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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.

颐海國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1579)

**(1) CONTINUING CONNECTED TRANSACTIONS
VARIATION OF TERMS OF THE MASTER SALES AGREEMENT
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 Conference Room 206, 2nd Floor, Building 6, Songlei Office Building, Heng Song Yuan, Middle Road of South 3rd Ring Road, Fengtai District, Beijing, PRC on Friday, 27 April 2018 at the later of 2:30 p.m. or immediately following the conclusion of the AGM is set out on pages 34 to 35 of this circular.

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 Hong Kong share registrar of the Company, 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.

The English and Chinese versions of this circular and the accompanying form of proxy are available on the Company's website at www.yihchina.com and the website of the Stock Exchange at www.hkexnews.hk.

12 April 2018

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DEFINITIONS

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

“2017 Circular”	the circular of the Company dated 18 October 2017 in relation to the Haidilao Continuing Connected Transactions and the Annual Caps
“2017 Poll Results Announcement”	the poll results announcement of the Company dated 6 November 2017 in relation to the poll results of the resolutions provided in the 2017 Circular
“Annual Caps”	the revised annual caps for the Haidilao Continuing Connected Transactions for the years ending 31 December 2017 and 2018, as approved by the then independent Shareholders at the extraordinary general meeting of the Company held on 6 November 2017
“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
“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 transactions(s)”	has the meaning ascribed thereto in the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed thereto in the Listing Rules
“Director(s)”	director(s) of the Company
“Extraordinary General Meeting”	the extraordinary general meeting of the Company to be held on Friday, 27 April 2018 to consider and if thought fit, approve, the New Continuing Connected Transactions, or any adjournment thereof
“Group”	the Company and its subsidiaries

DEFINITIONS

“Haidilao Continuing Connected Transactions”	the sale of Haidilao Customized Products, Haidilao Retail Products and Small Hotpot Products to the Haidilao Group pursuant to the Master Sales Agreement, which are approved by the then independent Shareholders at the extraordinary general meeting of the Company held on 6 November 2017
“Haidilao Customized Products”	hotpot soup flavoring and Chinese-style compound condiment products manufactured using formulas owned by Haidilao Group for use in its hotpot restaurants
“Haidilao Group”	Singapore Haidilao and its subsidiaries, the principal business of which is to operate hot pot restaurant chain in the PRC and overseas countries
“Haidilao Retail Products”	retail hotpot soup flavouring, hotpot dipping sauce and Chinese-style compound condiment products manufactured using formulas the Group owns for display and sale to consumers in Haidilao Group hot pot restaurants, which are the same products as those sold by the Group through Independent Third Party distributors
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board comprising all independent non-executive Directors, namely Mr. Yau Ka Chi, Mr. Qian Mingxing and Ms. Ye Shujun, established to advise the Independent Shareholders on the New Continuing Connected Transactions
“Independent Financial Adviser” or “First Shanghai”	First Shanghai 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 on in relation to the New Continuing Connected Transactions
“Independent Shareholders”	has the meaning ascribed to it under the Listing Rules; and in relation to approving the New Continuing Connected Transactions at the Extraordinary General Meeting, means the Shareholders other than Mr. Zhang Yong, Ms. Shu Ping, Mr. Shi Yonghong and their respective associates
“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

DEFINITIONS

“Jingyuan Investment”	Jiayang City Jingyuan Investment Co., Ltd.* (簡陽市靜遠投資有限公司), a limited liability company established in the PRC on 13 March 2009, which is held as to 68% by Mr. Zhang Yong and Ms. Shu Ping (the controlling shareholders) and 32% by Mr. Shi Yonghong (a non-executive Director) and his wife
“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
“Latest Practicable Date”	6 April 2017, being the latest practicable date prior to the printing of this circular for ascertaining certain information herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
“Master Sales Agreement”	the master sales agreement dated 24 June 2016 (as supplemented by the Supplemental Master Sales Agreement) entered into among Sichuan Haidilao, Singapore Haidilao and Yihai Shanghai, an indirectly wholly owned subsidiary of the Company, to regulate the sale of Haidilao Customized Products, Haidilao Retail Products and Small Hotpot Products by the Group to the Haidilao Group
“New Continuing Connected Transactions”	the Second Supplemental Master Sales Agreement and the transactions contemplated thereunder
“PRC”	the People’s Republic of China, excluding for the purpose of this circular, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Proposed Amendment(s)”	the principal proposed amendment(s) to the Master Sales Agreement pursuant to the Second Supplemental Master Sales Agreement
“Prospectus”	the Company’s prospectus dated 30 June 2016
“RMB”	Renminbi, the lawful currency of the PRC
“Second Supplemental Master Sales Agreement”	the second supplemental master sales agreement dated 22 March 2018 entered into between Singapore Haidilao and Yihai Shanghai to vary certain terms of the Master Sales Agreement
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as amended, supplemental or otherwise modified from time to time

DEFINITIONS

“Shareholders”	holder(s) of the Shares
“Share(s)”	ordinary share(s) in the share capital of the Company with nominal value of US\$0.00001 each
“Sichuan Haidilao”	Sichuan Haidilao Catering Corporation Ltd.* (四川海底撈餐飲股份有限公司), a joint stock limited liability company established in the PRC and is directly held as to approximately 33.5% by Mr. Zhang Yong and Ms. Shu Ping (the controlling shareholders), 50% by Jingyuan Investment and 16% by Mr. Shi Yonghong (the non-executive Director) and his wife
“Singapore Haidilao”	HAI DI LAO HOLDINGS PTE. LTD., a limited liability company incorporated in Singapore and is indirectly held as to approximately 62.7% by Mr. Zhang Yong and Ms. Shu Ping (controlling shareholders) and 29.7% by Mr. Shi Yonghong (a non-executive Director) and his wife
“Small Hotpot Products”	the self-serving small hotpot 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
“Supplemental Master Sales Agreement”	the supplemental master sales agreement dated 18 September 2017 entered into between Sichuan Haidilao, Singapore Haidilao and Yihai Shanghai, an indirectly wholly owned subsidiary of the Company, to regulate the sale of Small Hotpot Products by the Group to the Haidilao Group
“Termination Agreement”	the termination agreement dated 22 March 2018 entered into between Sichuan Haidilao and Yihai Shanghai, pursuant to which the rights and obligations between Yihai Shanghai and Sichuan Haidilao under the Master Sales Agreement are discharged and terminated
“Yihai Shanghai”	Yihai (Shanghai) Food Co., Ltd. (頤海(上海)食品有限公司), a foreign investment enterprise established in the PRC and an indirectly wholly owned subsidiary of the Company
“%”	per cent

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:

Ms. Dang Chunxiang

Mr. Sun Shengfeng

Ms. Shu Ping

Non-executive Directors:

Mr. Shi Yonghong (Chairman)

Mr. Zhang Yong

Mr. Pan Di

Independent Non-executive Directors:

Mr. Yau Ka Chi

Mr. Qian Mingxing

Ms. Ye Shujun

Registered office:

