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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)

CONTINUING CONNECTED TRANSACTIONS RENEWAL OF ANNUAL CAPS FOR CONTINUING CONNECTED TRANSACTIONS IN RESPECT OF 2024 TO 2026

1. RENEWAL OF ANNUAL CAPS FOR CONTINUING CONNECTED TRANSACTIONS IN RESPECT OF 2024 TO 2026

Reference is made to (i) the announcement of the Company dated 7 December 2020 and (ii) the circular of the Company dated 15 December 2020 in relation to, among others, renewal of annual caps for continuing connected transactions in respect of 2021 to 2023. Reference is also made to the announcement dated 19 December 2022, in relation to entering into the Existing Super Hi Master Sales Agreement between the Company and Super Hi.

As disclosed in the aforementioned announcements and circular, the Group has entered into, among others, the following agreements with connected persons which will expire on 31 December 2023: (i) Existing Shuhai Purchase Agreement, (ii) Existing Joint Venture Framework Sales and Purchase Agreements, (iii) Existing Haidilao Master Sales Agreement, (iv) Existing Super Hi Master Sales Agreement and (v) Existing Shuhai Sales Agreement.

The Company intends to continue to enter into transactions of similar nature after 31 December 2023. Therefore, on 17 October 2023, the Group entered into the Framework Agreements, the nature of which are similar to that of the transactions under the Existing Agreements, for a term of three years from 2024 to 2026.

2. LISTING RULES IMPLICATION

Shuhai Purchase Agreement

Since the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) of the proposed annual caps in respect of the transactions contemplated under the Shuhai Purchase Agreement exceed 0.1% but less than 5%, the transactions and the proposed annual caps for such transactions for each of the three years ending 31 December 2026 are subject to the reporting and announcement requirements but are exempt from the circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Joint Venture Framework Sales and Purchase Agreements

Since the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) of the proposed annual caps in respect of the transactions contemplated under the Joint Venture Framework Sales and Purchase Agreements are more than 5%, the transactions and the proposed annual caps for each of the three years ending 31 December 2026 are subject to reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Haidilao Master Sales Agreement, Super Hi Master Sales Agreement and Shuhai Sales Agreement

Because (i) the nature of products to be sold under the Haidilao Master Sales Agreement, the Super Hi Master Sales Agreement and the Shuhai Sales Agreement is similar and (ii) Haidilao, Super Hi and Shuhai Supply Chain are associates of Mr. Zhang Yong and Ms. Shu Ping, the controlling Shareholders and Directors, the transactions contemplated under the Haidilao Master Sales Agreement, the Super Hi Master Sales Agreement and the Shuhai Sales Agreement will be aggregated pursuant to Rule 14A.82(1) and Rule 14A.83 of the Listing Rules. Accordingly, the annual caps in respect of the Haidilao Master Sales Agreement, the Super Hi Master Sales Agreement and the Shuhai Sales Agreement are aggregated.

Since the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) of the aggregated proposed annual caps in respect of the transactions contemplated under the Haidilao Master Sales Agreement, the Super Hi Master Sales Agreement and the Shuhai Sales Agreement are more than 5%, the transactions and the proposed annual caps for such transactions for each of the three years ending 31 December 2026 are subject to reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Voting at the Extraordinary General Meeting

The Extraordinary General Meeting will be convened to consider and, if thought fit, to approve the Yihai Continuing Connected Transactions (including their respective proposed annual caps).

In accordance with the Listing Rules, Mr. Zhang Yong, Ms. Shu Ping and Mr. Sean Shi, and their respective associates have a material interest in Non-exempt Framework Agreements and will abstain from voting on the ordinary resolutions to approve the aforesaid agreements at the Extraordinary General Meeting. As Mr. Zhao Xiaokai is a director of the Joint Venture, he and his associates have a material interest in the Joint Venture Framework Sales and Purchase Agreements and will abstain from voting on the ordinary resolutions to approve the aforesaid agreements at the Extraordinary General Meeting.

An Independent Board Committee comprising all the independent non-executive Directors has been established to advise the Independent Shareholders in respect of the Yihai Continuing Connected Transactions (including their respective proposed annual caps). In this respect, South China Capital Limited has been appointed as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders.

A circular containing, among others, further information on the Yihai Continuing Connected Transactions, a letter from the Independent Board Committee to the Independent Shareholders containing its recommendation, a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, together with a notice to convene the Extraordinary General Meeting to consider and, if thought fit, approve the Yihai Continuing Connected Transactions (including their respective proposed annual caps) is expected to be dispatched to the Shareholders on or around 8 November 2023.

I. RENEWAL OF ANNUAL CAPS FOR CONTINUING CONNECTED TRANSACTIONS IN RESPECT OF 2024 TO 2026

1. BACKGROUND

Reference is made to (i) the announcement of the Company dated 7 December 2020 and (ii) the circular of the Company dated 15 December 2020 in relation to, among others, renewal of annual caps for continuing connected transactions in respect of 2021 to 2023. Reference is also made to the announcement dated 19 December 2022, in relation to entering into the Existing Super Hi Master Sales Agreement between the Company and Super Hi.

As disclosed in the aforementioned announcements and circular, the Group has entered into, among others, the following agreements with connected persons which will expire on 31 December 2023: (i) Existing Shuhai Purchase Agreement, (ii) Existing Joint Venture Framework Sales and Purchase Agreements, (iii) Existing Haidilao Master Sales Agreement, (iv) Existing Super Hi Master Sales Agreement and (v) Existing Shuhai Sales Agreement.

The Company intends to continue to enter into transactions of similar nature after 31 December 2023. Therefore, on 17 October 2023, the Group entered into the Framework Agreements, the nature of which are similar to that of the transactions under the Existing Agreements, for a term of three years from 2024 to 2026.

Each of the Framework Agreements shall take effect upon the approval of the relevant Framework Agreement and the proposed annual caps thereunder having been obtained from the relevant authoritative bodies (including the Board and/or the Shareholders as necessary) in accordance with the applicable Listing Rules.

The principal terms of each of the Framework Agreements are summarized below.

A. PURCHASE OF SHUHAI INGREDIENTS

2. SHUHAI PURCHASE AGREEMENT

Date:

17 October 2023

Parties:

(1) The Company

(2) Shuhai Supply Chain

(each for itself and on behalf of its subsidiaries)

Term

The Shuhai Purchase Agreement has an initial term of three years from 1 January 2024 to 31 December 2026. Subject to compliance with the Listing Rules and applicable laws and regulations, the Shuhai Purchase Agreement may be renewed for a further term of three years from time to time, unless the Company notifies Shuhai Supply Chain to the contrary prior to the expiry of the agreement's term. Upon renewal of the Shuhai Purchase Agreement, the parties may amend the terms of the agreement based on the then prevailing circumstances.

Nature of transactions

Pursuant to the terms of the Shuhai Purchase Agreement, the Group will purchase Shuhai Ingredients from the Shuhai Supply Chain Group. Such Shuhai Ingredients will primarily be used in the manufacture of the Convenient Ready-to-eat Food Products.

The sales price of the Shuhai Ingredients shall be determined based on the pricing policy as set out below. The purchase of the Shuhai Ingredients will be made on the basis of individual orders specifying the type of product, purchase volume, and delivery date, etc.

Pricing basis

The purchase price of Shuhai Ingredients shall be determined by the parties after arm's length negotiations with reference to the market price for similar ingredients sold by comparable companies. The Shuhai Ingredients will be sold to the Group on terms no less favourable than those offered by Shuhai Supply Chain Group to any independent third parties.

The procurement team would solicit at least two other contemporaneous transactions with independent third parties for products in similar quantities to determine if the price and terms offered by Shuhai Supply Chain are fair and reasonable and comparable to those offered by unrelated third parties. The Group shall ensure that the purchase price of the Shuhai Ingredients shall not be less favourable than the quotations the procurement team obtained from independent third party suppliers. The independent non-executive Directors will regularly review and re-assess the purchase prices of Shuhai Ingredients semi-annually.

Payment terms

Payment shall be made by the Company on a monthly basis following the delivery of products and issuance of delivery invoices by Shuhai Supply Chain Group.

