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If you have sold or transferred all your shares in **Yihai International Holding Ltd.**, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or other transferee or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or transferee.



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)

**(1) RENEWAL OF ANNUAL CAPS FOR CONTINUING CONNECTED
TRANSACTIONS IN RESPECT OF 2024 TO 2026**

AND

(2) NOTICE OF EXTRAORDINARY GENERAL MEETING

**INDEPENDENT FINANCIAL ADVISER TO THE INDEPENDENT BOARD
COMMITTEE AND THE INDEPENDENT SHAREHOLDERS**



A notice convening the Extraordinary General Meeting of the Company to be held at Meeting Room, 3rd Floor, Yihai International Holding Ltd. Building, 2300 Huxinan Road, Yushan District, Ma'anshan City, Anhui Province, PRC at 10:00 a.m. on Wednesday, 13 December 2023, is set out on pages 94 to 98 of this circular. A form of proxy for use at the Extraordinary General Meeting is also enclosed. Such form of proxy is also published on the websites of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the Company (www.yihchina.com).

Whether or not you are able to attend the Extraordinary General Meeting, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time fixed for the holding of the Extraordinary General Meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude Shareholders from attending and voting at the Extraordinary General Meeting if they so wish.

24 November 2023

CONTENTS

	<i>Page</i>
DEFINITIONS	1
LETTER FROM THE BOARD	8
INTRODUCTION	8
NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS	9
INTERNAL CONTROL MEASURES	39
CLOSURE OF REGISTER OF MEMBERS	40
EXTRAORDINARY GENERAL MEETING	41
RECOMMENDATION OF THE BOARD	42
RECOMMENDATION OF THE INDEPENDENT FINANCIAL ADVISER AND THE INDEPENDENT BOARD COMMITTEE	42
LETTER FROM THE INDEPENDENT BOARD COMMITTEE	44
LETTER FROM THE INDEPENDENT FINANCIAL ADVISER	46
APPENDIX I – GENERAL INFORMATION	87
NOTICE OF EXTRAORDINARY GENERAL MEETING	94

DEFINITIONS

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

“Articles of Association”	the articles of association of the Company
“associate(s)”	has the meaning ascribed thereto 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 circular 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 with limited liability incorporated in the Cayman Islands on 18 October 2013, and the Shares of which have been listed on the Main Board of the Stock Exchange since 13 July 2016
“connected person(s)”	has the meaning ascribed thereto in the Listing Rules
“continuing connected transaction(s)”	has the meaning ascribed thereto in the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed thereto in 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
“Director(s)”	director(s) of the Company
“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

DEFINITIONS

“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 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”	the extraordinary general meeting of the Company to be held at 10:00 a.m. on Wednesday, 13 December 2023, at Meeting Room, 3rd Floor, Yihai International Holding Ltd. Building, 2300 Huxinan Road, Yushan District, Ma’anshan City, Anhui Province, PRC to consider and if thought fit, approve the Yihai Continuing Connected Transactions, or any adjournment thereof
“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)

DEFINITIONS

“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 the 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 activities under the SFO, and the independent financial adviser to the Independent Board Committee and Independent Shareholders in relation to the Yihai Continuing Connected Transactions

DEFINITIONS

“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
“independent third party(ies)”	party(ies) not connected with any of the Directors, chief executive, substantial shareholders of the Company or any of its subsidiaries or any of their respective associates
“Jinghai Investment”	Jiayang 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”	Jiayang 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 Latest Practicable Date
“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
“JV Condiment Products Sales Agreement”	the condiment 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

DEFINITIONS

“JV Convenient Ready-to-eat Food Products Sales Agreement”	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 to the Group
“Latest Practicable Date”	20 November 2023, being the latest practicable date prior to the printing of this circular for ascertaining certain information herein
“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), (ii) approximately 29.70% by Mr. Sean Shi (an executive Director) and his wife and (iii) approximately 7.60% by five independent third parties
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
“Non-exempt Framework Agreements”	collectively, the Haidilao Master Sales Agreement, the Super Hi Master Sales Agreement, the Shuhai Sales Agreement and the Joint Venture Framework Sales and Purchase Agreements
“RMB”	Renminbi, the lawful currency of the PRC
“RSU”	restricted share unit granted pursuant to the RSU Scheme
“RSU Scheme”	the RSU scheme approved and adopted by the Company on 24 February 2016
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time

DEFINITIONS

“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 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, approximately 26.17% by Jinghai Investment and approximately 31.11% by 23 independent third parties, none of which holds more than 10% equity interest in it
“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(ies)”	has the meaning ascribed thereto in the Listing Rules
“substantial shareholder(s)”	has the meaning ascribed thereto in 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)

DEFINITIONS

“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 Haidilao Customized Products, Haidilao Retail Products and Convenient Ready-to-eat Food Products to the Haidilao Group pursuant to the Haidilao Master Sales Agreement, (ii) 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, (iii) the sale of Shuhai Customized Products and Shuhai Retail Products by the Group to Shuhai Supply Chain Group pursuant to the Shuhai Sales Agreement and (iv) 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
“%”	per cent

* *for identification purpose only*

LETTER FROM THE BOARD



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)

Executive Directors:

Mr. Sean Shi (*Chairman*)
Mr. Guo Qiang
Mr. Sun Shengfeng
Ms. Shu Ping
Mr. Zhao Xiaokai

Registered office:

P.O. Box 31119 Grand Pavilion
Hibiscus Way
802 West Bay Road
Grand Cayman
KY1-1205 Cayman Islands

Non-executive Director:

Mr. Zhang Yong

Corporate Headquarters in the PRC:

Room 1810
No. 2500 Zhenbei Road
Putuo District
Shanghai, PRC

Independent Non-executive Directors:

Mr. Yau Ka Chi
Mr. Qian Mingxing
Ms. Ye Shujun

Principal place of business in Hong Kong:

40th Floor, Dah Sing Financial Centre
No. 248 Queen's Road East
Wanchai, Hong Kong

24 November 2023

To the Shareholders

Dear Sir or Madam,

**(1) RENEWAL OF ANNUAL CAPS FOR CONTINUING CONNECTED
TRANSACTIONS IN RESPECT OF 2024 TO 2026**

AND

(2) NOTICE OF EXTRAORDINARY GENERAL MEETING

INTRODUCTION

The purpose of this circular is to provide you with information in connection with the proposals to be put forward at the Extraordinary General Meeting to consider: (i) 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, (ii) 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, (iii) the sale

LETTER FROM THE BOARD

of Shuhai Customized Products and Shuhai Retail Products to Shuhai Supply Chain Group pursuant to the Shuhai Sales Agreement, and (iv) the sale of condiment products and other food products (e.g. casual snacks or semi-finished ingredients, etc.) to the Joint Venture and its subsidiaries and the purchase of Convenient Read-to-eat Food Products from the Joint Venture and its subsidiaries under the Joint Venture Framework Sales and Purchase Agreements. This circular gives all the information reasonably necessary to enable Shareholders to make an informed decision on whether to vote for or against the resolutions. A notice convening the Extraordinary General Meeting is set out on pages 94 to 98 of this circular.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

A. HAIDILAO MASTER SALES AGREEMENT

(I) SALE OF PRODUCTS TO THE HAIDILAO GROUP

Background

Reference is made to the announcement of the Company dated 17 October 2023 in relation to the renewal of annual caps for continuing connected transactions in respect of 2024 to 2026.

Continuing Connected Transactions under the Haidilao Master Sales Agreement

On 17 October 2023, the Company and Haidilao entered into the Haidilao Master Sales Agreement, pursuant to which the Group agreed to sell Haidilao Customized Products, Haidilao Retail Products and Convenient Ready-to-eat Food Products to the Haidilao Group for a term of three years from 1 January 2024 to 31 December 2026. The principal terms of the Haidilao Master Sales Agreement are summarized below.

The Haidilao Master Sales Agreement

Date

17 October 2023

Parties

(1) the Company

(2) Haidilao

(each for itself and on behalf of its subsidiaries)

LETTER FROM THE BOARD

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.

LETTER FROM THE BOARD

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.

LETTER FROM THE BOARD

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, selling and administrative expenses, incurred in connection with the production of Haidilao Customized Products, (iii) the Group's estimated overall net profit margin through sales to 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.

LETTER FROM THE BOARD

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

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

LETTER FROM THE BOARD

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.

(II) 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 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.

LETTER FROM THE BOARD

(III) INFORMATION OF 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 products, Chinese-style compound condiment products and 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.

(IV) LISTING RULES IMPLICATIONS

Mr. Zhang Yong and his wife Ms. Shu Ping, the non-executive Director and executive Director, 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 and an executive Director, holds approximately 12.60% of the total issued shares of the Company and is therefore a substantial shareholder of the Company.

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.

LETTER FROM THE BOARD

(V) DIRECTORS' CONFIRMATION IN RELATION TO HAIDILAO MASTER SALES AGREEMENT

The Directors (including the independent non-executive Directors) are of the view that the Haidilao Master Sales Agreement 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. The Directors (including the independent non-executive Directors) are of the view that the proposed annual caps under the Haidilao Master Sales Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Except for Mr. Zhang Yong, Ms. Shu Ping and Mr. Sean Shi, none of the Directors has any material interest in the Haidilao Master Sales Agreement or is required to abstain from voting on the Board resolution. Mr. Zhang Yong, together with his wife Ms. Shu Ping, directly or indirectly hold approximately 60.31% of Haidilao. Mr. Sean Shi, together with his wife, directly or indirectly, hold approximately 9.73% of Haidilao.

(VI) APPROVAL BY INDEPENDENT SHAREHOLDERS

Mr. Zhang Yong, together with his wife Ms. Shu Ping, directly or indirectly hold approximately 60.31% of Haidilao. Mr. Sean Shi, together with his wife, directly or indirectly, hold approximately 9.73% of Haidilao. In accordance with the Listing Rules, Mr. Zhang Yong, Ms. Shu Ping and Mr. Sean Shi and their respective associates (which, as at the Latest Practicable Date, in aggregate hold 456,489,013 Shares, representing approximately 44.03% of the issued Shares) will abstain from voting on the ordinary resolutions to approve the Haidilao Master Sales Agreement (including the proposed annual caps) at the Extraordinary General Meeting.

Apart from the above, none of the Shareholders have a material interest in the transactions under the Haidilao Master Sales Agreement, and save as disclosed in this circular, no other Shareholder is required to abstain from voting on the proposed resolutions approving the same.

The Company will seek the Independent Shareholders' approval at the Extraordinary General Meeting for, among others, the Haidilao Master Sales Agreement on the condition that:

1. the annual transaction amount of the Haidilao Master Sales Agreement shall not exceed the respective annual caps;
2. (i) the Haidilao Master Sales Agreement will be entered into in the ordinary and usual course of business of the Group and either (a) on normal commercial terms or better; or (b) if there is no available comparison, on terms no less favourable than terms available to the Group from independent third parties; and
(ii) the transactions will be entered into in accordance with the Haidilao Master Sales Agreement and on terms that are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Company will comply with relevant provisions of the Listing Rules in relation to the transactions under the Haidilao Master Sales Agreement.

LETTER FROM THE BOARD

B. SUPER HI MASTER SALES AGREEMENT

(I) SALE OF PRODUCTS TO THE SUPER HI GROUP

Background

Reference is made to the announcement of the Company dated 17 October 2023 in relation to the renewal of annual caps for continuing connected transactions in respect of 2024 to 2026.

Continuing Connected Transactions under the Super Hi Master Sales Agreement

On 17 October 2023, the Company and Super Hi entered into the Super Hi Master Sales Agreement, pursuant to which the Group agreed to sell Super Hi Customized Products, Super Hi Retail Products and Convenient Ready-to-eat Food Products to the Super Hi Group for a term of three years from 1 January 2024 to 31 December 2026. The principal terms of the Super Hi Master Sales Agreement are summarized below.

The 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.

LETTER FROM THE BOARD

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.

LETTER FROM THE BOARD

(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.

LETTER FROM THE BOARD

(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 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. The maximum allowable credit period from receipt of products by Super Hi Group to settlement is one month, according to the Company's policy.

LETTER FROM THE BOARD

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

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

LETTER FROM THE BOARD

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. According to the annual report of Super Hi for the year ended 31 December 2022, the compound annual growth rate of Super Hi's total revenue for 2019 to 2022 was approximately 34%;
- (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 (a) improvement in the customer flow, turnover rates and operating performance of the Super Hi Group's restaurants and (b) increase in the number of the Super Hi Group's restaurants under its network expansion plan. The restaurant network of Super Hi expanded from 74 as of 1 January 2021 to 115 as of 30 June 2023 and is expected to continue to grow, including in the countries where the Super Hi Group has business operations, as well as entering new markets whenever opportunities arise, such as the Philippines, Cambodia and various European countries;
- (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 after the COVID-related restrictions were lifted globally.

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.

(II) REASONS FOR AND BENEFITS 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 flavorings, hot pot dipping sauce, Chinese-style compound condiment products and Convenient Ready-to-eat Food Products. The Super Hi Group owns and operates hot pot restaurants outside the Greater China. Being the supplier of hot pot soup flavorings 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.

LETTER FROM THE BOARD

(III) INFORMATION OF 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 products, Chinese-style compound condiment products and Convenient Ready-to-eat Food Products.

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

(IV) LISTING RULES IMPLICATIONS

Mr. Zhang Yong and his wife Ms. Shu Ping, the non-executive Director and executive Director, 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 and an executive Director holds approximately 12.60% of the total issued shares of the Company and is therefore a substantial shareholder of the Company.

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.

LETTER FROM THE BOARD

(V) DIRECTORS' CONFIRMATION IN RELATION TO SUPER HI MASTER SALES AGREEMENT

The Directors (including the independent non-executive Directors) are of the view that the Super Hi Master Sales Agreement have been and will be entered into in the ordinary and usual course of business of the Group, are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole. The Directors (including the independent non-executive Directors) are of the view that the proposed annual caps under the Super Hi Master Sales Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Except for Mr. Zhang Yong, Ms. Shu Ping and Mr. Sean Shi, none of the Directors has any material interest in the Super Hi Master Sales Agreement or is required to abstain from voting on the Board resolution. Mr. Zhang Yong, together with his wife Ms. Shu Ping, directly or indirectly hold approximately 54.28% of Super Hi. Mr. Sean Shi, together with his wife, directly or indirectly, hold approximately 8.09% of Super Hi.