P.O. Box 31119 Grand Pavilion

Hibiscus Way

802 West Bay Road

Grand Cayman

KY1 - 1205 Cayman Islands

Corporate Headquarters:

1st and 2nd Floors, Building 6

Songlei Office Building

Heng Song Yuan

Middle Road of South 3rd Ring Road

Fengtai District

Beijing, PRC

Principal place of business in Hong Kong:

18/F., Tesbury Centre

28 Queen's Road East

Wan Chai, Hong Kong

12 April 2018

To the Shareholders

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS
VARIATION OF TERMS OF THE MASTER SALES AGREEMENT**

INTRODUCTION

The purpose of this circular is to provide you with information in connection with the proposal to be put forward at the Extraordinary General Meeting to consider: the variation of terms of the Master Sales Agreement as contemplated under the Second Supplemental Master Sales Agreement. This

LETTER FROM THE BOARD

circular contains the explanatory statement in compliance with the Listing Rules and to give 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 34 to 35 of this circular.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

Reference is made to (i) the Prospectus in relation to the Master Sales Agreement, (ii) the 2017 Circular, (iii) the extraordinary general meeting of the Company held on 6 November 2017, at which the resolutions provided in the 2017 Circular were passed by the then independent Shareholders of the Company, and (iv) is also made to the announcement of the Company dated 22 March 2018 in relation to the proposed variation of terms of the Master Sales Agreement. Reference is also made to the Termination Agreement pursuant to which the rights and obligations between Yihai Shanghai and Sichuan Haidilao under the Master Sales Agreement are discharged and terminated as Sichuan Haidilao had transferred its restaurant business, assets and liabilities to Singapore Haidilao.

On 22 March 2018, Yihai Shanghai and Singapore Haidilao entered into the Second Supplemental Master Sales Agreement to amend certain terms of the Master Sales Agreement.

A. THE SECOND SUPPLEMENTAL MASTER SALES AGREEMENT

Date:

22 March 2018

Parties:

- (1) Yihai Shanghai
- (2) Singapore Haidilao

The Proposed Amendments to the terms of the Master Sales Agreement made by the Second Supplemental Master Sales Agreement are summarized below.

1. Sale of products

The Master Sales Agreement currently provides that the Group is the sole supplier of Haidilao Customized Products to the Haidilao Group for use in its hotpot restaurants in the PRC, save to the extent that the Haidilao Group may engage other suppliers in the event that the Group is unable to satisfy the quantity of the products demanded, after discussion with the Group and upon obtaining the Group's written consent. Upon fulfillment of certain requirements relating to mass production and standardization and upon confirmation of the types of products required, the Group shall be recognized as the sole supplier of the Haidilao Customized Products to the Haidilao Group for use in its overseas hotpot restaurants.

LETTER FROM THE BOARD

It is proposed that the Group remains to be the sole supplier of Haidilao Customized Products to the Haidilao Group for use in its hotpot restaurants in the PRC. Upon fulfillment of certain requirements relating to mass production and standardization and upon confirmation of the types of products required, the Group shall be recognized as the sole supplier of the Haidilao Customized Products to the Haidilao Group for use in its overseas hotpot restaurants (including those in Hong Kong, Macau and Taiwan). However, 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 fulfil the specifications of the Haidilao Group, and the matter cannot be resolved within a reasonable period (not longer than 30 days) after consultation with the Group, the Haidilao Group may engage other suppliers.

2. **Termination**

The Master Sales Agreement currently provides that subject to compliance with applicable laws and regulations (including but not limited to the Listing Rules) and requirements of securities regulatory authorities, the Master Sales Agreement may be automatically renewed for a further term of three years from time to time, unless: (i) Yihai Shanghai notifies Sichuan Haidilao and Singapore Haidilao to the contrary with one month's written notice prior to the expiry of the term of the Master Sales Agreement; (ii) the parties thereto agree in writing to terminate the Master Sales Agreement during its term; or (iii) the 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 Master Sales Agreement, the parties thereto may amend the terms of the Master Sales Agreement based on the then prevailing circumstances.

It is proposed that subject to compliance with applicable laws and regulations (including but not limited to the Listing Rules) and requirements of securities regulatory authorities, the Master Sales Agreement may be automatically renewed for a further term of three years from time to time, unless: (a) the parties thereto agree in writing to terminate the Master Sales Agreement during its term; or (b) the 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 Master Sales Agreement, the parties thereto may amend the terms of the Master Sales Agreement based on the then prevailing circumstances.

Save for the Proposed Amendments as stated above, all other principal terms and conditions of the Master Sales Agreement shall remain in full force and effect. The Annual Caps for the transactions contemplated under the Master Sales Agreement remain unchanged (please refer to the 2017 Circular and the 2017 Poll Results Announcement for details).

The Second Supplemental Master Sales Agreement is conditional upon the approval of the New Continuing Connected Transactions by the Independent Shareholders at the Extraordinary General Meeting.

LETTER FROM THE BOARD

B. REASONS FOR THE PROPOSED AMENDMENTS

In order to enhance the effectiveness of the cooperation between the Group and the Haidilao Group, strengthen the basis for long-term cooperation, and implement their respective businesses, management, operations and capital strategies, the parties entered into the Second Supplemental Master Sales Agreement.

The above-mentioned proposed amendments regarding “1. Sales of products”, in the event that the Group fails to meet the quantity of products or product quality required by Haidilao, on one hand, have provided a reasonable time limit for both parties to solve the problem together. On the other hand, they have simplified the coordination mechanism of both parties, which will improve the efficiency of cooperation between the two parties, and stimulate and urge both parties to further enhance their capabilities in businesses, management, and operations.

The above-mentioned proposed amendments regarding “2. Termination” have canceled the Group’s right to unilaterally terminate cooperation one month prior to the expiry of the agreement. On one hand, the Haidilao Group is currently the Group’s largest sole customer. On the other hand, the Group is also the largest supplier of soup flavoring products for the Haidilao Group. The long-term and stable cooperation relationship is beneficial to the respective development of both parties. The proposed amendments will be able to further strengthen the long-term cooperation basis between the two parties, which will help both parties to deploy their own businesses, management, operations, capital and other strategies.

C. INFORMATION ON THE PARTIES

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

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

Singapore Haidilao and its subsidiaries are primarily engaged in the hot pot restaurant business in the PRC and overseas countries, among other ancillary businesses.

D. LISTING RULES IMPLICATIONS

As the Proposed Amendments constitute material change to the terms of the Master Sales Agreement, the Company is required to re-comply with the relevant requirements under Chapter 14A of the Listing Rules.

As at the Latest Practicable Date, Mr. Zhang Yong and his wife Ms. Shu Ping together hold approximately 35.59% of the total issued share capital of the Company and are therefore controlling shareholders of the Company. Mr. Shi Yonghong, a non-executive Director, holds approximately 16.93% of the total issued share capital of the Company and is therefore a substantial shareholder of the Company.