Historical amounts

The table below sets forth the historical amounts for the purchase of Shuhai Ingredients under the Existing Shuhai Purchase Agreement for the years ended 31 December 2021 and 31 December 2022 and the six months ended 30 June 2023, and the annual cap for the year ending 31 December 2023:

For the year ended 31 December 2021	For the year ended 31 December 2022	For the six months ended 30 June 2023	Annual cap for the year ending 31 December 2023
<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i> <i>(unaudited)</i>	<i>(RMB'000)</i>
13,749	11,942	2,166	375,000

As at the date of this announcement, the actual transaction amount has not exceeded the annual cap for the year ending 31 December 2023.

Proposed annual caps and basis of determination

The Company estimates that the annual caps for the Shuhai Purchase Agreement for the three years ending 31 December 2026 are as follows:

For the year ending 31 December 2024	For the year ending 31 December 2025	For the year ending 31 December 2026
<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
7,000	11,000	16,000

In arriving at the above proposed annual caps, the Group has taken into account the following factors:

- (i) the historical transaction amounts with the Shuhai Supply Chain Group;
- (ii) the historical purchase of similar food ingredients from independent third parties. For the year ended 31 December 2022, the Group purchased packs of beef or beef offal in the total amount of approximately RMB312 million;
- (iii) the prevailing market price for similar ingredients sold by comparable companies; and
- (iv) the strong growth and extensive potential of the market of the Convenient Ready-to-eat Food Products.

Shuhai Supply Chain Group has been a key supplier of beef, bovine offal, prawn and other meats to the Haidilao hot pot restaurants over the years, whose product quality, stable supply and healthy standard have been well accepted by Haidilao Group as well as its ultimate end-customers having hot pot dining thereat.

The Group commenced procurement of the Shuhai Ingredients since the second half of 2019. As the Group has been gradually optimized its supply chain in the past few years, its overall supply capacity has been enhanced, as a result of which, the Group's self-production ratio has been increased as well. However, in consideration of the growth and potential of the market of the Convenient Ready-to-eat Food Products and subject to the Group's self-production capacity, the Group expects the procurement volume and amount from Shuhai Supply Chain Group and/or other independent third parties will still grow in the coming years.

Shareholders should note that the above proposed annual caps should not be construed as an assurance or forecast by the Company of the future financial performance of the Group under the terms of the Shuhai Purchase Agreement.

Reasons for and benefit of entering into the Shuhai Purchase Agreement

The Group manufactures Convenient Ready-to-eat Food Products and plans to further expand its manufacture and sales due to its increasingly popular demand. Shuhai Supply Chain Group is primarily engaged in the supply of food ingredients and provision of storage and logistics services to catering service providers. Shuhai Supply Chain Group has established a comprehensive food safety management system, which is in compliance with ISO22000 and HACCP standards. It has established eight logistics centers across the country to better ensure the safety of food storage and the timeliness of delivery. At present, Shuhai Supply Chain Group is one of the main food suppliers to Haidilao Group restaurants and it also supplies food products to other famous enterprises. Its broad range of ingredients gives the Group access to high quality ingredients that may be used in the manufacture of Convenient Ready-to-eat Food Products. Shuhai Supply Chain Group also has a strong research and development team, which enables it to develop and produce high quality products and give assurance to the Group in relation to food product safety.

Listing Rules implications

Mr. Zhang Yong and his wife Ms. Shu Ping, a non-executive Director and executive Director respectively, together hold approximately 31.44% of the total issued shares of the Company and are therefore controlling shareholders of the Company. Mr. Sean Shi, the Chairman, holds approximately 12.60% of the total issued shares of the Company and is therefore a substantial shareholder of the Company. Shuhai Supply Chain is held as to approximately 42.72% by Leda Haisheng and 26.17% by Jinghai Investment as at the date of this announcement.

Shuhai Supply Chain is, therefore, a connected person of the Company by virtue of being an associate of Mr. Zhang Yong and Ms. Shu Ping, the controlling Shareholders and Directors, and the transactions contemplated under the Shuhai Purchase Agreement constitute continuing connected transactions of the Company under the Listing Rules.

Since the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the transactions exceed 0.1% but less than 5%, the transactions contemplated under the Shuhai Purchase Agreement and the proposed annual caps for such transactions for each of the three years ending 31 December 2026 are subject to the reporting and announcement requirements but are exempt from the circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

B. SALE AND PURCHASE OF PRODUCTS WITH JOINT VENTURE

3. JOINT VENTURE FRAMEWORK SALES AND PURCHASE AGREEMENTS

Date:

17 October 2023

Parties:

(1) the Company

(2) Joint Venture

(each for itself and on behalf of its subsidiaries)

Term

The Joint Venture Framework Sales and Purchase Agreements are for an initial term of three years from 1 January 2024 to 31 December 2026. Subject to compliance with the Listing Rules and applicable laws and regulations, the Joint Venture Framework Sales and Purchase Agreements may be renewed for a further term of three years from time to time, unless the Company notifies the Joint Venture to the contrary with one month's written notice prior to the expiry of the agreement's term. Upon renewal of the Joint Venture Framework Sales and Purchase Agreements, the parties may amend the terms of the agreement based on the then prevailing circumstances.

Nature of transactions

Pursuant to the Joint Venture Framework Sales and Purchase Agreements, (a) the Company (for itself and on behalf of its subsidiaries, other than the Joint Venture and its subsidiaries) agreed to sell condiment products and other food products (e.g. casual snacks or semi-finished ingredients, etc.) to the Joint Venture and its subsidiaries primarily used as raw materials for the manufacture of Convenient Ready-to-eat Food Products; and (b) the Joint Venture (for itself and on behalf of its subsidiaries) agreed to sell Convenient Ready-to-eat Food Products (e.g. self-serving small hot pots, self-serving rice, brewed vermicelli and instant rice, etc.) to the Company and its subsidiaries (excluding the Joint Venture and its subsidiaries).

The quantity of (a) the condiment products and other food products to be sold to the Joint Venture and its subsidiaries; and (b) the Convenient Ready-to-eat Food Products to be sold to the Group, respectively, are not fixed under the Joint Venture Framework Sales and Purchase Agreements but are to be determined and agreed between the relevant parties from time to time.

During the current term of the Joint Venture Framework Sales and Purchase Agreements, the Company and the Joint Venture may enter into separate agreements from time to time in respect of the sale of the condiment products and other food products and the purchase of the Convenient Ready-to-eat Food Products upon and subject to the terms and conditions in compliance with the Joint Venture Framework Sales and Purchase Agreements.

Pricing basis

The sales prices of condiment products and other food products (e.g. casual snacks or semi-finished ingredients, etc.) and the purchase price of the Convenient Ready-to-eat Food Products shall be determined by the parties with reference to a number of factors, details of which are further disclosed below. Any adjustment to the aforementioned prices must be agreed by both parties after one party gives prior written notice one month in advance.

(a) Sale of condiment products and other food products

The sales price of condiment products and other food products (e.g. casual snacks or semi-finished ingredients, etc.) shall be determined by the parties after arm's length negotiations with reference to the prevailing production cost and expenses incurred by the Group in connection with the production of the products. The sales price of condiment products and other food products to the Joint Venture and its subsidiaries shall not be less favourable than the sales price to independent third parties.

(b) Purchase of Convenient Ready-to-eat Food Products

The purchase price of Convenient Ready-to-eat Food Products shall be determined by the parties after arm's length negotiations with reference to the production cost, including the cost of raw materials, and selling and administrative expenses incurred in connection with the production of Convenient Ready-to-eat Food Products. The purchase price of Convenient Ready-to-eat Food Products shall not be less favourable than the quotations obtained from independent third parties.

Payment terms

Fees payable under the Joint Venture Framework Sales and Purchase Agreements will be billed in a timely and appropriate manner according to terms agreed by both parties and settled within the following month.

Historical amounts

The table below sets forth the historical amounts for the sales of condiment products to and the purchase of Convenient Ready-to-eat Food Products and from the Joint Venture and its subsidiaries under the Existing Joint Venture Framework Sales and Purchase Agreements for the two years ended 31 December 2022 and the six months ended 30 June 2023, and the annual cap for the year ending 31 December 2023:

	For the year ended 31 December 2021	For the year ended 31 December 2022	For the six months ended 30 June 2023	Annual cap for the year ending 31 December 2023
	<u>(RMB'000)</u>	<u>(RMB'000)</u>	<u>(RMB'000)</u> (unaudited)	<u>(RMB'000)</u>
Sale of condiment products	101,172	92,294	26,654	1,250,000
Purchase of Convenient Ready-to-eat Food Products	<u>83,966</u>	<u>75,760</u>	<u>43,531</u>	<u>748,000</u>
Total	<u>185,138</u>	<u>168,054</u>	<u>70,185</u>	<u>1,998,000</u>

As at the date of this announcement, the actual transaction amount has not exceeded the annual cap for the year ending 31 December 2023.