(VI) APPROVAL BY INDEPENDENT SHAREHOLDERS

Mr. Zhang Yong, together with his wife Ms. Shu Ping, directly or indirectly hold approximately 54.28% of Super Hi. Mr. Sean Shi, together with his wife, directly or indirectly, hold approximately 8.09% of Super Hi. In accordance with the Listing Rules, Mr. Zhang Yong, Ms. Shu Ping and Mr. Sean Shi and their respective associates (which, as at the Latest Practicable Date, in aggregate hold 456,489,013 Shares, representing approximately 44.03% of the issued Shares) will abstain from voting on the ordinary resolutions to approve the Super Hi Master Sales Agreement (including the proposed annual caps) at the Extraordinary General Meeting.

Apart from the above, none of the Shareholders have a material interest in the transactions under the Super Hi Master Sales Agreement, and save as disclosed in this circular, no other Shareholder is required to abstain from voting on the proposed resolutions approving the same.

The Company will seek the Independent Shareholders' approval at the Extraordinary General Meeting for, among others, the Super Hi Master Sales Agreement on the condition that:

1. the annual transaction amount of the Super Hi Master Sales Agreement shall not exceed the respective annual caps;
2. (i) the Super Hi Master Sales Agreement will be entered into in the ordinary and usual course of business of the Group and either (a) on normal commercial terms or better; or (b) if there is no available comparison, on terms no less favourable than terms available to the Group from independent third parties; and
(ii) the transactions will be entered into in accordance with the Super Hi Master Sales Agreement and on terms that are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

The Company will comply with relevant provisions of the Listing Rules in relation to the transactions under the Super Hi Master Sales Agreement.

C. SHUHAI SALES AGREEMENT

(I) SALE OF PRODUCTS TO THE SHUHAI SUPPLY CHAIN GROUP

Background

Reference is made to the announcement of the Company dated 17 October 2023 in relation to the renewal of annual caps for continuing connected transactions in respect of 2024 to 2026.

Continuing Connected Transactions under the Shuhai Sales Agreement

On 17 October 2023, the Company and Shuhai Supply Chain entered into the Shuhai Sales Agreement, pursuant to which the Group agreed to supply Shuhai Customized Products and Shuhai Retail Products to the Shuhai Supply Chain Group for a term of three years from 1 January 2024 to 31 December 2026.

The principal terms of the Shuhai Sales Agreement are summarized below.

The Shuhai Sales 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 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.

LETTER FROM THE BOARD

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.

LETTER FROM THE BOARD

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

As at the Latest Practicable Date, the actual transaction amount has not exceeded the annual cap for the year ending 31 December 2023.

LETTER FROM THE BOARD

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 (RMB'000)	For the year ending 31 December 2025 (RMB'000)	For the year ending 31 December 2026 (RMB'000)
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 and the previously approved annual caps for the three years ended 31 December 2023. The gap between the actual transaction amounts and the previously approved annual caps for the three years ended 31 December 2023 was mainly due to the COVID-related restrictions which led to severe decrease of actual transaction amounts from 2020 to 2022 and that the Company consequently had to suspend its expansion plan with respect to the business-end products through Shuhai Supply Chain. Therefore, the historical transaction amounts in 2021 and 2022 cannot accurately reflect the demand trend after the COVID-related restrictions were lifted globally since the end of 2022;
- (ii) the previously approved annual caps for the three years ended 31 December 2023 already included the estimated amount for the business-end products which the Company originally planned to expand from 2021 to 2023, being approximately RMB84.4 million, RMB113.4 million, and RMB154.2 million, respectively. The Company has decided to re-launch its business-end product expansion plan and adjusted the annual caps for the three years ending 31 December 2026, showing a slight downsize compared with those for the three years ended 31 December 2023, considering the Company has also planned to develop its own channel for the business-end products to further diversify its client base;
- (iii) the estimated substantial increase in demand for Shuhai Customized Products and Shuhai Retail Products taking into account of (a) the great market potential of our newly developed business-end products (such as casual snacks, pre-meal snacks, dry dipping condiments and chicken seasoning products, etc.); (b) the reviving of the catering industry after the COVID-19 pandemic; and (c) the

LETTER FROM THE BOARD

expected increase in the Shuhai Supply Chain Group's sales amount of casual snacks. 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;

- (iv) the estimated overall net profit margin through transacted with independent third party customers in accordance with the pricing formula;
- (v) the prevailing production cost and expenses incurred by the Group in connection with the production of Shuhai Customized Products and Shuhai Retail Products; and
- (vi) 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.

(II) 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.

(III) INFORMATION OF 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 products, Chinese-style compound condiment products and Convenient Ready-to-eat Food Products.

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

LETTER FROM THE BOARD

(IV) 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 and an executive Director, 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, approximately 26.17% by Jinghai Investment and approximately 31.11% by 23 independent third parties, none of which holds more than 10% equity interest in it, as at the Latest Practicable Date.

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.

(V) DIRECTORS' CONFIRMATION IN RELATION TO THE SHUHAI SALES AGREEMENT

The Directors (including the independent non-executive Directors) are of the view that the Shuhai Sales Agreement have been and will be entered into in the ordinary and usual course of business of the Group, are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole. The Directors (including the independent non-executive Directors) are of the view that the proposed annual caps under the Shuhai Sales Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Except for Mr. Zhang Yong, Ms. Shu Ping and Mr. Sean Shi, none of the Directors has any material interest in the Shuhai Sales Agreement or is required to abstain from voting on the board resolutions for approving the Shuhai Sales Agreement. Shuhai Supply Chain was controlled by Leda Haisheng, which was 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

LETTER FROM THE BOARD

Mr. Zhang Yong and Ms. Shu Ping (respectively a non-executive Director and an executive Director and both the controlling shareholders of the Company), (ii) approximately 29.70% by Mr. Sean Shi (an executive Director) and his wife and (iii) approximately 7.60% by five independent third parties.

(VI) APPROVAL BY INDEPENDENT SHAREHOLDERS

In accordance with the Listing Rules, Mr. Zhang Yong, Ms. Shu Ping and Mr. Sean Shi and their respective associates (which, as at the Latest Practicable Date, in aggregate hold 456,489,013 Shares, representing approximately 44.03% of the issued Shares) will abstain from voting on the ordinary resolutions to approve the Shuhai Sales Agreement (including the proposed annual caps) at the Extraordinary General Meeting.

Apart from the above, none of the Shareholders have a material interest in the transactions under the Shuhai Sales Agreement, and save as disclosed in this circular, no other Shareholder is required to abstain from voting on the proposed resolutions approving the same.

The Company will seek the Independent Shareholders' approval at the Extraordinary General Meeting for, among others, the Shuhai Sales Agreement on the condition that:

1. the annual transaction amount of the Shuhai Sales Agreement shall not exceed the respective annual caps;
2. (i) the Shuhai Sales Agreement will be entered into in the ordinary and usual course of business of the Group and either (a) on normal commercial terms or better; or (b) if there is no available comparison, on terms no less favourable than terms available to the Group from independent third parties; and

(ii) the transactions will be entered into in accordance with the Shuhai Sales Agreement and on terms that are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Company will comply with relevant provisions of the Listing Rules in relation to the transactions under the Shuhai Sales Agreement.

D. JOINT VENTURE FRAMEWORK SALES AND PURCHASE AGREEMENTS

(I) SALE OF CONDIMENT PRODUCTS AND OTHER FOOD PRODUCTS TO AND PURCHASE OF CONVENIENT READY-TO-EAT FOOD PRODUCTS FROM THE JOINT VENTURE AND ITS SUBSIDIARIES

Background

Reference is made to the announcement of the Company dated 17 October 2023 in relation to the renewal of annual caps for continuing connected transactions in respect of 2024 to 2026.

LETTER FROM THE BOARD

Continuing Connected Transactions under the Joint Venture Framework Sales and Purchase Agreements

On 17 October 2023, the Company and the Joint Venture entered into the JV Condiment Products Sales Agreement and JV Convenient Ready-to-eat Food Products Sales Agreement, pursuant to which (i) 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 under the JV Condiment Products Sales Agreement; and (ii) the Joint Venture (for itself and on behalf of its subsidiaries) agreed to sell Convenient Ready-to-eat Food Products to the Group (other than the Joint Venture and its subsidiaries) under the JV Convenient Ready-to-eat Food Products Sales Agreement for a term of three years from 1 January 2024 to 31 December 2026.

The principal terms of the Joint Venture Framework Sales and Purchase Agreements are summarized below.

The 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)

LETTER FROM THE BOARD

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.

LETTER FROM THE BOARD

(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 (i.e. within one month after the product delivery according to the Company's policy) 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 the Joint Venture and the purchase of Convenient Ready-to-eat Food Products 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 (RMB'000)	For the year ended 31 December 2022 (RMB'000)	For the six months ended 30 June 2023 (RMB'000) (unaudited)	Annual cap for the year ending 31 December 2023 (RMB'000)
Sale of condiment products	101,172	92,294	26,654	1,250,000
Purchase of Convenient Ready-to-eat Food Products	83,966	75,760	43,531	748,000
Total	185,138	168,054	70,185	1,998,000

As at the Latest Practicable Date, the actual transaction amount has not exceeded the annual cap for the year ending 31 December 2023.

LETTER FROM THE BOARD

Proposed annual caps and basis of determination

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

	For the year ending 31 December 2024 (RMB'000)	For the year ending 31 December 2025 (RMB'000)	For the year ending 31 December 2026 (RMB'000)
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	141,000	183,000	238,000
Total	451,000	586,000	762,000

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 the 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.

LETTER FROM THE BOARD

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. With the continuous launch of new products in the market, as at 31 December 2020, 2021 and 2022 and 30 June 2023, the Group owned 24, 36, 41 and 60 kinds of Convenient Ready-to-eat Products, 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.

(II) 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.

LETTER FROM THE BOARD

(III) INFORMATION OF 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 products, 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.

(IV) 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.

(V) DIRECTORS’ CONFIRMATION IN RELATION TO THE SALE AND PURCHASE OF PRODUCTS WITH THE JOINT VENTURE

The Directors (including the independent non-executive Directors) are of the view that the Joint Venture Framework Sales and Purchase Agreements have been and will be entered into in the ordinary and usual course of business of the Group, are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole. The Directors (including the independent non-executive Directors) are the view that the proposed annual caps under the Joint Venture Framework Sales and Purchase Agreements are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

As Mr. Zhang Yong, Ms. Shu Ping and Mr. Sean Shi are indirectly interested in the equity interests of Xinpai Shanghai, which holds 40% equity interests in the Joint Venture and Mr. Zhao Xiaokai is a director of the Joint Venture, they have abstained from voting on the relevant board resolutions approving the Joint Venture Framework Sales and Purchase Agreements. Except for Mr. Zhao Xiaokai, Mr. Zhang Yong, Ms. Shu Ping and Mr. Sean Shi, no other Director has a material interest in the Joint Venture Framework Sales and Purchase Agreements and is required to abstain from voting on the board resolutions for approving the Joint Venture Framework Sales and Purchase Agreements and the proposed annual caps thereunder.

(VI) APPROVAL BY INDEPENDENT SHAREHOLDERS

In accordance with the Listing Rules, Mr. Zhao Xiaokai, Mr. Zhang Yong, Ms. Shu Ping, Mr. Sean Shi and their respective associates (which in aggregate hold 456,649,013 Shares, representing approximately 44.05% of the issued Shares) will abstain from voting on the ordinary resolutions to approve the Joint Venture Framework Sales and Purchase Agreements (including the proposed annual caps) at the Extraordinary General Meeting.

Apart from the above, none of the Shareholders have a material interest in the transactions under the Joint Venture Framework Sales and Purchase Agreement, and save as disclosed in this circular, no other Shareholder is required to abstain from voting on the proposed resolutions approving the same.

The Company will seek the Independent Shareholders' approval at the Extraordinary General Meeting for, among others, the Joint Venture Framework Sales and Purchase Agreements on the condition that:

1. the annual transaction amount of the Joint Venture Framework Sales and Purchase Agreements shall not exceed the respective annual caps;
2. (i) the Joint Venture Framework Sales and Purchase Agreements will be entered into in the ordinary and usual course of business of the Group and either (a) on normal commercial terms or better; or (b) if there is no available comparison, on terms no less favourable than terms available to the Group from independent third parties; and

(ii) the transactions will be entered into in accordance with the Joint Venture Framework Sales and Purchase Agreements and on terms that are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Company will comply with relevant provisions of the Listing Rules in relation to the transactions under the Joint Venture Framework Sales and Purchase Agreements.

LETTER FROM THE BOARD

INTERNAL CONTROL MEASURES

The Group has a comprehensive internal control system to ensure that the terms of the Non-exempt Framework Agreements are fair and reasonable, and the Non-exempt Framework Agreements are conducted on normal commercial terms or better and in the ordinary course of business of the Group, and in the interests of the Company and the Shareholders as a whole. Relevant internal control measures include:

- (i) The Group has designated a team of senior management from business operation, legal, risk control and finance departments and the Board office to continuously monitor continuing connected transactions. The team of senior management continuously traces and regularly monitors the progress of continuing connected transactions and reports to the Board.
- (ii) The relevant personnel of the business department of the Company will conduct regular checks on the prevailing market price for the purpose of considering if the price charged for a specific transaction is fair and reasonable and in accordance with the pricing basis for the relevant continuing connected transactions:
 - (a) the marketing team will from time to time (on a regular basis and/or prior to price negotiation) gather market intelligence by way of research, investigation and obtaining quotations from independent third parties to ascertain the quality of the products compared to similar products in the market and the reference price of each type of the products in the market. The benchmark price and the sale price of the products will be entered into the computer system of the Group, such that the purchase price and the sale price of the products will be referenced to the price in the system; and
 - (b) the Company would conduct regular reviews on monthly basis of the sales, profit margin, market and profitability of the products, and ensure the transactions are within the annual cap.
- (iii) The team of senior management together with the finance department of the Group regularly monitor the actual amounts incurred for each type of continuing connected transactions for the purpose of ensuring the relevant annual caps are not exceeded.
- (iv) The team of senior management of the Group organizes and runs internal control tests regularly to evaluate the completeness and effectiveness of the internal control measures in relation to continuing connected transactions.
- (v) The Board conducts annual review on the implementation of continuing connected transactions and conducts review of financial statements which include the disclosure of continuing connected transactions semi-annually. The review mainly includes a review on whether the Group and the connected parties have fulfilled the

LETTER FROM THE BOARD

terms of the agreements in relation to continuing connected transactions during the relevant year or semi-annually and whether the actual transaction amounts incurred between the Group and the connected persons are within the annual caps.