Singapore Haidilao is indirectly held as to approximately 62.7% by Mr. Zhang Yong and Ms. Shu Ping (the controlling shareholders of the Company) and 29.7% by Mr. Shi Yonghong (a substantial shareholder and non-executive Director) and his wife.

LETTER FROM THE BOARD

Singapore Haidilao is, therefore, a connected person of the Company by virtue of it being an associate of the controlling shareholders, and New Continuing Connected Transactions constitute continuing connected transactions of the Company under the Listing Rules.

Since the highest of all applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) is more than 5%, the New Continuing Connected Transactions are subject to the announcement, circular, independent shareholders' approval, annual review and reporting requirements under Chapter 14A of the Listing Rules.

E. DIRECTORS' CONFIRMATION IN RELATION TO NEW CONTINUING CONNECTED TRANSACTIONS

The Directors (including the independent non-executive Directors) are of the view that the New Continuing Connected Transactions are on normal commercial terms and in the ordinary and usual course of business of the Group, and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

In relation to the New Continuing Connected Transactions, none of the Directors has any material interests in the New Continuing Connected Transactions or is required to abstain from voting on the Board resolution except for Mr. Zhang Yong, Ms. Shu Ping and Mr. Shi Yonghong. Mr. Zhang Yong, together with his wife Ms. Shu Ping, hold approximately 62.7% of Singapore Haidilao. Mr. Shi Yonghong together with his wife, hold approximately 29.7% of Singapore Haidilao.

F. APPROVAL BY INDEPENDENT SHAREHOLDERS

Mr. Zhang Yong, together with his wife Ms. Shu Ping, directly and indirectly hold approximately 62.7% of Singapore Haidilao. Mr. Shi Yonghong together with his wife, hold approximately 29.7% of Singapore Haidilao. In accordance with the Listing Rules, Mr. Zhang Yong, Ms. Shu Ping and Mr. Shi Yonghong, and their respective associates (which in aggregate hold 549,790,513 Shares, representing approximately 52.52% of the issued share capital of the Company) will abstain from voting on the ordinary resolutions to approve the New Continuing Connected Transactions.

The Company will seek the Independent Shareholders' approval at the Extraordinary General Meeting for, among others, the New Continuing Connected Transactions on the condition that:

1. the annual amount of the New Continuing Connected Transactions shall not exceed the Annual Caps;
2. (i) the New Continuing Connected Transactions 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

LETTER FROM THE BOARD

- (ii) the New Continuing Connected Transactions will be entered into in accordance with the Master Sales Agreement (as supplemented by the Second Supplemental 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 New Continuing Connected Transactions.

INTERNAL CONTROL MEASURES

The Group has a comprehensive internal control system to ensure that the terms of the New Continuing Connected Transactions are fair and reasonable, and the New Continuing Connected Transactions 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 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 and investigation 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;
 - (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; and
 - (c) in particular, in relation to the New Continuing Connected Transactions, the finance department regularly reviews the gross profit margin for sales to independent third parties and determine the price of products to be sold to the Haidilao Group, and the team of senior management will review and confirm the sales price. Taking into account historical data and forecasted estimates, the independent non-executive Directors regularly review and reassess the sales prices of the products semi-annually and make adjustments as appropriate to maintain a net profit margin for such sales same as those for sales to independent third parties.
- (iii) The team of senior management together with the finance department of the Group regularly monitors the actual amounts incurred for each type of continuing connected transactions for the purpose of ensuring the relevant annual caps are not exceeded.

LETTER FROM THE BOARD

- (iv) The team of senior management of the Group organize and run 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 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 semi-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 its shareholders as a whole.
- (viii) The audit committee of the Company conducts review of the annual financial statements, annual report, interim financial statements and interim report which include the disclosure and analysis of the implementation of continuing connected transactions and opine on continuing connected transactions as disclosed in such financial statements and reports, including whether the terms of the continuing connected transactions are fair and reasonable and whether the transaction amounts are within the relevant annual caps.
- (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.

LETTER FROM THE BOARD

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Sunday, 22 April 2018 to Friday, 27 April 2018, 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, 20 April 2018 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 Friday, 20 April 2018.

EXTRAORDINARY GENERAL MEETING

Set out on pages 34 to 35 of this circular is the notice of the Extraordinary General Meeting at which, inter alia, ordinary resolutions will be proposed to Shareholders to consider and approve the Supplemental Master Sales Agreement and the transactions contemplated thereunder.

A form of proxy is enclosed for use at the Extraordinary General Meeting. Such form of proxy is also published on the website of the Stock Exchange (www.hkexnews.hk). 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 Hong Kong share registrar of the Company, 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. Shi Yonghong, and their respective associates have a material interest in the New Continuing Connected Transactions and will, at the Extraordinary General Meeting, abstain from voting on the ordinary resolution to approve the Second Supplemental Master Sales Agreement and the transactions contemplated thereunder.

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

Pursuant to Rule 13.39(4) of the Listing Rules and Article 13.5 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.

LETTER FROM THE BOARD

RECOMMENDATION OF THE BOARD

The Directors are of the opinion that the terms of the New Continuing Connected Transactions are on normal commercial terms or better and are fair and reasonable. They are also of the opinion that the New Continuing Connected Transactions are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Independent 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 terms of the New Continuing Connected Transactions, and First Shanghai has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders.

The Independent Financial Adviser considers the New Continuing Connected Transactions are on normal commercial terms and in the ordinary and usual course of business of the Group. The Independent Financial Adviser also considers that New Continuing Connected Transactions 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 First Shanghai containing its recommendation in respect of the New Continuing Connected Transactions is set out on pages 15 to 27 of this circular.

The Independent Board Committee, having taken into account the advice of First Shanghai, considers the terms of the New Continuing Connected Transactions 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 New Continuing Connected Transactions. The full text of the letter from the Independent Board Committee is set out on page 14 of this circular.

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



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)

12 April 2018

To the Independent Shareholders

Dear Sir or Madam,

We have been appointed as the Independent Board Committee to advise you in connection with New Continuing Connected Transactions, details of which are set out in the letter from the Board contained in the circular issued by the Company to the Shareholders dated 12 April 2018, 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 15 to 27 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 New Continuing Connected Transactions and the advice of First Shanghai in relation thereto as set out on pages 5 to 27 of the circular, we are of the view that New Continuing Connected Transactions 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 New Continuing Connected Transactions 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.

Accordingly, we recommend the Independent Shareholders to vote in favour of the relevant ordinary resolution to be proposed at the Extraordinary General Meeting to approve New Continuing Connected Transactions.

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 from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders setting out its opinion regarding the Proposed Amendments to certain terms of the Master Sales Agreement pursuant to the Second Supplemental Master Sales Agreement, for the purpose of inclusion in this circular.



