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If you have sold or transferred all your shares in Xiabuxiabu Catering Management (China) Holdings Co., Ltd., you should immediately send this circular and the accompanying proxy form to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.



Xiabuxiabu Catering Management (China) Holdings Co., Ltd.

呷哺呷哺餐飲管理(中國)控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 520)

**DISCLOSEABLE AND CONNECTED TRANSACTION
ACQUISITION OF 40% EQUITY INTEREST IN
XIABUXIABU (CHINA) FOOD HOLDINGS CO. LTD.
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

**Independent Financial Adviser to the Independent Board Committee
and the Independent Shareholders**



A notice convening the EGM to be convened and held at 21st Floor, Grand Millennium Plaza, 183 Queen's Road Central, Sheung Wan, Hong Kong, on Friday, 12 September 2025 at 10:00 a.m. is set out on pages EGM-1 to EGM-2 of this circular, and is also published and available for download on the website of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the Company's website (www.xiabu.com). Whether or not you are able to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM (i.e. before 10:00 a.m. on Wednesday, 10 September 2025) or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjourned meeting should you so wish and in such event, the proxy form should be deemed to be revoked.

27 August 2025

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DEFINITIONS

In this circular, unless the context otherwise requires, the following words and expressions have the following meanings.

“Acquisition”	the acquisition of the Sale Equity as contemplated in the Agreement
“Agreement”	the sale and purchase agreement entered into between the Company and Mr. Ho dated 17 April 2025 in respect of the Acquisition
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Company”	Xiabuxiabu Catering Management (China) Holdings Co., Ltd. (呷哺呷哺餐飲管理(中國)控股有限公司), a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange
“Completion”	completion of the Acquisition
“Condiment Products”	soup bases, dipping sauces, seasoning sauces and products and various compound condiments, and products with gift-wrapping and limited editions which target at mid to high-end customers
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Controlling Shareholder”	the controlling shareholder of the Company defined under the Listing Rules
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting (or any adjournment thereof) to be convened and held at 21st Floor, Grand Millennium Plaza, 183 Queen’s Road Central, Sheung Wan, Hong Kong, on Friday, 12 September 2025 at 10:00 a.m. for the purpose of considering and, if thought fit, approving the Agreement and the transactions contemplated thereunder
“Framework Purchase Agreement”	the framework purchase agreement entered into between 呷哺呷哺投資集團有限公司(Xiabuxiabu Investment Holding Co., Ltd.*) (a wholly-owned subsidiary of the Company) (formerly known as 呷哺呷哺投資有限公司(Xiabuxiabu Investment Co., Ltd.*)) and Xiabu (HK) Food dated 22 December 2023
“Group”	the Company and its subsidiaries from time to time
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

DEFINITIONS

“Independent Board Committee”	the independent committee of the Board comprising all the independent non-executive Directors, namely Mr. Hon Ping Cho Terence, Ms. Cheung Sze Man, Mr. Kot Man Tat and Mr. Huang Cheng-Chung, established to advise the Independent Shareholders on the Agreement and the transactions contemplated thereunder
“Independent Financial Adviser” or “Octal Capital”	Octal Capital Limited, a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on the Agreement and the transactions contemplated thereunder
“Independent Shareholders”	the Shareholders who are not interested in or involved in the Agreement and not required to abstain from voting at the EGM for the relevant resolution with respect to the Agreement and the transactions contemplated thereunder
“Latest Practicable Date”	22 August 2025, being the latest practicable date for the purpose of ascertaining certain information in this circular prior to its publication
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Long Stop Date”	31 December 2025
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix C3 to the Listing Rules
“Mr. Ho”	Mr. Ho Kuang-Chi (賀光啓), the chairman of the Board, an executive Director and the Controlling Shareholder
“Ms. Chen”	Ms. Chen Su-Yin (陳素英), a non-executive Director and the spouse of Mr. Ho
“PRC”	People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Equity”	40% equity interest owned by Mr. Ho in the Target Company

DEFINITIONS

“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) in the capital of the Company with nominal value of US\$0.000025 each and listed on the Main Board of the Stock Exchange
“Shareholder(s)”	the holder(s) of the share(s) of the Company
“Share Award(s)”	the share awards granted under the Share Award Scheme
“Share Award Scheme”	the share award scheme of the Company adopted on 28 August 2024
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiaries”	has the meaning ascribed to it under the Listing Rules
“Target Company”	Xiabuxiabu (China) Food Holdings Co. Ltd., a company incorporated in the Cayman Islands with limited liability and is owned as to 60% by the Company and 40% by Mr. Ho
“Target Group”	the Target Company and its subsidiaries
“Trustee”	Computershare Hong Kong Trustees Limited, the trustee appointed for the administration of the Share Award Scheme pursuant to the scheme rules
“Valuation”	the valuation of the Sale Equity as at 31 December 2024 conducted by the Valuer
“Valuation Report”	the valuation report on the Sale Equity as at 31 December 2024 prepared by the Valuer, the text of which is set out in Appendix II to this circular
“Valuer”	Jones Lang LaSalle Corporate Appraisal and Advisory Limited, the independent valuer engaged by the Company for the valuation of the Sale Equity
“Xiabu (China) Food”	呷哺呷哺(中國)食品有限公司(Xiabuxiabu (China) Food Co., Ltd.*), a company established in the PRC with limited liability and is wholly-owned by the Target Company
“Xiabu (HK) Food”	Xiabuxiabu (HK) Food Holdings Co., Ltd., a company incorporated in Hong Kong with limited liability and is wholly-owned by the Target Company
“%”	per cent

* For identification purpose only

LETTER FROM THE BOARD



Xiabuxiabu Catering Management (China) Holdings Co., Ltd.

呷哺呷哺餐飲管理(中國)控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 520)

Executive Directors:

Mr. HO Kuang-Chi (*Chairman*)

Mr. FENG Hui-Huang

Non-executive Director:

Ms. CHEN Su-Yin

Independent Non-executive Directors:

Mr. HON Ping Cho Terence

Ms. CHEUNG Sze Man

Mr. KOT Man Tat

Mr. HUANG Cheng-Chung

Registered office:

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman Islands

KY1-1111

*Principal place of business
in Hong Kong:*

Unit 2205-07, 22nd Floor

Two Sky Parc

51 Hung To Road

Kwun Tong

Kowloon

Hong Kong

27 August 2025

To the Shareholders

Dear Sir or Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTION
ACQUISITION OF 40% EQUITY INTEREST IN
XIABUXIABU (CHINA) FOOD HOLDINGS CO. LTD.**

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

INTRODUCTION

References are made to the announcement of the Company dated 17 April 2025 in relation to, among other things, the proposed acquisition of 40% equity interest in the Target Company.

LETTER FROM THE BOARD

The purpose of this circular is to provide you with, among others, (i) further information on the Agreement; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; (iv) an equity valuation report from the Valuer; and (v) a notice of the EGM.

INTRODUCTION

On 17 April 2025, the Company entered into the Agreement with Mr. Ho pursuant to which the Company shall conditionally acquire, and Mr. Ho shall conditionally sell, the Sale Equity at a consideration of RMB89 million.

THE AGREEMENT

Date

17 April 2025

Parties

- (1) The Company as purchaser; and
- (2) Mr. Ho as seller

Subject matter

Pursuant to the Agreement, the Company shall conditionally acquire, and Mr. Ho shall conditionally sell, the Sale Equity at a consideration of RMB89 million.

Consideration

Pursuant to the Agreement, the consideration for the Acquisition was RMB89 million, which was determined after arm's length negotiations between the Company and Mr. Ho with reference to the valuation of the Sale Equity by an independent valuer, Jones Lang LaSalle Corporate Appraisal and Advisory Limited in the amount of RMB89 million as at 31 December 2024 based on the market approach.

Payment terms

The consideration of RMB89 million will be settled by the Company to Mr. Ho in cash on the date of the Completion. The Company intends to fund the consideration with its internal resources. Having considered the Group's cash and cash equivalents of more than RMB362 million as at 31 December 2024 (as shown in the Company's annual report for the year ended 31 December 2024) and taking into account of the working capital requirements of the Group in the coming 12 months, the Board is of the view that the Group would have sufficient working capital for its requirements for the next 12 months.

LETTER FROM THE BOARD

Basis of using the market approach for valuation

Cost approach, income approach and market approach have been considered by the Valuer for the Valuation. The Valuer considered both cost approach and income approach are inappropriate as: (i) the cost approach does not directly take into account of the economic benefits contributed or to be contributed by the Target Group; and (ii) the income approach is not the most optimal approach as this involves long-term financial projections and the adoption of numerous assumptions and subjective judgements, not all of which can be easily quantified or ascertained. The income approach in business valuation relies heavily on future projections, requiring subjective judgments and adjustments even when considering the Target Group's track record. Therefore, the market approach has been identified as the most appropriate valuation approach, as it considers prices recently paid for similar assets, with adjustments made to market prices to reflect condition and utility of the appraised assets relative to the market comparable. The market approach directly applies the Target Group's historical financials, utilizing actual data rather than projected inputs. Benefits of using this approach include its simplicity, clarity, speed and the need for fewer subjective assumptions. The market approach, which determines an asset's value by comparing it to similar assets recently sold in the market, is straightforward and easy to understand. Its clarity helps facilitate the understanding of the valuation process between the valuer and its clients, and hence improves the efficiency of valuation and speed of execution. By relying on actual market data, the market approach also requires fewer subjective assumptions such as estimation of future cash flows, growth rates and risk factors in other approaches. It also introduces objectivity in application as publicly available inputs are used.

Under market approach, there are two common methods, namely, guideline public companies method which requires identifying suitable guideline public companies and selection of appropriate trading multiples, and guideline transactions method which takes reference to recent mergers and acquisitions transaction between unrelated parties and ratio of transaction price to the subject's financial metrics.

For the Valuation, the market value of the Target Group was developed through the guideline public companies method. The guideline transactions method is not adopted due to lack of sufficient recent market transactions with similar nature as the Acquisition. The guideline public companies method requires the research of comparable companies' benchmark multiples and selection of an appropriate multiple.

LETTER FROM THE BOARD

Selection of valuation price multiples

Enterprise value-to-earnings before interest and tax multiple (“**EV/EBIT Multiple**”), enterprise value-to-earnings before interest, tax, depreciation and amortisation multiple (“**EV/EBITDA Multiple**”) or enterprise value-to-sales multiple (“**EV/Sales Multiple**”) is often favored in the valuation of businesses with high levels of debt, as it accounts for capital structure. As the Target Company has a fixed-asset-light business model and a low debt level, these multiples are not applied in the Valuation. On the other hand, price-to-sales multiple (“**P/S Multiple**”) is commonly used for valuing early-stage or loss-making companies which overlooks the cost structure and profitability of a company. For companies with stable profits like the Target Company, the P/S Multiple fails to account for their profitability. Given the Target Company’s profitability level, the Valuer determined that the price-to-earnings multiple (“**P/E Multiple**”) is the most appropriate valuation metric compared to price-to-book multiple and P/S Multiple, as the P/E Multiple provides a straightforward and pertinent measure of a company’s value in relation to its earnings, aligning well with its business model and more accurately capturing its value proposition and growth potential.

In determining the financial multiple, an exhaustive list of eight comparable companies was identified, the selection criteria of which include (i) the shares of the comparable companies have been listed and actively traded¹ in “All major exchanges”² for no less than six months; (ii) the comparable companies mainly engage in seasonings and preservatives industry, and revenue generated from the relevant business was over 90% of their total revenue for the latest financial year; (iii) the comparable companies were providing hotpot seasoning products according to their business description; (iv) the comparable companies’ primary geographic locations were in China and the revenue generated from the relevant location was over 90% of their total revenue for the latest financial year; (v) the comparable companies recorded positive net income excluding extra items in their latest financial year; and (vi) sufficient operational and financial data, including the P/E ratio, on the comparable companies are available as at the date of the Valuation.

The appraised value of the Sale Equity as at 31 December 2024 of approximately RMB89 million was arrived at after considering: (i) the net income of the Target Group for the year ended 31 December 2024 of approximately RMB18.5 million; (ii) the adjusted median P/E Multiple of 15.15 times; and (iii) discount of lack of marketability of approximately 20%.

For details, please refer to the Valuation Report in Appendix II to this circular.

¹ According to the definition by Capital IQ, a reliable third-party database service provider designed by Standard & Poor’s. (S&P), when there is pricing available for the issued shares from the exchange it is listed on, the relevant shares are defined as “active”.

² Capital IQ defines 37 exchanges including (among others) the Stock Exchange, Shanghai Stock Exchange, Shenzhen Stock Exchange, New York Stock Exchange, London Stock Exchange, as “All major exchanges”.

LETTER FROM THE BOARD

Having considered (i) the rationale of the Valuer in selecting market approach over cost approach and income approach as the appropriate valuation approach; (ii) the guideline public companies method was adopted upon an exhaustive search by the Valuer; (iii) that the Valuation was prepared by the Valuer in accordance with the applicable requirements and standards; and (iv) the assumptions used in the Valuation are reasonable, and nothing has suggested that any of them are unreasonable and unfair to the Company and the Shareholders as a whole, the Board considers that the methodology, inputs and assumptions used in the Valuation Report, and thus the Valuation are fair, reasonable and appropriate.