- (vi) The team of senior management of the Group collects and reviews continuing connected transactions each month in order to guarantee (i) the connected parties have fulfilled the terms of the agreements in relation to continuing connected transactions during the relevant month; and (ii) the actual transaction amounts incurred and estimated to be incurred between the Company and the connected parties are within the annual caps.
- (vii) The independent non-executive Directors conduct annual review of continuing connected transactions and provide annual confirmations in the Company's annual report on whether the continuing connected transactions are conducted (i) in the Group's ordinary course of business; (ii) in accordance with normal commercial terms or better and on terms that are fair and reasonable; (iii) in accordance with the terms of the relevant agreements; and (iv) in the interests of the Company and the Shareholders as a whole.
- (viii) The audit committee has assigned the independent internal audit team the task to ensure that the Company's internal measures in respect of the continuing connected transactions remain effective and complete.
- (ix) To assist the Company in complying with the applicable rules listed in chapter 14A of the Listing Rules, the external auditor of the Company performs work in accordance with the regulations in the "Hong Kong Standard on Assurance Engagements 3000 – "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information"" and with reference to the "Practice Note 740 – Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants, on the Company's continuing connected transactions and issue a letter in respect of the continuing connected transactions disclosed in the Company's annual report in accordance with the applicable accounting standards and the Listing Rules.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 8 December 2023 to Wednesday, 13 December 2023, both days inclusive, in order to determine the eligibility of the shareholders to attend and vote at the Extraordinary General Meeting. The shareholders whose names appear on the register of members of the Company at the close of business on Friday, 8 December 2023 will be entitled to attend and vote at the Extraordinary General Meeting. In order to be eligible to attend and vote at the Extraordinary General Meeting, all transfers accompanied by the relevant share certificates and transfer forms must be lodged with

LETTER FROM THE BOARD

the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong before 4:30 p.m. on Thursday, 7 December 2023.

EXTRAORDINARY GENERAL MEETING

Set out on pages 94 to 98 of this circular is the notice of the Extraordinary General Meeting at which, inter alia, ordinary resolutions will be proposed to the Shareholders to consider and approve (i) 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 (including the proposed annual caps), (ii) 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 (including the proposed annual caps), (iii) the sale of Shuhai Customized Products and Shuhai Retail Products by the Group to Shuhai Supply Chain Group pursuant to the Shuhai Sales Agreement (including the proposed annual caps), and (iv) the sale of condiment products and other food products (e.g. casual snacks or semi-finished ingredients, etc.) to the Joint Venture and its subsidiaries and the purchase of Convenient Ready-to-eat Food Products from the Joint Venture and its subsidiaries under the Joint Venture Framework Sales and Purchase Agreements (including the proposed annual caps).

A form of proxy is enclosed for use at the Extraordinary General Meeting. Such form of proxy is also published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.yihchina.com). Whether or not you are able to attend the Extraordinary General Meeting, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar in Hong Kong, 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 fixed for the holding of the Extraordinary General Meeting or any adjournment thereof. Completion and return of the form of proxy shall not preclude Shareholders from attending and voting in person at the Extraordinary General Meeting or any adjourned meeting thereof should they so wish.

In accordance with the Listing Rules, Mr. Zhang Yong, Ms. Shu Ping, Mr. Sean Shi and their respective associates have a material interest in each of the Non-exempt Framework Agreements and will, at the Extraordinary General Meeting, abstain from voting on the ordinary resolutions to approve each of the Non-exempt Framework Agreements (including the proposed annual caps). Mr. Zhao Xiaokai and his associates have a material interests in the Joint Venture Framework Sales and Purchase Agreements and will at the Extraordinary General Meeting, abstain from voting on the ordinary resolutions to approve Joint Venture Framework Sales and Purchase Agreements (including the proposed annual caps).

Except as disclosed, no other Shareholder has any material interest in the proposed resolutions and is required to abstain from voting on such resolutions.

LETTER FROM THE BOARD

Pursuant to Rule 13.39(4) of the Listing Rules and Article 13.6 of the Articles of Association, a resolution put to the vote at any general meeting shall be decided on a poll save that the Chairman may, in good faith, allow a resolution which relates purely to a procedural or administrative matter as prescribed under the Listing Rules to be voted on by a show of hands.

On a poll, every Shareholder present in person or by proxy or (being a corporation) by its duly authorized representative shall have one vote for each share registered in his/her/its name in the register of members. A Shareholder entitled to more than one vote need not use up all his/her/its votes nor cast all the votes in the same way.

RECOMMENDATION OF THE BOARD

The Directors are of the opinion that the terms of the Non-exempt Framework Agreements (including the proposed caps under the Yihai Continuing Connected Transactions) are fair and reasonable, on normal commercial terms or better, and the Yihai Continuing Connected Transactions are carried out in the ordinary and usual course of business. They are also of the opinion that the Yihai Continuing Connected Transactions are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of all the relevant ordinary resolutions to be proposed at the Extraordinary General Meeting.

RECOMMENDATION OF THE INDEPENDENT FINANCIAL ADVISER AND THE INDEPENDENT BOARD COMMITTEE

An Independent Board Committee has been formed to advise the Independent Shareholders in connection with the Yihai Continuing Connected Transactions (including the proposed annual caps), and South China Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders.

The Independent Financial Adviser considers the Non-exempt Framework Agreements (including the proposed annual caps) are on normal commercial terms and in the ordinary and usual course of business of the Group. The Independent Financial Adviser also considers that the Non-exempt Framework Agreements (including the proposed annual caps) are fair and reasonable and in the interests of the Company and the Shareholders as a whole. The full text of the letter from the Independent Financial Adviser issued by South China Capital Limited containing its recommendation in respect of the Non-exempt Framework Agreements (including the proposed annual caps) is set out on pages 46 to 86 of this circular.

LETTER FROM THE BOARD

The Independent Board Committee, having taken into account the advice of South China Capital Limited, considers the terms of the Non-exempt Framework Agreements (including the proposed annual caps) are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the relevant ordinary resolutions to be proposed at the Extraordinary General Meeting to approve the Non-exempt Framework Agreements (including the proposed annual caps). The full text of the letter from the Independent Board Committee is set out on pages 44 to 45 of this circular.

Yours faithfully,
For and on behalf of the Board
Yihai International Holding Ltd.
Sean Shi
Chairman



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)

24 November 2023

To the Independent Shareholders

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

Dear Sir or Madam,

We have been appointed as the Independent Board Committee to advise you in connection with the Yihai Continuing Connected Transactions (including the proposed annual caps), details of which are set out in the letter from the Board contained in the circular issued by the Company to the Shareholders dated 24 November 2023, of which this letter forms part. We wish to draw your attention to the letter from the Independent Financial Adviser as set out on pages 46 to 86 of the circular. Terms defined in the circular shall have the same meanings when used herein, unless the context otherwise requires.

Having considered the information set out in the letter from the Board, the terms of the Non-exempt Framework Agreements and the advice of South China Capital Limited in relation thereto as set out on pages 46 to 86 of the circular, we are of the view that the Non-exempt Framework Agreements (including the proposed annual caps) are on normal commercial terms and conducted in the ordinary and usual course of the business of the Group. We are also of the view that the Non-exempt Framework Agreements (including the proposed annual caps) are in the interests of the Company and the Shareholders as a whole, and are fair and reasonable so far as the Independent Shareholders are concerned.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Accordingly, we recommend the Independent Shareholders to vote in favour of the relevant ordinary resolutions to be proposed at the Extraordinary General Meeting to approve (i) the Haidilao Master Sales Agreement (including the proposed annual caps), (ii) the Super Hi Master Sales Agreement (including the proposed annual caps), (iii) the Shuhai Sales Agreement (including the proposed annual caps), and (iv) the Joint Venture Framework Sales and Purchase Agreements (including the proposed annual caps).

Yours faithfully,

Yihai International Holding Ltd.

YAU Ka Chi QIAN Mingxing YE Shujun

Independent Non-executive Directors

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 the Independent Financial Adviser setting out its opinion regarding the Yihai Continuing Connected Transactions (including the respective proposed annual caps) contemplated under the Non-exempt Framework Agreements for the purpose of inclusion in this circular.



South China Capital Limited

28/F., Bank of China Tower

No. 1 Garden Road, Central

Hong Kong

24 November 2023

*To the Independent Board Committee and
the Independent Shareholders*

Yihai International Holding Ltd.

Room 1810

No. 2500 Zhenbei Road

Putuo District

Shanghai

The PRC

Dear Sirs,

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

INTRODUCTION

We refer to our engagement as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Yihai Continuing Connected Transactions (including the respective proposed annual caps) contemplated under each of the Haidilao Master Sales Agreement, the Super Hi Master Sales Agreement, the Shuhai Sales Agreement, the JV Condiment Products Sales Agreement and the JV Convenient Ready-to-eat Food Products Sales Agreement, details of which are contained in the letter from the Board (the “**Letter from the Board**”) as set out in the circular dated 24 November 2023 (the “**Circular**”). Unless the context requires otherwise, capitalised terms used in this letter shall have the same meanings as those ascribed in the Circular.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Reference is made to the announcement of the Company dated 17 October 2023 in relation to the Yihai Continuing Connected Transactions (including the respective proposed annual caps) contemplated under each of the Non-exempt Framework Agreements.

On 17 October 2023, the Company entered into each of the the Haidilao Master Sales Agreement, the Super Hi Master Sales Agreement, the Shuhai Sales Agreement, the JV Condiment Products Sales Agreement and the JV Convenient Ready-to-eat Food Products Sales Agreement, for a term of three years from 1 January 2024 to 31 December 2026.

IMPLICATIONS UNDER THE LISTING RULES

Mr. Zhang Yong and his wife Ms. Shu Ping, the non-executive Director and executive Director, together hold approximately 31.44% of the total issued Shares and are therefore controlling Shareholders. Mr. Sean Shi, the Chairman and an executive Director, holds approximately 12.60% of the total issued Shares and is therefore a substantial Shareholder.

The Haidilao Master Sales Agreement

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 and his wife.

Haidilao is therefore a connected person of the Company by virtue of being an associate of the controlling Shareholders, 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 the Directors, the transactions contemplated under the Haidilao Master Sales Agreement, the Super Hi Master Sales Agreement and 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.

Mr. Zhang Yong, together with his wife Ms. Shu Ping, directly or indirectly, hold approximately 60.31% of Haidilao. Mr. Sean Shi, together with his wife, directly or indirectly, hold approximately 9.73 % of Haidilao. In accordance with the Listing Rules, Mr. Zhang Yong, Ms. Shu Ping and Mr. Sean Shi and their respective associates (which, as at the Latest Practicable Date, in aggregate hold 456,489,013 Shares, representing approximately 44.03% of the issued Shares) will abstain from voting on the ordinary resolutions to approve the Haidilao Master Sales Agreement (including the proposed annual caps) at the Extraordinary General Meeting.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Apart from the above, none of the Shareholders have a material interest in the transactions under the Haidilao Master Sales Agreement, and save as disclosed in this circular, no other Shareholder is required to abstain from voting on the proposed resolutions approving the same.

The Super Hi Master Sales Agreement

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, the Chairman and 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, 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 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 the 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.

Mr. Zhang Yong, together with his wife Ms. Shu Ping, directly or indirectly, hold approximately 54.28% of Super Hi. Mr. Sean Shi, together with his wife, directly or indirectly, hold approximately 8.09% of Super Hi. In accordance with the Listing Rules, Mr. Zhang Yong, Ms. Shu Ping and Mr. Sean Shi and their respective associates (which, as at the Latest Practicable Date, in aggregate hold 456,489,013 Shares, representing approximately 44.03% of the issued Shares) will abstain from voting on the ordinary resolutions to approve the Super Hi Master Sales Agreement (including the proposed annual caps) at the Extraordinary General Meeting.

Apart from the above, none of the Shareholders have a material interest in the transactions under the Super Hi Master Sales Agreement, and save as disclosed in this circular, no other Shareholder is required to abstain from voting on the proposed resolutions approving the same.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Shuhai Sales Agreement

Shuhai Supply Chain is held as to approximately 42.72% by Leda Haisheng, approximately 26.17% by Jinghai Investment and approximately 31.11% by 23 independent third parties, none of which holds more than 10% equity interest in it, as at the Latest Practicable Date.

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 the 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 the Directors, the transactions contemplated under the Haidilao Master Sales Agreement, the Super Hi Master Sales Agreement and 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.

In accordance with the Listing Rules, Mr. Zhang Yong, Ms. Shu Ping and Mr. Sean Shi and their respective associates (which as at the Latest Practicable Date, in aggregate hold 456,489,013 Shares, representing approximately 44.03% of the issued Shares) will abstain from voting on the ordinary resolutions to approve the Shuhai Sales Agreement (including the proposed annual caps) at the Extraordinary General Meeting.

Apart from the above, none of the Shareholders have a material interest in the transactions under the Shuhai Sales Agreement, and save as disclosed in this circular, no other Shareholder is required to abstain from voting on the proposed resolutions approving the same.

The JV Framework Sales and Purchase Agreement

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 the 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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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.