Proposed annual caps and basis of determination

The Company estimates that the caps for the Joint Venture Framework Sales and Purchase Agreements for the three years ending 31 December 2026 are as follows:

	For the year ending 31 December 2024	For the year ending 31 December 2025	For the year ending 31 December 2026
	<u>(RMB'000)</u>	<u>(RMB'000)</u>	<u>(RMB'000)</u>
Sale of condiment products and other food products (e.g. casual snacks or semi-finished ingredients, etc.)	310,000	403,000	524,000
Purchase of Convenient Ready-to-eat Food Products	<u>141,000</u>	<u>183,000</u>	<u>238,000</u>
Total	<u>451,000</u>	<u>586,000</u>	<u>762,000</u>

In arriving at the above proposed annual caps for the sales of condiment products and other food products (e.g. casual snacks or semi-finished ingredients, etc.), the Group has taken into account the following factors:

The annual cap in relation to the sale of condiment products and other food products is determined based on the expected demand of the Convenient Ready-to-eat Food Products. The condiment products and other food products will be primarily used as raw materials for the Joint Venture and its subsidiaries to produce the Convenient Ready-to-eat Food Products, which will be sold by the Joint Venture and its subsidiaries to its distributors, or to the Group for sale on the Group's online platforms. As such, the demand for the condiment products and other food products is also proportionate to the market demand for the Convenient Ready-to-eat Food Products, as described below.

In arriving at the above proposed annual caps for the purchase of Convenient Ready-to-eat Food Products, the Group has taken into account the following factors:

- (i) the prevailing market price of similar products;
- (ii) the launch of new Convenient Ready-to-eat Food Products of the Group, such as casual snacks, Small Hot Pot Products with better price-performance ratio, and the "Cook at Home (回家煮)" series of products, etc.;
- (iii) the estimated increase rate of the Group's online sales of Convenient Ready-to-eat Food Products;
- (iv) current production costs and expenses incurred in connection with the production of Convenient Ready-to-eat Food Products by the Joint Venture and its subsidiaries; and
- (v) the strong growth and extensive market potential of Convenient Ready-to-eat Food Products market in the PRC.

The Group has been providing condiment products to the Joint Venture for production of Convenient Ready-to-eat Food Products since its establishment in September 2017. The Joint Venture generally produces on its own or purchase some food ingredients from Shuhai Supply Chain Group and/or other independent third parties, and then combines food ingredients and condiments into packs of Convenient Ready-to-eat Food Products for sale to the Group, related parties, other independent distributors as well as independent customers. As the Joint Venture has continuously been innovating, developing and producing new Convenient Ready-to-eat Food Products for sale to the market, it has to increase procurement of condiment products and food ingredients from the Group, Shuhai Supply Chain Group and/or other independent suppliers. As the Group has been optimizing its supply chain and increasing its production capacity gradually, the Group's self-production ratio will be further improved.

The Group continued to implement a product research and development system that combines overall planning of innovative committee members with detailed research and implementation of product team leaders, continued to explore products that meet the needs of customers and market in light of changes in market demand, and continuously enriched product matrix and optimized product structure. The number of new products launched in the market have been increasing to 24, 36, 41 and 60 Convenient Ready-to-eat Food Products on hand as at 31 December 2020, 2021 and 2022 and 30 June 2023, respectively, which had generated revenue of approximately RMB1,540.2 million, RMB1,703.1 million, RMB1,870.1 million and RMB573.0 million for each of the three years from 2020 to 2022 and the six months ended 30 June 2023. The Group will continue to innovate, develop and produce many more categories of Convenient Ready-to-eat Food Products in the foreseeable future so as to meet consumers' increasing demands for diversified usage scenarios.

Shareholders should note that the above proposed annual caps should not be construed as an assurance or forecast by the Company of the future financial performances of the Group under the terms of the Joint Venture Framework Sales and Purchase Agreements.

Reasons for and benefits of the Joint Venture Framework Sales and Purchase Agreements

Convenient ready-to-eat food products are convenient products that can be sold through both online and offline sales channels.

By selling condiment products and other food products (e.g. casual snacks or semi-finished ingredients, etc.) to the Joint Venture and its subsidiaries, the Company can further ensure that the Convenient Ready-to-eat Food Products to be manufactured by the Joint Venture and its subsidiaries are of satisfactory quality.

The Group's sale of the products of the Joint Venture and its subsidiaries to the clients through its specific channels such as the Group's Tmall flagship can further boost the sale of the Convenient Ready-to-eat Food Products, and thus increase the profitability of the Company.

Listing Rules implications

The Joint Venture is currently a 60% held non-wholly-owned subsidiary of the Company. As the Joint Venture is owned as to 40% by Xinpai (Shanghai) Catering Management Co., Ltd.*(新派(上海)餐飲管理有限公司) (“**Xinpai Shanghai**”), which is a wholly-owned subsidiary of Haidilao and Mr. Zhang Yong and Ms. Shu Ping, the controlling Shareholders and Directors, are the controlling shareholders of Haidilao, the Joint Venture is therefore a connected subsidiary of the Company. Accordingly, the transactions contemplated under the Joint Venture Framework Sales and Purchase Agreements constitute continuing connected transactions of the Company for the purpose of the Listing Rules.

Since the sales of condiment products and other food products (e.g. casual snacks or semi-finished ingredients, etc.) to the Joint Venture primarily used as raw materials for the manufacture of Convenient Ready-to-eat Food Products and the subsequent purchase of Convenient Ready-to-eat Food Products are related, the sales and purchase transactions as contemplated under the Joint Venture Framework Sales and Purchase Agreements will be aggregated and treated as if they were one transaction pursuant to Rule 14A.82(1) and Rule 14A.83 of the Listing Rules. Accordingly, the annual caps in respect of (i) sales of condiment products and other food products and (ii) purchase of Convenient Ready-to-eat Food Products are aggregated.

Since the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) are more than 5%, the proposed annual caps under the Joint Venture Framework Sales and Purchase Agreements are subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

C. SALES AND DISTRIBUTION

4. HAIDILAO MASTER SALES AGREEMENT

Date:

17 October 2023

Parties:

(1) the Company

(2) Haidilao

(each for itself and on behalf of its subsidiaries)

Term

The Haidilao Master Sales Agreement has an initial term of three years from 1 January 2024 to 31 December 2026. Subject to compliance with the Listing Rules and applicable laws and regulations, the Haidilao Master Sales Agreement may be renewed for a further term of three years from time to time, unless the parties agree in writing to terminate the Haidilao Master Sales Agreement during its term; or the Haidilao Master Sales Agreement is terminated as required by applicable laws, regulations, requirements of the securities regulatory authorities, or judgment or decision of any competent court. Upon renewal of the Haidilao Master Sales Agreement, the parties may amend the terms of the agreement based on the then prevailing circumstances.

Nature of transactions

(a) *Sale of Haidilao Customized Products*

Pursuant to the terms of the Haidilao Master Sales Agreement, the Group is a supplier of Haidilao Customized Products to the Haidilao Group for use in its hot pot restaurants in the Greater China. If the Group is unable to satisfy the quantity of the products demanded, or the quality of the Haidilao Customized Products supplied by the Group does not fulfill the specifications of the Haidilao Group, and the matter cannot be resolved within a reasonable period (not longer than 30 days) after negotiation between both parties, the Haidilao Group may engage other suppliers. Under the Haidilao Master Sales Agreement, the Group may engage contract manufacturers to produce Haidilao Customized Products.

Sale of Haidilao Customized Products will be made on the basis of individual orders specifying the type of product, purchase volume, sales price and delivery date, etc. The sales price of Haidilao Customized Products shall be determined based on the pricing policy as set out below.

The Haidilao Group owns the proprietary rights to the formulas of Haidilao Customized Products (the “**Haidilao Group Formulas**”) and licenses the Haidilao Group Formulas to the Group and the Group’s contract manufacturers to use for production on a royalty-free basis. The Group is required to, and shall use reasonable efforts to procure its contract manufacturers to: (i) keep confidential the Haidilao Group Formulas, and (ii) unless the Haidilao Group has given written consent, refrain from selling products that use these formulas to any of the Haidilao Group’s competitors.