19th Floor
Wing On House
71 Des Voeux Road Central
Hong Kong

12 April 2018

*To the Independent Board Committee and
the Independent Shareholders*

Yihai International Holding Limited
1st and 2nd Floors, Building 6
Songlei Office Building
Heng Song Yuan
Middle Road of South 3rd Ring Road
Fengtai District
Beijing
The PRC

Dear Sirs,

CONTINUING CONNECTED TRANSACTIONS VARIATION OF TERMS OF THE MASTER SALES AGREEMENT

INTRODUCTION

We refer to our engagement as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Proposed Amendments to certain terms of the Master Sales Agreement pursuant to the Second Supplemental Master Sales Agreement, details of which are contained in the circular to the Shareholders dated 12 April 2018 (the “**Circular**”), of which this letter forms part. Unless the context requires otherwise, capitalised terms used in this letter shall have the same meanings as those ascribed in the Circular.

On 22 March 2018, Yihai Shanghai and Singapore Haidilao entered into the Second Supplemental Master Sales Agreement to amend certain terms of the Master Sales Agreement.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

LISTING RULES IMPLICATIONS

As the Proposed Amendments constitute material change to the terms of the Master Sales Agreement, the Company is required to re-comply with the relevant requirements under Chapter 14A of the Listing Rules.

As at the Latest Practicable Date, Mr. Zhang Yong and his wife Ms. Shu Ping together hold approximately 35.59% of the total issued share capital of the Company and are therefore controlling shareholders of the Company. Mr. Shi Yonghong, a non-executive Director, holds approximately 16.93% of the total issued share capital of the Company and is therefore a substantial shareholder of the Company.

Singapore Haidilao is indirectly held as to approximately 62.7% by Mr. Zhang Yong and Ms. Shu Ping (the controlling shareholders of the Company) and 29.7% by Mr. Shi Yonghong (a substantial shareholder and non-executive Director) and his wife.

Singapore Haidilao is, therefore, a connected person of the Company by virtue of it being an associate of the controlling shareholders of the Company, and New Continuing Connected Transactions constitute continuing connected transactions of the Company under the Listing Rules.

Since the highest of all applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) is more than 5%, the New Continuing Connected Transactions are subject to the announcement, circular, independent shareholders' approval, annual review and reporting requirements under Chapter 14A of the Listing Rules.

In relation to the New Continuing Connected Transactions, none of the Directors has any material interests in the New Continuing Connected Transactions or is required to abstain from voting on the Board resolution except for Mr. Zhang Yong, Ms. Shu Ping and Mr. Shi Yonghong. Mr. Zhang Yong, together with his wife Ms. Shu Ping, hold approximately 62.7% of Singapore Haidilao. Mr. Shi Yonghong, together with his wife, hold approximately 29.7% of Singapore Haidilao.

Mr. Zhang Yong, together with his wife Ms. Shu Ping, directly and indirectly hold approximately 62.7% of Singapore Haidilao. Mr. Shi Yonghong, together with his wife, hold approximately 29.7% of Singapore Haidilao. In accordance with the Listing Rules, Mr. Zhang Yong, Ms. Shu Ping and Mr. Shi Yonghong, and their respective associates (which in aggregate hold 549,790,513 Shares, representing approximately 52.52% of the issued share capital of the Company) will abstain from voting on the ordinary resolution to approve the Proposed Amendments and the New Continuing Connected Transactions contemplated thereunder at the Extraordinary General Meeting.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising Mr. Yau Ka Chi, Mr. Qian Mingxing and Ms. Ye Shujun, being all the three independent non-executive Directors, has been formed to advise the Independent Shareholders in relation to the Proposed Amendments.

As the independent financial adviser, we have been appointed to advise the Independent Board Committee and the Independent Shareholders as to (i) whether or not the Proposed Amendments 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; and (ii) how the Independent Shareholders should vote in relation to the ordinary resolution to be proposed for approving the Proposed Amendments and the New Continuing Connected Transactions contemplated thereunder at the Extraordinary General Meeting.

BASIS OF OUR ADVICE

In arriving at our recommendation, 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 management of the Company (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 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 and the Haidilao Group.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Independent Shareholders should note that, within the past two years from the Latest Practicable Date, we were engaged as the independent financial adviser by the Company for one occasion (i.e. mainly in relation to the provision of independent financial advice to the then Independent Board Committee and Independent Shareholders for certain new continuing connected transactions of the Company and revision of annual caps under the Master Sales Agreement for the coming two years) as detailed in the circular of the Company dated 18 October 2017. Given (i) our independent role in that previous engagement; (ii) none of the members of our parent group is a direct party to the Master Sales Agreement and the Second Supplemental Master Sales Agreement; and (iii) our independent financial advisory fees for this present engagement in addition to that previous engagement represented an insignificant percentage of revenue of our parent group, we consider that the previous engagement would not affect our independence to form our opinion in respect of this transaction to be contemplated under the Second Supplemental Master Sales Agreement.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendation regarding the Proposed Amendments, we have taken into consideration the following principal factors and reasons:

1. Background information of the Group

The Group is principally engaged in the manufacture and sale of hotpot soup flavouring products, hotpot dipping sauce products and Chinese style compound condiment products (collectively, the “**Flavouring Products**”) in the PRC. The Group is a leading and fast-growing compound condiment manufacturer in the PRC, and the sole supplier of Flavouring Products for the Haidilao Group in the PRC, and its products have significantly contributed to the successful growth of the Haidilao Group.

The Group was originally founded as an internal supplier of Flavouring Products to the Haidilao Group in 2005, and since then has been the exclusive supplier of Flavouring Products to Haidilao Group in the PRC, supplying (i) customized Flavouring Products to the Haidilao Group; and (ii) retail products and customized condiments to other related party customers. The Group is also a provider of cooking condiment to the family customers in the PRC, suppliers of catering services and food companies.

The Group has entered into a number of agreements with the Haidilao Group that, together, constitute the framework for its continued long-term, stable and mutually beneficial business relationship. These agreements, made on arms’ length basis, cover both the provision of certain services by the Haidilao Group to the Group, and the sales of the Group’s Flavouring Products to the Haidilao Group. As a result of these contractual arrangements, the Haidilao Group continues to be the Group’s largest customer since its establishment, and the Group continues to be the sole supplier of Flavouring Products to the Haidilao Group in the PRC. This strong alignment of interests enables the Group to grow alongside the Haidilao Group’s persistent expansion, while the Group maintains and extends its diversified customer base through new and broadened distribution channels, geographical expansion and the development and launching of new products. As at 31 December 2017, out of the 75 products under the Group’s three major product lines, 22 products were customized for exclusive supply to Haidilao hotpot restaurants, and 53 products were developed and produced for the retail market.

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In terms of operating performance, benefitting from the consumption upgrade, expansion of market size of consumer products and the recovery of the catering industry in the PRC, and relying on the Group's competitive strength of serving the Haidilao Group, the Group has continued to maintain a leading position in the Chinese-style mid to high end compound condiment market. Leveraging with such favourable factors, the Group had achieved a high growth in its business operation during the year ended 31 December (the "Year(s)") 2017. For the Year 2017, the Group recorded revenue of approximately RMB1,646.2 million, representing a year-on-year increase of approximately 51.3% when compared to that of RMB1,088.0 million in the Year 2016; while its net profit reached a record high at approximately RMB261.1 million for the Year 2017, representing a year-on-year increase of approximately 39.9% when compared to that of RMB186.7 million in the Year 2016.