Conditions precedent

Completion is subject to the following conditions precedent being satisfied or waived:

- (i) the Company having obtained the Independent Shareholders' approval at the EGM for the Agreement and the transactions contemplated thereunder;
- (ii) the Company having obtained all other necessary consents and approvals for approving the Agreement and the transactions contemplated thereunder;
- (iii) Mr. Ho having obtained all necessary consents and approvals for approving the Agreement and the transactions contemplated thereunder (if required); and
- (iv) the representations made by Mr. Ho under the Agreement are true and correct in all aspects and not misleading.

The Company may waive conditions (iii) and (iv) and Mr. Ho may waive condition (ii). Condition (i) is not capable of being waived by any party to the Agreement.

If any of the conditions is not satisfied or waived on the Long Stop Date, (i) the Agreement shall lapse and be of no further effect (save for certain clauses as specified in the Agreement); and (ii) neither the Company nor Mr. Ho shall have any liability and obligation to each other save for any antecedent breach of any confidentiality obligations as agreed among them in connection with the Acquisition.

Completion

Completion shall take place on the next business day after the date on which all the conditions set out above are fulfilled or waived, or such other date as the Company and Mr. Ho may agree.

As at the Latest Practicable Date, the Target Company was held as to 60% by the Company and 40% by Mr. Ho. Upon Completion, the Target Company will become a wholly-owned subsidiary of the Company and will continue to be consolidated into the financial results of the Group.

The Group has been conducting transactions with Xiabu (HK) Food (details of which are set out in the Framework Purchase Agreement) which are connected transactions of the Company. Upon Completion, the Target Company and its subsidiaries (including Xiabu (HK) Food) will cease to be connected persons of the Company, as such, the transactions between the Group and Xiabu (HK) Food will no longer be connected transactions of the Company.

LETTER FROM THE BOARD

INFORMATION OF THE PARTIES

The Company is incorporated in the Cayman Islands as an exempted company with limited liability which shares have been listed on the Main Board of the Stock Exchange since 17 December 2014. The Group is a leading casual restaurant operator in the PRC, focusing primarily on providing bar-style hotpot cuisine and offering customers a fast-casual dining experience.

Mr. Ho is the chairman of the Board, an executive Director and the Controlling Shareholder.

INFORMATION OF THE TARGET GROUP

The Target Company is a company incorporated in the Cayman Islands with limited liability and is an investment holding company. The Target Company was a joint venture incorporated by the Company and Mr. Ho in 2016 with a total issued share capital of US\$1,000,000 as at the Latest Practicable Date, of which US\$600,000 was contributed by the Company and US\$400,000 was contributed by Mr. Ho. For further details of the Target Company, please refer to the announcement of the Company dated 18 October 2016.

As the Latest Practicable Date, the Target Company directly wholly-owns Xiabu (HK) Food, which is a company incorporated in Hong Kong and is principally engaged in investment holding. Xiabu (HK) Food in turn has four wholly-owned subsidiaries established in the PRC with limited liability namely, (i) Xiabu (China) Food which is principally engaged in the research, development, production and sale of Condiment Products; (ii) 呷哺呷哺(上海)食品有限公司 (Xiabuxiabu (Shanghai) Food Co., Ltd.*); (iii) 呷哺呷哺(上海)食品貿易有限公司 (Xiabuxiabu (Shanghai) Food Trading Co., Ltd.*); and (iv) 北京呷哺呷哺食品有限公司 (Beijing Xiabuxiabu Food Co., Ltd.*) where (ii) to (iv) are all principally engaged in food sales, and it also owns 50% interest in a joint venture, 日辰食品(天津)有限公司 (Nichen Food (Tianjin) Co., Ltd.*) which is established in the PRC and principally engaged in food sales.

Set out below is the audited consolidated financial information of the Target Group for the financial years ended 31 December 2023 and 2024, respectively:

	For the year ended 31 December	
	2023	2024
	RMB (Audited)	RMB (Audited)
Net profit before taxation	16,946,450	22,467,620
Net profit after taxation	10,424,985	18,497,034

Net profit after taxation of the Target Group increased by approximately 77.4% from approximately RMB10.4 million for the year ended 31 December 2023 to approximately RMB18.5 million for the year ended 31 December 2024, mainly due to (i) the increase in sales through the online e-commerce channel marketing efforts during the year ended 31 December 2024; and (ii) the refinement of sales and marketing strategy through e-commerce and stringent control on the relevant administrative and selling expenditure.

LETTER FROM THE BOARD

Based on the audited consolidated financial information of the Target Group, the total assets value and net assets value of the Target Group as at 31 December 2024 were approximately RMB208,190,012 and RMB94,827,818, respectively.

REASONS AND BENEFITS FOR ENTERING INTO THE AGREEMENT

The Company considers that the Acquisition could increase the net profit attributable to the owner of the Company as 100% of the profits of the Target Group will be consolidated into the Group's financial statements. The Acquisition also represents the Company's confidence in the future prospects of the business of Condiment Products in which the Target Group is principally engaged, which is expected to create long-term returns for the Shareholders.

The Target Group offers a variety of Condiment Products comprising soup bases, dipping sauces, seasoning sauces and products and various compound condiments, and products with gift-wrapping and limited editions which target at mid to high-end customers, and it has established a nationwide distribution network in the PRC, which covers 27 provinces, municipalities, and autonomous regions across the PRC, over 400 supermarket chains, and more than 10,000 traditional retail outlets (including convenience stores, community shops, and fresh food stores) as at 31 December 2024. Since the Covid-19 pandemic, prepackaged foods have gained considerable traction, especially among busy individuals eager to cook at home. The sales turnover of the hotpot condiments has been growing, driven by a growing trend of customers enjoying hotpot meals at home. The hotpot condiments provide a quick and simple option for enjoying home-cooked flavors. By increasing its stake in the Target Group, the Group is well-positioned to serve both dine-in and dine-out customer segments, fostering a balanced and diversified business model in the catering industry.

Upon Completion, the Target Company will become a wholly-owned subsidiary of the Company and will continue to be consolidated into the financial results of the Group. The Condiment Products segment of the Group has continued to generate profits consecutively for the three years ended 31 December 2024. Considering the profit-making performance of the Target Company as the core operating non-wholly owned subsidiary of the Group's Condiment Products segment, the Acquisition is expected to enhance the Group's long-term financial performance and bring positive effect on earnings and financial performance of the Company upon Completion.

Taking into account the well-established business model of the Target Group, its profitable performance in the previous years and the expected Group's balanced and diversified business model after the Completion, the Board (excluding the independent non-executive Directors, who will provide their view in the circular after considering the letter from the Independent Financial Adviser) considers that the terms of the Agreement and the transactions contemplated thereunder are fair and reasonable, are not entered in the ordinary and usual course of business of the Group but are on normal commercial terms or better and in the interests of the Company and its Shareholders as a whole.

LETTER FROM THE BOARD

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios under Rule 14.06 of the Listing Rules in respect of the Acquisition are more than 5% but all of which are less than 25%, the Acquisition constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

Mr. Ho is the chairman of the Board, an executive Director and the Controlling Shareholder, and thus a connected person of the Company pursuant to Chapter 14A of the Listing Rules. Accordingly, the transactions contemplated under the Agreement constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios in respect of the Agreement exceed 5%, the Agreement is subject to the reporting, annual review, announcement, circular (including independent financial advice) and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

BOARD APPROVAL

As Mr. Ho is materially interested in the transactions contemplated under the Agreement and Ms. Chen, a non-executive Director, is the spouse of Mr. Ho, both Mr. Ho and Ms. Chen have abstained from voting on the relevant Board resolution in respect of the Agreement. Save for Mr. Ho and Ms. Chen, none of the other Directors has any material interest in the Agreement and was required to abstain from voting on the relevant Board resolution in respect of the Agreement.

RECOMMENDATION OF THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, has been established and considers that (i) the terms of the Agreement are on normal commercial terms and are fair and reasonable; and (ii) the transactions contemplated under the Agreement are in the interests of the Company and the Shareholders as a whole, but are not in the ordinary and usual course of business of the Group. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the resolution in relation to the Agreement proposed at the EGM. The text of the letter from the Independent Board Committee is set out on page 14 of this circular.

THE EGM

The Company will convene and hold the EGM at 10:00 a.m. on Friday, 12 September 2025 to consider and, where appropriate, approve the Agreement and the transactions contemplated thereunder. A notice of the EGM is set out on pages EGM-1 to EGM-2 of this circular. The Company will publish an announcement of the poll results in the manner required under Rule 13.39(5) of the Listing Rules after the conclusion of the EGM.

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of Shareholders at a general meeting must be taken by poll. Accordingly, the resolution to be proposed at the EGM will be voted on by poll.

LETTER FROM THE BOARD

Any Shareholder with a material interest in the Agreement and the transactions contemplated thereunder shall not vote. As at the Latest Practicable Date, Mr. Ho, individually or through trust arrangement, is interested in 422,655,860 Shares, representing approximately 38.91% of the total number of issued Shares. Thus, Mr. Ho and his associates shall abstain from voting in respect of the resolution for approving the Agreement and the transactions contemplated thereunder. Save as disclosed above, as at the Latest Practicable Date, and to the best knowledge, belief and information of the Directors having made all reasonable enquiries, no other Shareholder is required under the Listing Rules to abstain from voting at the EGM.

The register of members of the Company will be closed from Tuesday, 9 September 2025 to Friday, 12 September 2025, both days inclusive, during which no transfer of Shares will be effected. Shareholders whose names appear on the register of members of the Company on Friday, 12 September 2025 shall be entitled to attend and vote at the EGM. To be eligible for attending and voting at the EGM, all share transfer documents accompanied by the relevant share certificates and other appropriate documents must be lodged with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Monday, 8 September 2025 for registration.

If you intend to appoint a proxy to attend the EGM, you are required to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the form. If the instrument appointing the proxy is signed by a person authorised by the appointer, the power of attorney authorizing the execution of the instrument or other authorization documents shall be notarized and must be served concurrently with the instrument. The form of proxy, together with the copies of the notarized power of attorney or other authorization documents, shall be deposited at the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, no later than 24 hours before the time designated for the EGM or any adjournment thereof (as the case may be) before the form becomes effective. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or at any adjourned meeting thereof should you so wish.

LETTER FROM THE BOARD

RECOMMENDATION

Your attention is drawn to (i) the letter from the Independent Board Committee set out in this circular which contains the recommendation of the Independent Board Committee to the Independent Shareholders in relation to the Agreement and the transactions contemplated thereunder; and (ii) the letter from the Independent Financial Adviser set out in this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in relation to the Agreement and the transactions contemplated thereunder, as well as the principal factors and reasons taken into account by the Independent Financial Adviser in arriving at its advice. Having taken into account the terms of the Agreement, the information provided in the letter from the Board and the letter from the Independent Financial Adviser, the Independent Board Committee considers that (i) the terms of the Agreement are on normal commercial terms and are fair and reasonable; and (ii) the transactions contemplated under the Agreement are in the interests of the Company and the Shareholders as a whole, but are not conducted in the ordinary and usual course of business of the Group. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favor of the ordinary resolution as set out in the notice of EGM and to be proposed at the EGM for approving the Agreement and the transactions contemplated thereunder.

The Directors (including the independent non-executive Directors, after considering the advice from the Independent Financial Adviser) are of the view that the Agreement and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms and although not in the ordinary and usual course of business of the Group, they are in the interests of the Company and its Shareholders as a whole and therefore recommends you to vote in favour of the ordinary resolution to be proposed at the EGM.

Yours faithfully

For and on behalf of the Board

Xiabuxiabu Catering Management (China) Holdings Co., Ltd.

Ho Kuang-Chi

Chairman, Executive Director and Chief Executive



Xiabuxiabu Catering Management (China) Holdings Co., Ltd.

呷哺呷哺餐飲管理(中國)控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 520)

27 August 2025

To the Independent Shareholders

Dear Sir/Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTION
ACQUISITION OF 40% EQUITY INTEREST IN
XIABUXIABU (CHINA) FOOD HOLDINGS CO. LTD.**

We refer to the circular issued by the Company to the Shareholders dated 27 August 2025 (the “**Circular**”) which this letter forms a part of. Terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

We have been appointed by the Board as the members of the Independent Board Committee to consider the Agreement and to advise you in respect of the Agreement and the transactions contemplated thereunder, details of which are set out in the “Letter from the Board” on page 4 to 13 of the Circular. Octal Capital Limited has been appointed as the Independent Financial Adviser in this regard.

We wish to draw your attention to the “Letter from the Board” and the “Letter from Independent Financial Adviser” as set out in the Circular. Having considered the principal factors and reasons considered by, and the advice of, the Independent Financial Adviser as set out in their letter of advice, we are of the view that (i) the terms of the Agreement are on normal commercial terms and are fair and reasonable; and (ii) the transactions contemplated thereunder, although not conducted in the ordinary and usual course of business of the Group, are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend that the Independent Shareholders vote in favour of the ordinary resolution for approving the Agreement and the transactions contemplated thereunder at the EGM.

Yours faithfully,

For and on behalf of

the Independent Board Committee of

Xiabuxiabu Catering Management (China) Holdings Co., Ltd.

Mr. HON Ping Cho
Terence

Ms. CHEUNG Sze Man

Mr. KOT Man Tat

**Mr. HUANG Cheng-
Chung**

*Independent non-
executive Director*

*Independent non-
executive Director*

*Independent non-
executive Director*

*Independent non-
executive Director*

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of the letter of advice to the Independent Board Committee and the Independent Shareholders from Octal Capital Limited, the Independent Financial Adviser, which has been prepared for inclusion in this circular.