For any upgrades and developments in the Haidilao Group Formulas made through the joint efforts of the Haidilao Group and the Group, the Haidilao Group will own the proprietary rights, and the Group and its contract manufacturers will be entitled to use such upgraded formulas for production of Haidilao Customized Products. In relation to the sales of products which will be produced with such upgraded formulas, and in accordance with the Haidilao Master Sales Agreement, a supplemental agreement will be entered into by the parties to confirm that the upgraded formulas are a result of joint efforts of the Haidilao Group and the Group.

For any upgrades and developments in the Haidilao Group Formulas made through the Group’s own efforts, the Group will own the proprietary rights of such upgraded formulas unless otherwise agreed between the parties. If the Group agrees to supply any product which will be produced with such upgraded formulas to the Haidilao Group, in accordance with the Haidilao Master Sales Agreement, a supplemental agreement will be entered into by the parties to confirm that the upgraded formulas are a result of the Group’s own efforts and to confirm the usage of such upgraded formulas.

(b) Sale of Haidilao Retail Products

Pursuant to the terms of the Haidilao Master Sales Agreement, the Group is the supplier of the Haidilao Retail Products to the Haidilao Group for display and sales to customers on the online platforms of the Haidilao Group and in the hot pot restaurants of the Haidilao Group. Haidilao Retail Products are manufactured with the Group’s own formulas. Haidilao Group is not permitted to sell the Group’s products to any third party distributor.

Sale of Haidilao Retail Products will be made on the basis of individual orders specifying the type of product, purchase volume and delivery date, etc. The sales price of Haidilao Retail Products shall be determined based on the pricing policy as set out below.

(c) Sale of Convenient Ready-to-eat Food Products

Pursuant to the terms of the Haidilao Master Sales Agreement, the Group is the supplier of the Convenient Ready-to-eat Food Products to the Haidilao Group for display and sales to customers in the hot pot restaurants of the Haidilao Group and on the online platforms of the Haidilao Group. The Convenient Ready-to-eat Food Products are manufactured with the Group’s own formulas. Haidilao Group is not permitted to sell the Group’s products to any third party distributor. Sale of Convenient Ready-to-eat Food Products will be made on the basis of individual orders specifying the type of product, purchase volume and delivery date, etc. The sales price of Convenient Ready-to-eat Food Products shall be determined based on the pricing policy as set out below.

Pricing basis

The sale prices of Haidilao Customized Products, Haidilao Retail Products and Convenient Ready-to-eat Food Products are determined by the parties with reference to a number of factors as stated below. If there is any change in pricing policy in the future, the Group shall fully comply with the relevant requirements under Chapter 14A of the Listing Rules (if applicable).

(a) Sale of Haidilao Customized Products

The sale price of Haidilao Customized Products shall be determined by the parties after arm's length negotiations with reference to (i) the historical sales price, (ii) the Group's production cost, including the cost of raw materials, and selling and administrative expenses, incurred in connection with the production of Haidilao Customized Products, (iii) the Group's estimated net profit margin of similar transactions with independent third parties and (iv) the prevailing market price of comparable products transacted with independent third parties. Taking into account historical data and forecasted estimates, the independent non-executive Directors will regularly review and re-assess the sales prices of Haidilao Customized Products semi-annually and make adjustments as appropriate to maintain a net profit margin for such sales same as those for the transactions with independent third party customers. The Group also adjusts sales prices if there is any significant change in the cost of sales and expenses incurred in connection with Haidilao Customized Products.

(b) Sale of Haidilao Retail Products and Convenient Ready-to-eat Food Products

The sale prices of Haidilao Retail Products and Convenient Ready-to-eat Food Products shall be consistent with the pricing policy for similar products that Group offers to independent third parties and shall be determined by the parties after arm's length negotiations with reference to (i) the production cost, including the cost of raw materials, selling and administrative expenses, incurred in connection with the production of Haidilao Retail Products and Convenient Ready-to-eat Food Products, and (ii) the prevailing market price of similar products transacted with other independent third parties. The independent non-executive Directors will regularly review and re-assess the sales prices of the Haidilao Retail Products and Convenient Ready-to-eat Food Products semi-annually and make adjustments if there is any significant change in the production cost.

Payment terms

Fees payable under the Haidilao Master Sales Agreement will be billed on a monthly basis, following the delivery of products and issuance of delivery invoices by the Group, or otherwise in a timely and appropriate manner according to the terms agreed by both parties.

Historical amounts

The table below sets forth the historical amounts for the sales to the Haidilao Group under the Existing Haidilao Master Sales Agreement for the two years ended 31 December 2022 and the six months ended 30 June 2023 and the annual cap for the year ending 31 December 2023:

	For the year ended 31 December 2021	For the year ended 31 December 2022	For the six months ended 30 June 2023	Annual cap for the year ending 31 December 2023
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i> (unaudited)	<i>(RMB'000)</i>
Sales to the Haidilao Group ^(Note)	<u>1,927,251</u>	<u>1,404,040</u>	<u>839,190</u>	<u>7,387,695</u>

Note:

In December 2022, the Super Hi Group was spun-off from the Haidilao Group (the “Spin-off”). The historical transaction amounts for the year ended 31 December 2021 set out above also included the sales to the Super Hi Group before the Spin-off. For details, please refer to the Company’s announcement dated 19 December 2022.

As at the date of this announcement, the actual transaction amount has not exceeded the annual cap for the year ending 31 December 2023.

Proposed annual caps and basis of determination

The Company estimates that the annual caps for the Haidilao Master Sales Agreement for the three years ending 31 December 2026 are as follows:

	For the year ending 31 December 2024	For the year ending 31 December 2025	For the year ending 31 December 2026
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Sales to the Haidilao Group	<u>2,880,000</u>	<u>3,420,000</u>	<u>3,990,000</u>

In arriving at the above proposed annual caps, the Group has taken into account the following factors:

- (i) the historical transaction amounts with the Haidilao Group taking into account that the Super Hi Group have been spun off from the Haidilao Group, the details of which are set out in the Company's announcement dated 19 December 2022;
- (ii) the estimated increase in the Haidilao Group's demand for Haidilao Customized Products and estimated increase in sales volume of Haidilao Retail Products and Convenient Ready-to-eat Food Products, as a result of the expected increase in (a) the customer flow and operating performance of the Haidilao Group's restaurants and (b) the number of the Haidilao Group's restaurants following the re-opening of certain previously suspended restaurants under its "Hard Bone" plan and new restaurants opening plan;
- (iii) the enhancement of the Group's supply capacity and the continuous development and launch of new products by the Group; and
- (iv) the strong growth and extensive market potential of the catering industry and the market of the Convenient Ready-to-eat Food Products in mainland China.

Shareholders should note that the above proposed annual caps should not be construed as an assurance or forecast by the Company of the future financial performances of the Group under the terms of the Haidilao Master Sales Agreement.

Reasons for and benefits of entering into the Haidilao Master Sales Agreement

The principal activities of the Group are researching and developing, manufacturing, distributing and selling high-quality hot pot soup flavoring, hot pot dipping sauce, Chinese-style compound condiment products and Convenient Ready-to-eat Food Products. The Haidilao Group is the largest hot pot restaurant chain in the Greater China. Being the supplier of hot pot soup flavoring products and Convenient Ready-to-eat Food Products for the Haidilao Group in the Greater China, the Group has benefited from working with the Haidilao Group. The Group has established a long-term and stable relationship with the Haidilao Group. Such relationship is fair and reasonable, beneficial for the stable operation and business expansion of the Group and in the interests of the Company and the Shareholders as a whole.

The sale of Convenient Ready-to-eat Food Products has enriched the Group's existing product scope and expanded the Group's existing business, and has contributed to the revenue growth for the Group as the Convenient Ready-to-eat Food Products, such as the Small Hot Pot Products, are well received in the market.

Listing Rules implications

Haidilao is held as to approximately 60.31% by Mr. Zhang Yong and Ms. Shu Ping, respectively a non-executive Director and an executive Director, both the controlling Shareholders, and 9.73% by Mr. Sean Shi, an executive Director, and his wife.

Haidilao is therefore a connected person of the Company by virtue of being an associate of the controlling shareholders of the Company, and the sales transactions between the Group and the Haidilao Group constitute continuing connected transactions of the Company under the Listing Rules.