2. Background information of the Haidilao Group

The Haidilao Group comprises Sichuan Haidilao and Singapore Haidilao and their subsidiaries, and is principally engaged in the operation of hotpot restaurant chain in the PRC and oversea countries with its well-known trademark of "Haidilao (海底捞)".

Over the past two decades, the Haidilao Group has developed into the largest Chinese hotpot restaurant chain and the No. 1 Chinese cuisine restaurant company in China in terms of sales value in the Years 2014 and 2015. There have been over 50 million customers dining at Haidilao hotpot restaurants in the recent years, some of them were with Haidilao Group's memberships. The Haidilao Group was recognized as one of the Top 10 Famous Chinese Hotpot Brands for the Year 2014 by China Cuisine Association.

In 2017, the Haidilao Group achieved stable growth in the same store sales and rapid expansion in the number of hotpot restaurants, benefiting from the growth in the PRC catering industry and the hotpot catering consumption market. The Group's revenue from sales of Flavouring Products to the Haidilao Group amounted to approximately RMB915.9 million for the Year 2017, representing an increase by approximately 51.2% as compared to that of approximately RMB605.7 million in the Year 2016, mainly due to the steady growth in the same store revenue of Haidilao hotpot restaurants and the increased number of Haidilao hotpot restaurants widespread across different cities in the PRC. The Group's revenue from sales of Flavouring Products to the Haidilao Group has always accounted for more than 50% of the Group's total revenue over the past five Years from 2013 to 2017.

3. Information on the relevant parties to the Second Supplemental Master Sales Agreement

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

Singapore Haidilao and its subsidiaries are primarily engaged in the hotpot restaurant business in the PRC and overseas countries, among other ancillary businesses.

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4. Proposed Amendments to the terms of the Second Supplemental Master Sales Agreement

On 22 March 2018, Yihai Shanghai and Singapore Haidilao entered into the Second Supplemental Master Sales Agreement to amend certain terms of the Master Sales Agreement.

According to the Termination Agreement, the rights and obligations between Yihai Shanghai and Sichuan Haidilao under the Master Sales Agreement are discharged and terminated, as Sichuan Haidilao had transferred its restaurant business, assets and liabilities to Singapore Haidilao. As such, Sichuan Haidilao would no longer be a contracting party to the Second Supplemental Master Sales Agreement.

The principal Proposed Amendments to the terms of the Master Sales Agreement made by the Second Supplemental Master Sales Agreement are summarized below.

Sale of products

The Master Sales Agreement currently provides that the Group is the sole supplier of Haidilao Customized Products to the Haidilao Group for use in its hotpot restaurants in the PRC, save to the extent that the Haidilao Group may engage other suppliers in the event that the Group is unable to satisfy the quantity of the products demanded, after discussion with the Group and upon obtaining the Group's written consent. Upon fulfillment of certain requirements relating to mass production and standardization and upon confirmation of the types of products required, the Group shall be recognized as the sole supplier of the Haidilao Customized Products to the Haidilao Group for use in its overseas hotpot restaurants.

It is proposed that the Group remains to be the sole supplier of Haidilao Customized Products to the Haidilao Group for use in its hotpot restaurants in the PRC. Upon fulfillment of certain requirements relating to mass production and standardization and upon confirmation of the types of products required, the Group shall be recognized as the sole supplier of the Haidilao Customized Products to the Haidilao Group for use in its overseas hotpot restaurants (including those in Hong Kong, Macau and Taiwan). However, 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 fulfil the specifications of the Haidilao Group, and the matter cannot be resolved within a reasonable period (not longer than 30 days) after consultation with the Group, the Haidilao Group may engage other suppliers.

Termination

The Master Sales Agreement currently provides that it has a term of three years from 1 January 2016 to 31 December 2018. Subject to compliance with applicable laws and regulations (including but not limited to the Listing Rules) and requirements of securities regulatory authorities, the Master Sales Agreement may be automatically renewed for a further term of three years from time to time, unless: (i) Yihai Shanghai notifies Sichuan Haidilao and Singapore Haidilao to the contrary with one month's written notice prior to the expiry of the term of the Master Sales Agreement; (ii) the parties thereto agree in writing to terminate the Master Sales Agreement during its term; or (iii) the 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 Master Sales Agreement, the parties thereto may amend the terms of the Master Sales Agreement based on the then prevailing circumstances.

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It is proposed that subject to compliance with applicable laws and regulations (including but not limited to the Listing Rules) and requirements of securities regulatory authorities, the Master Sales Agreement may be automatically renewed for a further term of three years from time to time, unless: (a) the parties thereto agree in writing to terminate the Master Sales Agreement during its term; or (b) the 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 Master Sales Agreement, the parties thereto may amend the terms of the Master Sales Agreement based on the then prevailing circumstances.

The deletion of the original clause numbered (i) above is to revoke Yihai Shanghai's absolute right to the contrary with one month's written notice for termination of the Master Sales Agreement, which we consider to be going fairer and more equitable between the Group and the Haidilao Group because this clause was rather too favourable to the Group and therefore unfair to the Haidilao Group in the past. Notwithstanding this deletion, we consider the clauses numbered (ii) and (a) above to be sufficient for protecting either party's rights and obligations under the Master Sales Agreement for termination thereof without prejudicial or detrimental to the interests of the Company and the Shareholders as a whole.

Save for the Proposed Amendments as stated above, all other principal terms and conditions of the Master Sales Agreement shall remain in full force and effect. The Annual Caps for the transactions contemplated under the Master Sales Agreement remain unchanged (please refer to the 2017 Circular and the 2017 Poll Results Announcement for details).

The Second Supplemental Master Sales Agreement is conditional upon the approval of the New Continuing Connected Transactions by the Independent Shareholders at the Extraordinary General Meeting.

5. Reasons for and benefits of entering into the Second Supplemental Master Sales Agreement

As mentioned in the "Letter of the Board" of the Circular, in order to enhance the effectiveness of the cooperation between the Group and the Haidilao Group, strengthen the basis for long-term cooperation, and implement their respective businesses, management, operations and capital strategies, the parties entered into the Second Supplemental Master Sales Agreement.

Should the Group come across a situation in which it fails to meet the quantity or quality of the products required by Haidilao Group, the above-mentioned Proposed Amendment regarding "Sale of products" will, on one hand, provide a reasonable amount of time for both parties to solve the problem, and on the other hand, simplify the coordination mechanism between the two parties. This will in turn raise the effectiveness of the cooperation between both parties, and push the parties to enhance their capabilities with respect to their business, management, and operations.

The above-mentioned Proposed Amendment regarding "Termination" cancel the Group's right to unilaterally terminate cooperation one month prior to the expiry of the agreement. On one hand, the Haidilao Group is currently the Group's largest sole customer. On the other hand, the Group is

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Haidilao Group's largest supplier of soup flavouring products, and long-lasting, stable cooperation is beneficial to the development of both parties. The Proposed Amendment will also further strengthen the basis for long-term cooperation between the two parties and help their respective businesses, management, operations and capital strategies.