In accordance with the Listing Rules, Mr. Zhao Xiaokai (a director of the Joint Venture, which has a material interest in the Joint Venture Framework Sales and Purchase Agreements), Mr. Zhang Yong, Ms. Shu Ping, Mr. Sean Shi and their respective associates (which in aggregate hold 456,649,013 Shares, representing approximately 44.05% of the issued Shares) will abstain from voting on the ordinary resolutions to approve the Joint Venture Framework Sales and Purchase Agreements (including the proposed annual caps) at the Extraordinary General Meeting.

Apart from the above, none of the Shareholders have a material interest in the transactions under the Joint Venture Framework Sales and Purchase Agreement, and save as disclosed in this circular, no other Shareholder is required to abstain from voting on the proposed resolutions approving the same.

An Extraordinary General Meeting will be convened and held for the Independent Shareholders to consider and, if thought fit, approve the Yihai Continuing Connected Transactions (including the respective proposed annual caps).

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, comprising all the three independent non-executive Directors, namely Mr. Yau Ka Chi, Mr. Qian Mingxing, Ms. Ye Shujun, has been established to make recommendation to the Independent Shareholders regarding the Yihai Continuing Connected Transactions (including the respective proposed annual caps) contemplated under each of the Non-exempt Framework Agreements.

As the independent financial adviser to the Independent Board Committee and the Independent Shareholders, our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders as to whether the Yihai Continuing Connected Transactions (including the respective proposed annual caps) contemplated under each of the Non-exempt Framework Agreements are conducted in the ordinary and usual course of

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

business of the Group and on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Company and the Shareholders as a whole, and to give independent advice to the Independent Board Committee and the Independent Shareholders as to whether the Independent Shareholders should vote in favour of the Yihai Continuing Connected Transactions (including the respective proposed annual caps) contemplated under each of the Non-exempt Framework Agreements.

OUR INDEPENDENCE

As at the Latest Practicable Date, we did not have any relationship or interests with the Company that could reasonably be regarded as relevant to our independence. Apart from normal professional fees payable to us in connection with this engagement, no arrangements exist whereby we had received any fees or benefits from the Company or any other party to the transaction that could reasonably be regarded as relevant to our independence. During the past two years, we did not have any engagement with the Company or the Directors, chief executives and substantial Shareholders or any of their associates. Therefore, we consider that we are independent of the Company pursuant to the Listing Rules.

BASIS OF OUR OPINION

In arriving at our recommendation, we have reviewed, among other things, each of the Non-exempt Framework Agreements, the Company's annual report for the financial year ended 31 December 2021 (the "**2021 Annual Report**"), the Company's annual report for the financial year ended 31 December 2022 (the "**2022 Annual Report**") and the Company's interim report for the six months ended 30 June 2023 (the "**2023 Interim Report**"). We have also discussed with the management of the Company (the "**Management**") regarding the commercial implication of the Yihai Continuing Connected Transactions (including the respective annual caps). In addition, we have relied on the information and facts provided by the Company and have assumed that any representations made to us are true, accurate and complete. We have also relied on the statements, information, opinions and representations contained in the Circular and the information and representations provided to us by the Directors and the Management. We have assumed that all information, representations and opinions contained or referred to in the Circular and all information, representations and opinions which have been provided by the Directors and the Management for which they are solely responsible, are true and accurate at the time they were made and will continue to be accurate at the date of the despatch of the Circular.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular the omission of which would make any such statement contained in the Circular misleading. We consider that we have been provided with sufficient information on which to form a reasonable basis for our opinion. We have no reason to suspect that any relevant information has been withheld, nor are we aware of any fact or circumstance which would render the

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

information provided and representations and opinions made to us untrue, inaccurate or misleading. Having made all reasonable enquiries, the Directors have further confirmed that, to the best of their knowledge, they believe there are no other facts or representations the omission of which would make any statement in the Circular, including this letter, misleading. We have not, however, carried out any independent verification of the information provided by the Directors and the Management, nor have we conducted an independent investigation into the business and affairs of the Group, the Haidilao Group, the Super Hi Group, the Shuhai Supply Chain Group and the Joint Venture and its subsidiaries (the “**Joint Venture Group**”).

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendation regarding the Yihai Continuing Connected Transactions (including the respective annual caps), we have taken into consideration the following principal factors and reasons:

1. Information of the Group

1.1 Principal business of the Group

The Group is a leading and fast-growing compound condiment manufacturer in the PRC, primarily focused on the hot pot condiment, Chinese-style compound condiments and convenient ready-to-eat food products market. The Group is the major supplier of hot pot soup flavoring products for Haidilao Group in the PRC. In terms of third-party channels, the Group mainly employs a distributor model to sell our products. The Group is also expanding its sales network in overseas markets.

The principal activities of the Group are researching and developing, manufacturing and selling high-quality hot pot condiments, Chinese-style compound condiments and convenient ready-to-eat food products. As at 30 June 2023, the Group sold a total of 54 hot pot condiment products, 71 Chinese-style compound condiment products, and 60 convenient ready-to-eat food products.

1.2 Financial information of the Group

Set out below is a summary of the consolidated financial information of the Company for the three financial years ended 31 December from 2020 to 2022 as extracted from the 2021 Annual Report and the 2022 Annual Report and for the six months ended 30 June 2022 and 2023 as extracted from the 2023 Interim Report:

	For the year ended 31 December			For the six months ended 30 June	
	2020 <i>(Audited)</i> RMB'000	2021 <i>(Audited)</i> RMB'000	2022 <i>(Audited)</i> RMB'000	2022 <i>(Unaudited)</i> RMB'000	2023 <i>(Unaudited)</i> RMB'000
Revenue	5,360,021	5,942,617	6,147,011	2,688,482	2,616,226
Profit for the year/ period	982,861	857,559	815,986	296,017	376,960

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

	As at 31 December			As at
	2020	2021	2022	30 June
	<i>(Audited)</i>	<i>(Audited)</i>	<i>(Audited)</i>	<i>(Unaudited)</i>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-current assets	1,457,298	2,610,121	2,439,808	2,632,605
Current assets	2,830,036	2,394,957	3,111,485	2,621,606
Current liabilities	705,644	733,302	859,833	561,840
Net current assets	2,124,392	1,661,655	2,251,652	2,059,766
Non-current liabilities	68,103	163,040	154,439	133,543
Net assets	3,513,587	4,108,736	4,537,021	4,558,828

For the year ended 31 December 2021

The Group's total revenue increased by about 10.9% from approximately RMB5,360.0 million for the year ended 31 December 2020 to RMB5,942.6 million for the year ended 31 December 2021. Based on the 2021 Annual Report, such increase in revenue was attributable to the increase in revenue from (i) hot pot condiments and (ii) convenient ready-to-eat-food products.

The Group's net profit decreased by about 12.8% from approximately RMB982.9 million for the year ended 31 December 2020 to RMB857.6 million for the year ended 31 December 2021. Based on the 2021 Annual Report, such decrease was mainly due to the decrease in gross profit margin and the increase in distribution expenses.

As at 31 December 2021, the Group recorded net current assets and net assets of approximately RMB1,661.7 million and RMB4,108.7 million, respectively.

For the year ended 31 December 2022

The Group's total revenue increased by about 3.4% from approximately RMB5,942.6 million for the year ended 31 December 2021 to RMB6,147.0 million for the year ended 31 December 2022. Based on the 2022 Annual Report, such increase in revenue was attributable to the increase in sales revenue from sales to distributors.

The Group's net profit decreased by about 4.8% from approximately RMB857.6 million for the year ended 31 December 2021 to RMB816.0 million for the year ended 31 December 2022. Based on the 2022 Annual Report, such decrease was mainly due to (i) increase in the price of raw materials; (ii) the decrease in gross profit margin; and (iii) the increase in income tax expenses.

As at 31 December 2022, the Group recorded net current assets and net assets of approximately RMB2,251.7 million and RMB4,537.0 million, respectively.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

For the six months ended 30 June 2023

The Group's total revenue slightly decreased by about 2.7% from approximately RMB2,688.5 million for the six months ended 30 June 2022 to RMB2,616.2 million for the six months ended 30 June 2023. Based on the 2023 Interim Report, such decrease in revenue was mainly attributable to the decrease in revenue from convenient ready-to-eat food products.

The Group's net profit increased by approximately 27.4% from approximately RMB296.0 million for the six months ended 30 June 2022 to RMB377.0 million for the six months ended 30 June 2023. Based on the 2023 Interim Report, such increase was mainly attributable to decrease in price of raw materials, higher gross profit margin, reduction in expenses and increase in other gains.

As at 30 June 2023, the Group recorded net current assets and net assets of approximately RMB2,059.8 million and RMB4,558.8 million, respectively.

2. The Haidilao Master Sales Agreement

2.1 Information of Haidilao

Haidilao is a globally leading Chinese cuisine restaurant brand focusing on hot pot cuisine. Haidilao Group is principally engaged in the operation of restaurants and related delivery business in Greater China. As of 30 June 2023, Haidilao operated a total of 1,382 Haidilao restaurants, among which 1,360 were located in the PRC and 22 in Hong Kong, Macau and Taiwan regions.

Set out below is a summary of the key financial information of Haidilao for the two financial years ended 31 December 2021 and 2022 as extracted from the annual report of Haidilao for the year ended 31 December 2022 and the six months ended 30 June 2023 as extracted from the interim report of Haidilao for the six months ended 30 June 2023:

	For the financial year		For the six months	
	ended 31 December	ended 31 December	ended 30 June	ended 30 June
	2021	2022	2022	2023
	(Audited)	(Audited)	(Unaudited)	(Unaudited)
	RMB'000	RMB'000	RMB'000	RMB'000
Total revenue	39,096,727	31,038,634	15,155,472	18,885,854
– Haidilao restaurant operation	37,546,992	28,942,639	14,305,664	17,935,372
– Other restaurant operation	197,709	144,367	67,782	104,636
– Delivery business	629,763	1,280,100	448,185	471,351
– Sales of condiment products and food ingredients	668,358	662,164	321,631	370,229
– Others	53,905	9,364	12,210	4,266
Profit (loss) for the year/ period	(4,161,206)	1,373,216	(267,265)	2,258,886

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

	As at 31 December		As at
	2021	2022	30 June
	<i>(Audited)</i>	<i>(Audited)</i>	<i>(Unaudited)</i>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-current assets	16,615,985	10,932,565	9,961,033
Current assets	11,405,502	10,506,590	13,162,266
Non-current liabilities	10,206,993	6,750,973	6,229,876
Current liabilities	9,885,869	7,232,090	7,578,653
Net assets	7,928,625	7,456,092	9,314,770

2.2 Reasons for 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 existing product scope and expanded the Group's existing business, and has contributed to the profit 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.

The Management advised us that the Haidilao Master Sales Agreement could benefit the Group by providing a significant and stable income stream to it and we note that revenue from the Haidilao Group represented approximately 32.6% and 24.2% of the Group's revenue for the year ended 31 December 2021 and 2022. As advised by the Management, the Group has been supplying the Haidilao Customized Products, the Haidilao Retail Products and the Convenient Ready-to-eat Food Products to the Haidilao Group for years and the transactions contemplated under the Haidilao Master Sales Agreement will continue to be the one of the Group's focuses. We note that the transactions contemplated under the Haidilao Master Sales Agreement are in the ordinary and usual course of the Group's business.

Having considered that (i) the long-term relationship with the Haidilao Group; (ii) the Group's existing business activities; (iii) the historical revenue contribution from the Haidilao Group which could provide the Group with stable income stream; and (iv) the transactions contemplated under the Haidilao Master Sales Agreement are in the ordinary and usual course of the Group's business, we are of the view that transactions contemplated under the Haidilao Master Sales Agreement are on normal commercial terms, in the ordinary and usual course of the Group's business and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

2.3 *Principal terms of the Haidilao Master Sales Agreement*

On 17 October 2023, the Company and Haidilao entered into the Haidilao Master Sales Agreement, pursuant to which the Group agreed to sell the Haidilao Customized Products, the Haidilao Retail Products and the Convenient Ready-to-eat Food Products to the Haidilao Group for a term of three years from 1 January 2024 to 31 December 2026.

The principal terms of the Haidilao Master Sales Agreement are summarized below:

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 products demanded, or the quality of the Haidilao Customized Products supplied by the Group does not fulfil 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 the Haidilao Customized Products.

Sale of Haidilao Customized Products will be made on the basis of individual orders specifying the type of product, purchase volume, sale price and delivery date, etc. The sale 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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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. The Haidilao Retail Products are manufactured with the Group's own formulas. The Haidilao Group is not permitted to sell the Group's products to any third party distributor.

Sale of the Haidilao Retail Products will be made on the basis of individual orders specifying the type of product, purchase volume and delivery date, etc. The sale price for the 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 sale price for the Convenient Ready-to-eat Food Products shall be determined based on the pricing policy as set out below.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Pricing basis

The sale price 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 sale price, (ii) the Group's production cost, including the cost of raw materials, selling and administrative expenses, incurred in connection with the production of Haidilao Customized Products, (iii) the Group's estimated overall net profit margin through sales to 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 sale 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 sale 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 price 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 sale prices of 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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Assessment of the pricing basis

(a) Sale of Haidilao Customized Products

As part of our due diligence, we have reviewed the Group's four records of the reviewing reports regarding the analysis on the sale price, the gross profit margins and the net profit margins between transactions with the related parties (including the Haidilao Group) for the year ended 31 December 2021 and 2022, and noted that its pricing policies for maintaining a consistent, fair and equitable treatment between the related parties (including the Haidilao Group) and other independent third party distributors/customers had been followed.

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

As part of our due diligence, we have independently reviewed 5 sample invoices for each of the year of 2022 and 2023 in relation to the sale of Haidilao Retail Products and Convenient Ready-to-eat Food Products by the Group to each of the Haidilao Group and the third parties, and we have noted that the sale price of such similar products are (i) comparable among each other; and (ii) no more favourable to the Haidilao Group than that of the Group offered to the third parties.