Since (i) the nature of products to be sold under the Haidilao Master Sales Agreement, the Super Hi Master Sales Agreement and the Shuhai Sales Agreement is similar and (ii) Haidilao, Super Hi and Shuhai Supply Chain are associates of Mr. Zhang Yong and Ms. Shu Ping, the controlling Shareholders and Directors, the transactions contemplated under the Haidilao Master Sales Agreement, the Super Hi Master Sales Agreement and the Shuhai Sales Agreement will be aggregated pursuant to Rule 14A.82(1) and Rule 14A.83 of the Listing Rules. Accordingly, the annual caps in respect of the Haidilao Master Sales Agreement, the Super Hi Master Sales Agreement and the Shuhai Sales Agreement are aggregated.

Since the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the aggregated transactions are more than 5%, the proposed annual caps under the Haidilao Master Sales Agreement are subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

5. SUPER HI MASTER SALES AGREEMENT

Date:

17 October 2023

Parties:

(1) the Company

(2) Super Hi

(each for itself and on behalf of its subsidiaries)

Term

The Super Hi Master Sales Agreement has an initial term of three years from 1 January 2024 to 31 December 2026. Subject to compliance with the Listing Rules and applicable laws and regulations, the Super Hi Master Sales Agreement may be renewed for a further term of three years from time to time, unless the parties agree in writing to terminate the Super Hi Master Sales Agreement during its term; or the Super Hi Master Sales Agreement is terminated as required by applicable laws, regulations, requirements of the securities regulatory authorities, or judgment or decision of any competent court. Upon renewal of the Super Hi Master Sales Agreement, the parties may amend the terms of the agreement based on the then prevailing circumstances.

Nature of transactions

(a) Sale of Super Hi Customized Products

During the term of the Super Hi Master Sales Agreement, the Group is the supplier of Super Hi Customized Products to the Super Hi Group for use in its hot pot restaurants outside the Greater China. The Super Hi Group is generally restricted from engaging third party suppliers to provide the Super Hi Customized Products unless (i) in the event that the Group is unable to satisfy the quantity or quality of the products demanded by the Super Hi Group, and such problem cannot be resolved within a reasonable period after negotiation between both parties, the Super Hi Group may engage other third party suppliers or (ii) the parties agree as otherwise. Under the Super Hi Master Sales Agreement, the Group may engage contract manufacturers to produce Super Hi Customized Products.

Sale of Super Hi Customized Products will be made on the basis of individual orders specifying the type of product, purchase volume, sales price and delivery date, etc. The sales price of Super Hi Customized Products shall be determined based on the pricing policy as set out below.

The Super Hi Group owns the proprietary rights to the formulas of Super Hi Customized Products (the “**Super Hi Group Formulas**”) and licenses the Super Hi Group Formulas to the Group and the Group’s contract manufacturers to use for production on a royalty-free basis. The Group is subject to contractual obligations where it shall, and shall use reasonable efforts to procure its contract manufacturers to (i) keep confidential the Super Hi Group Formulas, and (ii) unless the Super Hi Group has given written consent, refrain from selling products that use these formulas to any other third parties.

For any upgrades and developments in the Super Hi Group Formulas made through the joint efforts of the Super Hi Group and the Group, the Super Hi Group will own the proprietary rights, and the Group and its contract manufacturers will be entitled to use such upgraded formulas for production of Super Hi Customized Products. In relation to the sales of products which will be produced with such upgraded formulas, and in accordance with the Super Hi Master Sales Agreement, a supplemental agreement will be entered into by the parties to confirm that the upgraded formulas are a result of joint efforts of the Super Hi Group and the Group.

For any upgrades and developments in the Super Hi Group Formulas made through the Group’s own efforts, the Group will own the proprietary rights of such upgraded formulas unless otherwise agreed between the parties. If the Group agrees to supply any product which will be produced with such upgraded formulas to the Super Hi Group, in accordance with the Super Hi Master Sales Agreement, a supplemental agreement will be entered into by the parties to confirm that the upgraded formulas are a result of the Group’s own efforts and to confirm the usage of such upgraded formulas.

(b) Sale of Super Hi Retail Products

During the term of the Super Hi Master Sales Agreement, the Group is the supplier of the Super Hi Retail Products to the Super Hi Group for display and sales to consumers in the hot pot restaurants of the Super Hi Group. Super Hi Retail Products are manufactured with the Group’s own formulas. The Super Hi Group is not permitted to sell the Group’s products to any third party distributor.

Sale of Super Hi Retail Products will be made on the basis of individual orders specifying the type of product, purchase volume and delivery date, etc. The price of the Super Hi Retail Products shall be determined based on the pricing basis as set out below.

(c) Sale of Convenient Ready-to-eat Food Products

During the term of the Super Hi Master Sales Agreement, the Group is the supplier of the Convenient Ready-to-eat Food Products to the Super Hi Group for display and sales to customers in the hot pot restaurants of the Super Hi Group. Sale of Convenient Ready-to-eat Food Products will be made on the basis of individual orders specifying the type of product, purchase volume and delivery date, etc. The price of the Convenient Ready-to-eat Food Products shall be determined based on the pricing basis as set out below.

Pricing basis

The sale prices of Super Hi Customized Products, Super Hi Retail Products and Convenient Ready-to-eat Food Products are determined by the parties with reference to a number of factors as stated below. If there is any change in pricing policy in the future, the Group shall fully comply with the relevant requirements under Chapter 14A of the Listing Rules (if applicable).

Taking into account historical data and forecasted estimates, the independent non-executive Directors will regularly review and re-assess the sales prices of Super Hi Customized Products semi-annually and make adjustments as appropriate to maintain a net profit margin for such sales same as those for the transactions with independent third party customers. The Group also adjusts sales prices if there is any significant change in the cost of sales and expenses incurred in connection with Super Hi Customized Products. The independent non-executive Directors will also regularly review and re-assess the sales prices of the Super Hi Retail Products and Convenient Ready-to-eat Food Products semi-annually and make adjustments if there is any significant change in the production costs and expenses.

(a) Sale of Super Hi Customized Products

The sale price of Super Hi Customized Products shall be determined by the parties after arm's length negotiations with reference to (i) the historical sales price, (ii) the Group's production cost, including the cost of raw materials, selling and administrative expenses, incurred in connection with the production of Super Hi Customized Products, (iii) the Group's estimated net profit margin of similar transactions with independent third parties, and (iv) the prevailing market price of comparable similar products transacted with independent third parties.

(b) Sale of Super Hi Retail Products and Convenient Ready-to-eat Food Products

The sale prices of Super Hi Retail Products and Convenient Ready-to-eat Food Products shall be consistent with the pricing policy for similar products that the Group offers to independent third parties and shall be determined by the parties after arm's length negotiations with reference to (i) the relevant costs and expenses, including the cost of raw materials, and the selling and administrative expenses incurred in connection with the production of Super Hi Retail Products and Convenient Ready-to-eat Food Products, and (ii) the prevailing market price of similar products transacted with independent third parties.

To ensure that the sale prices of Super Hi Retail Products and Convenient Ready-to-eat Food Products are consistent with the pricing policy for similar products offered by the Group to independent third parties, the Super Hi Group and the Group will explicitly agree on such pricing policy in the relevant purchase agreements.

Payment terms

Fees payable under the Super Hi Master Sales Agreement will be made based on the purchase volume per order, or otherwise in a timely and appropriate manner according to the terms agreed by both parties.

Historical amounts

The table below sets forth the historical amounts for the sales to the Super Hi Group under the Existing Super Hi Master Sales Agreement for two years ended 31 December 2022 and the six months ended 30 June 2023 and the annual cap for the year ending 31 December 2023:

	For the year ended 31 December 2021	For the year ended 31 December 2022	For the six months ended 30 June 2023	Annual cap for the year ending 31 December 2023
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i> (unaudited)	<i>(RMB'000)</i>
Sales to the Super Hi Group ^(Note)	<u>54,721</u>	<u>81,733</u>	<u>46,273</u>	<u>152,305</u>

Note:

The historical transaction amounts to the Super Hi Group for the year ended 31 December 2021 set out above is also included in the sales to the Haidilao Group before the Spin-off. For details, please refer to the Company's announcement dated 19 December 2022.

As at the date of this announcement, the actual transaction amount has not exceeded the annual cap for the year ending 31 December 2023.