Octal Capital Limited
801-805, 8th Floor
Nan Fung Tower
88 Connaught Road Central, Hong Kong

27 August 2025

*To: The Independent Board Committee and
the Independent Shareholders*

Dear Sirs or Madams,

DISCLOSEABLE AND CONNECTED TRANSACTION ACQUISITION OF 40% EQUITY INTEREST IN XIABUXIABU (CHINA) FOOD HOLDINGS CO. LTD.

INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the terms of the Agreement and the transactions contemplated thereunder, details of which are set out in the letter from the board (the “**Letter from the Board**”) contained in the circular of the Company dated 27 August 2025 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

On 17 April 2025 (after trading hours), the Company entered into the Agreement with Mr. Ho, pursuant to which the Company has conditionally agreed to purchase, and Mr. Ho has conditionally agreed to sell, the Sale Equity, representing 40% of the entire equity interest in the Target Company, at the consideration of RMB89 million, which will be settled by cash upon Completion.

As at the Latest Practicable Date, the Target Company was held as to 60% by the Company and 40% by Mr. Ho. Upon Completion, the Target Company will become a wholly-owned subsidiary of the Company and will continue to be consolidated into the financial results of the Group.

Mr. Ho is the chairman of the Board, an executive Director and the Controlling Shareholder, and thus a connected person of the Company pursuant to Chapter 14A of the Listing Rules. Accordingly, the transactions contemplated under the Agreement constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios in respect of the Agreement exceed 5%, the Agreement is subject to the reporting, annual review, announcement, circular (including independent financial advice) and Independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

An Independent Board Committee comprising all the independent non-executive Directors, namely Mr. HON Ping Cho Terence, Ms. CHEUNG Sze Man, Mr. KOT Man Tat and Mr. HUANG Cheng-Chung, has been established to advise the Independent Shareholders whether the terms of the Agreement and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole, taking into account our recommendation. We, Octal Capital Limited, have been appointed by the Company as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in these regards.

As at the Latest Practicable Date, we were not connected with the Group, Mr. Ho, the Target Group or, where applicable, any of their respective substantial shareholders, directors or chief executives, or any of their respective subsidiaries or associates pursuant to Rule 13.84 of the Listing Rules. In the two years immediately preceding the date of the Agreement, we were engaged by the Company as an Independent Financial Adviser to the Company in respect of the renewal of the continuing connected transactions, details of which were stated in the announcement of the Company dated 22 December 2023 (the “**Previous Engagement**”).

Under the Previous Engagement, we were required to express our opinion on and give recommendations to the Independent Board Committee of the Company in respect of the relevant transaction. Apart from normal professional fee payable to us by the Company in connection with this appointment and the Previous Engagement, no arrangement exists whereby we will receive any fees or benefits from the Company or the directors, chief executive and substantial shareholders of the Company, the Group and the Target Group, or any of their respective subsidiaries or associates that could reasonably be regarded as relevant to our independence. We are therefore considered independent and suitable to give independent advice to the Independent Board Committee and the Independent Shareholders regarding the terms of the Agreement and the transactions contemplated thereunder.

BASIS OF OUR OPINION

In formulating our opinion and recommendations, we have relied on the statements, information, opinions and representations relating to the operations, financial condition and prospects of the Group contained or referred to in this Circular and/or provided to us by the Company and the management of the Group. We have assumed that such information and any representation made to us were true, accurate and complete in all material respects as at the Latest Practicable Date and considered that the information we have received is sufficient for us to reach our advice and recommendation as set out in this letter and to justify our reliance on such information. The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, opinions expressed by them in this Circular have been arrived at after due and careful consideration and there are no other material facts not contained in this Circular, the omission of which would make any such statement made by them that contained in this Circular misleading in all material respects. We have no reason to doubt the truth or accuracy of the information provided to us, or to believe that any material information has been omitted or withheld.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Our review and analyses were based upon, among others, the information provided by the Group including this Circular, the Valuation Report of the Sale Equity prepared by the Valuer as set out in Appendix II of this Circular, the review report of the Target Group prepared by the independent auditor, and certain published information from the public domain, including but not limited to, the annual reports of the Company for the years ended 31 December 2023 (the “**2023 Annual Report**”) and 31 December 2024 (the “**2024 Annual Report**”). We have also assumed that all statements of belief, opinion and intention made by the Directors and the Company in the Circular were reasonably made after due enquiry. We consider that we have reviewed sufficient information to reach an informed view, to justify our reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our advice. We have no reason to suspect that any material facts have been omitted or withheld from the information contained or opinions expressed in the Circular nor to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors. We have not, however, conducted an independent in-depth investigation into the business and affairs of the Group, the Target Group and their respective associates, nor have we carried out any independent verification of the information supplied.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendation to the Independent Board Committee and the Independent Shareholders in respect of the transactions contemplated under the Agreement, we have taken into account the following principal factors and reasons:

1. Background and financial information of the Group

(a) Background of the Group

The Company is incorporated in the Cayman Islands as an exempted company with limited liability which shares have been listed on the Main Board of the Stock Exchange since 17 December 2014. The Group is a leading casual restaurant operator in the PRC, focusing primarily on providing bar-style hotpot cuisine and offering customers a fast-casual dining experience.

Mr. Ho is the chairman of the Board, an executive Director and the Controlling Shareholder.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(b) Financial performance of the Group

The principal activities of the Group are principally engaged in the restaurant operation (the “Catering Segment”), sales of Condiment products (the “Condiment Products Segment”) and sales of other goods and services (the “Other Goods Segment”). The table below sets out the audited financial information of the Group for the years ended 31 December 2022, 31 December 2023 and 31 December 2024 (“FY2022”, “FY2023” and “FY2024”), extracted from the 2023 Annual Report and the 2024 Annual Report.

	FY2022	FY2023	FY2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>
<i>Catering Segment</i>	4,473,978	5,695,790	4,575,294
<i>Condiment Products Segment</i>	142,617	122,004	128,990
<i>Other Goods Segment</i>	108,239	100,168	50,559
Total revenue	4,724,834	5,917,962	4,754,843
Profit/(loss) before tax	(350,935)	(124,375)	(389,136)
Profit/(loss) for the year	(331,188)	(194,445)	(398,477)

FY2023 vs FY2022

Revenue of the Group increased by approximately 25.3% from RMB4,724.8 million for FY2022 to RMB5,918.0 million for FY2023, which was mainly attributable to that the Chinese government continued to implement major internal needs and promote consumer spending, and the Group’s restaurant customer traffic increased. Revenue generated from the Catering Segment increased by approximately 27.3% to RMB5,695.8 million for FY2023 as compared to RMB4,474.0 million for FY2022. The above increase in revenue of the Catering Segment was mainly due to the Group successfully launched 131 new Xiabuxiabu restaurants and 48 new Coucou restaurants globally during FY2023 and strengthened the restaurants’ network. However, due to the change in the market trend of consumer spending, the recovery of the consumption scenarios diversification and the contraction of the home economy during FY2023 as compared to FY2022, the sales revenue of condiment products decreased by approximately 14.5% from RMB142.6 million in 2022 to RMB122.0 million in FY2023. As mentioned in the annual report for FY2023, with the continuous implementation of measures by the Chinese government to expand domestic demand and promote consumption, the Group’s restaurants experienced an increase in customer traffic for dining out. Under the background of the market trend of consumer spending for dining out after the Covid-19 pandemic and the recovery of the consumption scenarios diversification for dining out in replacement of home economy, the strategy of the Group was to focus on its catering business and had successfully expanded and strengthened its dining-in restaurant network with the opening of 131 new Xiabuxiabu restaurants and 48 new Coucou restaurants worldwide during FY2023.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The loss for the year decreased by approximately 41.3% from RMB350.9 million for FY2022 to RMB124.4 million for FY2023, which was mainly due to the above-mentioned increase in revenue. Although the Group focused to expand its dining in catering network in order to seize this one-off market opportunity as the result of the recovery of the consumption scenarios diversification for dining out after the Covid-19 pandemic during FY2023, and the revenue of Condiment Products Segment decreased, the Target Company, as a non-wholly owned subsidiary of the Group, continues to complement the Group's hotpot cuisine by offering unique and tasty flavors. In addition, the Condiment Products Segment continues to generate profits during FY2023.

FY2024 vs FY2023

Revenue of the Group decreased by approximately 19.7% from RMB5,918.0 million for FY2023 to RMB4,754.8 million for FY2024, which was mainly due to the weak operating performance of the Catering Segment. The Group closed 138 Xiabuxiabu restaurants and 73 Coucou restaurants in 2024 due to the intense competition in the industry and rational consumer demand resulting in the overall revenue of the catering industry in 2024 showing a year-on-year decline. Revenue generated from the Catering Segment decreased by approximately 19.7% to RMB4,575.3 million for FY2024 as compared to RMB5,695.8 million for FY2023. On the other hand, the revenue of the Condiment Products Segment increased by approximately 5.7% from RMB122.0 million for FY2023 to RMB129.0 million for FY2024, which was mainly due to the increase in sales through the online e-commerce channel marketing efforts during FY2024.

The loss for the year increased by approximately 104.9% from RMB194.4 million for FY2023 to RMB398.5 million for FY2024, which was mainly due to the above-mentioned decrease in revenue. Given that (i) Chinese consumers are placing increasing importance on food safety and quality, health and wellness, cuisine flavor and tastes, and in particular, the high-end Condiment products of the Group in the recent years, and (ii) the Target Group has strong capabilities and experiences in the development, production, sales and distribution of seasonings and food products and serve as a reliable supplier of the Group, we concur with the management that the Target Group has been complementing its Catering Segment by offering unique and tasty flavors of Condiment Products. Further, the Condiment Products Segment continued to generate profits consecutively for FY2022, FY2023 and FY2024.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(c) Financial position of the Group

Set out below is the consolidated statement of financial position of the Group as at 31 December 2023 and 31 December 2024 respectively as extracted from the 2024 Annual Report:

	As at 31 December 2023	As at 31 December 2024
	<i>approximately RMB'000 (audited)</i>	<i>approximately RMB'000 (audited)</i>
Non-current assets	2,576,681	1,826,792
Current assets	1,539,590	1,519,751
Total assets	4,116,271	3,346,543
Current liabilities	1,884,805	1,823,692
Non-current liabilities	961,538	677,961
Total liabilities	2,846,343	2,501,653
Net current liabilities	(345,215)	(303,941)
Net assets	1,269,928	844,890

The Group had total assets of approximately RMB3,346.5 million as at 31 December 2024, representing a decrease of approximately RMB769.7 million from approximately RMB4,116.3 million as at 31 December 2023 which was mainly attributable to (i) the depreciation charge to the right-of-use assets and the property, plant and equipment during FY2024; and (ii) the decrease in the inventories and trade and other receivables and prepayments as the results of the Group's prudent operating strategy in terms of conservative new restaurant opening planning and closure of 138 Xiabuxiabu restaurants and 73 Coucou restaurants amid the continuous fierce competition in the catering industry and the rationalization of consumer demand. The Group had total liabilities of approximately RMB2,501.7 million as at 31 December 2024, representing a decrease of approximately RMB344.7 million from approximately RMB2,846.3 million as at 31 December 2023. The net asset of the Group decreased approximately RMB425.0 million from RMB1,269.9 million as at 31 December 2023 to RMB844.9 million as at 31 December 2024. In addition, the Group had cash and cash equivalents of approximately RMB362.7 million, which increased by approximately RMB233.3 million as compared with that of RMB129.4 million as at 31 December 2023, which was mainly due to the maturity of certain financial products at the end of FY2024.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

2. Background information of the Target Group

The Target Company is a company incorporated in the Cayman Islands with limited liability and is an investment holding company. The Target Company was a joint venture incorporated by the Company and Mr. Ho in 2016 with a total issued share capital of US\$1,000,000 as at the Latest Practicable Date, of which US\$600,000 was contributed by the Company and US\$400,000 was contributed by Mr. Ho. For further details of the Target Company, please refer to the announcement of the Company dated 18 October 2016.

As the Latest Practicable Date, the Target Company directly wholly-owns Xiabu (HK) Food, which is a company incorporated in Hong Kong and is principally engaged in investment holding. Xiabu (HK) Food in turn has four wholly-owned subsidiaries established in the PRC with limited liability namely, (i) Xiabu (China) Food which is principally engaged in the research, development, production and sale of Condiment Products; (ii) 呷哺呷哺(上海)食品有限公司 (Xiabuxiabu (Shanghai) Food Co., Ltd.*); (iii) 呷哺呷哺(上海)食品貿易有限公司 (Xiabuxiabu (Shanghai) Food Trading Co., Ltd.*); and (iv) 北京呷哺呷哺食品有限公司 (Beijing Xiabuxiabu Food Co., Ltd.*) where (ii) to (iv) are all principally engaged in food sales, and it also owns 50% interest in a joint venture, 日辰食品(天津)有限公司 (Nichen Food (Tianjin) Co., Ltd.*) which is established in the PRC and principally engaged in food sales. The Condiment Products of the Target Group include soup bases, dipping sauces, seasoning sauces and products and various compound condiments, and products with gift-wrapping and limited editions which target at mid-to high-end customers.

