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**YIHAI INTERNATIONAL HOLDING LTD.**

**頤海國際控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1579)**

**CONNECTED TRANSACTION  
FORMATION OF A JOINT VENTURE**

The Board is pleased to announce that on 11 July 2017, Yihai Shanghai and Xinpai Shanghai entered into the Investment Cooperation Agreement pursuant to which Yihai Shanghai and Xinpai Shanghai will form the Joint Venture in the PRC to engage in the manufacture and sales of self-serving small hotpot products. Upon the formation of the Joint Venture, Yihai Shanghai and Xinpai Shanghai will be interested in 60% and 40% of the registered capital of the Joint Venture, respectively.

Xinpai Shanghai is controlled as to approximately 62.70% interest by the controlling shareholders of the Company, Mr. Zhang Yong and Ms. Shu Ping, and is therefore a connected person of the Company. Accordingly, the formation of the Joint Venture constitutes a connected transaction of the Company for the purpose of the Listing Rules.

As the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the proposed transaction under the Investment Cooperation Agreement are more than 0.1% but less than 5%, the formation of the Joint Venture is subject to the reporting and announcement requirements but exempted from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

## **THE INVESTMENT COOPERATION AGREEMENT**

**Date:** 11 July 2017

**Parties:** (1) Yihai Shanghai  
(2) Xinpai Shanghai

### **Formation of the Joint Venture**

Yihai Shanghai and Xinpai Shanghai have entered into the Investment Cooperation Agreement to establish the Joint Venture in Shanghai, the PRC to engage in the manufacture and sales of self-serving small hotpot products.

### **Registered capital of the Joint Venture**

Pursuant to the terms of the Investment Cooperation Agreement, the registered capital of the Joint Venture proposed to be established shall be RMB50 million, of which (i) Yihai Shanghai shall contribute RMB30 million by way of cash, representing 60% of the registered capital; and (ii) Xinpai Shanghai shall contribute RMB20 million by way of cash, representing 40% of the registered capital.

The registered capital of the Joint Venture was determined after arm's length negotiation between the parties and is based on the funding requirements of the Joint Venture. The capital contribution to the Joint Venture by Yihai Shanghai will be funded by internal resources of the Group.

Each of the parties to the Joint Venture undertakes that it will not transfer its equity interests and capital contribution in the Joint Venture within three years from the date of formation of the Joint Venture.

If any of the parties wishes to transfer its equity interests in the Joint Venture, the other party shall have the pre-emptive right to acquire the equity interest on the same terms.

### **Board of directors of the Joint Venture**

The board of directors of the Joint Venture will comprise three directors. Yihai Shanghai will have the right to nominate two directors (including the chairman of the board) and Xinpai Shanghai will have the right to nominate one director.

## **Distribution of profits**

The parties to the Joint Venture will share the profits and losses of the Joint Venture in proportion to their respective equity interests in the Joint Venture.

## **Principal Business of the Joint Venture**

The Joint Venture is proposed to principally engage in the manufacture and sales of self-serving small hotpot products.

## **Undertakings of Xinpai Shanghai**

### **(i) Trademarks**

Xinpai Shanghai has undertaken that it will license the right to use the trademarks that are essential for the business operations of the Joint Venture to the Joint Venture on an exclusive and royalty-free basis during the terms of the trademarks. Save for the written approval of Yihai Shanghai, such undertaking cannot be revoked.

Xinpai Shanghai is responsible for ensuring that those trademarks are valid and subsisting.

### **(ii) Non-competition**

Xinpai Shanghai has unconditionally and irrevocably undertaken that it will not, and will procure its close associates (as defined in the Listing Rules) not to, whether directly or indirectly, through or by facilitation of third parties, engage in any business that competes, or is likely to compete, directly or indirectly with the Joint Venture.

## **INFORMATION OF THE PARTIES**

The Group is principally engaged in the manufacture and sales of compound condiment in the PRC.

Yihai Shanghai is principally engaged in the sales of compound condiments in the PRC.

Xinpai Shanghai is principally engaged in catering management and catering service.

## **REASONS FOR THE TRANSACTION**

The Joint Venture will be principally engaged in the manufacture and sales of self-serving small hotpot products which will enrich the existing range of products of the Group and expand the existing business of the Group. The formation of the Joint Venture is expected to create a new source of profit growth for the Group.

The Directors (including the independent non-executive Directors) believe that the formation of the Joint Venture is beneficial to the development of the Group. The Directors (including the independent non-executive Directors) consider that the formation of the Joint Venture with Xinpai Shanghai is being carried out in the ordinary and normal course of business of the Company, on normal commercial terms, and is fair and reasonable and in the interests of the Company and its shareholders as a whole.

## **LISTING RULES IMPLICATIONS**

Xinpai Shanghai is controlled as to approximately 62.70% interest by the controlling shareholders of the Company, Mr. Zhang Yong and Ms. Shu Ping, and is therefore a connected person of the Company. Accordingly, the formation of the Joint Venture constitutes a connected transaction of the Company for the purpose of the Listing Rules.

Mr. Gou Yiqun, Mr. Zhang Yong and Mr. Shi Yonghong are considered to have a material interest in the formation of the Joint Venture as they are the directors of Xinpai Shanghai. As a result, Mr. Gou Yiqun, Mr. Zhang Yong and Mr. Shi Yonghong have abstained from voting on the board resolutions for approving the formation of the Joint Venture.

As the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the proposed transaction under the Investment Cooperation Agreement are more than 0.1% but less than 5%, the formation of the Joint Venture is subject to the reporting and announcement requirements but exempted from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

## DEFINITIONS

“Board”	the board of directors of the Company
“Company”	Yihai International Holding Ltd., an exempted company incorporated under the laws of the Cayman Islands with limited liability
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“connected transaction(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Investment Cooperation Agreement”	the investment cooperation agreement dated 11 July 2017 entered into between Yihai Shanghai and Xinpai Shanghai in relation to the formation of the Joint Venture
“Joint Venture”	a joint venture company to be established in the PRC pursuant to the Investment Cooperation Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PRC”	the People’s Republic of China, for the purpose of this announcement, excluding Hong Kong Special Administrative Region, Macau Special Administrative Region and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules

“Xinpai Shanghai”	Xinpai (Shanghai) Catering Management Co., Ltd.* (新派(上海)餐飲管理有限公司), a company incorporated in the PRC with limited liability and is controlled as to approximately 62.70% by the controlling shareholders of the Company, Mr. Zhang Yong and Ms. Shu Ping
“Yihai Shanghai”	Yihai (Shanghai) Food Co., Ltd. (頤海(上海)食品有限公司), a foreign investment enterprise incorporated in the PRC and an indirectly wholly owned subsidiary of the Company
“%”	per cent

By Order of the Board  
**Yihai International Holding Ltd.**  
**Mr. Gou Yiqun**  
*Chairman*

Beijing, 11 July 2017

*As at the date of this announcement, the executive directors of the Company are Ms. Dang Chunxiang and Mr. Sun Shengfeng; the non-executive directors of the Company are Mr. Gou Yiqun, Mr. Zhang Yong, Mr. Shi Yonghong and Mr. Pan Di; and the independent non-executive directors of the Company are Mr. Yau Ka Chi, Mr. Qian Mingxing and Ms. Ye Shujun.*

*\* for identification purpose only*