Proposed annual caps and basis of determination

The Company estimates that the annual caps for the Super Hi Master Sales Agreement for the three years ending 31 December 2026 are as follows:

	For the year ending 31 December 2024	For the year ending 31 December 2025	For the year ending 31 December 2026
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Sales to the Super Hi Group	<u>213,000</u>	<u>283,000</u>	<u>355,000</u>

In arriving at the above proposed annual caps, the Group has taken into account the following factors:

- (i) the historical transaction amounts with the Super Hi Group;
- (ii) the prevailing production cost and expenses incurred by the Group in connection with the production of Super Hi Customized Products, Super Hi Retail Products and Convenient Ready-to-eat Food Products;
- (iii) the estimated increase in the Super Hi Group's demand for Super Hi Customized Products, as a result of the expected increase in (a) the customer flow and operating performance of the Super Hi Group's restaurants and (b) the number of the Super Hi Group's restaurants under its new restaurants opening plan;
- (iv) the expected diversification in the types of Super Hi Customized Products;
- (v) the enhancement of the Group's supply capacity and the continuous development and launch of new products by the Group; and
- (vi) the strong growth and extensive market potential of the catering industry.

Shareholders should note that the above proposed annual caps should not be construed as an assurance or forecast by the Company of the future financial performances of the Group under the terms of the Super Hi Master Sales Agreement.

Reasons for and benefit of entering into the Super Hi Master Sales Agreement

The principal activities of the Group are researching and developing, manufacturing distributing and selling high-quality hot pot soup flavoring, hot pot dipping sauce, Chinese-style compound condiment products and Convenient Ready-to-eat Food Products. The Super Hi Group owned and operates hot pot restaurants outside the Greater China. Being the supplier of hot pot soup flavoring products and Convenient Ready-to-eat Food Products for the Super Hi Group outside the Greater China, the Group has benefited from working with the Super Hi Group.

The Group has established a long-term, stable and mutually beneficial business relationship with the Super Hi Group. Such relationship is fair and reasonable, beneficial for the stable operation and business expansion of the Group and in the interests of the Company and the Shareholders as a whole.

Listing Rules Implications

Super Hi is held as to approximately 54.28% by Mr. Zhang Yong and Ms. Shu Ping, respectively a non-executive Director and an executive Director, both the controlling Shareholders, and 8.09% by Mr. Sean Shi, an executive Director, and his wife.

Super Hi is therefore a connected person of the Company by virtue of being an associate of the controlling shareholders of the Company, and the sales transactions between the Group and the Super Hi Group constitute continuing connected transactions of the Company under the Listing Rules.

Since (i) the nature of products to be sold under the Haidilao Master Sales Agreement, Super Hi Master Sales Agreement and the Shuhai Sales Agreement is similar and (ii) Haidilao, Super Hi and Shuhai Supply Chain are associates of Mr. Zhang Yong and Ms. Shu Ping, the controlling Shareholders and Directors, the transactions contemplated under the Haidilao Master Sales Agreement, the Super Hi Master Sales Agreement and the Shuhai Sales Agreement will be aggregated pursuant to Rule 14A.82(1) and Rule 14A.83 of the Listing Rules. Accordingly, the annual caps in respect of the Haidilao Master Sales Agreement, the Super Hi Master Sales Agreement and the Shuhai Sales Agreement are aggregated.

Since the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the aggregated transactions are more than 5%, the proposed annual caps under the Super Hi Master Sales Agreement are subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

6. SHUHAI SALES AGREEMENT

Date:

17 October 2023

Parties:

(1) Shuhai Supply Chain

(2) the Company

(each for itself and on behalf of its subsidiaries)

Term

The Shuhai Sales Agreement has an initial term of three years from 1 January 2024 to 31 December 2026. Subject to compliance with the Listing Rules and applicable laws and regulations, the Shuhai Sales Agreement may be renewed for a further term of three years from time to time, unless the Company notifies Shuhai Supply Chain to the contrary with one month's written notice prior to the expiry of the agreement's term. Upon renewal of the Shuhai Sales Agreement, the parties may amend the terms of the agreement based on the then prevailing circumstances.

Nature of transactions

Pursuant to the terms of the Shuhai Sales Agreement, the Group will supply Shuhai Customized Products and Shuhai Retail Products to the Shuhai Supply Chain Group. Shuhai Customized Products will be sold and distributed by Shuhai Supply Chain Group to its customers who are catering service clients.

The sales price of the Shuhai Customized Products and Shuhai Retail Products shall be determined based on the pricing policy as set out below. Sales of the Shuhai Customized Products and Shuhai Retail Products will be made on the basis of individual orders specifying the type of product, purchase volume and delivery date, etc.

Pricing basis

The sales price of Shuhai Customized Products and Shuhai Retail Products shall be determined by the parties with reference to a number of factors, details of which are further disclosed below. The Group will review and re-assess the sales prices semi-annually and make adjustments if necessary. Such review and adjustment (if any) will be made by the independent non-executive Directors. If there is any change in pricing policy in the future, the Group shall fully comply with the relevant requirements under Chapter 14A of the Listing Rules (if applicable).

(a) Sale of Shuhai Customized Products

In respect of the Shuhai Customized Products, the sales price shall be determined by the parties after arm's length negotiations with reference to (i) historical sales price, (ii) the Group's estimated net profit margin of similar transactions with independent third parties, (iii) the Group's production cost, including the cost of raw materials, selling and administrative expenses, incurred in connection with the production of Shuhai Customized Products, and (iv) the prevailing market price of comparable similar products transacted with independent third parties.

Taking into account historical data and forecasted estimates, the independent non-executive Directors regularly review and re-assess the sales prices of Shuhai Customized Products semi-annually and make adjustments as appropriate to maintain a net profit margin for such sales same as those for the Group's transactions with independent third party customers. The Group will also adjust sales prices if there is any significant change in the cost of sales and expenses incurred in connection with the Shuhai Customized Products.

(b) Sale of Shuhai Retail Products

In respect of the Shuhai Retail Products, the sales price shall be consistent with the pricing policy for similar products the Group offers to independent third party distributors and shall be determined by the parties after arm's length negotiations with reference to (i) the production cost, including the cost of raw materials, selling and administrative expenses, incurred in connection with the production of the Shuhai Retail Products, and (ii) the prevailing market price of similar products transacted with independent third parties. The independent non-executive Directors regularly review and re-assess the sales price of Shuhai Retail Products semi-annually and make adjustments if there is any significant change in the production cost.

Payment terms

Payment shall be made by Shuhai Supply Chain Group on a monthly basis following the delivery of products and the Group's issuance of delivery invoices.

Historical amounts

The table below sets forth the historical amounts for the sales to the Shuhai Supply Chain Group under the Existing Shuhai Sales Agreement for the two years ended 31 December 2022 and the six months ended 30 June 2023 and the annual cap for the year ending 31 December 2023:

	For the year ended 31 December 2021	For the year ended 31 December 2022	For the six months ended 30 June 2023	Annual cap for the year ending 31 December 2023
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i> (unaudited)	<i>(RMB'000)</i>
Sales to the Shuhai Supply Chain Group	<u>7,767</u>	<u>3,878</u>	<u>1,877</u>	<u>154,200</u>

As at the date of this announcement, the actual transaction amount has not exceeded the annual cap for the year ending 31 December 2023.

Proposed annual caps and basis of determination

The Company estimates that the annual caps for the Shuhai Sales Agreement for the three years ending 31 December 2026 are as follows:

	For the year ending 31 December 2024	For the year ending 31 December 2025	For the year ending 31 December 2026
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Sales to the Shuhai Supply Chain Group	<u>64,000</u>	<u>102,000</u>	<u>134,000</u>

In arriving at the above proposed annual caps, the Group has taken into account the following factors:

- (i) historical sales of Shuhai Customized Products and Shuhai Retail Products by the Group to Shuhai Supply Chain Group, including sales volumes and sales prices;
- (ii) the estimated increase in demand for Shuhai Customized Products and Shuhai Retail Products. Both Shuhai Supply Chain and the Group have been broadening the client base, which is expected to lead to a significant increase in demand for Shuhai Customized Products and Shuhai Retail Products from the Group;
- (iii) the estimated overall net profit margin transacted with independent third party customers in accordance with the pricing formula;
- (iv) the prevailing production cost and expenses incurred by the Group in connection with the production of Shuhai Customized Products and Shuhai Retail Products; and
- (v) the enhancement of the Group's supply capacity and the continuous development and launch of new products by the Group.

There are currently 30 companies under the Shuhai Supply Chain Group which services their business in 22 key cities in the PRC and caters to more than 2,000 retail clients. The Company's understanding of Shuhai Supply Chain's future business plans is to expand both the PRC and overseas markets by increasing their customer base and offering a wider variety of food and beverage.