Having considered the above pricing basis of the Haidilao Customized Products, the Haidilao Retail Products and the Convenient Ready-to-eat Food Products, the review of the related reviewing reports and the respective invoices, we are of the view that the pricing basis of the Haidilao Customized Products, the Haidilao Retail Products and the Convenient Ready-to-eat Food Products to the Haidilao Group are on normal commercial terms, in the ordinary and usual course of business of the Group, and fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

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.

Assessment of the payment terms

According to the 2021 Annual Report and the 2022 Annual Report, the trade receivables are generally due for settlement within 30 to 90 days. The majority of the Group's third party sales are conducted through receiving advances from customers before delivering the goods to customers, with only a few customers who are granted with credit periods from 30 to 90 days. The Group's respective trade receivable balances as at 31 December 2021 and 2022 with ageing within three months accounted for about 100%

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

and 100%, respectively. Based on this observation, we consider that the payment terms on a monthly basis for the supply 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 are usual, typical and on normal commercial terms, and therefore are fair and reasonable.

2.4 *The historical transaction amounts, existing annual caps and the proposed annual caps for the Haidilao Master Sales Agreement*

Historical transaction amounts

The table below sets out the historical transaction amounts in relation to the sales of Haidilao Customized Products, Haidilao Retail Products and Convenient Ready-to-eat Food Products pursuant to the Existing Haidilao Master Sales Agreement during the periods indicated below:

	For the year ended/ending 31 December		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Existing annual caps	3,916,000	5,581,402	7,387,695
Actual transaction amounts ^{Note 1}	1,927,251	1,404,040	839,190 (Note 2)
Utilisation rate of the existing annual caps	49.2%	25.2%	N/A (Note 2)
Total revenue of the Group	5,942,617	6,147,011	N/A (Note 3)
Proportion of revenue from the Haidilao Group to the Group's total revenue	32.4%	22.8%	N/A (Note 3)

Notes:

- In December 2022, the Super Hi Group was spun-off from the Haidilao Group (the "Spin-off"). The historical transaction amounts for the years 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.
- The actual transaction amounts for the year 2023 of Haidilao Customized Products, Haidilao Retail Products and Convenient Ready-to-eat Food Products sold by the Group to the Haidilao Group were for the six months ended 30 June 2023. The Management considers that it shall not be appropriate to project the estimated transaction amounts on annualized basis for Haidilao Customized Products, Haidilao Retail Products and Convenient Ready-to-eat Food Products for comparison based on the actual transaction amounts thereof for the six months ended 30 June 2023. As at the Latest Practicable Date, the actual transaction amount has not exceeded the annual cap for the year ending 31 December 2023.
- The Directors consider that it may not be appropriate to make forecast for the Group's total revenue for the full year ending 31 December 2023.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The proposed annual caps

	For the year ending 31 December		
	2024	2025	2026
	RMB'000	RMB'000	RMB'000
Sales to the Haidilao Group	2,880,000	3,420,000	3,990,000

Basis of determination of the proposed annual caps

With reference to the Letter from the Board, we understand that the above proposed annual caps in respect of the Haidilao Customized Products, the Haidilao Retail Products and the Convenient Ready-to-eat Food Products contemplated under the Haidilao Master Sales Agreement were determined by the Group with reference to 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.

We have reviewed a schedule prepared by the Management for each of the three years ending 31 December 2026, which sets out the historical sales amount of each type of the Haidilao Customized Products, the Haidilao Retail Products and the Convenient Ready-to-eat Food Products, and the estimated increase in the Haidilao Group's demand for such food products (about 49% growth for 2024 on the highest actual transaction amounts during the period from 2021 to 2023 (i.e. approximately RMB1,927 million for 2021), 19% growth for 2025 on the preceding year and 17% growth for 2026 on the preceding year).

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We notice that the growth rate for 2024 will be relatively higher as compared to that of 2025 and 2026 but if we compute the compound annual growth rate (the “CAGR”) of the actual transaction amounts for 2021 and the proposed annual cap for 2024, the projected CAGR would only account for about 14%, which we consider to be fair and reasonable. As discussed with and understood from the Management, (i) it shall not be appropriate to project the estimated transaction amount for 2023 based on the actual transaction amount for the six months ended 30 June 2023; (ii) the historical transaction amount in 2022 was greatly distorted/affected by the COVID pandemic and thus it would be more reasonable to use the highest transaction amounts during the period from 2021 to 2023, which could reduce the impact thereof, for determining the annual cap for 2024. We have reviewed the annual report of Haidilao from the year ended 31 December 2021, we note that the CAGR of the Haidilao’s total revenue for 2017 to 2019 (i.e. the review period without the impact of COVID pandemic) was about 58%. In addition, based on our independent research from the public website, according to (i) the statistical information as extracted from the official websites of the National Bureau of Statistics of China, we noted that the revenue from catering in the PRC in the first half of 2023 and eight months ended August 2023 increased by about 21.4% and 19.8%, respectively; and (ii) the annual report of Haidilao for the year ended 31 December 2022, the CAGR of the Haidilao’s total revenue from 2018 to 2022 was about 20%. Taking into account of (1) the projected CAGR of about 14% as mentioned above; (2) the COVID-related restrictions had already been lifted; (3) the recent rebound in the catering industry in the PRC; and (4) the historical revenue growth of Haidilao, we consider the growth rate used in the abovementioned schedule is justifiable, fair and reasonable.

Having considered that the abovementioned annual caps are determined primarily based on (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; (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; (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, we consider that the basis for determining the proposed annual caps under the Haidilao Master Sales Agreement is fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Company and the Shareholders as a whole.

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

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

3. Super Hi Master Sales Agreement

3.1 Information of Super Hi

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

Set out below is a summary of the key financial information of Super Hi for the two financial years ended 31 December 2021 and 2022 as extracted from the annual report of Super Hi for the year ended 31 December 2022 and the six months ended 30 June 2023 as extracted from the interim report of Super Hi for the six months ended 30 June 2023:

	For the financial year		For the six months	
	ended 31 December		ended 30 June	
	2021	2022	2022	2023
	<i>(Audited)</i>	<i>(Audited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Revenue	312,373	558,225	245,839	323,931
Profit (loss) for the year/ period	(150,752)	(41,263)	(51,705)	7,320
			As at	
			As at 31 December	30 June
			2021	2022
			<i>(Audited)</i>	<i>(Audited)</i>
			<i>US\$'000</i>	<i>US\$'000</i>
				<i>(Unaudited)</i>
				<i>US\$'000</i>
Non-current assets	419,991	422,716		443,293
Current assets	206,732	153,396		175,534
Non-current liabilities	217,761	216,845		242,916
Current liabilities	596,144	117,230		118,714
Net assets/(liabilities)	(187,182)	242,037		257,197

3.2 Reasons for 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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Group has established a long-term, stable and mutually beneficial business relationship with the Super Hi Group. Such relationship has been 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.

Referring to the Company's announcement dated 19 December 2022 and the 2022 Annual Report, we have noted that revenue from the Super-Hi Group represented approximately 0.9% and 1.3% of the Group's revenue for each of the two years ended 31 December 2021 and 2022. As advised by the Management, the transactions contemplated under the Super Hi Master Sales Agreement could benefit the Group by providing a stable income stream to it, and the Group has been supplying the flavoring products to the Super Hi Group for years. We have also noted that the transactions contemplated under the Super Hi Master Sales Agreement are in the ordinary and usual course of the Group's business.

Having considered that (i) the long-term and stable business relationship with the Super Hi Group; (ii) the Group's existing business activities; (iii) the historical revenue contribution from the Super Hi Group which could provide the Group with stable income stream; and (iv) the transactions contemplated under the Super Hi Master Sales Agreement are conducted in the ordinary and usual course of the Group's business, we are of the view that transactions contemplated under the Super Hi Master Sales Agreement are on normal commercial terms, in the ordinary and usual course of the Group's business and in the interests of the Company and the Shareholders as a whole.

3.3 Principal terms of the Super Hi Master Sales Agreement

On 17 October 2023, the Company and Super Hi entered into the Super Hi Master Sales Agreement, pursuant to which the Group agreed to sell the Super Hi Customized Products, the Super Hi Retail Products and the Convenient Ready-to-eat Food Products to the Super Hi Group for a term of three years from 1 January 2024 to 31 December 2026.

The principal terms of the Super Hi Master Sales Agreement are summarized below:

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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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, sale price and delivery date, etc. The sale 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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(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 sale price of 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 sale price of 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).

(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 sale 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 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 sale 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 sale prices if there is any significant change in the cost of sales and expenses incurred in connection with Super Hi Customized Products.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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

The sale price 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 price 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.

The independent non-executive Directors will also regularly review and re-assess the sale prices of 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.

Assessment of the pricing basis

(a) Sale of Super Hi Customized Products

As part of our due diligence, we have reviewed the Group's four records of the reviewing reports regarding the analysis on the sale price, the gross profit margins and the net profit margins between transactions with the related parties (including the Super Hi Group) and the independent third parties on half-yearly basis for each of the two years ended 31 December 2021 and 2022, and have noted that its pricing policies for maintaining a consistent, fair and equitable treatment between the related parties (including the Super Hi Group) and other third party distributors/third parties had been followed.

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

As part of our due diligence, we have independently reviewed five sample invoices for each of the two years of 2022 and 2023 in relation to the sale of Super Hi Retail Products and Convenient Ready-to-eat Food Products by the Group to each of the Super Hi Group and the third parties, and we have noted that the sales price of such similar products are (i) comparable among each other; and (ii) no more favourable to the Super Hi Group than that of the Group offered to the third parties.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Having considered the above pricing basis of the Super Hi Customized Products, the Super Hi Retail Products and the Convenient Ready-to-eat Food Products, the review of the related reviewing reports and the respective invoices, we are of the view that the pricing basis of the same food products to the Super Hi Group are on normal commercial terms and conducted in the ordinary and usual course of business of the Group, and fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

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. The maximum allowable credit period from receipt of products by Super Hi Group to settlement is one month, according to the Company's policy.

Assessment of the payment terms

According to the 2021 Annual Report and the 2022 Annual Report, the trade receivables are generally due for settlement within 30 to 90 days. The majority of the Group's third party sales are conducted through receiving advances from customers before delivering the goods to customers, with only a few customers who are granted with credit periods from 30 to 90 days. The Group's respective trade receivable balances as at 31 December 2021 and 2022 with ageing within three months accounted for almost 100% and 100% respectively. Based on this observation, we consider that the maximum allowable credit period from receipt of products by Super Hi Group to settlement (i.e. one month) is on normal commercial terms, fair and reasonable.

3.4 *The historical transaction amounts, existing annual caps and the proposed annual caps for the Super Hi Master Sales Agreement*

Historical transaction amounts

The table below sets out the historical transaction amounts in relation to the sales to the Super Hi Group pursuant to the Existing Super Hi Master Sales Agreement during the periods indicated below:

	For the year ended/ending	
	31 December	
	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Existing annual caps	111,598	152,305
Actual transaction amounts	81,733	46,273
		<i>Note</i>
Utilisation rate of the existing annual caps	73.2%	30.4%
		<i>Note</i>

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Note: The actual transaction amounts for the year 2023 of sales to the Super Hi Group were for the six months ended 30 June 2023. The Management considers that it shall not be appropriate to project the estimated transaction amounts on annualized basis for sales to the Super Hi Group for comparison based on the actual transaction amounts thereof for the six months ended 30 June 2023. As at the Latest Practicable Date, the actual transaction amounts of sales to the Super Hi Group have not exceeded the annual caps for the year ending 31 December 2023.

The proposed annual caps

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

Basis of determination of the proposed annual caps

With reference to the Letter from the Board, we understand that the above proposed annual caps in respect of the Super Hi Customized Products, the Super Hi Retail Products and the Convenient Ready-to-eat Food Products contemplated under the Super Hi Master Sales Agreement were determined by the Group with reference to the factors including the following:

- (i) the historical transaction amounts with the Super Hi Group. According to the annual report of Super Hi for the year ended 31 December 2022, the CAGR of Super Hi's total revenue for 2019 to 2022 was approximately 34%;
- (ii) the prevailing production cost and expenses incurred by the Group in connection with the production of Super Hi Customized Products, Super Hi Products and the 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 (a) improvement in the customer flow, turnover rates and operating performance of the Super Hi Group's restaurants and (b) increase in the number of the Super Hi Group's restaurants under its network expansion plan. The restaurant network of Super Hi expanded from 74 as of 1 January 2021 to 115 as of 30 June 2023 and is expected to continue to grow, including in the countries where the Super Hi Group has business operations, as well as entering new markets whenever opportunities arise, such as the Philippines, Cambodia and various European countries;
- (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 after the COVID-related restrictions were lifted globally.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We have reviewed a schedule prepared by the Management for each of the three years ending 31 December 2026, which set out the historical sales amount of each type of the Super Hi Customized Products and the Super Hi Retail Products and the estimated increase in the Super Hi Group's demand for Super Hi Customized Products, Super Hi Retail Products and Convenient Ready-to-eat Food Products (about 161% growth for 2024 on the actual transaction amounts for 2022 (i.e. approximately RMB82 million), 33% growth for 2025 on the preceding year and 25% growth for 2026 on the preceding year).

We notice that the growth rate for 2024 will be relatively higher as compared to that of 2025 and 2026, but if we compute the CAGR of the actual transaction amounts for 2022 and the proposed annual cap for 2024, the projected CAGR would account for about 61%, which we consider is justifiable. As discussed with and understood from the Management, (i) it shall not be appropriate to project the estimated transaction amount for 2023 based on the actual transaction amount for the six months ended 30 June 2023; (ii) it would be more appropriate to use the full year transaction amount of 2022 for determining the annual cap for 2024. We have reviewed the annual report of Super Hi for the year ended 31 December 2022, we note that the annual growth rate of the Super Hi's total revenue for 2021 to 2022 was about 79% whilst the increase in average revenue per restaurant from 2021 to 2022 was about 56%. In addition, according to the annual report of Super Hi for the year ended 31 December 2022, we also noted that the CAGR of the Super Hi's total revenue from 2019 to 2022 was about 34%. Taking into account of (1) the projected CAGR of about 61% as mentioned above; (2) the COVID-related restrictions had already been lifted globally; (3) the recent rebound in the catering industry in the target overseas markets; (4) the historical revenue growth and average revenue per restaurant of Super Hi Group; and (5) the network expansion plan of Super Hi Group, we consider the growth rate used in the abovementioned schedule is justifiable, fair and reasonable.