Set out below is the consolidated financial information of the Target Group for FY2023 and FY2024 prepared in accordance with the International Financial Reporting Standards which has been audited by the independent auditor:

	FY2023	FY2024
	<i>RMB</i>	<i>RMB</i>
	<i>(audited)</i>	<i>(audited)</i>
Revenue	131,178,785	140,756,424
Profit before tax	16,946,450	22,467,620
Profit after tax	10,424,985	18,497,034

As at 31 December 2024, the total assets value and net assets value of the Target Group amounted to approximately RMB208.2 million and RMB94.8 million respectively, based on the audit report of the Target Group for FY2023 and FY2024 prepared by the independent auditor.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Revenue of the Target Group comprised of (i) inter-segment sales of the Condiment Products to the Group under a framework purchase agreement (the “**Inter-segment Sales**”); and (ii) inter-segment services charges derived from the provision of services from Xiabu (HK) Food of the Target Group to the Group (the “**Inter-segment Services Charges**”). According to the 2024 Annual Report, the revenue generated from the sale of condiment products for FY2023 and FY2024 were approximately RMB122.0 million and RMB129.0 million respectively. Based on the financial breakdown provided by the Company, we noted that (i) in FY2023, the relevant sales taxes, the Inter-segment Sales and the Inter-segment Services Charges were approximately RMB1.6 million, RMB7.2 million and RMB0.4 million respectively; and (ii) in FY2024, the relevant sales taxes, the Inter-segment Sales and the Inter-segment Services Charges were approximately RMB0.3 million, RMB8.9 million and RMB2.6 million respectively. After including the relevant sales taxes, the Inter-segment Sales and the Inter-segment Services Charges, the adjusted revenue generated from the sale of condiment products for FY2023 and FY2024 would be equivalent to the revenue of the Target Group for the corresponding periods. As mentioned in the announcement of the Company dated 22 December 2023, such Inter-segment Sales, in compliance with the internal control of the Group and the respective Listing Rules, are conducted on normal commercial terms, not less favorable to the Group than that available to independent third parties, and not prejudicial to the interest of the Company and the Shareholders as a whole. As discussed with the management, the Inter-segment Sales, as the sales between the segments of the Group, are eliminated for the purpose of preparation of the consolidated financial statements of the Company. The Directors consider that the Target Group serves as a reliable supplier of the Group and specializes in the production of seasonings and food products under the “Xiabuxiabu” brand, and such Inter-segment Sales in turn complements the Group’s principal business in restaurants operations and further strengthens the brand recognition. As advised by the Company, Xiabu (HK) Food, a wholly-owned subsidiary of the Target Company, has been providing services to a wholly-owned subsidiary of the Group, including supplier screening, quality control, product development, and employee training, to support the strategic development of the Group’s catering business in Hong Kong since August 2023. In return, Xiabu (HK) Food received the Inter-segment Services Charges for FY2023 and FY2024. As advised by the Company, as all applicable ratios of the Inter-segment Services are less than 5% and their annual services fees are less than HK\$3 million, the transaction would have been fallen under the de minimis transaction threshold under Rule 14A.76(1)(c) and is fully exempt from shareholders’ approval, annual review and all disclosure requirements under Chapter 14A of the Listing Rules.

Revenue of the Target Group increased by approximately 7.3% from RMB131.2 million for FY2023 to RMB140.8 million for FY2024, mainly due to the increase in sales through the online e-commerce channel marketing efforts during FY2024. Net profit of the Target Group increased by approximately 77.4% from RMB10.4 million for FY2023 to RMB18.5 million for FY2024, mainly due to (i) the above-mentioned increase in sales through the online e-commerce channel marketing efforts during FY2024; and (ii) the refinement of sales and marketing strategy through e-commerce and stringent control on the relevant administrative and selling expenditure during FY2024.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

3. Reasons for and benefits of the Acquisition

As mentioned in the Letter from the Board, the Company considers that the Acquisition could increase the net profit attributable to the owner of the Company as 100% of the profits of the Target Group will be consolidated into the Group's financial statements. The Acquisition also represents the Company's confidence in the future prospects of the business of Condiment Products in which the Target Group is principally engaged, which is expected to create long-term returns for the Shareholders.

As disclosed in the 2024 Annual Report, nowadays consumers are more cautious, with a decline in per capita consumption, while the demand for cost-effectiveness and high quality remain high. Under such an external environment, catering enterprises were actively seeking new development paths. Facing intense market competition, it is the strategy of the Group to further capitalize on its strengths in supply chain, reputation and scale to boost competitiveness through innovative services and products. In addition, the Group continued to advance its overseas expansion strategy, based on its operations in Hong Kong, China Taiwan, and Singapore to create a global hotpot brand.

In addition, the broadening of revenue channels through the rising popularity of food delivery have significantly transformed the catering sector which shall better meet both the needs of the consumers for (i) dining in and (ii) meals at home. Since the Covid-19 pandemic, prepackaged foods have gained considerable traction, especially among busy individuals eager to cook at home or get take away food. In recent years, Chinese consumers are placing increasing importance on food safety and quality, health and wellness, cuisine flavor and tastes, and in particular, the high-end Condiment Products of the Group. The Condiment Products of the Group provide a quick and simple option for enjoying home-cooked flavors and hotpot meal at home. On the other hand, the Target Group strived to expand both its e-commerce distribution channels and traditional distribution channels and achieved the compound annual growth rates (the "CAGR") in number of both e-commerce and traditional distribution channels during the three years ended 31 December 2024 of approximately 17% and 15%, respectively. It targets to achieve the CAGR of approximately 16% for both the number of e-commerce distribution channels and tradition distribution channels in the upcoming three years. Hence, although we noted the sales turnover of the Condiment Products dropped slightly from FY2022 to FY2023, we concur with the Group that the sales turnover of the Condiment Products of the Group is expected to grow in the PRC, driven by a growing trend of customers enjoying meals, particularly the hot pot meal, at home.

As discussed with the management of the Group and further to our review on products matrix and business plan of the Target Group, we noted that as at 31 December 2024, the Target Group offers 60 varieties of hot pot condiments, 14 types of compound condiments, 12 ready-to-eat flavored sauces, 12 ready-to-eat food, and 3 frozen raw lamb products from Xilingol of the Inner-Mongolia of the PRC. It has established a nationwide distribution network in the PRC, which covers 27 provinces, municipalities, and autonomous regions across the PRC, over 400 supermarket chains, and more than 10,000 traditional retail outlets (including convenience stores, community shops, and fresh food stores). Its core Condiment Products are also available on major e-commerce platforms such as JD.com, Tmall, Freshippo, 多點 (Duodian*), Pinduoduo, 7Fresh, and 小象超市 (Xiaoxiang Supermarket*). Additionally, the Target Group is actively enhancing its product catalog and expanding into overseas markets, with products currently exported to the United States, Canada, South Korea, Southeast Asia, and other countries and regions. Therefore, the Directors consider the Target Group, specialising in the condiments and prepackaged food fields, shall meet customers' demands for low-cost options while maintaining high-quality dining standards. In addition, its endeavours in the innovative products development and the global expansion complement the Group's above-mentioned business strategy.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We concur with the Group that the Acquisition represents an opportunity to the Group to further invest in the future prospects of the business of Condiment Products as a mean to meet diverse consumption scenarios and preference of the customers in its catering business. By increasing its stake in the Target Group, the Group is well-positioned to serve both dine-in and dine-out customer segments, fostering a balanced and diversified business model in the catering industry.

Upon Completion, the Target Company will become a wholly-owned subsidiary of the Company and will continue to be consolidated into the financial results of the Group. As mentioned in the paragraph headed “(b) Financial performance of the Group” under “1. Background and financial information of the Group” of this letter, though the Group recorded losses for FY2022, FY2023 and FY2024, the Condiment Products Segment continued to generate profits consecutively for the respective years. Therefore, considering the profit-making performance of the Target Company as the core operating non-wholly owned subsidiary of the Group’s Condiment Products Segment, we concur with the Directors that the Acquisition is expected to enhance the Group’s long-term financial performance and bring positive effect on earnings and financial performance of the Company upon Completion.

Taking into account the well-established business model of the Target Group, its profitable performance in the previous years and the expected Group’s balanced and diversified business model after the Completion, we are of the view that the Acquisition is in the interest of the Company and the Shareholders as a whole.

4. Principal terms of the Agreement

The principal terms of the Agreement are set out as follows:

Date

17 April 2025 (after trading hours)

Parties

- (i) The Company as purchaser; and
- (ii) Mr. Ho as seller.

Subject Matter

Pursuant to the Agreement, the Company shall conditionally acquire, and Mr. Ho shall conditionally sell, the Sale Equity at a consideration of RMB89 million.

Consideration

Pursuant to the Agreement, the consideration for the Acquisition was RMB89 million, which was determined after arm’s length negotiations between the Company and Mr. Ho with reference to the valuation of the Sale Equity by an independent valuer, Jones Lang LaSalle Corporate Appraisal and Advisory Limited in the amount of RMB89 million as at 31 December 2024 based on the market approach.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Payment terms

The consideration of RMB89 million will be settled by the Company to Mr. Ho in cash on the date of the Completion. The Company intends to fund the consideration with its internal resources. Having considered the Group's cash and cash equivalents of more than RMB362 million as at 31 December 2024 (as shown in the Company's annual report for the year ended 31 December 2024) and taking into account of the working capital requirements of the Group in the coming 12 months, the Board is of the view that the Group would have sufficient working capital for its requirements for the next 12 months. After having reviewed 18-month working capital forecast of the Group since June 2025 which took into account (i) the previous financial performance of the Group in the first half year of 2025; (ii) the cash and cash equivalents of approximately RMB362.7 million as at 31 December 2024; and (iii) the expected cash outflow in August 2025 due to the settlement of the consideration of RMB89 million upon Completion, we concur with the Board that the Group would have sufficient working capital for its requirements for the next 12 months.

Conditions precedent

Completion is subject to the following conditions precedent being satisfied or waived:

- (i) the Company having obtained the Independent Shareholders' approval at the EGM for the Agreement and the transactions contemplated thereunder;
- (ii) the Company having obtained all other necessary consents and approvals for approving the Agreement and the transactions contemplated thereunder;
- (iii) Mr. Ho having obtained all necessary consents and approvals for approving the Agreement and the transactions contemplated thereunder; and
- (iv) the representations made by Mr. Ho under the Agreement are true and correct in all aspects and not misleading.

The Company may waive condition (iii) and (iv) and Mr. Ho may waive condition (ii). Condition (i) is not capable of being waived by any party to the Agreement.

If any of the conditions is not satisfied or waived on the Long Stop Date, (i) the Agreement shall lapse and be of no further effect (save for certain clauses as specified in the Agreement); and (ii) neither the Company nor Mr. Ho shall have any liability and obligation to each other save for any antecedent breach of any confidentiality obligations as agreed among them in connection with the Acquisition.

Completion

Completion shall take place on the next business day after the date on which all the conditions set out above are fulfilled or waived, or such other date as the Company and Mr. Ho may agree.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As at the Latest Practicable Date, the Target Company was held as to 60% by the Company and 40% by Mr. Ho. Upon Completion, the Company will hold the entire equity interest in the Target Company and the financial statements of the Target Company will continue to be consolidated into the financial results of the Group.

The Group has been conducting transactions with Xiabu (HK) Food (details of which are set out in the Framework Purchase Agreement) which are connected transactions of the Company. Upon Completion, the Target Company and its subsidiaries (including Xiabu (HK) Food) will cease to be connected persons of the Company, as such, the transactions between the Group and Xiabu (HK) Food will no longer be connected transactions of the Company.

5. Assessment on the Consideration

As disclosed in the Letter from the Board, the consideration is determined with reference to the valuation of Sale Equity of RMB89 million as at 31 December 2024 as appraised by the Valuer by way of market approach. In assessing the fairness and reasonableness of the valuation of the Sale Equity, we have taken into the following factors:

(a) The qualification and scope of work of the Valuer

For our due diligence purpose, we have reviewed and enquired into the Valuer's qualifications and experience in assessing the valuation of the Sale Equity through (i) reviewing their engagement letter (including their scope of work); (ii) reviewing and conducting phone-interview on the qualification of the Valuer including its previous experience in conducting valuation of the similar companies; and (iii) enquiring the current and previous working relationship between the Valuer, the Company, Mr. Ho and the Target Group. We understood that the Valuer is a valuation firm with solid experience in conducting business valuation for major clients including listed companies and multinational corporations. The Valuation Report was prepared by Mr. Simon M.K. Chan, who is a fellow of the Hong Kong Institute of Certified Public Accountants (HKICPA) and CPA Australia, a fellow of the Royal Institution of Chartered Surveyors (FRICS), an International Certified Valuation Specialist (ICVS) and a Chartered Valuer and Appraiser (Singapore), and possesses over 20 years of experience in valuation projects in the PRC, Hong Kong, Singapore and the United States. The Valuer confirmed that it is an independent third party which is in a position to provide an objective and unbiased valuation. The Valuer also confirmed that apart from normal professional fees paid or payable to them in connection with their appointment as the Valuer, no other arrangements exist whereby they will receive any fees or benefits from the Group, Mr. Ho and the Target Group. Moreover, we have reviewed the terms of engagement of the Valuer and further noted that its scope of work is appropriate to form the opinion required to be given and there are no limitations on the scope of work which might adversely impact on the degree of assurance given by the Valuer. Further to the discussion with the Valuer, we are not aware that the Company or another party to the transaction has made formal or informal representations to the Valuer in relation to the valuation of the Sale Equity which are not in accordance with our knowledge. We have performed the work as required under note (1)(d) to Rule 13.80 of the Listing Rules in relation to the Valuer and its work in regard to the valuation of the Sale Equity.