Shareholders should note that the above proposed annual caps should not be construed as an assurance or forecast by the Company of the future financial performances of the Group under the terms of the Shuhai Sales Agreement.

Reasons for and benefits of entering into the Shuhai Sales Agreement

Since mid-2019, the Group has been supplying condiment products to a number of third-party catering service providers through Shuhai Supply Chain. This is because Shuhai Supply Chain has extensive client network and it currently provides food ingredients to various famous enterprises. Shuhai Supply Chain is primarily engaged in the supply of food ingredients and provision of storage and logistics services to catering service providers. Its extensive client network increases consumer exposure to the Group's products and promotes the brand image of the Group.

Listing Rules implications

Shuhai Supply Chain is held as to approximately 42.72% by Leda Haisheng and 26.17% by Jinghai Investment as at the date of this announcement. Shuhai Supply Chain is, therefore, a connected person of the Company by virtue of being an associate of Mr. Zhang Yong and Ms. Shu Ping, the controlling Shareholders and Directors, and the transactions contemplated under the Shuhai Sales Agreement constitute continuing connected transactions of the Company under the Listing Rules.

Since (i) the nature of products to be sold under the Haidilao Master Sales Agreement, the Super Hi Master Sales Agreement and the Shuhai Sales Agreement is similar and (ii) Haidilao, Super Hi and Shuhai Supply Chain are associates of Mr. Zhang Yong and Ms. Shu Ping, the controlling Shareholders and Directors, the transactions contemplated under the Haidilao Master Sales Agreement, the Super Hi Master Sales Agreement and the Shuhai Sales Agreement will be aggregated pursuant to Rule 14A.82(1) and Rule 14A.83 of the Listing Rules. Accordingly, the annual caps in respect of the Haidilao Master Sales Agreement, the Super Hi Master Sales Agreement and the Shuhai Sales Agreement are aggregated.

Since the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the aggregated transactions are more than 5%, the proposed annual caps under the Shuhai Sales Agreement are subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

II. DIRECTORS' CONFIRMATION

The Framework Agreements have been negotiated and agreed on an arms' length basis by the parties thereto. The Directors (including the independent non-executive Directors) are of the view that (i) the transaction contemplated under the Shuhai Purchase Agreement has been and will be entered into in the ordinary and usual course of business, is on normal commercial terms and is fair and reasonable and in the interests of the Company and the Shareholders as a whole, and (ii) that the proposed annual caps under the Shuhai Purchase Agreement for each of the three years ending 31 December 2026 are fair and reasonable and in the interests of the Company and the Shareholders as a whole. The Directors (excluding the independent non-executive Directors whose view will be expressed after receiving advice from the Independent Financial Adviser) are of the view that (i) Yihai Continuing Connected Transactions have been and will be entered into in the ordinary and usual course of business, are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and (ii) that the proposed annual caps under the respective Non-exempt Framework Agreements for each of the three years ending 31 December 2026 are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

In relation to the Framework Agreements other than the Joint Venture Framework Sales and Purchase Agreements, save for Mr. Zhang Yong, Ms. Shu Ping and Mr. Sean Shi, none of the Directors has any material interests or is required to abstain from voting on the Board resolutions.

In relation to the Joint Venture Framework Sales and Purchase Agreements, as Mr. Zhao Xiaokai is a director of the Joint Venture, save for Mr. Zhao Xiaokai, Mr. Zhang Yong, Ms. Shu Ping and Mr. Sean Shi, none of the Directors has any material interests or is required to abstain from voting on the Board resolutions.

III. APPROVAL BY INDEPENDENT SHAREHOLDERS

The Extraordinary General Meeting will be convened to consider and, if thought fit, to approve the Yihai Continuing Connected Transactions (including their respective proposed annual caps).

In accordance with the Listing Rules, Mr. Zhang Yong, Ms. Shu Ping and Mr. Sean Shi, and their respective associates have a material interest in Non-exempt Framework Agreements and will abstain from voting on the ordinary resolutions to approve the aforesaid agreements at the Extraordinary General Meeting. As Mr. Zhao Xiaokai is a director of the Joint Venture, he and his associates have a material interest in the Joint Venture Framework Sales and Purchase Agreements and will abstain from voting on the ordinary resolutions to approve the aforesaid agreements at the Extraordinary General Meeting.

An Independent Board Committee comprising all the independent non-executive Directors has been established to advise the Independent Shareholders in respect of the Yihai Continuing Connected Transactions (including their respective proposed annual caps). In this respect, South China Capital Limited has been appointed as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders.

A circular containing, among others, further information on the Yihai Continuing Connected Transactions, a letter from the Independent Board Committee to the Independent Shareholders containing its recommendation, a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, together with a notice to convene the Extraordinary General Meeting to consider and, if thought fit, approve the Yihai Continuing Connected Transactions (including their respective proposed annual caps) is expected to be dispatched to the Shareholders on or around 8 November 2023.

IV. INFORMATION ON THE PARTIES

The Group is principally engaged in the research and development, manufacture, distribution and sales of high-quality hot pot soup flavoring, hot pot dipping sauce, Chinese-style compound condiment products and Convenient Ready-to-eat Food Products.

The Joint Venture is principally engaged in the manufacture and sales of Convenient Ready-to-eat Food Products.

Haidilao Group is primarily engaged in the hot pot restaurant business in the Greater China among other ancillary businesses.

Super Hi Group is primarily engaged in the hot pot restaurant business outside the Greater China among other ancillary businesses.

Shuhai Supply Chain and its subsidiaries are primarily engaged in the supply of food ingredients and provision of storage and logistics services.

V. DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions have the following meanings:

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“China” or “PRC”	the People’s Republic of China and, except where the context requires, references in this announcement to the PRC or China exclude Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Company”	Yihai International Holding Ltd. (頤海國際控股有限公司), an exempted company incorporated under the laws of the Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“continuing connected transaction(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholders(s)”	has the meaning ascribed to it under the Listing Rules
“Convenient Ready-to-eat Food Products”	collectively, instant silk noodles, instant rice, self-serving rice, Small Hot Pot Products, casual snacks and other convenient food
“Directors”	the directors of the Company

“Existing Agreements”	collectively, the Existing Shuhai Purchase Agreement, the Existing Joint Venture Framework Sales and Purchase Agreements, the Existing Haidilao Master Sales Agreement, the Existing Super Hi Master Sales Agreement and the Existing Shuhai Sales Agreement
“Existing Haidilao Master Sales Agreement”	the master sales agreement dated 7 December 2020 entered into between Haidilao and the Company to regulate the sale of Haidilao Customized Products, Haidilao Retail Products and Convenient Ready-to-eat Food Products by the Group to the Haidilao Group
“Existing Joint Venture Framework Sales and Purchase Agreements”	collectively, the hot pot soup flavoring products sales agreement dated 7 December 2020 entered into between the Joint Venture and the Company in relation to the sales of condiment products from the Group to the Joint Venture, and the Convenient Ready-to-eat Food Products sales agreement dated 7 December 2020 entered into between the Joint Venture and the Company in relation to the sales of Convenient Ready-to-eat Food Products by the Joint Venture to the Group
“Existing Shuhai Purchase Agreement”	the purchase agreement dated 7 December 2020 entered into between Shuhai Supply Chain and the Company in relation to the sale of Shuhai Ingredients by the Shuhai Supply Chain Group to the Group
“Existing Shuhai Sales Agreement”	the sales agreement dated 7 December 2020 entered into between Shuhai Supply Chain and the Company in relation to the sale of hot pot soup flavoring products, hot pot dipping sauce products and other compound condiment products by the Group to Shuhai Supply Chain Group
“Existing Super Hi Master Sales Agreement”	the master sales agreement dated 12 December 2022 entered into between Super Hi and the Company to regulate the sale of Super Hi Customized Products, Super Hi Retail Products and Convenient Ready-to-eat Food Products by the Group to the Super Hi Group

