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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: 1488)

EXEMPTED CONTINUING CONNECTED TRANSACTIONS

FOOD INGREDIENTS PURCHASE AGREEMENT

On 29 April 2021, New Spicy Way Trading (an indirect non-wholly owned subsidiary of the Company) and Xinliangji entered into the Food Ingredients Purchase Agreement in relation to the supply of certain food ingredients by Xinliangji to the New Spicy Way Group.

CONDIMENTS AND SEASONINGS PURCHASE AGREEMENT

On 29 April 2021, Hongri Hongyuan (an indirect non-wholly owned subsidiary of the Company) and Zigong Yanweiyuan entered into the Condiments and Seasonings Purchase Agreement in relation to the supply of certain condiments and seasonings by Zigong Yanweiyuan to the New Spicy Way Group.

LISTING RULES IMPLICATIONS

Each of Mr. Li and Mr. Xu, being a substantial shareholder of New Spicy Way Catering, is a connected person of the Company at the subsidiary level. Ms. Nan, being Mr. Li's spouse, is an associate of Mr. Li and also 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 85.8% by Mr. Li, 13.4% by Mr. Xu and 0.8% by Ms. Nan, holds 36.6% equity interest of Xinliangji and the entire equity interest of Zigong Yanweiyuan. Accordingly, each of Xinliangji and Zigong Yanweiyuan is a connected person of the Company at the subsidiary level and the transactions contemplated under the 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) each of Xinliangji and Zigong Yanweiyuan is a connected person at the subsidiary level, (ii) the Board has approved the transactions contemplated under the Agreements, and (iii) the Directors (including the independent non-executive Directors) have also confirmed that the terms of the 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 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 Agreements 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.

FOOD INGREDIENTS PURCHASE AGREEMENT

On 29 April 2021, New Spicy Way Trading (an indirect non-wholly owned subsidiary of the Company) and Xinliangji entered into the Food Ingredients Purchase Agreement in relation to the supply of certain food ingredients by Xinliangji to the New Spicy Way Group.

Certain principal terms of the Food Ingredients Purchase Agreement are set out below.

Date

29 April 2021

Parties

- (1) New Spicy Way Trading; and
- (2) Xinliangji.

Term

From 1 January 2021 to 31 December 2021

Subject Matter

Pursuant to the Food Ingredients Purchase Agreement, Xinliangji will supply the New Spicy Way Group with food ingredients, including fish, sauce ingredients, garlic flavored and pickled vegetable hotpot condiments (the "**Food Ingredients**").

Pricing policies

The pricing of each product is determined based on the agreed price list by the parties enclosed with the 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 of the Food Ingredients Purchase Agreement, Xinliangji shall ensure that the price of each product is the lowest price sold 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 New Spicy Way 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 New Spicy Way Trading and pay New Spicy Way Trading an amount equal to two times of the price difference in respect of the actual purchases made by the New Spicy Way 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 New Spicy Way Trading on the day when it signs the contract with the third party, and the product price offered to New Spicy Way Trading shall be automatically adjusted to the same price offered to the third party. If Xinliangji fails to notify New Spicy Way Trading, New Spicy Way 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 New Spicy Way 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 after New Spicy Way Trading confirms receipt of the invoice from Xinliangji.

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

CONDIMENTS AND SEASONINGS PURCHASE AGREEMENT

On 29 April 2021, Hongri Hongyuan (an indirect non-wholly owned subsidiary of the Company) and Zigong Yanweiyuan entered into the Condiments and Seasonings Purchase Agreement in relation to the supply of certain condiments and seasonings by Zigong Yanweiyuan to the New Spicy Way Group.

Certain principal terms of the Condiments and Seasonings Purchase Agreement are set out below.

Date

29 April 2021

Parties

- (1) Hongri Hongyuan; and
- (2) Zigong Yanweiyuan.

Term

From 1 January 2021 to 31 December 2021

Subject matter

Pursuant to the Condiments and Seasonings Purchase Agreement, Zigong Yanweiyuan will supply the New Spicy Way Group with condiments and seasonings, including pepper, pickled ginger and spicy condiments (the “**Condiments**”).