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(b) Valuation methodologies

The Valuer derived the valuation utilising the guideline public companies method under market approach as valuation methodology. With reference to the Valuation Report, the Valuer considered three generally accepted approaches, namely market approach, costs approach and income approach:

- (i) Market approach considers prices recently paid for similar assets, with adjustments made to market prices to reflect condition and utility of the appraised assets relative to the market comparables. Assets for which there is an established secondary market may be valued by this approach. Benefits of using this approach include its simplicity, clarity, speed and the need for fewer subjective assumptions. It also introduces objectivity in application as publicly available inputs are used;
- (ii) Cost approach considers the cost to reproduce or replace in new condition the assets appraised in accordance with current market prices for similar assets, with allowance for accrued depreciation or obsolescence, whether arising from physical, functional or economic causes. The cost approach generally furnishes the most reliable indication of value for assets without a known secondary market. Despite the simplicity and transparency of this approach, it does not directly incorporate information about the economic benefits contributed by the subject assets and thus was rejected by the Valuer; and
- (iii) Income approach is the conversion of expected periodic benefits of ownership into an indication of value. It is based on the principle that an informed buyer would pay no more for the project than an amount equal to the present worth of anticipated future benefits (income) from the same or a substantially similar project with a similar risk profile. As income approach involves long-term financial projections and the adoption of numerous assumptions, not all of which can be easily quantified or ascertained, thus was rejected by the Valuer.

Having considered that (i) the cost approach does not directly incorporate information about the economic benefits and future earning potential of the Target Group; (ii) the income approach requires to adopt more subjective assumptions than the market approach for compiling its long-term financial projection and the valuation result would be greatly sensitive to any changes in assumptions; and (iii) the market approach requires few assumptions and allows the Valuer to apply publicly available comparables to enhance the objectivity of the valuation of the Sale Equity, we concur with the Valuer that the adoption of market approach for the valuation of the Sale Equity is reasonable.

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Under market approach, the Valuer has adopted price-to-earnings (“P/E”) multiples to determine the valuation of the Sale Equity. For the purpose of independent assessment of the fairness and reasonableness of the valuation of the Sale Equity, we have considered the three most commonly used benchmarks in valuing a company, namely P/E multiple, price-to-book (“P/B”) multiple and price-to-sale (“P/S”) multiple. P/E multiple is usually adopted for judging valuations for companies which are profit-making. P/B multiple is typically applied for valuing companies which hold relatively liquid assets on their balance sheets and their book values approximate their fair market values such as real estate companies and banks whereas P/S multiple is approximate for valuing companies which have volatile earnings or loss but with relatively stable revenue. In addition, enterprise value to earning before interest and tax multiple (“EV/EBIT Multiple”), enterprise value-to-earnings before interest, tax depreciation and amortisation multiple (“EV/EBITDA Multiple”) and enterprise value-to-sales multiple (“EV/Sales Multiple”) are often favored in the valuation of businesses with high levels of debt, as it accounts for capital structure differences.

Taking into account that (a) P/B multiple is considered not appropriate for the valuation of the Sale Equity as the intangible company-specific competencies of the Target Group and its advantages in production and distribution of Condiment Products are not captured in P/B multiple; (b) P/S multiple is considered not appropriate for the valuation of the Sale Equity as it does not reflect the earning potential of the Target Group but only focuses on the sales amount which can be easily distorted if the cost structure is not being considered; and (c) EV/EBIT Multiple, EV/EBITDA Multiple and EV/Sales Multiple are not appropriate for the valuation of the Sale Equity as the Target Group has a low debt level evidenced by the fact that the Target Group’s cash and bank, and wealth management products exceed its debts and payables to shareholders resulting in negative net debt, we consider the adoption of P/E multiple by the Valuer is appropriate as the Target Group has generated positive earnings in recent years.

We have also reviewed the appraisal assumptions in the Valuation Report as set out in Appendix II of the Circular and consider that the assumptions are fair and reasonable and appropriate for valuation of the Sale Equity.

(c) Analysis of the comparable companies

Under market approach, the Valuer adopted the guideline public companies method in conducting the valuation of the Sale Equity. We noted that the Valuer selected the comparable listed companies through Capital IQ database with selection criteria including:

- (i) the shares of the comparable companies have been listed and actively traded in “All major exchanges” (as classified by Capital IQ) for no less than six months;
- (ii) the comparable companies mainly engage in seasonings and preservatives industry, as classified by Capital IQ. Revenue generated from the relevant business was over 90% of their total revenue for the latest financial year;

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- (iii) the comparable companies' primary geographic locations were in the PRC according to the Capital IQ. Revenue generated from the relevant location was over 90% of their total revenue for the latest financial year;
- (iv) the comparable companies were providing hotpot seasoning products according to their business description in Capital IQ or their websites;
- (v) the comparable companies recorded positive net income excluding extra items in their latest financial year based on Capital IQ; and
- (vi) sufficient operational and financial data, including P/E multiple, on the comparable companies are available as at the date of the valuation of the Sale Equity.

Based on the aforesaid criteria, the Valuer selected 8 comparable companies on an exhaustive basis to the best of the Valuer's understanding (the "**Comparable Companies**"). As the selection criteria enable the Valuer to identify companies that mainly operate similar activity (the research, development, production and sale of Condiment Products) in the same core geographical region (i.e. the PRC) of the Target Group, with sufficient data publicly available for the Valuer to conduct the valuation, we do not doubt the selection criteria adopted by the Valuer in identifying the Comparable Companies and we are of the view that the Comparable Companies are fair and representative.

After the Valuer computed the P/E multiples of the Comparable Companies, the Valuer adjusted such ratio by certain factors including AH share premium adjustments and size adjustment, to arrive at the adjusted P/E multiples of the Comparable Companies.

In respect of AH Share premium adjustments, as 7 out of 8 Comparable Companies are listed in either the Shanghai Stock Exchange or the Shenzhen Stock Exchange. The AH share premium adjustments are adopted in the valuation of the Sale Equity to reflect the discount/premium between (i) the Shenzhen or Shanghai Stock Exchange and (ii) the Stock Exchange. The 30.07% discount based on the Hang Seng Stock Connect China AH Premium Index was adopted on the market caps of the comparable companies listed in Shenzhen or Shanghai Stock Exchanges which is considered to be representative.

In respect of the size adjustments, those were made principally to reflect the difference in sizes among the Target Company and the Comparable Companies, and such adjustments were referred to a formula in a textbook titled "Financial Valuation – Applications and Model, 2017" by James R. Hitchner. As advised by the Valuer, James R. Hichner is a renowned valuation expert in the US for the pricing multiple adjustments and the formula is widely accepted for valuation adjustments to reflect the difference in sizes among the subject company and its comparable companies.

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In respect of the discount on lack of marketability on the valuation of the Sale Equity, we noted that the Valuer applied a discount of 20.4% (“**DLOM**”) to reflect the cost associated with locating interested and capable buyers of interest in privately held companies, as there is no established market of readily available buyers and sellers. We noted that the Valuer determined the DLOM with reference to the 2024 edition of the Stout Restricted Stock Study Companion Guide published by Stout Risius Ross, LLC, (“**Stout**”). Stout is a global investment bank and advisory firm specializing in corporate finance, valuation, financial disputes, and investigations, serving a range of clients from public corporations to privately held companies in numerous industries. The adopted discount refers to the overall average discount for 779 transactions in the study.

As mentioned above that we do not doubt the selection criteria adopted by the Valuer in identifying the Comparable Companies and we are of the view that the Comparable Companies are fair and representative, we noted that the Valuer has adopted the median P/E multiple of the comparable companies portfolio to arrive the median P/E multiple of 15.15. We concur with the Valuer that the median can effectively mitigate the impact of extreme outliers by focusing on the central value of the dataset, thereby providing a more accurate representation of typical observations when the distribution is skewed or contains anomalous data points.

After taking into account the AH Share premium adjustments, the size adjustments, the DLOM and the median of the adjusted P/E multiples of the comparable companies, the valuation of 100% equity interest in the Target Group is approximately RMB223.0 million and the respective effective P/E multiple is approximately 12.05 which is below both of the P/E multiples and the adjusted P/E multiples of the 7 out of 8 Comparable Companies. The valuation of the Sale Equity, representing 40% equity interest in the Target Group is approximately RMB89.0 million.

For details of the Comparable Companies and the summary of the quantitative input used in the valuation of the Sale Equity, please refer to the Valuation Report in Appendix II to the Circular.

Based on our review of the Valuation Report and discussion with the Valuer regarding, among others, (i) the scope of work and experiences of the Valuer; (ii) the reasons and appropriateness of adopting the market approach for the valuation of the Target Group; (iii) the basis, assumptions and methodology adopted in the Valuation Report; and (iv) the valuation work performed by the Valuer, nothing has come to our attention that causes us to doubt the fairness and reasonableness of the preparation of the Valuation Report by the Valuer. In view of the above, we consider that the valuation of the Sale Equity performed by the Valuer as well as the basis, assumptions and methodology adopted in the Valuation Report are appropriate. Having considered our independent work performed on the Valuation Report as set out above, we are of the view that the consideration for the Sale Equity is fair and reasonable.

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6. Possible financial effects of the Acquisition

Upon Completion, the Company's indirect interest in Target Group will increase from 60% to 100% and the Target Group will become a wholly-owned subsidiary of the Company and will continue to be consolidated into the financial results of the Group.

As disclosed in the section headed "2. Background information of the Target Group" above, the Target Group recorded net profit of approximately RMB10.4 million and RMB18.5 million for FY2023 and FY2024 respectively. Considering the profit-making performance of the Target Group for FY2023 and FY2024, the Acquisition is expected to bring positive effect on earnings upon Completion.

As at 31 December 2024, the Group had cash and cash equivalents of approximately RMB362.7 million. Upon Completion, the cash and cash equivalents of the Group is expected to decrease for approximately RMB89 million upon settlement of the consideration of the Acquisition.

It should be noted that the aforementioned analyses are for illustrative purpose only and do not purport to represent how the financial performance and position of the Group will be upon Completion.

RECOMMENDATION

Having considered the abovementioned principal factors and reasons, in particular, that (i) the principal terms of the Agreement; (ii) the valuation of the Sale Equity prepared by the Valuer; and (iii) the reasons for and benefits of the Acquisition, we are of the view that although the Agreement and the transactions contemplated thereunder are not in the ordinary and usual course of business of the Company, the terms are on normal commercial terms, fair and reasonable so far as the Company and the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the resolution to approve the Agreement and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
Octal Capital Limited

Alan Fung
Managing Director

Louis Chan
Director

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Note:

Mr. Alan Fung has been a responsible officer of Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities since 2003. Mr. Fung has more than 30 years of experience in corporate finance and investment banking and has participated in and completed various advisory transactions in respect of mergers and acquisitions, connected transactions and transactions subject to the compliance to the Takeovers Code of listed companies in Hong Kong.

Mr. Louis Chan has been a responsible officer of Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities since 2008. Mr. Chan has more than 20 years of experience in corporate finance and investment banking and has participated in and completed various advisory transactions in respect of mergers and acquisitions, connected transactions and transactions subject to the compliance to the Takeovers Code of listed companies in Hong Kong.

** For identification purposes only*

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

Interests and short positions of the Directors and the chief executive of the Company in shares and underlying shares

As at the Latest Practicable Date, the Directors and chief executives of the Company had the following interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which are required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which are required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange:

(a) *Interests in shares and underlying shares of the Company*

Name of Director	Capacity/Nature of interest	Number of Shares/ underlying Shares held ⁽¹⁾	Approximate percentage of shareholding in the Company ⁽⁵⁾
Mr. Ho ⁽²⁾	Founder of a discretionary trust	396,234,500	36.48%
	Beneficial owner	25,071,360	2.31%
	Beneficiary of a trust	1,350,000	0.12%
	Total	422,655,860	38.91%
Ms. Chen ⁽²⁾⁽³⁾	Interest of spouse	422,655,860	38.91%
	Total	422,655,860	38.91%
Mr. Feng Hui-Huang ⁽⁴⁾	Beneficial owner	2,213,500	0.20%
	Beneficiary of a trust	117,836	0.01%
	Interest of spouse	914,500	0.09%
	Total	3,245,836	0.30%

Notes:

- (1) All interests stated are long positions.
- (2) The Ying Qi Trust is a discretionary trust established by Mr. Ho (as the settlor) for the benefit of Mr. Ho and with Ying Qi PTC Limited acting as the trustee. On 6 June 2024, Ying Qi PTC Limited transferred all shares in Ying Qi Investments Limited (which in turn holds 396,234,500 Shares) held by it to HSBC International Trustee Limited (“HKIT”). Accordingly, Mr. Ho is deemed to be interested in the 396,234,500 Shares held through HKIT. Mr. Ho is also interested in 25,071,360 Shares, as well as Share Awards representing an aggregate of 1,350,000 Shares held on trust on his behalf by the Trustee which can be exercised for nil consideration and are subject to vesting.
- (3) Ms. Chen is the spouse of Mr. Ho and pursuant to the SFO, she is deemed to be interested in the Shares in which Mr. Ho are interested.
- (4) Mr. Feng has interest in Share Awards representing 117,836 Shares held on trust on his behalf by the Trustee which can be exercised for nil consideration and are subject to vesting.
- (5) As at the Latest Practicable Date, the Company had 1,086,174,481 issued Shares.