“Extraordinary General Meeting”	an extraordinary general meeting of the Company to be held to consider and, if thought fit, approve the Yihai Continuing Connected Transactions, or any adjournment thereof
“Framework Agreements”	collectively, the Shuhai Purchase Agreement, the Joint Venture Framework Sales and Purchase Agreements, the Haidilao Master Sales Agreement, the Super Hi Master Sales Agreement and the Shuhai Sales Agreement
“Greater China”	the mainland China, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Group”	the Company and its subsidiaries
“Haidilao”	Haidilao International Holding Ltd., a company incorporated under the laws of the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 6862)
“Haidilao Customized Products”	the hot pot soup flavorings, hot pot dipping sauce, Chinese-style compound condiment products and other customized products (e.g. seasoned hot pot bases with ingredients and semi-finished ingredients, etc.) manufactured by the Group using formulas owned by Haidilao Group for use in its hot pot restaurants
“Haidilao Group”	Haidilao and its subsidiaries, the principal business of which is to operate hot pot restaurant chain in the Greater China
“Haidilao Master Sales Agreement”	the master sales agreement dated 17 October 2023 entered into between Haidilao and the Company to regulate the sale of Haidilao Customized Products, Haidilao Retail Products and Convenient Ready-to-eat Food Products by the Group to the Haidilao Group
“Haidilao Retail Products”	the retail hot pot soup flavorings, hot pot dipping sauce and Chinese-style compound condiment products manufactured by the Group using formulas owned by the Group for display and sale to consumers in the hot pot restaurants and on the various online platforms of Haidilao Group, which are the same products as those sold by the Group through independent third party distributors
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board comprising all independent non-executive Directors, namely Mr. Yau Ka Chi, Mr. Qian Mingxing and Ms. Ye Shujun, established to advise the Independent Shareholders on the Yihai Continuing Connected Transactions

“Independent Financial Adviser”	South China Capital Limited, a licensed corporation to carry out type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance, and the independent financial adviser to the Independent Board Committee and Independent Shareholders in relation to the Yihai Continuing Connected Transactions
“Independent Shareholders”	has the meaning ascribed to it under the Listing Rules, and in relation to approving the Yihai Continuing Connected Transactions at the Extraordinary General Meeting, means the Shareholders required under the Listing Rules to abstain from voting on the resolutions to be proposed at the Extraordinary General Meeting
“Jinghai Investment”	Jianyang Jinghai Investment Co., Ltd.* (簡陽市靜海投資有限公司), a limited liability company incorporated in the PRC on 11 May 2011, which is a wholly-owned subsidiary of Jingyuan Investment
“Jingyuan Investment”	Jianyang Jingyuan Investment Co., Ltd.* (簡陽市靜遠投資有限公司), a limited liability company incorporated in the PRC on 13 March 2009, which is held as to 68% by Mr. Zhang Yong and Ms. Shu Ping (respectively a non-executive Director and an executive Director and both the controlling shareholders of the Company), 32% by Mr. Sean Shi (an executive Director) and his wife as at the date of this announcement
“Joint Venture”	Fuhai (Shanghai) Food Technology Co., Ltd.* (馥海(上海)食品科技有限公司), a company established in the PRC and a 60% owned subsidiary of the Company
“Joint Venture Framework Sales and Purchase Agreements”	collectively, the condiment and food products sales agreement dated 17 October 2023 entered into between the Joint Venture and the Company in relation to the sales of condiment products and other food products (e.g. casual snacks or semi-finished ingredients, etc.) from the Group to the Joint Venture and its subsidiaries, and the convenient ready-to-eat food products sales agreement dated 17 October 2023 entered into between the Joint Venture and the Company in relation to the sales of Convenient Ready-to-eat Food Products by the Joint Venture and its subsidiaries to the Group

“Leda Haisheng”	Shanghai Leda Haisheng Enterprise Management Consulting Co., Ltd.* (上海樂達海生企業管理諮詢有限公司), a limited liability company established in the PRC on 23 May 2017, which is held as to (i) approximately 62.70% by Beijing Yihan Management Consulting Co., Ltd.* (北京宜涵管理諮詢有限公司), a company controlled by Mr. Zhang Yong and Ms. Shu Ping (respectively a non-executive Director and an executive Director and both the controlling shareholders of the Company), and (ii) approximately 29.70% by Mr. Sean Shi (an executive Director) and his wife
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Non-exempt Framework Agreements”	collectively, the Joint Venture Framework Sales and Purchase Agreements, the Haidilao Master Sales Agreement, the Super Hi Master Sales Agreement and the Shuhai Sales Agreement
“RMB”	Renminbi, the lawful currency of the PRC
“Securities and Futures Ordinance”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) in the share capital of the Company with nominal value of US\$0.00001 each
“Shareholder(s)”	shareholder(s) of the Company
“Shuhai Customized Products”	the hot pot soup flavorings, hot pot dipping sauce, other single or compound condiment products and semi-finished ingredients (e.g. potato noodles and cellophane noodles, etc.) of the Group that are customized for Shuhai Supply Chain Group’s customers who are catering service clients
“Shuhai Ingredients”	the food ingredients sold by Shuhai Supply Chain Group to the Group pursuant to the Shuhai Purchase Agreement
“Shuhai Purchase Agreement”	the purchase agreement dated 17 October 2023 entered into between the Company and Shuhai Supply Chain in relation to the sale of Shuhai Ingredients by the Shuhai Supply Chain Group to the Group
“Shuhai Retail Products”	the hot pot soup flavoring products, hot pot dipping sauce products, other single or compound condiment products of the Group and Convenient Ready-to-eat Food Products sold to the Shuhai Supply Chain Group that are targeted at the retail market

“Shuhai Sales Agreement”	the sales agreement dated 17 October 2023 entered into between Shuhai Supply Chain and the Company to regulate the sale of Shuhai Customized Products and Shuhai Retail Products by the Group to the Shuhai Supply Chain Group
“Shuhai Supply Chain”	Shuhai (Beijing) Supply Chain Management Co., Ltd.* (蜀海(北京)供應鏈管理有限責任公司), a limited liability company established in the PRC on 3 June 2014 and is held as to approximately 42.72% by Leda Haisheng, and 26.17% by Jinghai Investment
“Shuhai Supply Chain Group”	Shuhai Supply Chain and its subsidiaries
“Small Hot Pot Products”	the self-serving small hot pot products, which are types of Convenient Ready-to-eat Food Products, manufactured and sold by the Joint Venture
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	has the meaning ascribed thereto in the Listing Rules
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Super Hi”	SUPER HI INTERNATIONAL HOLDING LTD.* (特海国际控股有限公司), a company incorporated under the Laws of Cayman Islands with limited liability, the shares of which are listed on the Stock Exchange (stock code: 9658)
“Super Hi Customized Products”	the hot pot soup flavorings, hot pot dipping sauce, Chinese-style compound condiment products and other customized products (e.g. semi-finished ingredients, etc.) manufactured by the Group using formulas owned by Super Hi Group for use in its hot pot restaurants
“Super Hi Group”	Super Hi and its subsidiaries
“Super Hi Retail Products”	the retail hot pot soup flavorings, hot pot dipping sauce and Chinese-style compound condiment products manufactured by the Group using formulas owned by the Group for display and sale to consumers in Super Hi Group hot pot restaurants, which are the same products as those sold by the Group through independent third party distributors

“Super Hi Master
Sales Agreement”

the master sales agreement dated 17 October 2023 entered into between Super Hi and the Company to regulate the sale of Super Hi Customized Products, Super Hi Retail Products and Convenient Ready-to-eat Food Products by the Group to the Super Hi Group

“Yihai Continuing
Connected Transactions”

collectively, (i) the sale of condiment products and other food products (e.g. casual snacks or semi-finished ingredients, etc.) to and purchase of Convenient Ready-to-eat Food Products from the Joint Venture and its subsidiaries pursuant to the Joint Venture Framework Sales and Purchase Agreements, (ii) the sale of Haidilao Customized Products, Haidilao Retail Products and Convenient Ready-to-eat Food Products to the Haidilao Group pursuant to the Haidilao Master Sales Agreement, (iii) the sale of Super Hi Customized Products, Super Hi Retail Products and Convenient Ready-to-eat Food Products to the Super Hi Group pursuant to the Super Hi Master Sales Agreement and (iv) the sale of Shuhai Customized Products and Shuhai Retail Products by the Group to Shuhai Supply Chain Group pursuant to the Shuhai Sales Agreement

“%”

per cent

By Order of the Board
Yihai International Holding Ltd.
Sean Shi
Chairman

Hong Kong, 17 October 2023

As at the date of this announcement, the executive Directors are Mr. Sean Shi, Mr. Guo Qiang, Mr. Sun Shengfeng, Ms. Shu Ping and Mr. Zhao Xiaokai; the non-executive Director is Mr. Zhang Yong; and the independent non-executive Directors are Mr. Yau Ka Chi, Mr. Qian Mingxing and Ms. Ye Shujun.

* *For identification purposes only*