liability on November 10, 2021 and one of the Controlling Shareholders of the Company



“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Huading Cold Chain”	Henan Huading Cold Chain Warehousing & Distribution Technology Co., Ltd. (河南華鼎冷鏈倉配科技有限公司), a company incorporated under the laws of the PRC with limited liability on April 10, 2023
“Independent Third Party(ies)”	to the best of the Directors’ knowledge having made all reasonable enquiries, any person who is not a connected person (as defined under the Listing Rules) of our Company
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary shares in the capital of our Company with a nominal value of RMB1.00 each, including domestic unlisted shares and H shares
“Shareholder(s)”	the shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“%”	percentage

By order of the Board  
**Guoquan Food (Shanghai) Co., Ltd.**  
 鍋圈食品(上海)股份有限公司  
**Mr. Yang Mingchao**  
*Chairperson of the Board, Executive Director  
 and Chief Executive Officer*

Hong Kong, July 22, 2024

*As at the date of this announcement, the Board comprises Mr. Yang Mingchao, Mr. Meng Xianjin, Mr. An Haolei and Ms. Luo Na as executive Directors; Mr. Yi Jiayu, Mr. Zeng Xinghai and Mr. Liu Zhengzheng as non-executive Directors; Mr. Zeng Xiaosong, Ms. Yu Fang Jing, Mr. Li Jianfeng and Mr. Shi Kangping as independent non-executive Directors.*