Pricing policies

The pricing of each product is determined based on the agreed price list by the parties enclosed with the Condiments and Seasonings Purchase Agreement with reference to the product cost and market price, and should follow the pricing principles set out in the Condiments and Seasonings Purchase Agreement. Such pricing principles are equivalent to those as set out in the section headed “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 after Hongri Hongyuan 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 Food Ingredients by Xinliangji to the Group for one month ended 31 December 2018, and the two years ended 31 December 2019 and 2020 were RMB8,016,000, RMB49,959,000 and RMB19,146,000 respectively.

The amount of sales of the Condiments by Zigong Yanweiyuan to the Group for one month ended 31 December 2018, and the two years ended 31 December 2019 and 2020 were RMB98,000, RMB1,068,000 and RMB796,000 respectively.

PROPOSED ANNUAL CAPS AND BASIS OF DETERMINATION

Food Ingredients Purchase Agreement

The Directors propose that the annual cap for the transaction contemplated under the Food Ingredients Purchase Agreement will not exceed RMB25,000,000 for the year ending 31 December 2021.

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) a buffer of around 10% to allow for the increase in demand of Food Ingredients by the Group from Xinliangji as anticipated by the management of the Group; (iii) the current market price of the Food Ingredients supplied under the Food Ingredients Purchase Agreement; and (iv) the expected decrease in demand in the Food Ingredients from Xinliangji for year 2021 as compared to year 2019 due to the increased level of purchases from independent third party suppliers by the Group.

Condiments and Seasonings Purchase Agreement

The Directors propose that the annual cap for the transaction contemplated under the Condiments and Seasonings Purchase Agreement will not exceed RMB4,000,000 for the year ending 31 December 2021.

The annual cap has been determined with reference to: (i) the historical transaction amount with Zigong Yanweiyuan for the purchase of the Condiments in the past two years; (ii) a buffer of around 10% to allow for the increase in demand of food ingredients by the Group from Zigong Yanweiyuan as anticipated by the management of the Group; (iii) the current market price of the Condiments supplied under the Condiments and Seasonings Purchase Agreement; and (iv) having considered the impact from the abnormal operation for year 2020, the expected increase in demand in the Condiments from Zigong Yanweiyuan for year 2021 as compared to year 2019 due to the expected increase of sales and raw materials of the New Spicy Way 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 parties 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 evaluated 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 or Zigong Yanweiyuan, the Group is entitled to request Xinliangji or Zigong Yanweiyuan (as the case may be) 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 New Spicy Way Group as liquidated damages;

- (ii) the purchase department of the Company will keep track of the aggregate amount paid by the Group to Xinliangji and Zigong Yanweiyuan 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 Xinliangji and Zigong Yanweiyuan respectively to reconcile and confirm the accounts to ensure that the terms of the 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 on the pricing and annual caps of such continuing connected transactions.

REASONS FOR AND BENEFITS OF ENTERING INTO THE AGREEMENTS

Xinliangji has been supplying food ingredients, including 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. The Condiments and Seasonings Purchase Agreement allows the Group to acquire raw materials from Zigong Yanweiyuan for condiments such as pepper, chilli and other spices, which will be further processed at the facilities of Hongri Hongyuan. While the Group has also reached out to other independent third party suppliers for the supply of the Food Ingredients and the Condiments, the Company expects that the supply from Xinliangji and Zigong Yanweiyuan will be beneficial to the Group to ensure stable supply, assured quality and reasonable cost when sourcing raw materials.

The parties are at liberty to source the Food Ingredients and the Condiments from other suppliers or to sell such raw materials and products to other customers as there is no provision in any of the Agreements requiring the Group to exclusively source the Food Ingredients and the Condiments from Xinliangji and Zigong Yanweiyuan, or Xinliangji and Zigong Yanweiyuan to exclusively sell the Food Ingredients and the Condiments to the Group. The quantities of raw materials to be purchased by the

Group will depend on its actual production and operation needs and capacity subject to the specific orders to be placed by the Group. The terms of the Agreements are the results of arm's length negotiations by the Company with Xinliangji and Zigong Yanweiyuan respectively and the pricing basis will be determined with reference to the market prices of the respective products offered to Independent Third Parties and the cost of the respective products, with adjustment mechanisms in place to ensure that the pricing terms of the products supplied to the Group will be no less favourable than those offered 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.