(b) *Interests in associated corporations*

Name of associated corporation	Name of shareholder	Nature of interest	Number of shares interested	Approximate percentage of shareholding in associated corporation
The Target Company ⁽¹⁾	Mr. Ho	Beneficial owner	400,000	40%
	Ms. Chen	Interest of spouse		
Xiabu (HK) Food ⁽¹⁾	Mr. Ho	Interest in controlled corporation	100	100%
	Ms. Chen	Interest of spouse		
Xiabu (China) Food ⁽¹⁾	Mr. Ho	Interest in controlled corporation	10,000,000	100%
	Ms. Chen	Interest of spouse		

Notes:

- (1) The Target Company is a 60%-owned subsidiary of the Company. Xiabu (HK) Food and Xiabu (China) Food are wholly-owned subsidiaries of the Target Company.
- (2) Ms. Chen is the spouse of Mr. Ho and pursuant to the SFO, she is deemed to be interested in the shares of the associated corporations in which Mr. Ho are interested.

Save as disclosed above, as at the Latest Practicable date, none of the Directors nor the chief executive of the Company had any interests or short positions in any of the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO or as notified to the Company and the Stock Exchange pursuant to the Model Code.

Substantial Shareholders

So far as is known to the Directors, as at the Latest Practicable Date, the persons (other than Directors and chief executives of the Company) or corporations who had an interest or short position in the shares and/or underlying shares of the Company which has to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under Section 336 of the SFO were as follows:

Name of Shareholder	Capacity	Number of Shares/ underlying Shares held ⁽¹⁾	Approximate percentage of interest ⁽²⁾
HSBC International Trustee Limited ⁽³⁾	Trustee of a trust	396,247,500	36.48%

Notes:

- (1) All interests stated are long positions.
- (2) As at the Latest Practicable Date, the Company had 1,086,174,481 issued Shares.
- (3) The Ying Qi Trust is a discretionary trust established by Mr. Ho (as the settlor) for the benefit of Mr. Ho and with Ying Qi PTC Limited acting as the trustee. On 6 June 2024, Ying Qi PTC Limited transferred all shares in Ying Qi Investments Limited (which in turn holds 396,234,500 Shares) held by it to HKIT. As a result, Ying Qi PTC Limited has ceased to be a shareholder of the Company. As Ying Qi Investments Holding Limited is a wholly-owned subsidiary of HKIT, the details of its interest in Shares will be included in HKIT's filings going forward in reliance on the exemption under section 313(10) of the SFO.
- (4) Pursuant to Section 336 of the SFO, the Shareholders are required to file a disclosure of interests form when certain criteria are fulfilled. When a shareholding in the Company changes, it is not necessary for the shareholder to notify the Company and the Stock Exchange unless several criteria have been fulfilled, therefore a Shareholder's latest shareholding in the Company may be different from the shareholding filed with the Company and the Stock Exchange.

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any persons (other than Directors and chief executives of the Company) who had an interest or short position in the Shares or underlying Shares which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein. Save as disclosed above, none of the Directors is a director or employee of a company which has an interest in the Shares and underlying Shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO.

3. COMPETING BUSINESS

As at the Latest Practicable Date, so far as the Directors were aware, none of the Directors nor their respective close associates had any direct or indirect interests in any business that constitutes or may constitute a competing business of the Company.

4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, no Director had entered into any service contract or letter of appointment with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

5. DIRECTORS' INTEREST IN ASSETS

As at the Latest Practicable Date:

- (a) none of the Directors had any direct or indirect interest in any assets which have been, since 31 December 2024 (being the date to which the latest published audited consolidated financial statements of the Group were made up), acquired, disposed of by, or leased to any member of the Group, or are proposed to be acquired, disposed of by, or leased to any member of the Group; and
- (b) none of the Directors is also an employee or director of any substantial shareholder of the Company.

6. DIRECTORS' INTEREST IN CONTRACTS AND OTHER INTERESTS

Save for the following agreements in which each of Mr. Ho, the chairman of the Board, an executive Director and the Controlling Shareholder, and Ms. Chen, a non-executive Director and the spouse of Mr. Ho, is considered as having a material interest, none of the other Directors was materially interested, directly or indirectly, in any contract or arrangement subsisting as at the date of this circular which is significant in relation to the business of the Group:

- (i) the framework cooperation agreement (the “**Framework Cooperation Agreement**”) entered into between the Company and Tea Mi Tea (HK) Holdings Co., Limited (“**Tea Mi Tea (HK)**”) dated 22 December 2023 which has a term commencing from 1 January 2024 and ending on 31 December 2026, and pursuant to which (a) Tea Mi Tea (HK) agreed to provide relevant operational support to the Group including recipes of certain tea beverages and tea snacks, new products advices and staff training; (b) Tea Mi Tea (HK) granted to the Group a non-transferable right to use trademarks owned by Tea Mi Tea (HK) to produce and sell certain tea beverages and tea snacks; and (c) the Company and Tea Mi Tea (HK) agreed on a revenue sharing basis. The relevant annual caps under the Framework Cooperation Agreement for each of the three years ending 31 December 2026 are RMB68,000,000, RMB86,500,000 and RMB110,000,000, respectively; and

- (ii) the Framework Purchase Agreement dated 22 December 2023 which has a term commencing on 1 January 2024 and ending on 31 December 2026, and pursuant to which Xiabu (HK) Food (a wholly-owned subsidiary of the Target Company) agreed to sell, and the Group agreed to purchase, certain condiment products and instant foods from Xiabu (HK) Food and its subsidiaries for sale in the Group's restaurants. The relevant annual caps under the Framework Purchase Agreement for each of the three years ending 31 December 2026 are RMB9,350,000, RMB11,500,000 and RMB13,600,000, respectively.

For details of the Framework Cooperation Agreement and the Framework Purchase Agreement, please refer to the announcement of the Company dated 22 December 2023. Upon Completion, the Target Company will become a wholly-owned subsidiary of the Company and Mr. Ho and Ms. Chen will no longer be considered as having a material interest in the Framework Purchase Agreement.

7. QUALIFICATION OF EXPERTS AND CONSENTS

The qualifications of the experts who have given an opinion or advice in this circular are as follow:

Name	Qualification
Octal Capital Limited	a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
Jones Lang LaSalle Corporate Appraisal and Advisory Limited	independent professional valuer

As at the Latest Practicable Date, each of the experts mentioned above (i) has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter or opinion and the references to its names included herein in the form and context in which it is respectively included; (ii) has no direct or indirect shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for shares in any member of the Group; and (iii) has no direct or indirect interests in any assets which have been, since 31 December 2024 (being the date to which the latest published audited consolidated financial statements of the Group were made up), acquired or disposed of by or leased to any member of the Group, or which are proposed to be acquired or disposed of by or leased to any member of the Group.

8. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors have confirmed that there is no material adverse change in the financial or trading position of the Company since 31 December 2024, being the date to which the latest published audited consolidated financial statements of the Group were made up.

9. DOCUMENTS ON DISPLAY

A copy of the Agreement will be available on display online on the Stock Exchange's website (www.hkexnews.hk) and on the Company's website (www.xiabu.com) from the date of this circular up to and including the date of the EGM (being a period of not less than 14 days).



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Tel +852 2846 5000 Fax +852 2169 6001
Company Licence No.: C-030171

27 August 2025

The Board of Directors
Xiabuxiabu Catering Management China Holdings Co Ltd
Unit 2205-07, 22nd Floor
Two Sky Parc
51 Hung To Road
Kwun Tong, Kowloon, Hong Kong

Dear Sirs,

In accordance with the instructions from Xiabuxiabu Catering Management China Holdings Co Ltd (the “**Company**” or the “**Client**”), Jones Lang LaSalle Corporate Appraisal and Advisory Limited (“**JLL**” or “**we**”) have undertaken a valuation exercise which requires us to express an independent opinion on the market value of 40% equity interest (the “**Subject**”) of Xiabuxiabu (China) Food Holdings Co., Limited (the “**Target Company**”) with its subsidiaries (collectively the “**Target Group**”) as at 31 December 2024 (the “**Valuation Date**”). The report which follows is dated 27 August 2025 (the “**Report Date**”). The purpose of this valuation is for the Client’s internal reference and inclusion in the Client’s public disclosure.

Our valuation was carried out on a market value basis. Market value is defined as “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.

BACKGROUND OF THE COMPANY

Xiabuxiabu Catering Management China Holdings Co Ltd is a holding company principally engaged in the operation of hotpot restaurants and other catering services. The Company was incorporated in Cayman Islands with limited liabilities and has been listed in the Stock Exchange of Hong Kong since 17 December 2014 with stock code: 520 HK.

BACKGROUND OF THE SUBJECT

The Target Company is a private company incorporated in the Cayman Islands with limited liability. The Target Company through its major subsidiary is mainly engaged in sales of hotpot seasoning products and related business in China. As of the Valuation Date, the Company holds 60% equity interests in the Target Company.

Key financial information of the Target Group for the financial year ended 31 December 2024 respectively is set out as below (unit: RMB):

	Financial year ended 2024/12/31 (Audited)
Revenue	140,756,424
Net Profit	18,497,034
Net Assets	94,827,818

SOURCES OF INFORMATION

In conducting our valuation of the 40% equity interest in the Target Group, we have reviewed information from several sources, including, but not limited to:

- Background of the Target Group and relevant corporate information;
- Audited financial statements, which contain the financial and operational information, of the Target Group for the financial year ended 31 December 2024; and
- Market information derived from public domains in relation to the Target Group's business and our valuation.

We have held discussions with management of the Company, and conducted market research from public sources to assess the reasonableness and fairness of the above information provided by the management. We assumed such information is reliable and legitimate; and we have relied to a considerable extent on the information provided by the Company in arriving at our opinion of value.

INDEPENDENCE DECLARATION

We confirm that to the best of our knowledge and belief, we are independent of the Company and the Target Group, and have not contravened any independence requirements stipulated as per our professional memberships. Our fee is not contingent upon our conclusion of value.

BASIS OF OPINION

We have conducted our valuation with reference to the International Valuation Standards issued by International Valuation Standards Council. The valuation procedures employed include a review of legal status and economic condition of the Target Group and an assessment of the key assumptions, estimates, and representations made by the proprietor or the operator of the Target Group. All matters we consider essential to the proper understanding of the valuation are disclosed in this valuation report.

The following factors form an integral part of our basis of opinion:

- The economic outlook in general;
- The nature of business and history of the operation concerned;
- The financial condition of the Target Group;
- Market information of companies engaged in similar lines of business;
- Financial and business risk of the business including continuity of income;
- Consideration and analysis on the micro and macro economy affecting the Target Group's business; and
- Assessment of the liquidity of the Target Group's business.

We planned and performed our valuation so as to obtain all the information and explanations that we considered necessary in order to provide us with sufficient evidence to express our opinion on the Subject.

VALUATION METHODOLOGY

In arriving at our assessed value, we have considered three generally accepted approaches, namely market approach, cost approach and income approach.

Market approach considers prices recently paid for similar assets, with adjustments made to market prices to reflect condition and utility of the appraised assets relative to the market comparables. Assets for which there is an established secondary market may be valued by this approach. Benefits of using this approach include its simplicity, clarity, speed and the need for fewer subjective assumptions. It also introduces objectivity in application as publicly available inputs are used. However, one has to be wary of hidden assumptions in those inputs as there are inherent assumptions on the value of those comparable assets. It is also difficult to find comparable assets. Furthermore, this approach relies exclusively on the efficient market hypothesis.

Cost approach considers the cost to reproduce or replace in new condition the assets appraised in accordance with current market prices for similar assets, with allowance for accrued depreciation or obsolescence, whether arising from physical, functional or economic causes. The cost approach generally furnishes the most reliable indication of value for assets without a known secondary market. Despite the simplicity and transparency of this approach, it does not directly incorporate information about the economic benefits contributed by the subject assets.

Income approach is the conversion of expected periodic benefits of ownership into an indication of value. It is based on the principle that an informed buyer would pay no more for the asset than an amount equal to the present worth of anticipated future benefits (income) from the same or a substantially similar asset with a similar risk profile. This approach allows for the prospective valuation of future profits and there are numerous empirical and theoretical justifications for the present value of expected future cash flows. However, this approach relies on numerous assumptions over a long-time horizon and the result may be very sensitive to certain inputs. It also presents a single scenario only.

SELECTION OF VALUATION APPROACH AND METHODOLOGY

To select the most appropriate approach, we have considered the purpose of the valuation engagement and the resulting basis of value as well as the availability and reliability of information provided to us to perform an analysis. We have also considered the relative advantages and disadvantages of each approach to the nature and circumstances of the Subject. In our opinion, the cost approach is inappropriate for valuing the Subject, as it does not directly incorporate information about the economic benefits contributed by the Subject. The income approach is not the most optimal approach as it involves long-term financial projections and the adoption of numerous assumptions and subjective judgements, not all of which can be easily quantified or ascertained.

In view of the above, we have adopted the market approach for the Target Group in this Valuation. The market approach considers prices recently paid for similar assets, with adjustments made to market prices to reflect condition and utility of the appraised assets relative to the market comparable. Assets for which there is an established secondary market may be valued by this approach. Benefits of using this approach include its simplicity, clarity, speed and the need for fewer subjective assumptions. It also introduces objectivity in application as publicly available inputs are used. We have therefore relied on the market approach in determining our opinion of value.

There are two common methods under market approach, namely, guideline public companies method and guideline transactions method. Guideline public companies method requires identifying suitable guideline public companies and selection of appropriate trading multiples, while guideline transactions method takes reference to recent mergers and acquisitions transaction between unrelated parties and ratio of transaction price to Subject's financial metrics.

In this valuation exercise, the market value of the Target Group was developed through the guideline public company method. The guideline transactions method is not adopted due to lack of sufficient recent market transactions with similar nature as the Subject. The guideline public companies method requires the research of comparable companies' benchmark multiples and selection of an appropriate multiple.