The Directors (including the independent non-executive Directors) are of the view that the Proposed Amendments pursuant to the Second Supplemental Master Sales Agreement are on normal commercial terms and in the ordinary and usual course of business of the Group, and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

6. Assessment of possible impacts of the Proposed Amendments on the Group

Based on our independent review of the Prospectus, we understand that the Group and the Haidilao Group have established a long-term and close business relationship. Over the past two decades of development, although the Group has gradually expanded into other condiment product segments, such as hotpot dipping sauce and Chinese-style compound condiment products, and has developed a nationwide distribution network for its retail condiment products targeting retail customers as a result of its business growth, the Haidilao Group has still been remaining as the Group's single largest customer, accounting for a significant proportion of its revenue (i.e. over 50% of the total revenue) and sales volume. In order to retain the Haidilao Group as one of the key customers and nurture a long-term business relationship with it, the Group had offered a significant bulk purchase discount to the Haidilao Group by pricing its products sold to the Haidilao Group under the cost-plus pricing formula that primarily consists of the cost of production and selling and administrative expenses of the supplied condiment products. As the internal supplier of the Haidilao Group prior to the listing of the Shares in July 2016, the Group intended to expand its business by leveraging the well-recognized reputation of Haidilao brand and to accumulate industry knowledge through serving the Haidilao Group.

Since August 2014, the Group has adopted a new pricing policy for its sales of Haidilao Customized Products, which allows it to retain commercially acceptable net profit margins that are the same as the net profit margins arising from sales to the independent third party customers (the "**Independent Customers**"); whilst still fostering a mutually beneficial, fair and equitable and long-term working relationship with the Haidilao Group and its affiliates. However, the Group's pricing for its sales to the Haidilao Group and its affiliates was still different from the pricing for its sales to Independent Customers, mainly because the sales to the Haidilao Group and its affiliates do not require material packaging costs or selling and distribution expenses (the "**PSD Expenses**") as attractive packaging and marketing efforts are totally unnecessary for Haidilao Customized Products, which constitute a major part of the Group's cost structure with respect to sales to Independent Customers.

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Based on this new pricing policy, which applies to both Sichuan Haidilao and Singapore Haidilao as well as their affiliates, prices are determined with reference to (i) the historical sales price, (ii) the Group's estimated overall net profit margin through sales to independent third party distributors (the "**Independent Distributors**") in accordance with the pricing formula, (iii) the Group's production costs including the cost of raw materials, selling and administrative expenses incurred in connection with the production of Haidilao Customized Products; and (iv) the market price of similar products sold by comparable companies to Independent Distributors. Primarily as a result of the new pricing policy as well as the increased sales volume to the related parties, the Group's revenue from sales to related parties, including the Haidilao Group, have rapidly increased, which in turn also contributed to the rapid growth of its overall revenue and profit since then. Taking into account historical data and forecasts, the independent non-executive Directors regularly review and reassess the prices of the Group's sales to the Haidilao Group on a semi-annual basis and adjust the prices as appropriate to maintain a net profit margin similar to its sales to other Independent Distributors.

Based on our independent review of the Prospectus and annual reports of the Company for the Years 2016 and 2017 (the "**Annual Reports**"), we noted that the average selling price per kilogram of the Haidilao Customized Products to the Haidilao Group had been slightly lower than the Flavouring Products sold to Independent Customers for the three Years from 2015 to 2017; while the respective gross profit margins (i.e. before deducting the PSD Expenses) of the Flavouring Products sold to them separately in different production formulas, packaging and tastes had deviated very largely at approximately 24.2% versus 51.6% in the Year 2015, 28.5% versus 56.0% in the Year 2016, and 27.9% versus 53.0% in the Year 2017, even though the net profit margins (i.e. after deducting the PSD Expenses) between the Haidilao Customized Products and Flavouring Products to be supplied by the Group to the Haidilao Group and Independent Customers were basically comparable with each other at an average net profit margins (i.e. after deducting the PSD Expenses) of around 14.7%, 17.0% and 16.0% for the three Years from 2015 to 2017, respectively.

Based on our clarification with the Management regarding the large deviation of gross profit margins (i.e. before deducting the PSD Expenses) there between, we were advised that Flavouring Products are compound condiments used for cooking hotpot soup in restaurants or at home. The Group has been manufacturing Flavouring Products with various high-quality raw materials, which mainly include vegetable or animal oil, chili peppers, prickly ash and other spices and ingredients, according to specific formulas and processing techniques. The formulas of the Group's Flavouring Products have been well tested and endorsed by hundreds of millions of the Haidilao Group's customers. Through the Group's continuous efforts in developing and upgrading formulas, by optimizing its production processes and implementing stringent quality control measures, it has been supplying Haidilao hotpot restaurants with customized Flavouring Products and offer the retail market a comprehensive range of high-quality Flavouring Products appealing to consumers' ever-changing expectations and enhanced food safety consciousness, with a focus on mid- to high-end market. The Group's retail Flavouring Products are distinguished from customized products supplied to the Haidilao Group in the following ways:

- (i) the Group uses its own formulas to produce retail products, but use the Haidilao Group Formulas to produce their customized products;

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- (ii) the packaging of the Group's retail products is usually more delicately designed to appeal to consumers at retail level;
- (iii) the tastes of the Group's retail products and customized products are different, given in-store consumers and home-cooking consumers usually have different preferences; and
- (iv) the package size of the Group's retail products is generally smaller than that of Haidilao Customized Products.

Based on the above understanding, the Independent Shareholders may consider that the Group has been able to set (i) higher selling prices and gross profit margins (i.e. before deducting the PSD Expenses) for retail Flavouring Products to be sold to Independent Customers, while (ii) lower selling prices and gross profit margins (i.e. before deducting the PSD Expenses) for Haidilao Customized Products, in particular view of Haidilao's bulk purchase volume and minimal PSD Expenses to be incurred for delivery of Haidilao Customized Products to Haidilao hotpot restaurants widespread in different cities across the PRC. The Group's higher selling prices fixed for Flavouring Products supplied to Independent Customers are to compensate the higher PSD Expenses to be incurred therefor. In fact, these different pricing arrangements may imply that the above-mentioned comparatively larger deviation of gross profit margins (i.e. before deducting the PSD Expenses) of Flavouring Products sold between the Haidilao Group and Independent Customers had not been detrimental to the Group's net profit margins (i.e. after deducting the PSD Expenses) thereof ultimately.