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, New Spicy Way Trading and Hongri Hongyuan

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

New Spicy Way Catering is principally 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.

New Spicy Way Trading is principally 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 held as to 100% by New Spicy Way Catering.

Hongri Hongyuan is principally engaged in the manufacturing of condiments. As at the date of this announcement, it is an indirect non-wholly owned subsidiary of the Company and is held as to 94% by New Spicy Way Catering.

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 industry.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, Xinliangji is held as to (a) approximately 36.6% by Beijing Ligao, which is in turn ultimately held as to 85.8% by Mr. Li, 13.4% by Mr. Xu and 0.8% by Ms. Nan, and (b) approximately 19.7% by He Cheng (Tianjin) Catering Management Centre (Limited Partnership) (合成(天津)餐飲管理中心(有限合夥)), being an entity ultimately held as to 25.7% by Mr Xu and 14.3% by Mr. Li; and the remaining equity interest of Xinliangji is held by Independent Third Parties, each holding equity interest in the range of 0.2% to 17.0%.

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, being an entity ultimately held as to 85.8% by Mr. Li, 13.4% by Mr. Xu and 0.8% by Ms. Nan.

LISTING RULES IMPLICATIONS

Each of Mr. Li and Mr. Xu, being a substantial shareholder of New Spicy Way Catering, is a connected person of the Company at the subsidiary level. Ms. Nan, being Mr. Li's spouse, is an associate of Mr. Li and also 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 85.8% by Mr. Li, 13.4% by Mr. Xu and 0.8% by Ms. Nan, holds 36.6% equity interest of Xinliangji and the entire equity interest of Zigong Yanweiyuan. Accordingly, each of Xinliangji and Zigong Yanweiyuan is a connected person of the Company at the subsidiary level and the transactions contemplated under the 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) each of Xinliangji and Zigong Yanweiyuan is a connected person at the subsidiary level, (ii) the Board has approved the transactions contemplated under the Agreements, and (iii) the Directors (including the independent non-executive Directors) have also confirmed that the terms of the 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 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 Agreements 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 Condiments and Seasonings Purchase Agreement and the Food Ingredients Purchase Agreement
“associates”	has the meaning ascribed to it under the Listing Rules
“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)
“Condiments and Seasonings Purchase Agreement”	the framework agreement dated 29 April 2021 entered into between Hongri Hongyuan and Zigong Yanweiyuan in relation to the supply of certain condiments and seasonings by Zigong Yanweiyuan to the New Spicy Way Group
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Food Ingredients Purchase Agreement”	the framework agreement dated 29 April 2021 entered into between New Spicy Way Trading and Xinliangji in relation to the supply of certain food ingredients by Xinliangji to the New Spicy Way 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
“Hongri Hongyuan”	Beijing Hong Ri Hong Yuan Food Co., Ltd. * (北京鴻日鴻源食品有限公司), a company established in the PRC with limited liability and an indirect non-wholly owned subsidiary of the Company which is held as to 94% by New Spicy Way Cetering as at the date of this announcement

“Independent Third Party(ies)”	a third party(ies) who is/are independent of and is/are not connected with the Company and any of its connected persons (as defined in the Listing Rules)
“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)
“Ms. Nan”	Ms. Nan Jinhua* (南金華), being Mr. Li's spouse
“New Spicy Way Catering”	Beijing New Spicy Way 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
“New Spicy Way Group”	New Spicy Way Catering and its subsidiaries, including New Spicy Way Trading and Hongri Hongyuan
“New Spicy Way Trading”	Beijing New Spicy Way 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
“PRC”	the People's Republic of China
“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
“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

“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, 29 April 2021

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. Tsang Hin Man, Terence.

* *For identification purposes only*