SELECTION OF VALUATION PRICE MULTIPLES

In this valuation, we have considered the following commonly used benchmark multiples:

- Price-to-earnings multiple (“**P/E Multiple**”): This multiple is computed by dividing the share price by earnings per share. It is commonly used as investors want to assess the profitability of a company. However, it has limitations as it cannot be used for valuing loss-making companies.
- Price-to-book multiple (“**P/B Multiple**”): This multiple is computed by dividing the share price by the book value per share. It is often used in asset-intensive industries. However, since it only considers tangible assets, it does not capture intangible assets, company-specific competencies, and advantages.
- Price-to-sales multiple (“**P/S Multiple**”): This multiple is estimated by dividing the share price by sales per share. It is commonly used for valuing early-stage or loss-making companies. However, it overlooks the cost structure and profitability of a company. A firm’s enterprise value is equal to its equity value plus its debt less any cash.
- Enterprise value to earning before interest and tax multiple (“**EV/EBIT Multiple**”): This multiple compares a firm’s enterprise value to its earnings before interest and taxes. It allows for direct comparison of firms regardless of their capital structure. However, it does not adjust for depreciation and amortization expenses.
- Enterprise value-to-earnings before interest, tax depreciation and amortisation multiple (“**EV/EBITDA Multiple**”): This multiple is similar to the EV/EBIT Multiple but adds back depreciation and amortisation expenses. It is commonly used for capital-intensive businesses where depreciation expense is significant.
- Enterprise value-to-sales multiple (“**EV/Sales Multiple**”): Similar to other enterprise value multiples, this multiple is less affected by differences in accounting treatment. It takes into account a company’s debt load, providing an advantage over the P/S Multiple.

EV/EBIT Multiple, EV/EBITDA Multiple or EV/Sales Multiple are often favored in the valuation of businesses with high levels of debt, as it accounts for capital structure. However, the Target Company has a fixed-asset-light business model and a low debt level such that these EV Multiples are not applied in the Valuation. This is evidenced by the fact that the Target Company’s cash and bank wealth management products exceed its debts and payables to shareholders, resulting in negative net debt. Similarly, 7 out of 8 comparable companies also recorded negative net debt, confirming that both the Target Company and its industry peers operate with low debt levels. Hence, the EV Multiples are not applied for the Target Company and the comparable companies in the Valuation.

Given the Target Company's profitability level, we have determined that the Price-to-Earnings (P/E) Multiple is the most appropriate valuation metric compared to P/B Multiple and P/S Multiple. P/S Multiple is more commonly applied in the valuation of early-stage companies not yet profitable or the companies in turnaround situations with unstable profit levels. For companies with stable profits like the Target Company, the P/S Multiple fails to account for their profitability. The P/E Multiple provides a straightforward and pertinent measure of the company's value in relation to its earnings, aligning well with its business model and more accurately capturing its value proposition and growth potential.

MAJOR ASSUMPTIONS

Assumptions considered to have significant sensitivity effects in this valuation have been evaluated in order to provide a more accurate and reasonable basis for arriving at our assessed value. The following assumptions in determining the market value of the equity interest of the Target Group have been made:

- We have assumed the principal businesses of the Target Group will not change significantly in the foreseeable future; the Target Group have obtained all necessary permits, business certificates, licenses and legal approvals to operate the business and all relevant permits, business certificates, licenses and legal approvals to operate the business in the localities in which the Target Group operates or intends to operate would be officially obtained and renewable upon expiry;
- We have assumed that the Target Group will continue to operate as a going concern with adequate operation facilities and business systems in place or proposed (if any) that are in line with the industry. Without this assumption, the market approach may not be appropriate for this valuation;
- We have assumed that the core operation of the Target Group will not differ materially from those of present or expected otherwise the selection criteria of the comparable companies would have been different from this valuation;
- We have assumed that there will be no material changes in the existing political, legal, technological, natural, fiscal or economic conditions, which might adversely affect the business of the Target Group such as changes in relevant government policies and regulations related to transportation, emissions, and safety standards, changes in vehicle technology, and economic growth or recession affecting consumer spending patterns and travel demand;
- We have assumed that the operational and contractual terms stipulated in the relevant contracts and agreements entered into between the Target Group and any other parties, including but not limited to loan contracts, business contracts and other contracts that will affect the business of the Target Group, will be honored;
- We have assumed continuous prudent management of the Target Group that is reasonable and necessary to maintain the character and integrity of the assets valued; and

- We have assumed that there are no hidden or unexpected conditions (such as natural disaster, war, government intervention, major change in management, etc.) associated with the asset valued that might adversely affect the reported value.

SUMMARY OF MARKET APPROACH

In determining the financial multiple, a list of comparable companies was identified. Considering the Target Group mainly engaged in seasonings and preservatives industry in China and provided the hotpot soup bases, dipping sauces, seasoning sauces and products and various compound condiments, the selection criteria are set as below:

1. The shares of the comparable companies have been listed and actively traded in “All major exchanges” (as classified by Capital IQ) for no less than six months;
2. The comparable companies mainly engage in seasonings and preservatives industry, as classified by Capital IQ. Revenue generated from the relevant business was over 90% of their total revenue for the latest financial year;
3. The comparable companies were providing hotpot seasoning products according to their business description in Capital IQ or their websites. The detailed percentages of the total revenue from the hotpot seasoning products were not disclosed in the Capital IQ or the websites of the comparable companies;
4. The comparable companies’ primary geographic locations were in China according to the Capital IQ. Revenue generated from the relevant location was over 90% of their total revenue for the latest financial year;
5. The comparable companies recorded positive net income excluding extra items in their latest financial year based on Capital IQ; and
6. Sufficient operational and financial data, including the P/E Ratio, on the comparable companies are available as at the Valuation Date.

As sourced from Capital IQ, the respective exhaustive list of comparable companies satisfying the above criteria was obtained.

The details of the comparable companies are listed below:

Ticker	Company Name	Company Description
SHSE:600872	Jonjee Hi-Tech Industrial and Commercial Holding Co., Ltd	Jonjee Hi-Tech Industrial and Commercial Holding Co., Ltd produces and sells seasoning products in China and internationally. The company's products include soy sauce, chicken powder, oyster sauce, sauce, cooking wine, vinegar, edible oil, fermented bean curd, juice, hot pot base, and other seasoning products.
SEHK:1579	Yihai International Holding Ltd.	Yihai International Holding Ltd., together with its subsidiaries, engages in production and sale of hot pot condiment, Chinese-style compound condiment, and ready-to-eat food products in the People's Republic of China and internationally. It offers hot pot soup flavorings and hot pot dipping sauces; Chinese-style compound condiments and ready-to-eat sauces; and self-serving small hot pots, self-serving rice, brewed vermicelli, and instant rice products under the Haidilao and Magic Cook brands.
SHSE:603317	Sichuan Teway Food Group Co., Ltd	Sichuan Teway Food Group Co., Ltd engages in the research, development, production, and sale of compound seasonings in China. The company provides hot pot seasonings for hot pot soup base, make stir-fried dishes, pasta, etc.; Chinese food seasonings to make Chinese dishes, such as boiled fish, grilled fish, spicy hot pot, crayfish, etc.; sausage bacon seasonings to make sausages and bacons in homes, canteens and restaurants; and chicken essence for home cooking and food manufacturing; spicy sauce for cooking various Sichuan dishes, and noodles. The company provides its products under the Good People, Dahongpao, and Tianche brand names.
SHSE:603027	Qianhe Condiment and Food Co., Ltd.	Qianhe Condiment and Food Co., Ltd. engages in the research and development, production and sale of high-quality soy sauce, vinegar, cooking wine, and other condiments. Qianhe Condiment and Food Co., Ltd. was founded in 1996 and is based in Meishan, China.

Ticker	Company Name	Company Description
SZSE:300908	Zhongjing Food Co., Ltd.	Zhongjing Food Co., Ltd. engages in the research and development, production, and sale of seasoning food and ingredients in China. The company offers mushroom sauce, scallion oil, beef sauce, spicy chicken, red oil, chili sauce, pepper sauce, seasoning oil, red jam, braised fried chicken, and other stir-fry and spicy seasoning ingredients. It serves individuals, families, restaurants, and food production enterprises. Zhongjing Food Co., Ltd. was founded in 2002 and is headquartered in Xixia, China.
SHSE:603755	Qingdao Richen Food Co., Ltd.	Qingdao Richen Food Co., Ltd. engages in the research and development, production, and sale of compound seasoning and condiments for food processing and catering companies in China. The company offers sauces, liquid and powder seasonings, roast chicken seasoning, coating flour, and coating paste, as well as food additive products that include compound acidity regulator, compound moisture retaining agent, caramel color, etc., which are used in various processed food additions.
SHSE:600305	Jiangsu Hengshun Vinegar-Industry Co., Ltd	Jiangsu Hengshun Vinegar-Industry Co., Ltd produces and sells vinegar products in China. The company offers a range of vinegar products, such as classic, craft brewing, organic, health vinegars, as well as cooking wine, soy sauce, sesame oil, pickles, drink rice wine, sauces, chicken essence MSG, snack foods, and seasoning products. Jiangsu Hengshun Vinegar-Industry Co., Ltd was founded in 1840 and is headquartered in Zhenjiang, China.
SHSE:603288	Foshan Haitian Flavouring and Food Company Ltd.	Foshan Haitian Flavouring and Food Company Ltd. engages in the production and sale of condiments, food and agricultural products, and beverages in China. It offers paste, soy sauce, oyster sauce, vinegar, cooking and rice wine, granulated chicken bouillon, fermented bean curd, seasoning extract, chicken powder seasoning, sesame oil, monosodium glutamate, pickle, and grain products, as well as drinks and gift boxes.

The key financial data of the comparable companies as of the Valuation Date sourced from Capital IQ are shown as below:

Ticker	Market Capitalization (Million USD)	LTM* Net Income (Million USD)	Revenue Percentage from Seasonings and Preservatives related Products (%)	Revenue Percentage from China (%)
SHSE:600872	2,307	505	96	100
SEHK:1579	1,883	101	99	94
SHSE:603317	1,910	86	100	98
SHSE:603027	1,705	71	100	100
SZSE:300908	615	24	100	100
SHSE:603755	361	10	100	99
SHSE:600305	1,201	10	100	100
SHSE:603288	34,874	871	100	100

* LTM: refers to the last twelve months from the latest date of financial reports of the comparable companies

AH Share Premium Adjustments

As some of the comparable companies are the A shares listed in Shenzhen or Shanghai Stock Exchange, the AH Share Premium Adjustments is adopted in our valuation to reflect the discount/premium between the Shenzhen or Shanghai Stock Exchange and Hong Kong.

The 30.07% discount based on the Hang Seng Stock Connect China AH Premium Index was adopted on the market caps of the comparable companies listed in Shenzhen or Shanghai Stock Exchanges.

In application of this adjustment, the market capitalizations of the comparable companies listed in Shenzhen or Shanghai Stock Exchanges were adjusted by a 30.07% discount to calculate an estimated market cap as if they were listed on the Hong Kong Stock Exchange.

Size Adjustments

The comparable companies are often of significantly different size from the Target Group. Larger companies generally have lower expected returns that translate into higher values. On the other hand, small companies are generally perceived as riskier in relation to business operation and financial performance, and therefore the expected returns are higher and resulting in lower multiples. Therefore, the base multiples were adjusted to reflect the differences in size between the comparable companies and Target Group, as below:

We referred to a formula in a widely-adopted textbook “Financial Valuation – Applications and Model, 2017” by James R. Hitchner, a renowned valuation expert in the US, for the pricing multiple adjustments.

The adjusted P/E multiples were calculated using the following formula:

$$\text{Adjusted P/E multiple} = 1/((1/M) + \theta)$$

where:

M = The Base P/E multiple

θ = Required adjustment in the equity discount rate for difference in size

(Reference: Hitchner, R. (2017) *Financial Valuation: Applications and Models (4th Edition)*)

M is the base P/E ratio and we take the reciprocal of M to come up with 1/M. The logic behind the pricing multiple adjustments is that the reciprocal of the base multiple represents a capitalization rate. In this valuation, the reciprocal of the base P/E multiple represents a capitalization rate of the enterprise value.

For the parameter θ , it was used as a desired adjustment to reflect the difference in natures between the comparable companies and the Target Group. With reference to Cost of Capital Navigator as of 31 December 2024 published by Kroll, depending on the market capitalization of each of the Comparable Companies, size premium differentials were adopted to capture the size difference between the comparable companies and the Target Group. The size premiums of different categories in the Cost of Capital Navigator as of 31 December 2024 were shown as below:

Category	Market Capitalization of Smallest Company (Million USD)	Market Capitalization of Largest Company (Million USD)	Size Premium
Mid Cap	3,948	20,178	0.52%
Low Cap	731	3,946	1.02%
Micro Cap	1	730	2.66%

The size premium of the micro cap category, i.e. 2.66%, was adopted for the Target Group.

Ticker	Market Capitalization before AH Share Premium (Million USD)	Market Capitalization after AH Share Premium (Million USD)	Size Premium	Size Adjustment (%)*
SHSE:600872	2,307	1,613	1.02%	1.64%
SEHK:1579	1,883	1,883	1.02%	1.64%
SHSE:603317	1,910	1,335	1.02%	1.64%
SHSE:603027	1,705	1,192	1.02%	1.64%
SZSE:300908	615	430	2.66%	0%
SHSE:603755	361	252	2.66%	0%
SHSE:600305	1,201	840	1.02%	1.64%
SHSE:603288	34,874	24,388	0%	2.66%

* The size adjustment is calculated as the difference of size premium between the comparable companies' and the Target Group's.