Since the establishment of the Group many years ago, although the Group has gradually expanded into other condiment product segments, such as hotpot dipping sauce and Chinese-style compound condiment products, and has developed a nationwide distribution network for its retail condiment products targeting retail customers as a result of its business growth, the Haidilao Group has still been remaining as the Group's single largest customer, accounting for a substantial part of its revenue (i.e. always between 53.6% to 55.7% of the Group's total revenue) and sales volume. Due to the Group's substantial sales proportion attributable to the Haidilao Group so far, there has been concern on the Group's reliance on single largest customer, which would lead to the Group exposing to probable business and financial risks such that it may suffer a material and adverse financial impact if the Group loses the Haidilao Group or there is a change in the business relationship between them, and in turn, detrimental to the interests of the Company and the Shareholders as a whole and/or potential investors. In addressing the concern, the Group has been trying to mitigate the reliance level on the sales of Flavouring Products to the Haidilao Group by diversifying its customer base, increasing diverse product portfolio and widening sales and distribution channels to other Independent Customers. With such mitigating efforts, the Group's sales of Flavouring Products to Independent Customers have been increasing rapidly over the years, even though sales of the same to the Haidilao Group have also been increasing in the similar pace, which had always accounted for in consistent proportion of around 44% versus 56% between Independent Customers and Haidilao Group respectively. It is currently anticipated that the adoption of the Proposed Amendments shall be able to gradually lessen the sales proportion of Flavouring Products to the Haidilao Group and ultimately

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resolve the reliance issue in the coming years. On the other hand, the Haidilao Group may correspondingly alleviate its reliance on the Group for the provision of Flavouring Products to be used at its numerous Haidilao hotpot restaurants in the longer-term future, so as to reduce the former's operational risk on sourcing of Flavouring Products.

Based on our independent review of the Prospectus and the Annual Reports, we noted that the Group's revenue generated from Independent Customers had been increasing rapidly with approximately RMB135.0 million, RMB219.8 million, RMB380.8 million, RMB482.3 million and RMB730.3 million for the past five Years from 2013 to 2017 respectively, representing a compound annual growth rate (the "CAGR") of approximately 52.5% over the period, which had always accounted for more than 44.0% of its total revenue over the past four Years from 2014 to 2017.

In light of the much higher gross profit margin derived from sales of Flavouring Products to Independent Customers over the years, it has been the Group's business strategy and intention to focus on sales of Flavouring Products to Independent Customers in the coming future. However, according to the Group's existing production capacity, it may not be easy to cope with the ever-increasing purchasing demand for Flavouring Products from Independent Customers in the longer-term future, even though the Group's has plan for expanding its production capacity in the coming years. In view of such constraint, it is commercially justifiable for the Group to compromise with the Haidilao Group to make variation of terms of the existing Master Sales Agreement by entering into the Second Supplemental Master Sales Agreement, so as to spare some of the Group's production capacity at the expense of the Haidilao Group for accommodating any further increase in purchasing demand for Flavouring Products from Independent Customers.

In order to maintain the long-term mutual beneficial co-operation relationship between the Group and the Haidilao Group, and not to adversely affect Haidilao Group's daily operation in sourcing Flavouring Products for serving its own customers at numerous Haidilao hotpot restaurants across the nation and the overseas markets, it is commercially justifiable, fair and equitable to allow the Haidilao Group in sourcing Flavouring Products from other alternative suppliers. Based on our understanding from the Management, one of the primary aims of the Proposed Amendments are to provide some flexibility such that the Haidilao Group may engage other alternative suppliers of Flavouring Products in the event that (i) the Group is unable to satisfy the quantity of the products demanded; or (ii) the quality of the Haidilao Customized Products supplied by the Group does not fulfil the specifications of the Haidilao Group. However, given the fact that Haidilao Customized Products have been manufactured using formulas owned by the Haidilao Group, whilst the Group has been the sole supplier of the Haidilao Group of Flavouring Products for over 10 years having very strong expertise and immense experience in controlling the quality of the Haidilao Customized Products, which have been extensively favoured by those end-customers at the Haidilao hotpot restaurants, so the Management believes that it would be extremely remote that the quality of the Haidilao Customized Products supplied by the Group does not fulfil the specifications of the Haidilao Group. On such basis, the Haidilao Group sourcing Flavouring Products from other alternative suppliers would merely happen in an event that the Group is unable to satisfy the quantity of Flavouring Products demanded by the Haidilao Group, but when this situation emerging would imply that the Group's sales of Flavouring Products to Independent Customers (with much higher gross profit margin) would have

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further substantially increased at that time, and accordingly, will be in the interests of the Company and the Shareholders as a whole. Thinking about as if the Proposed Amendments are not implemented and if there would be further substantial increase in demand for Flavouring Products from Independent Customers, but the Group could not be able to accept such further increasing demands due to its production incapacity/constraint, it would be detrimental to the interests of the Group and the Shareholders as a whole.

Based on our understanding from the Management, the Proposed Amendments will only provide greater flexibility to the Group for accommodating any possible further increase in purchasing orders for Flavouring Products from Independent Customers, the Management must make its decision at utmost good faith for protecting the benefits to and profitability of the Group in the first place at that time, which would never be prejudicial or detrimental to the interests of the Company and the Shareholders as a whole. Based on such understanding, we concur with the Directors' rationale behind for raising the effectiveness of the cooperation between the Group and the Haidilao Group and strengthening the basis for their long-term cooperation, because either party may do such act(s) to maximize its benefits in sale/procurement of Flavouring Products from the counter-party following adoption of the Proposed Amendments.

Having considered the above reasons behind for the Proposed Amendments, we are of the view that the Proposed Amendments, being subsequent alterations ancillary to the original Master Sales Agreement, are for adapting the ever-changing business environment and therefore conducted in the ordinary and usual course of business of the Group and on normal commercial terms, commercially justifiable, fair and equitable between the Group and the Haidilao Group, fair and reasonable so far as Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

RECOMMENDATION

Having taken into account the above principal factors and reasons, we are of the view that the Proposed Amendments 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 recommend the Independent Shareholders as well as the Independent Board Committee to advise the

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the Extraordinary General Meeting to approve the Second Supplemental Master Sales Agreement and the New Continuing Connected Transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
First Shanghai Capital Limited

Nicholas Cheng
Director

Note:

Mr. Nicholas Cheng has been the Responsible Officer of Type 6 (advising on corporate finance) regulated activity under the SFO and has over 16 years of experience in corporate finance industry. He has participated in the provision of independent financial advisory services for and completed numerous connected transactions involving companies listed in Hong Kong.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors of the Company 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 of 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. Zhang Yong ⁽¹⁾	Founder of a discretionary trust and interest of controlled corporation	372,547,021 (L)	35.59% (L)
Ms. Shu Ping ⁽¹⁾	Founder of a discretionary trust and interest of controlled corporation	372,547,021 (L)	35.59% (L)
Mr. Shi Yonghong ⁽²⁾	Founder of a discretionary trust, interest of controlled corporation and interest of spouse	177,243,492 (L)	16.93% (L)
Ms. Dang Chunxiang ⁽³⁾	Beneficiary of a trust	1,010,000 (L)	0.10% (L)
Mr. Sun Shengfeng ⁽⁴⁾	Beneficiary of a trust	500,000 (L)	0.05% (L)

(L) denotes a long position

Note:

- (1) 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 ZYSP YIHAI Ltd, which in turn holds 372,547,021 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 is 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.