Having considered that the abovementioned annual caps are determined primarily based on (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 Products and the 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 (a) improvement in the customer flow, turnover rates and operating performance of the Super Hi Group's restaurants and (b) increase in the number of the Super Hi Group's restaurants under its network expansion 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 after the COVID-related restrictions had already been lifted globally, we consider that the basis for determining the proposed annual caps under the Super Hi Master Sales Agreement is fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

However, the Independent 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.

4. Shuhai Sales Agreement

4.1 Information of Shuhai Supply Chain

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

4.2 Reasons for entering into the Shuhai Sales Agreement

As disclosed in the Letter from the Board, 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.

As advised by the Management, there are currently 30 companies under the Shuhai Supply Chain Group which services their business in 22 key cities in the PRC and caters 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 market by increasing their customer base and offering a wider variety of food and beverage. Hence, the transactions contemplated under the Shuhai Sales Agreement could benefit the Group by expanding the existing product scope and the existing business through the client network of Shuhai Supply Chain. We have noted that the transactions contemplated under the Shuhai Sales Agreement are conducted in the ordinary and usual course of the Group's business.

Having considered the reasons mentioned in the above, we are of the view that transactions contemplated under the Shuhai Sales Agreement are on normal commercial terms, conducted in the ordinary and usual course of the Group's business and in the interests of the Company and the Shareholders as a whole.

4.3 Principal terms of the Shuhai Sales Agreement

On 17 October 2023, the Company and Shuhai Supply Chain entered into the Shuhai Sales Agreement, pursuant to which the Group agreed to supply Shuhai Customized Products and Shuhai Retail Products to the Shuhai Supply Chain Group for a term of three years from 1 January 2024 to 31 December 2026.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The principal terms of the Shuhai Sales Agreement are summarized below:

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 sale price of Shuhai Customized Products and the 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 sale 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 sale 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 sale price shall be determined by the parties after arm's length negotiations with reference to (i) historical sale 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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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

Assessment of the pricing basis

(a) Sale of Shuhai Customized Products

As part of our due diligence, we have reviewed the Group's four records of the reviewing reports regarding the analysis on the sale price, the gross profit margins and the net profit margins between transactions with the related parties (including the Shuhai Group) and the independent third parties on half-yearly basis for each of the two years ended 31 December 2021 and 2022, and have noted that its pricing policies for maintaining a consistent, fair and equitable treatment between the related parties (including the Shuhai Group) and other third party distributors/third parties had been followed.

(b) Sale of Shuhai Retail Products

As part of our due diligence, we have independently reviewed 5 sample invoices for each of the year of 2022 and 2023 in relation to the sale of Shuhai Retail Products by the Group to each of the Shuhai Group and the third parties, and we have noted that the sale price of such similar products are (i) comparable among each other; and (ii) no more favourable to the Shuhai Group than that of Group offered to the third parties.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Having considered the above pricing basis of the Shuhai Customized Products and the Shuhai Retail Products, the review of the related reviewing reports and the respective invoices, we are of the view that the pricing basis of the Shuhai Customized Products and the Shuhai Retail Products to the Shuhai Group are on normal commercial terms, conducted in the ordinary and usual course of business of the Group, and fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

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.

Assessment of the payment terms

According to the 2021 Annual Report and the 2022 Annual Report, the trade receivables are generally due for settlement within 30 to 90 days. The majority of the Group's third party sales are conducted through receiving advances from customers before delivering the goods to customers, with only a few customers who are granted with credit periods from 30 to 90 days. The Group's respective trade receivable balances as at 31 December 2021 and 2022 with ageing within three months accounted for almost 100% and 100%, respectively. Based on this observation, we consider that the payment terms on a monthly basis for the supply of products under the Shuhai Sales Agreement are on normal commercial terms, fair and reasonable.

4.4 The historical amounts, existing annual caps and the proposed annual caps for the Shuhai Sales Agreement

Historical transaction amounts

The table below sets out the historical transaction amounts in relation to the sales of Shuhai Customized Products and Shuhai Retail Products pursuant to the Existing Shuhai Sales Agreement during the periods indicated below:

	For the year ended/ending		
	31 December		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Existing annual caps	84,400	113,360	154,200
Sales to the Shuhai Supply Chain Group	7,767	3,878	1,877 (Note)
Utilisation rate of the existing annual caps	9.2%	3.4%	N/A

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Note: The actual transaction amounts for the year 2023 of Shuhai Customized Products and Shuhai Retail Products sold by the Group to the Shuhai Group were for the six months ended 30 June 2023. The Management considers that it shall not be appropriate to project the estimated transaction amounts on annualized basis for Shuhai Customized Products and Shuhai Retail Products for comparison based on the actual transaction amounts thereof for the six months ended 30 June 2023. As at the Latest Practicable Date, the actual amount of Shuhai Customized Products and Shuhai Retail Products sold by the Group to the Shuhai Group have not exceeded the annual caps for the year ending 31 December 2023.

The proposed annual caps

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

Basis of determination of the proposed annual caps

With reference to the Letter from the Board, we understand that the above proposed annual caps in respect of the Shuhai Customized Products and the Shuhai Retail Products contemplated under the Shuhai Sales Agreement were determined by the Group with reference to the factors including the following:

- (i) the historical sales of Shuhai Customized Products and Shuhai Retail Products by the Group to Shuhai Supply Chain Group, including sales volumes and sale prices and the previously approved annual caps for the three years ended 31 December 2023. The gap between the actual transaction amounts and the previously approved annual caps for the three years ended 31 December 2023 was mainly due to the COVID-related restrictions which led to severe decrease of actual transaction amounts from 2020 to 2022 and that the Company consequently had to suspend its expansion plan with respect to the business-end products through Shuhai Supply Chain. Therefore, the historical transaction amounts in 2021 and 2022 cannot accurately reflect the demand trend after the COVID-related restrictions had already been lifted globally since the end of 2022;
- (ii) the previously approved annual caps for the three years ended 31 December 2023 already included the estimated amount for the business-end products which the Company originally planned to expand from 2021 to 2023, being approximately RMB84.4 million, RMB113.4 million, and RMB154.2 million, respectively. The Company has decided to re-launch its business-end product expansion plan and adjusted the annual caps for each of the three years ending 31 December 2026, showing a slight downsize compared with those for each

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

of the three years ended 31 December 2023, after considering the Company has also planned to develop its own channel for the business-end products to further diversify its client base, instead of relying on its third party distributors;

- (iii) the estimated substantial increase in demand for Shuhai Customized Products and Shuhai Retail Products after taking into account of (a) the great market potential of the Group's newly developed business-end products (such as casual snacks, pre-meal snacks, dry dipping condiments and chicken seasoning products, etc.); (b) the reviving of the catering industry after the COVID-19 pandemic; and (c) the expected increase in the Shuhai Supply Chain Group's sales amount of casual snacks. 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;
- (iv) the estimated overall net profit margin through transacted with independent third party customers in accordance with the pricing formula;
- (v) the prevailing production cost and expenses incurred by the Group in connection with the production of Shuhai Customized Products and Shuhai Retail Products; and
- (vi) the enhancement of the Group's supply capacity and the continuous development and launch of new products by the Group.

We have reviewed a schedule prepared by the Management for the years ending 31 December 2024, 2025 and 2026, which set out the historical sales amount of each type of the Shuhai Customized Products and the Shuhai Retail Products and the expected growth rate (about 724% growth for 2024 on the highest actual transaction amounts during the period from 2021 to 2023 (i.e. approximately RMB8 million for 2021), 59% growth for 2025 on the preceding year and 31% growth for 2026 on the preceding year) for the Shuhai Customized Products and Shuhai Retail Products.

In addition, (i) we note that there would be a substantial expected business growth in 2024 as compared to the highest actual transaction amounts during the period from 2021 to 2023 (i.e. approximately RMB8 million for 2021), but if we compute the CAGR of the actual transaction amounts for 2021 and the proposed annual cap for 2024, the projected CAGR would account for about 102%, which we consider is justifiable. As advised by and understood from the Management, (a) it shall not be appropriate to project the estimated transaction amount for 2023 based on the actual transaction amount for the six months ended 30 June 2023; (b) the historical transaction amount in 2022 was greatly distorted/affected by the COVID pandemic and thus it would be more reasonable to use the highest transaction amounts during the period from 2021 to 2023, which could reduce the impact thereof, for determining the annual cap for 2024; (c) the suspension of the

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

expansion plan with respect to the business-end products through Shuhai Supply Chain due to the COVID-related restrictions during the period from 2020 to 2022; (d) there are currently 30 companies under the Shuhai Supply Chain Group which serves their business in 22 key cities in the PRC and caters more than 2,000 retail clients; and (e) the substantial expected growth of the Shuhai Customized Products and Shuhai Retail Products in 2024 is mainly due to the re-launch of several new business-end products which were suspended during COVID pandemic in the previous years; and (ii) based on our independent research from the public website, according to the statistical information as extracted from the official websites of the National Bureau of Statistics of China, we noted that the revenue from catering industry in the PRC in the first half of 2023 and eight months ended August 2023 increased by about 21.4% and 19.8%, respectively. Taking into account of (1) the projected CAGR of about 102% as mentioned above; (2) the re-launch of new business-end products; (3) the COVID-related restrictions were lifted; and (4) the recent rebound in the catering industry in the PRC, we consider the growth rate used in the abovementioned schedule is justifiable, fair and reasonable.

Having considered that the abovementioned annual caps are determined primarily based on (i) the historical sales of Shuhai Customized Products and Shuhai Retail Products by the Group to Shuhai Supply Chain Group, including sales volumes and sale prices; (ii) the re-launch of the Company's business-end product expansion plan; (iii) the estimated substantial increase in demand for Shuhai Customized Products and Shuhai Retail Products; (iv) the estimated overall net profit margin through sales to independent third party distributors in accordance with the pricing formula; (v) the prevailing production cost and expenses incurred by the Group in connection with the production of Shuhai Customized Products and Shuhai Retail Products; and (vi) the enhancement of the Group's supply capacity and the continuous development and launch of new products by the Group, we consider that the basis for determining the proposed annual caps under the Shuhai Sales Agreement is fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Company and the Shareholders as a whole.

However, the Independent 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.

5. Joint Venture Framework Sales And Purchase Agreements

5.1 Information of the Joint Venture

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

5.2 Reasons for entering into 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 Group, the Company can further ensure that the Convenient Ready-to-eat Food Products to be manufactured by the Joint Venture Group are of satisfactory quality.

The Group's sale of the products of the Joint Venture Group 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.

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 purchases 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. With the continuous launch of new products in the market, as at 31 December 2020, 2021 and 2022 and 30 June 2023, the Group owned 24, 36, 41 and 60 kinds of Convenient Ready-to-eat Products, 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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

5.3 Principal terms of the Joint Venture Framework Sales and Purchase Agreements

On 17 October 2023, the Company and the Joint Venture entered into the JV Condiment Products Sales Agreement and JV Convenient Ready-to-eat Food Products Sales Agreement, pursuant to which (i) the Company (for itself and on behalf of its subsidiaries, other than the Joint Venture Group) agreed to sell condiment products and other food products (e.g. casual snacks or semi-finished ingredients, etc.) to the Joint Venture Group primarily used as raw materials for the manufacture of Convenient Ready-to-eat Food Products under the JV Condiment Products Sales Agreement; and (ii) the Joint Venture (for itself and on behalf of its subsidiaries) agreed to sell Convenient Ready-to-eat Food Products to the Group (other than the Joint Venture Group) under the JV Convenient Ready-to-eat Food Products Sales Agreement, for a term of three years from 1 January 2024 to 31 December 2026.

The principal terms of the Joint Venture Framework Sales and Purchase Agreement are summarized below.

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 transaction

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 Group) agreed to sell condiment products and other food products (e.g. casual snacks or semi-finished ingredients, etc.) to the Joint Venture Group 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 Group).

The quantity of (a) the condiment products and other food products to be sold to the Joint Venture Group; 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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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 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 sale prices of condiment products and other food products (e.g. casual snacks or semi-finished ingredients, etc.) and the purchase price of 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 sale 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 sale price of condiment products and other food products to the Joint Venture Group shall not be less favourable than the sale 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.

Assessment of the pricing basis

(a) Sale of condiment products and other food products

As part of our due diligence, (1) we have reviewed 1 sample invoice for each of the year of 2022 and 2023 in relation to the sale of condiment products by the Group to each of the Joint Venture and independent third parties of the Group; and (2) we have reviewed the Group's four records of the reviewing reports regarding the analysis on the sale price, the gross profit margins and the net profit margins between transactions with the related parties (including the Joint Venture Group) and the independent third parties on half-yearly basis for each of the two years ended 31 December 2021 and 2022, and have

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

noted that its pricing policies for maintaining a consistent, fair and equitable treatment between the related parties (including the Joint Venture Group) and other third party distributors/third parties had been followed; as such, we note that the sale price of similar condiment products are (i) comparable among each other; and (ii) no more favourable to the Joint Venture than that of the Group offered to such independent third parties.

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

As part of our due diligence, we have independently reviewed 5 sample invoices for each of the year of 2022 and 2023 in relation to the purchase of Convenient Ready-to-eat Food Products from the Joint Venture and independent third parties, we note that the purchase price thereof was (i) comparable among each other; and (ii) no less favourable to the Group than that of offered by such independent third parties.

Having considered the above pricing basis regarding the sale of condiment products and other food products and the purchase of Convenient Ready-to-eat Food Products, the review of the respective invoices, we are of the view that the pricing basis of the regarding the sale of condiment products and other food products to and the purchase of Convenient Ready-to-eat Food Products from the Joint Venture are on normal commercial terms, in the ordinary and usual course of business of the Group, and fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

Payment terms

Fees payable under the Joint Venture Framework Sales and Purchase Agreements will be billed within one month after the product delivery in a timely (i.e. within one month after the product delivery according to the Company's policy) and appropriate manner according to terms agreed by both parties and settled within the following month.