Details of the adjusted factors of the comparable companies are shown as below:

Ticker	Size Adjustment (%)	P/E Before Size Adjustment (M)	Adjusted P/E 1/((1/M) + %)
SHSE:600872	1.64%	3.19	3.03
SEHK:1579	1.64%	18.59	14.25
SHSE:603317	1.64%	15.60	12.42
SHSE:603027	1.64%	16.90	13.23
SZSE:300908	0%	17.89	17.89
SHSE:603755	0%	25.55	25.55
SHSE:600305	1.64%	85.64	35.62
SHSE:603288	2.66%	27.98	16.04
	Median*	18.24	15.15

* The median P/E ratio of the comparable companies portfolio was adopted. The median effectively mitigates the impact of extreme outliers by focusing on the central value of the dataset, thereby providing a more accurate representation of typical observations when the distribution is skewed or contains anomalous data points.

DISCOUNT FOR LACK OF MARKETABILITY

A factor to be considered in valuing closely held companies such as the Subject is the marketability of an interest in such businesses. Marketability is defined as the ability to convert the business interest into cash quickly, with minimum transaction and administrative costs, and with a high degree of certainty as to the amount of net proceeds. There is usually a cost and a time lag associated with locating interested and capable buyers in privately-held companies, because there is no established market of readily-available buyers and sellers. All other factors being equal, an interest in a publicly traded company is worth more because it is readily marketable. Conversely, an interest in a private-held company is worth less because no established market exists.

For this exercise, the indicated discount for lack of marketability adopted for the equity interest in the Target Group is 20.40% as at the Valuation Date, based on a study 2024 edition of the Stout Restricted Stock Study Companion Guide issued by Stout Risius Ross, LLC. The adopted discount refers to the overall average discount for 779 transactions. This discount was derived by comparing the percentage difference between the private placement price per share and the market trading price per share of the same companies in the Stout Restricted Stock Study.

CALCULATION OF VALUATION RESULT

Under the guideline public companies method, the market value depends on the market multiples of the comparable companies derived from Capital IQ as at the Valuation Date and adjusted as discussed above. We have also taken into account the discount for lack of marketability.

The calculation of the market value of the 40% equity interest in the Target Group as at the Valuation Date is as follows:

	31 December 2024
Trailing 12 Months Net Income of the Target Group	18,497,034
P/E Multiple (times)	<u>15.15</u>
100% Equity Interest in the Target Group (before discount of lack of marketability adjustments)	280,141,594
Less: Discount of Lack of Marketability (20.40%)	<u>57,148,885</u>
100% Equity Interest in the Target Group (after discount of lack of marketability adjustment)	<u>222,992,709</u>
40% Equity Interest in the Target Group	<u>89,197,083</u>
Market Value of the Subject (RMB) (Rounded)	<u><u>89,000,000</u></u>

VALUATION COMMENT

The conclusion of value is based on accepted valuation procedures and practices that rely substantially on the use of numerous assumptions which have been set out in this report above. Further, while the assumptions are considered by us to be reasonable, they are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond the control of the Company and Jones Lang LaSalle Corporate Appraisal and Advisory Limited.

We confirm that we have sufficient current local knowledge of the market which the Target Group are engaged in and the skills and understanding necessary to undertake the valuation of the Subject competently. We do not intend to express any opinion on matters which require legal or other specialised expertise or knowledge, beyond what is customarily employed by valuers. Further, we are not aware of any material changes to the Subject between the Valuation Date and the date of this report.

We are instructed to provide our opinion of value as per the Valuation Date only. It is based on economic, market and other conditions as they exist on, and information made available to us as of, the Valuation Date.

This report is issued subject to our Limiting Conditions as attached.

OPINION OF VALUE

Based on the results of our investigations and analysis, we are of the opinion that the market value of the Subject as at the Valuation Date is reasonably stated at the amount of RMB89 million.

Yours faithfully,

For and on behalf of

Jones Lang LaSalle Corporate Appraisal and Advisory Limited

Simon M.K. Chan

Executive Director

Note: Mr. Simon M.K. Chan is a fellow of the Hong Kong Institute of Certified Public Accountants (HKICPA) and CPA Australia. He is also fellow of the Royal Institution of Chartered Surveyors (FRICS). He is an International Certified Valuation Specialist (ICVS) and a Chartered Valuer and Appraiser (Singapore). He oversees the business valuation services of JLL and has over 20 years of accounting, auditing, corporate advisory and valuation experiences. He has provided a wide range of valuation services to numerous listed and listing companies of different industries in the PRC, Hong Kong, Singapore and the United States.

LIMITING CONDITIONS

1. In the preparation of our reports, we relied on the accuracy, completeness and reasonableness of the financial information, assumptions and other data provided to us by the Company/engagement parties and/or its representatives. We did not carry out any work in the nature of an audit and neither are we required to express an audit or viability opinion. We take no responsibility for the accuracy of such information. Our reports were used as part of the Company's analysis in reaching their conclusion of value and due to the above reasons, the ultimate responsibility of the derived value of the Subject rests solely with the Company.
2. We have explained as part of our service engagement procedure that it is the director's responsibility to ensure proper books of accounts are maintained, and the financial information give a true and fair view and have been prepared in accordance with the relevant standards and companies ordinance.
3. Public information and industry and statistical information have been obtained from sources we deem to be reputable; however we make no representation as to the accuracy or completeness of such information, and have accepted the information without any verification.
4. The management and the board of the Company have reviewed and agreed on the report and confirmed that the basis, assumptions, calculations and results are appropriate and reasonable.
5. Jones Lang LaSalle Corporate Appraisal and Advisory Limited shall not be required to give testimony or attendance in court or to any government agency by reason of this exercise, with reference to the Subject. Should there be any kind of subsequent services required, the corresponding expenses and time costs will be reimbursed from you. Such kind of additional work may incur without prior notification to you.
6. No opinion is intended to be expressed for matters which require legal or other specialized expertise, which is out of valuers' capacity.
7. The use of and/or the validity of the report is subject to the terms of engagement letter/proposal and the full settlement of the fees and all the expenses.
8. Our conclusions assume continuation of prudent and effective management policies over whatever period of time that is considered to be necessary in order to maintain the character and integrity of the Subject.
9. We assume that there are no hidden or unexpected conditions associated with the subject matter under review that might adversely affect the reported review result. Further, we assume no responsibility for changes in market conditions, government policy or other conditions after the Valuation Date. We cannot provide assurance on the achievability of the results forecasted by the Client/Target Company because events and circumstances frequently do not occur as expected; difference between actual and expected results may be material; and achievement of the forecasted results is dependent on actions, plans and assumptions of management.

10. This report has been prepared solely for the use as stated in the report and the engagement letter. The report should not be otherwise referred to, in whole or in part, or quoted in any document, circular or statement in any manner, or distributed in whole or in part or copied to any third party without our prior written consent. Even with our prior written consent for such, we are not be liable to any third party except for our client for this report. Our client should remind of any third party who will receive this report and the client will need to undertake any consequences resulted from the use of this report by the third party. We shall not under any circumstances whatsoever be liable to any third party.
11. This report is solely for the use by the client and the calculation of values expressed herein is valid only for the purpose stated in this report and the engagement letter/or proposal as of the Valuation Date. In accordance with our standard practice, we must state that this report and exercise is for the use only by the party to whom it is addressed to and no responsibility is accepted with respect to any third party for the whole or any part of its contents.
12. Where a distinct and definite representation has been made to us by party/parties interested in the assets valued, we are entitled to rely on that representation without further investigation into the veracity of the representation.
13. You agree to indemnify and hold us and our personnel harmless against and from any and all losses, claims, actions, damages, expenses or liabilities, including reasonable attorney's fees, to which we may become subjects in connection with this engagement. Our maximum liability relating to services rendered under this engagement (regardless of form of action, whether in contract, negligence or otherwise) shall be limited to the fee paid to us for the portion of its services or work products giving rise to liability. In no event shall we be liable for consequential, special, incidental or punitive loss, damage or expense (including without limitation, lost profits, opportunity costs, etc.), even if it has been advised of their possible existence.
14. We are not environmental, structural or engineering consultants or auditors, and we take no responsibility for any related actual or potential liabilities exist, and the effect on the value of the asset is encouraged to obtain a professional assessment. We do not conduct or provide such kind of assessments and have not considered the potential impact to the Subject.
15. This exercise is premised in part on the historical financial information provided by the management of the Client/Target Company and/or its representatives. We have assumed the accuracy and reasonableness of the information provided and relied to a considerable extent on such information in our calculation of value. Accordingly, to the extent any of the above-mentioned information requires adjustments, the resulting value may differ significantly.

16. This report and the conclusion of values arrived at herein are for the exclusive use of our client for the sole and specific purposes as noted herein. Furthermore, the report and conclusion of values are not intended by the author, and should not be construed by the reader, to be investment advice or as financing or transaction reference in any manner whatsoever. The conclusion of values represents the consideration based on the information furnished by the Company/engagement parties and other sources. Actual transactions involving the subject assets/business might be concluded at a higher or lower value, depending upon the circumstances of the transaction and the business, and the knowledge and motivation of the buyers and sellers at that time.
17. The board of directors, management, staff, and representatives of the Client/Target Company have confirmed to us that they are independent to JLL in this Valuation or calculation exercise. Should there be any conflict of interest or potential independence issue that may affect our independence in our work, the Client/Target Company and/or its representatives should inform us immediately and we may need to discontinue our work and we may charge our fee to the extent of our work performed or our manpower withheld or engaged.

NOTICE OF EXTRAORDINARY GENERAL MEETING



Xiabuxiabu Catering Management (China) Holdings Co., Ltd.

呷哺呷哺餐飲管理(中國)控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 520)

NOTICE OF EGM

NOTICE IS HEREBY GIVEN THAT the extraordinary general meeting (the “**EGM**”) of Xiabuxiabu Catering Management (China) Holdings Co., Ltd. (the “**Company**”) will be held at 21st Floor, Grand Millennium Plaza, 183 Queen’s Road Central, Sheung Wan, Hong Kong, at 10:00 a.m. on Friday, 12 September 2025 for the purpose of considering and, if thought fit, approving the following resolution:

ORDINARY RESOLUTION

“**THAT** the sale and purchase agreement dated 17 April 2025 (the “**Agreement**”) entered into between the Company (as purchaser), and Mr. Ho Kuang-Chi (as vendor) in relation to the acquisition of 40% equity interest in Xiabuxiabu (China) Food Holdings Co. Ltd. and the transactions contemplated thereunder be and are hereby confirmed and approved and the Directors be and are hereby authorised to do all such acts, deeds and things and to sign, execute and deliver all such documents as they may, in their absolute discretion, consider necessary, desirable or expedient to give effect, determine, revise, supplement or complete any matters relating to or in connection with the Agreement and the transactions contemplated thereunder.”

By order of the Board

Xiabuxiabu Catering Management (China) Holdings Co., Ltd.

HO Kuang-Chi

Chairman

Hong Kong, 27 August 2025

As at the date of this notice, the board of directors of the Company comprises Mr. HO Kuang-Chi and Mr. FENG Hui-Huang as executive directors; Ms. CHEN Su-Yin as non-executive director; and Mr. HON Ping Cho Terence, Ms. CHEUNG Sze Man, Mr. KOT Man Tat and Mr. HUANG Cheng-Chung as independent non-executive directors.

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notes:

- (1) Unless the context otherwise requires, capitalized terms used herein shall have the same meanings as those defined in the circular of the Company dated 27 August 2025.
- (2) All votes of resolution at the EGM will be taken by poll pursuant to the Listing Rules and the results of the poll will be published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.xiabu.com) in accordance with the Listing Rules.
- (3) For determining eligibility to attend and vote at the EGM, the register of members of the Company will be closed from Tuesday, 9 September 2025 to Friday, 12 September 2025, both days inclusive, during which period no transfer of Shares will be registered. To be eligible for attending and voting at the EGM, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Monday, 8 September 2025 for registration. Shareholders whose names appear on the register of members of the Company on Friday, 12 September 2025 shall be entitled to attend and vote at the EGM.
- (4) Any member of the Company entitled to attend and vote at the EGM is entitled to appoint another person as his proxy to attend and vote in his stead. A member who is the holder of two or more Shares may appoint more than one proxy to represent him and vote on his behalf at the EGM. A proxy need not be a member of the Company.
- (5) In order to be valid, a form of proxy together with the power of attorney or other authority (if any) under which it is signed, or a certified copy thereof, must be deposited at the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time for holding the EGM (i.e. before 10:00 a.m. on Wednesday, 10 September 2025) or any adjournment thereof. Completion and return of the form of proxy will not preclude a member from attending and voting in person if he so wishes, and in such event, the form of proxy will be deemed to be revoked.
- (6) A form of proxy must be signed by you or your attorney duly authorized in writing or, in the case of a corporation, must be either executed under its seal or under the hand of an officer, attorney or other person duly authorized to sign the same.
- (7) In the case of joint holders of any Shares, any one of such joint holders may vote at the EGM, either in person or by proxy, in respect of such Shares as if he were solely entitled thereto. However, if more than one of such joint holders are present at the EGM, the vote of the senior holder who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority is determined by the order in which the names stand in the register of members of the Company (the "Register of Members") in respect of the joint holdings.
- (8) On a poll, every member of the Company present in person or by proxy shall be entitled to one vote for each Share registered in his name. The result of such poll shall be deemed to be the resolution of the EGM at which the poll was so taken.