- (2) Mr. Shi Yonghong and Ms. Li Haiyan, 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 177,243,492 Shares. For the purpose of the SFO, Mr. Shi Yonghong and Ms. Li Haiyan are deemed to be interested in the Shares in which SYH YIHAI Ltd and LHY YIHAI Ltd are interested.

Mr. Shi Yonghong is the spouse of Ms. Li Haiyan and is deemed to be interested in the same number of Shares in which Ms. Li Haiyan is interested for the purpose of the SFO. Ms. Li Haiyan is the spouse of Mr. Shi Yonghong and is deemed to be interested in the same number of Shares in which Mr. Shi Yonghong is interested for the purpose of the SFO.

- (3) 1,010,000 RSUs were granted to Ms. Dang Chunxiang pursuant to the RSU Scheme on 28 December 2016.

- (4) 500,000 RSUs were granted to Mr. Sun Shengfeng pursuant to the RSU Scheme on 28 December 2016.

Save as disclosed above, as of 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)	372,547,021 (L)	35.59% (L)
ZYSP YIHAI Ltd ⁽¹⁾	Beneficial owner	372,547,021 (L)	35.59% (L)
Cititrust Private Trust (Cayman) Limited ⁽²⁾	Trustee (other than a bare trustee)	177,243,492 (L)	16.93% (L)
Li Haiyan ⁽²⁾	Founder of a discretionary trust, interest of controlled corporation and interest of spouse	177,243,492 (L)	16.93% (L)
Twice Happiness Limited ⁽²⁾	Interest of controlled corporation	177,243,492 (L)	16.93% (L)
LHY YIHAI Ltd ⁽²⁾	Beneficial owner	88,621,746 (L)	8.47% (L)
SYH YIHAI Ltd ⁽²⁾	Beneficial owner	88,621,746 (L)	8.47% (L)
JLJH YIHAI Ltd ⁽³⁾	Beneficial owner and nominee for another person	77,220,000 (L)	7.38% (L)
Vistra Trust (Hong Kong) Limited ⁽³⁾	Trustee (other than a bare trustee)	77,220,000 (L)	7.38% (L)

(L) denotes a long position; (S) denotes a short position

Note:

- (1) ZYSP Trust is a discretionary trust set up by Mr. Zhang Yong and Ms. Shu Ping as the settlors and protectors on 1 June 2016 for their own benefit. 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.
- (2) SL Trust is a discretionary trust set up by Mr. Shi Yonghong and Ms. Li Haiyan 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. Shi Yonghong and Ms. Li Haiyan (as founders of the SL Trust), Twice Happiness Limited and Cititrust Private Trust (Cayman) Limited are deemed to be interested in the Shares held by SYH YIHAI Ltd and LHY YIHAI Ltd for the purpose of the SFO. Mr. Shi Yonghong is the spouse of Ms. Li Haiyan and is deemed to be interested in the same number of Shares in which Ms. Li Haiyan is interested for the purpose of the SFO. Ms. Li Haiyan is the spouse of Mr. Shi Yonghong and is deemed to be interested in the same number of Shares in which Mr. Shi Yonghong is interested for the purpose of the SFO.
- (3) Vistra Trust (Hong Kong) Limited, formerly known as Vistra Fiduciary (HK) 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 the Company for the benefit of eligible participants pursuant to the RSU Scheme.

Save as disclosed above, as at the Latest Practicable Date, the Company is 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
First Shanghai	A licensed corporation to carry out type 6 (advising on corporate finance) regulated activities under the SFO

- (a) As at the Latest Practicable Date, First Shanghai 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 2017, 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) First Shanghai 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 were not aware of any material adverse change in the financial or trading positions of the Company since 31 December 2017, being the date to which the latest published audited financial statement 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 the Company or any member of the Group referred to in Rule 13.68 of the Listing Rules (excluding contracts expiring or determinable by the employer 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 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 “Connected Transactions” of the Prospectus, the 2017 Circular 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 2017, 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 is 1st and 2nd Floors, Building 6, Songlei Office Building, Heng Song Yuan, Middle Road of South 3rd Ring Road, Fengtai District, Beijing, PRC.
- (c) The principal place of business of the Company is 18/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.
- (d) The Company's share registrar is Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (e) 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 AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours on Monday to Friday (other than public holidays) at the offices of Davis Polk & Wardwell at 18th Floor, The Hong Kong Club Building, 3A Chater Road, Hong Kong, from the date of this circular up to and including 26 April 2018:

- (a) the Master Sales Agreement entered into between Sichuan Haidilao, Singapore Haidilao and Yihai Shanghai;
- (b) the Supplemental Master Sales Agreement entered into between Sichuan Haidilao, Singapore Haidilao and Yihai Shanghai;
- (c) the Termination Agreement entered into between Sichuan Haidilao and Yihai Shanghai;
- (d) the Second Supplemental Master Sales Agreement entered into between Singapore Haidilao and Yihai Shanghai;
- (e) the letter of recommendation from the Independent Board Committee, the text of which is set out on page 14 of this circular;
- (f) the letter of advice issued by First Shanghai, being the Independent Financial Adviser, the text of which is set out on pages 15 to 27 of this circular; and
- (g) 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

NOTICE IS HEREBY GIVEN that the extraordinary general meeting (“**Extraordinary General Meeting**”) of Yihai International Holding Ltd. (“**the Company**”) will be held at Conference Room 206, 2nd Floor, Building 6, Songlei Office Building, Heng Song Yuan, Middle Road of South 3rd Ring Road, Fengtai District, Beijing, PRC on Friday, 27 April 2018 at the later of 2:30 p.m. or immediately following the conclusion of the annual general meeting of the Company for the following purposes:

AS ORDINARY RESOLUTION

1. “THAT

- (i) the proposed amendments to the terms of the master sales agreement dated 24 June 2016 (as supplemental by a supplemental agreement dated 18 September 2017) entered into between Sichuan Haidilao Catering Corporation Ltd., HAI DI LAO HOLDINGS PTE. LTD. (“**Singapore Haidilao**”) and Yihai (Shanghai) Food Co., Ltd. (“**Yihai Shanghai**”) as set out in the second supplemental master sales agreement dated 22 March 2018 (the “**Second Supplemental Master Sales Agreement**”) entered into between Singapore Haidilao and Yihai Shanghai, and the transactions contemplated under the Second Supplemental Master Sales Agreement be and are hereby approved, ratified and confirmed; and
- (ii) 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 may in his discretion consider necessary or desirable or expedient for the purpose of or in connection with the Second Supplemental Master Sales Agreement and to make and agree such variations of a non-material nature in or to the terms of the Second Supplemental Master Sales Agreement as he may in his discretion consider to be desirable and in the interests of the Company.”

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

Beijing, China
12 April 2018

NOTICE OF EXTRAORDINARY GENERAL MEETING

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 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 were 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 and transfer office 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.
- (6) The register of members of the Company will be closed from Sunday, 22 April 2018 to Friday, 27 April 2018, 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, 20 April 2018 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 Friday, 20 April 2018.