Assessment of the payment terms

According to the 2021 Annual Report and the 2022 Annual Report, (i) the trade receivables are generally due for settlement within 30 to 90 days. The majority of the Group's third party sales are conducted through receiving advances from customers before delivering the goods to customers, with only a few customers who are granted with credit periods from 30 to 90 days. The Group's respective trade receivable balances as at 31 December 2021 and 2022 with ageing within three months accounted for about 100% and 100% respectively; and (ii) the credit terms of trade payables granted by the vendors are usually 30 to 90 days and the Group's respective trade payables as at 31 December 2021 and 2022 with ageing three months accounted for about 99.3% and 99.5%. Based on this observation, we consider that the payment and credit terms on a monthly basis for the purchase and supply of products under the Joint Venture Framework Sales and Purchase Agreements are on normal commercial terms, fair and reasonable.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

5.4 The historical transaction amounts, existing annual caps and the proposed annual caps for the Joint Venture Framework Sales and Purchase Agreements

Historical transaction amounts

The table below sets out the historical transaction amounts in relation to the sales of condiment products to and the purchase of Convenient Ready-to-eat Food Products from the Joint Venture Group under the Existing Joint Venture Framework Sales and Purchase Agreements during the periods indicated below:

	For the year ended/ending		
	31 December		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Existing annual caps	886,000	1,367,000	1,998,000
Sales of condiment products	530,000	833,000	1,250,000
Purchase of Convenient Ready-to-eat Food Products	356,000	534,000	748,000
Total actual transaction amounts	185,138	168,054	70,185
			<i>(Note)</i>
Sales of condiment products	101,172	92,294	26,654
			<i>(Note)</i>
Purchase of Convenient Ready-to-eat Food Products	83,966	75,760	43,531
			<i>(Note)</i>
Utilisation rate of the existing annual caps	20.9%	12.3%	N/A

Note: The actual transaction amounts for the year 2023 of sales of condiment products to and purchase of Convenient Ready-to-eat Food Products from the Joint Venture were for the six months ended 30 June 2023. The Management considers that it shall not be appropriate to project the estimated transaction amounts on annualized basis for sales of condiment products to and purchase of Convenient Ready-to-eat Food Products from the Joint Venture for comparison based on the actual transaction amounts thereof for the six months ended 30 June 2023. As at the Latest Practicable Date, the actual amount of sales of condiment products to and purchase of Convenient Ready-to-eat Food Products from the Joint Venture have not exceeded the annual caps for the year ending 31 December 2023.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The proposed annual caps

	For the year ending 31 December		
	2024	2025	2026
	RMB'000	RMB'000	RMB'000
Total	451,000	586,000	762,000
Sales 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	141,000	183,000	238,000

Basis of determination of the proposed annual caps

With reference to the Letter from the Board, we understand that the above proposed annual caps in respect of 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 Group to produce the Convenient Ready-to-eat Food Products, which will be sold by the Joint Venture Group 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 proportionate to the market demand for the Convenient Ready-to-eat Food Products.

We also understand that the 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) the current production costs and expenses incurred in connection with the production of Convenient Ready-to-eat Food Products by the Joint Venture Group; and
- (v) the strong growth and extensive market potential of the Convenient Ready-to-eat Food Products markets in the PRC.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We have reviewed a schedule prepared by the Management for each of the three years ending 31 December 2026, which set out the historical sales amount of the condiment products and other food products and the respective growth rate (about 206% growth for 2024 on the highest actual transaction amounts during the period from 2021 to 2023 (i.e. approximately RMB101 million for 2021), 30% growth for 2025 on the preceding year and 30% growth for 2026 on the preceding year), and the historical purchase amount of each type of the Convenient Ready-to-eat Food Products and the respective expected growth rate (about 68% growth for 2024 on the highest actual transaction amounts during the period from 2021 to 2023 (i.e. approximately RMB84 million for 2021), 30% growth for 2025 on the preceding year and 30% growth for 2026 on the preceding year).

We note that there will be a substantial expected business growth in 2024 (about 206% for the sale of the condiment products and other food products and 68% for the purchase of the Convenient Ready-to-eat Food Products) as compared to the highest actual transaction amounts during the period from 2021 to 2023 (i.e. 2021), but if we compute the CAGR of the actual transaction amounts for 2021 and the proposed annual cap for 2024, the projected CAGR would account for about 45% for the sale of the condiment products and other food products and about 19% for the purchase of the Convenient Ready-to-eat Food Products, which we consider to be reasonable. As advised by and understood from the Management, (a) it shall not be appropriate to project the estimated transaction amount for 2023 based on the actual transaction amount for the six months ended 30 June 2023; (b) the historical transaction amount in 2022 were greatly distorted/affected by the COVID pandemic and thus it would be more reasonable to use the highest transaction amounts in the period from 2021 to 2023, which could reduce the impact thereof, for determining the annual cap for 2024. In addition, based on our independent research from the public website, according to (i) an article from website at Zhihu (<https://zhuanlan.zhihu.com/p/654990650>), we have noted that the market size of casual snacks in the PRC had reached approximately RMB1,165 billion in 2022 and it is currently expected that the same will reach approximately RMB1,210 billion in 2026; (ii) another article from website at AskCI (中商情報網) (<https://m.askci.com/news/chanye/20230419/175303268189798250471334.shtml>), we had further noted that the market size of the convenient food in the PRC was approximately RMB531 billion in 2022, and will increase to approximately RMB559 billion in 2023; (iii) the statistical information as extracted from the official websites of the National Bureau of Statistics of China, we noted that the retail sales of goods of grain, oil and food in the PRC in the first half of 2023 and eight months ended 31 August 2023 had increased by about 4.8% and 4.9%, respectively; and (iv) the annual report of the Company for the FYs from 2019 to 2022, the CAGR of the Company's revenue from Convenient Ready-to-eat Food Products for 2019 to 2022 was about 43%. Taking into account of above observations, we consider the growth rate used in the abovementioned schedule is justifiable, fair and reasonable.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Having considered that the abovementioned annual caps are determined primarily based on (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) the current production costs and expenses incurred therein; and (v) the strong growth and extensive market potential of the Convenient Ready-to-eat Food Products markets in the PRC, we consider that the basis for determining the proposed annual caps under the Joint Venture Framework Sales and Purchase Agreements are fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Company and the Shareholders as a whole.

However, the Independent 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.

6. Internal control measures to govern the Yihai Continuing Connected Transactions

Apart from the reviewing the internal control measures as mentioned in the Letter from the Board, we have further independently reviewed the 2021 Annual Report and 2022 Annual Report, which had disclosed that the independent non-executive Directors have confirmed that the continuing connected transactions contemplated under the Existing Haidilao Master Sales Agreement, Existing Super Hi Master Sales Agreement, Existing Shuhai Sales Agreement and Existing Joint Venture Framework Sales and Purchase Agreement (collectively, the “**Existing Non-exempt Agreements**”) for each of the two years 2021 and 2022 were entered into by the Group: (i) in the ordinary and usual course of its business; (ii) on normal commercial terms or better; and (iii) in accordance with the relevant agreement (including the pricing principles and guidelines set out therein) governing them and on terms that were fair and reasonable and in the interests of the Company and the Shareholders as a whole. In addition, the auditors of the Group had reviewed the continuing connected transactions contemplated under the Existing Non-exempt Agreements for each of the two years 2021 and 2022 and confirmed to the Board that such continuing connected transactions: (a) have received the approval of the Board; (b) were in accordance with the pricing policies of the Group; (c) were entered into in accordance with the relevant agreement governing the transaction; and (d) have not exceeded the relevant annual caps.

Having discussed with the Management and considered the internal control procedures as set out in the Letter from the Board in more details, we are of the view that the internal control procedures adopted by the Company are adequate.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

RECOMMENDATION

Having taken into account the principal factors and reasons as referred to the above, we are of the view that the Yihai Continuing Connected Transactions (including the respective proposed annual caps) are conducted in the ordinary and usual course of business of the Group and on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Shareholders, as well as the Independent Board Committee to recommend the Independent Shareholders, to vote in favour of the resolutions to be proposed at the Extraordinary General Meeting to approve the Yihai Continuing Connected Transactions (including the respective proposed annual caps).

Yours faithfully,
For and on behalf of
South China Capital Limited

Nicholas Cheng
Managing Director

Felix Leung
Associate Director

Note: Mr. Nicholas Cheng and Mr. Felix Leung are licensed persons registered with the Securities and Futures Commission to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. Mr. Nicholas Cheng has extensive experience in corporate finance industry and has participated in, and completed, the provision of independent financial advisory services for numerous connected transactions involving listed companies in Hong Kong. Mr. Felix Leung has over ten years of experience in corporate finance industry.

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

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executives of the Company and their respective associates in the Shares, underlying Shares or debentures of the Company or any of the associated corporations of the Company (within the meaning of Part XV of the SFO), which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

Name of Director	Capacity/nature of interest	Number of ordinary shares	Approximate percentage of shareholding in the total issued share capital (%)
Mr. Sean Shi ⁽¹⁾	Founder of a discretionary trust, interest of controlled corporation, interest of spouse, beneficial owner and beneficiary of a trust	130,592,992(L)	12.60
Ms. Shu Ping ⁽²⁾	Founder of a discretionary trust, interest of controlled corporation, interest of spouse, beneficial owner and beneficiary of a trust	325,896,021(L)	31.44

Name of Director	Capacity/nature of interest	Number of ordinary shares	Approximate percentage of shareholding in the total issued share capital (%)
Mr. Zhang Yong ⁽²⁾	Founder of a discretionary trust, interest of controlled corporation, interest of spouse, beneficial owner and beneficiary of a trust	325,896,021(L)	31.44
Mr. Guo Qiang	Interest of spouse and beneficial owner	500,000(L)	0.05
Mr. Sun Shengfeng	Beneficial owner	200,000(L)	0.02
Mr. Zhao Xiaokai	Beneficial owner	160,000(L)	0.02

(L) denotes a long position

Notes:

- (1) Mr. Sean Shi and Ms. Hailey Lee, as the settlors and protectors, established for their own benefit the SL Trust, which indirectly holds the entire share capital of SYH YIHAI Ltd and LHY YIHAI Ltd, which in turn holds a total of 130,132,992 Shares. For the purpose of the SFO, Mr. Sean Shi and Ms. Hailey Lee are deemed to be interested in the Shares in which SYH YIHAI Ltd and LHY YIHAI Ltd are interested.

Mr. Sean Shi is the spouse of Ms. Hailey Lee and is deemed to be interested in the same number of the Shares in which Ms. Hailey Lee is interested for the purpose of the SFO. Ms. Hailey Lee is the spouse of Mr. Sean Shi and is deemed to be interested in the same number of Shares in which Mr. Sean Shi is interested for the purpose of the SFO.

- (2) Mr. Zhang Yong and Ms. Shu Ping, as the settlors and protectors, established for their own benefit the ZYSP Trust, which holds the entire share capital of (i) ZYSP YIHAI Ltd, which in turn holds 236,814,275 Shares, and (ii) SP YH Ltd, which in turn holds 88,621,746 Shares. For the purpose of the SFO, Mr. Zhang Yong and Ms. Shu Ping are deemed to be interested in the Shares in which ZYSP YIHAI Ltd and SP YH Ltd are interested.

Mr. Zhang Yong is the spouse of Ms. Shu Ping and is deemed to be interested in the same number of Shares in which Ms. Shu Ping is interested for the purpose of the SFO. Ms. Shu Ping is the spouse of Mr. Zhang Yong and is deemed to be interested in the same number of Shares in which Mr. Zhang Yong is interested for the purpose of the SFO.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executives of the Company and their respective associates has or is deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8

of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO); or which will be required to be recorded in the register to be kept by the Company pursuant to Section 352 of the SFO, or which will be required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

3. SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, the followings are the persons, other than the Directors or chief executives of the Company, who had interests or short positions in the Shares and underlying Shares which would be required to be notified to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO; or as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of Part XV of the SFO:

Name of substantial Shareholder	Capacity/nature of interest	Number of Ordinary Shares	Approximate percentage of shareholding in the total issued share capital (%)
UBS Trustees (B.V.I.) Limited ⁽¹⁾	Trustee (other than a bare trustee)	325,436,021(L)	31.39
ZYSP YIHAI Ltd ⁽¹⁾	Beneficial owner	236,814,275(L)	22.84
Cititrust Private Trust (Cayman) Limited ⁽²⁾	Trustee (other than a bare trustee)	130,132,992(L)	12.55
Hailey Lee ⁽²⁾	Founder of a discretionary trust, interest of controlled corporation and interest of spouse	130,592,992(L)	12.60
Twice Happiness Limited ⁽²⁾	Interest of controlled corporation	130,132,992(L)	12.55
SYH YIHAI Ltd ⁽²⁾	Beneficial owner	88,621,746(L)	8.55
SP YH Ltd ⁽¹⁾	Beneficial owner	88,621,746(L)	8.55
UBS Group AG ⁽³⁾	Interest of controlled corporation	62,888,487(L)	6.07
JLJH YIHAI Ltd ⁽⁴⁾	Beneficial owner and nominee for another person	66,568,000(L)	6.42
Vistra Trust (HK) Limited ⁽⁴⁾	Trustee (other than a bare trustee)	66,568,000(L)	6.42

(L) denotes a long position

Notes:

- (1) ZYSP Trust is a discretionary trust set up by Mr. Zhang Yong and Ms. Shu Ping as the settlors and Mr. Zhang Yong as protector on 1 June 2016 with UBS Trustees (B.V.I.) Limited acting as trustee for the benefit of themselves and their family. The entire share capital of ZYSP YIHAI Ltd is wholly owned by UBS Trustees (B.V.I.) Limited as the trustee of the ZYSP Trust. Mr. Zhang Yong and Ms. Shu Ping (as founders of the ZYSP Trust) and UBS Trustees (B.V.I.) Limited are taken to be interested in the Shares held by ZYSP YIHAI Ltd for the purpose of the SFO.

SP Trust is a discretionary trust set up by Ms. Shu Ping as the settlor and protector on 31 December 2020 with UBS Trustees (B.V.I.) Limited acting as trustee for the benefit of herself, Mr. Zhang Yong and their family. The entire share capital of SP YH Ltd is wholly owned by UBS Trustees (B.V.I.) Limited as the trustee of the SP Trust. Ms. Shu Ping (as founder of the SP Trust) and UBS Trustees (B.V.I.) Limited are taken to be interested in the Shares held by SP YH Ltd for the purpose of the SFO.

- (2) SL Trust is a discretionary trust set up by Mr. Sean Shi and Ms. Hailey Lee as the settlors and protectors on 2 June 2016 for their own benefit. The entire share capital of SYH YIHAI Ltd and LHY YIHAI Ltd is wholly owned by Twice Happiness Limited and ultimately owned by Cititrust Private Trust (Cayman) Limited as the trustee of the SL Trust. Mr. Sean Shi and Ms. Hailey Lee (as founders of the SL Trust), Twice Happiness Limited and Cititrust Private Trust (Cayman) Limited are taken to be interested in the Shares held by SYH YIHAI Ltd and LHY YIHAI Ltd for the purpose of the SFO. Mr. Sean Shi is the spouse of Ms. Hailey Lee and is deemed to be interested in the same number of Shares in which Ms. Hailey Lee is interested for the purpose of the SFO. Ms. Hailey Lee is the spouse of Mr. Sean Shi and is deemed to be interested in the same number of Shares in which Mr. Sean Shi is interested for the purpose of the SFO.
- (3) UBS Group AG is interested in 62,888,487 Shares in long position as interest of corporation controlled by it via wholly owned subsidiaries.
- (4) Vistra Trust (Hong Kong) Limited is the trustee and JLJH YIHAI Ltd is the nominee to administer the RSU Scheme. JLJH YIHAI Ltd holds the Shares underlying the RSU granted by us for the benefit of eligible participants pursuant to the RSU Scheme.

Save as disclosed above, as at the Latest Practicable Date, the Directors and the chief executives of the Company are not aware of any other person (other than the Directors or chief executives of the Company) who had an interest or short position in the Shares or underlying Shares of the Company which would be required to be notified to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO; or as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

4. QUALIFICATIONS AND CONSENT

The following is the qualifications of the expert who has given its opinion or advice which is contained in this circular:

Name	Qualifications
South China Capital Limited	A licensed corporation to carry out type 6 (advising on corporate finance) regulated activities under the SFO

- (a) As at the Latest Practicable Date, South China Capital Limited had not had any beneficial interest in the share capital of any member of the Group, did not have any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group and did not have any interest, either directly or indirectly, in any assets which had been, since 31 December 2022, being the date of the latest published audited accounts of the Company, acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.

- (b) South China Capital Limited has given and has not withdrawn its written consent to the issue of this circular with inclusion of its opinion and letter, as the case may be, and the references to its name included herein in the form and context in which they respectively appear.

5. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors confirmed that there has been no material adverse change in the financial or trading positions of the Company since 31 December 2022, being the date to which the latest published audited financial statements of the Company have been made up.

6. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration proceedings of material importance and there was no litigation or claim of material importance known to the Directors to be pending or threatened against any member of the Group.

7. SERVICE CONTRACT OF THE DIRECTORS

As at the Latest Practicable Date, none of the Directors had entered into any service contract with any member of the Group nor were there any other service contracts proposed which would not expire or to be determinable by the member of the Group within one year without payment of compensation (other than statutory compensation).

8. INTERESTS OF DIRECTORS

- (a) The Directors are not aware of any Director or his/her respective associates having, as at the Latest Practicable Date, any interest in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group which would be required to be disclosed under the Listing Rules.
- (b) Save as disclosed in the section headed “Directors’ Report – Connected and Continuing Connected Transactions” of the Company’s 2022 Annual Report, the announcement of the Company dated 17 October 2023 and this circular, no Director was materially interested in any contract or arrangement subsisting at the Latest Practicable Date which was significant to the business of the Group taken as a whole.
- (c) Since 31 December 2022, being the date of the latest published audited consolidated accounts of the Company, none of the Directors has, or has had, any direct or indirect interest in any assets which have been acquired or disposed of by or leased to or which are proposed to be acquired, disposed of by or leased to, any member of the Group.

9. GENERAL

- (a) The registered office of the Company is P.O. Box 31119, Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205, Cayman Islands.
- (b) The corporate headquarters of the Company in the PRC is Room 1810, No. 2500 Zhenbei Road, Putuo District, Shanghai, PRC.
- (c) The principal place of business of the Company in Hong Kong is 40th Floor, Dah Sing Financial Centre, No. 248 Queen's Road East, Wanchai, Hong Kong.
- (d) The Company's principal share registrar and transfer agent in the Cayman Islands is Suntera (Cayman) Limited, at Suite 3204, Unit 2A, Block 3, Building D, P.O. Box 1586, Gardenia Court, Camana Bay, Grand Cayman, KY1-1100, Cayman Islands.
- (e) The Company's Hong Kong branch share registrar is Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (f) The English text of this circular and the accompanying form of proxy shall prevail over the Chinese text in the case of any inconsistency.

10. DOCUMENTS ON DISPLAY

Copies of the following documents will be displayed on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.yihchina.com) for 14 days from the date of this circular:

- (a) the Haidilao Master Sales Agreement entered into between the Company and Haidilao;
- (b) the Super Hi Master Sales Agreement entered into between the Company and Super Hi;
- (c) the Shuhai Sales Agreement entered into between the Company and Shuhai Supply Chain;
- (d) the JV Condiment Products Sales Agreement entered into between the Company and the Joint Venture;
- (e) the JV Convenient Ready-to-eat Food Products Sales Agreement entered into between the Company and the Joint Venture;
- (f) the letter of recommendation from the Independent Board Committee, the text of which is set out on pages 44 to 45 of this circular;

- (g) the letter of advice issued by South China Capital Limited, being the Independent Financial Adviser, the text of which is set out on pages 46 to 86 of this circular; and
- (h) the written consent referred to in paragraph 4 of this Appendix I.

NOTICE OF EXTRAORDINARY GENERAL MEETING



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)

NOTICE OF EXTRAORDINARY GENERAL MEETING

Unless otherwise specified, terms defined in this notice shall have the same meanings in the circular of Yihai International Holding Ltd. (“**the Company**”) dated 24 November 2023 (the “**Circular**”). Details regarding the resolutions in this notice are set out in the Circular.

NOTICE IS HEREBY GIVEN that the extraordinary general meeting (“**Extraordinary General Meeting**”) of the Company will be held at Meeting Room, 3rd Floor, Yihai International Holding Ltd. Building, 2300 Huxinan Road, Yushan District, Ma’anshan City, Anhui Province, PRC on Wednesday, 13 December 2023, at 10:00 a.m. for the following purposes:

AS ORDINARY RESOLUTIONS

1. “THAT

- (i) the master sales agreement (the “**Haidilao Master Sales Agreement**”) dated 17 October 2023 entered into between the Company and Haidilao International Holding Ltd. (“**Haidilao**” and together with its subsidiaries, the “**Haidilao Group**”) in relation to the sale of (a) Haidilao Customized Products; (b) Haidilao Retail Products; and (c) Convenient Ready-to-eat Food Products to the Haidilao Group, and the transactions contemplated thereunder be and are hereby approved,
- (ii) the proposed annual caps in relation to the transactions contemplated under the Haidilao Master Sales Agreement as specified below be and are hereby approved, ratified and confirmed:

For the year ending 31 December 2024	For the year ending 31 December 2025	For the year ending 31 December 2026
RMB2,880,000,000	RMB3,420,000,000	RMB3,990,000,000

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (iii) any director of the Company be and is hereby authorized for and on behalf of the Company to sign, seal, execute, perfect, deliver and do all such documents, deeds, acts, matters and things as he/she may in his/her discretion consider necessary or desirable or expedient for the purpose of or in connection with the Haidilao Master Sales Agreement and to make and agree such variations of a non-material nature in or to the terms of the Haidilao Master Sales Agreement as he/she may in his/her discretion consider to be desirable and in the interests of the Company.”

2. “THAT

- (i) the master sales agreement (the “**Super Hi Master Sales Agreement**”) dated 17 October 2023 entered into between the Company and Super Hi International Holding Ltd. (“**Super Hi**” and together with its subsidiaries, the “**Super Hi Group**”) in relation to the sale of (a) Super Hi Customized Products; (b) Super Hi Retail Products; and (c) Convenient Ready-to-eat Food Products to the Super Hi Group, and the transactions contemplated thereunder be and are hereby approved,
- (ii) the proposed annual caps in relation to the transactions contemplated under the Super Hi Master Sales Agreement as specified below be and are hereby approved, ratified and confirmed:

For the year ending 31 December 2024	For the year ending 31 December 2025	For the year ending 31 December 2026
RMB213,000,000	RMB283,000,000	RMB355,000,000

- (iii) any director of the Company be and is hereby authorized for and on behalf of the Company to sign, seal, execute, perfect, deliver and do all such documents, deeds, acts, matters and things as he/she may in his/her discretion consider necessary or desirable or expedient for the purpose of or in connection with the Super Hi Master Sales Agreement and to make and agree such variations of a non-material nature in or to the terms of the Super Hi Master Sales Agreement as he/she may in his/her discretion consider to be desirable and in the interests of the Company.”

NOTICE OF EXTRAORDINARY GENERAL MEETING

3. “THAT

- (i) the sales agreement (the “**Shuhai Sales Agreement**”) dated 17 October 2023 entered into between the Company and Shuhai (Beijing) Supply Chain Management Co., Ltd. (“**Shuhai Supply Chain**”, and together with its subsidiaries, the “**Shuhai Supply Chain Group**”) in relation to the sale of (a) Shuhai Customized Products; and (b) Shuhai Retail Products to the Shuhai Supply Chain Group, and the transactions contemplated thereunder be and are hereby approved;
- (ii) the proposed annual caps in relation to the transactions contemplated under the Shuhai Sales Agreement below be and are hereby approved, ratified and confirmed:

For the year ending 31 December 2024	For the year ending 31 December 2025	For the year ending 31 December 2026
RMB64,000,000	RMB102,000,000	RMB134,000,000

- (iii) any director of the Company be and is hereby authorized for and on behalf of the Company to sign, seal, execute, perfect, deliver and do all such documents, deeds, acts, matters and things as he/she may in his/her discretion consider necessary or desirable or expedient for the purpose of or in connection with the Shihai Sales Agreement and to make and agree such variations of a non-material nature in or to the terms of the Shuhai Sales Agreement as he/she may in his/her discretion consider to be desirable and in the interests of the Company.”

4. “THAT

- (i) the condiment products sales agreement (the “**JV Condiment Products Sales Agreement**”) dated 17 October 2023 entered into between the Company and Fuhai (Shanghai) Food Technology Co., Ltd. (the “**Joint Venture**”) in relation to the sale of condiment products and other food products (e.g. casual snacks or semi-finished ingredients, etc.) by the Company and its subsidiaries (excluding the Joint Venture and its subsidiaries) to the Joint Venture and its subsidiaries, and the convenient ready-to-eat food products sales agreement (the “**JV 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 Company and its subsidiaries (excluding the Joint Venture and its subsidiaries) (the JV Condiment Products Sales Agreement and the JV Convenient Ready-to-eat Food Products Sales Agreement are collectively referred to as the “**Joint Venture Framework Sales and Purchase Agreements**”), and the transactions contemplated thereunder be and are hereby approved;

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (ii) the proposed annual caps in relation to the transactions contemplated under the Joint Venture Framework Sales and Purchase Agreements below be and are hereby approved, ratified and confirmed:

For the year ending 31 December 2024	For the year ending 31 December 2025	For the year ending 31 December 2026
RMB451,000,000	RMB586,000,000	RMB762,000,000

- (iii) any director of the Company be and is hereby authorized for and on behalf of the Company to sign, seal, execute, perfect, deliver and do all such documents, deeds, acts, matters and things as he/she may in his/her discretion consider necessary or desirable or expedient for the purpose of or in connection with the Joint Venture Framework Sales and Purchase Agreements and to make and agree such variations of a non-material nature in or to the terms of the Joint Venture Framework Sales and Purchase Agreements as he/she may in his/her discretion consider to be desirable and in the interests of the Company.”

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

Hong Kong
24 November 2023

Notes:

- (1) Any member entitled to attend and vote at the meeting is entitled to appoint one or more proxies (if such member is the holder of two or more shares) to attend and to vote instead of them. A proxy need not be a member of the Company. Completion and return of the form of proxy will not preclude a member of the Company from attending the Extraordinary General Meeting and vote in person. In such event, his/her form of proxy will be deemed to have been revoked.
- (2) Where there are joint holders of any share, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he/she was solely entitled thereto, but if more than one of such joint holders be present at any meeting, the vote of the senior 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 shall be determined by the order in which the names stand in the register of members in respect of the joint holding.
- (3) A form of proxy for use at the meeting is enclosed.
- (4) To be valid, the form of proxy, together with the power of attorney or other authority, if any, under which it is signed or a certified copy of such power or authority, must be deposited at the Company's branch share registrar in Hong Kong, 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 appointed for holding the meeting or adjourned meeting.
- (5) The voting at the Extraordinary General Meeting will be taken by poll.

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (6) The register of members of the Company will be closed from Friday, 8 December 2023 to Wednesday, 13 December 2023, both days inclusive, in order to determine the eligibility of the shareholders to attend and vote at the Extraordinary General Meeting. The shareholders whose names appear on the register of members of the Company at the close of business on Friday, 8 December 2023 will be entitled to attend and vote at the Extraordinary General Meeting. In order to be eligible to attend and vote at the Extraordinary General Meeting, all transfers accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong before 4:30 p.m. on Thursday, 7 December 2023.
- (7) In case any extreme conditions caused by a bad weather announced by the government is/are in force at or at any time after 7:00 a.m. on the date of the meeting, the meeting will be adjourned. The Company will post an announcement on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.yihchina.com).

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