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YIHAI INTERNATIONAL HOLDING LTD.

頤海國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1579)

CONTINUING CONNECTED TRANSACTIONS

**RENEWAL OF ANNUAL CAPS FOR CONTINUING CONNECTED
TRANSACTIONS IN RESPECT OF 2019 AND 2020**

AND

SALE AND PURCHASE OF PRODUCTS WITH THE JOINT VENTURE

**1. RENEWAL OF ANNUAL CAPS FOR CONTINUING CONNECTED
TRANSACTIONS IN RESPECT OF 2019 AND 2020**

Reference is made to the section headed “Connected Transactions” of the Prospectus and the announcements of the Company dated 18 September 2017 (in relation to, among others, revision of annual caps under the Existing Master Sales Agreement and the Existing Shuhai Warehouse Storage Service Agreement in respect of 2017 and 2018) and 22 March 2018 (in relation to variation of terms of the Existing Master Sales Agreement).

As disclosed in the Prospectus and the aforementioned announcements, the Group has entered into the following agreements with connected persons which will expire on 31 December 2018: (i) Existing Chengdu Lease Agreement, (ii) Existing Shuhai Warehouse Storage Service Agreement, (iii) Existing Haidilao Warehouse Storage Service Agreement; (iv) Existing Master Sales Agreement, and (v) Existing Shuhai Sales Agreement.

The Company intends to continue to enter into transactions of similar nature after 31 December 2018. Therefore, on 6 July 2018, the Group entered into new Framework Agreements, the nature of which are similar to that of the transactions under the Existing Agreements, for a term of two years from 2019 to 2020.

2. SALE AND PURCHASE OF PRODUCTS WITH THE JOINT VENTURE FOR THE PERIOD FROM 1 SEPTEMBER 2020 TO 31 DECEMBER 2020

Reference is made to the announcement of the Company dated 18 September 2017 (in relation to the sale of hotpot soup flavouring products to the Joint Venture and the purchase of Small Hotpot Products from the Joint Venture).

As disclosed in the announcement, Yihai Shanghai and the Joint Venture entered into the Existing Framework Sales and Purchase Agreements dated 18 September 2017 pursuant to which (i) Yihai Shanghai (for itself and on behalf of its subsidiaries, other than the Joint Venture) agreed to sell hotpot soup flavouring products to the Joint Venture as raw materials for the manufacture of Small Hotpot Products; and (ii) the Joint Venture agreed to sell Small Hotpot Products to Yihai Shanghai and its subsidiaries. The Existing Framework Sales and Purchase Agreements are for a term from 18 September 2017 to 31 August 2020.

The Company intends to continue to enter into transactions of similar nature with the Joint Venture after 31 August 2020. Therefore, on 6 July 2018, Yihai Shanghai and the Joint Venture entered into the Framework Sales and Purchase Agreements, the nature of which are similar to that of the transactions under the Existing Framework Sales and Purchase Agreements, for a term of four months from 1 September 2020 to 31 December 2020.

3. LISTING RULES IMPLICATION

Since the applicable ratios (as defined in Rule 14.07 of the Listing Rules) of the proposed annual caps in respect of the transactions contemplated under the Chengdu Lease Agreement are more than 0.1% but less than 5%, the transactions and the proposed annual caps for such transactions for each of the two years ending 31 December 2020 are subject to reporting, annual review and announcement requirements but are exempt from independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Because (i) the nature of service to be provided under the Shuhai Warehouse Storage Service Agreement and Sichuan Haidilao Warehouse Storage Service Agreement is similar and (ii) both Shuhai Supply Chain and Sichuan Haidilao are associates of the controlling shareholders, Mr. Zhang Yong and Ms. Shu Ping, the transactions contemplated under the Shuhai Warehouse Storage Service Agreement and Sichuan Haidilao Warehouse Storage Service Agreement will be aggregated pursuant to Rule 14A.82(1) and Rule 14A.83 of the Listing Rules. Accordingly, the annual caps in respect of the Shuhai Warehouse Storage Service Agreement and Sichuan Haidilao Warehouse Storage Service Agreement are aggregated.

Since the applicable ratios (as defined in Rule 14.07 of the Listing Rules) of the aggregated proposed annual caps in respect of the transactions contemplated under the Shuhai Warehouse Storage Service Agreement and the Sichuan Haidilao Warehouse Storage Service Agreement are more than 0.1% but less than 5%, the transactions and the proposed annual caps for such transactions for each of the two years ending 31 December 2020 are subject to reporting, annual review and announcement requirements but are exempt from independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

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

Since the applicable ratios (as defined in Rule 14.07 of the Listing Rules) of the aggregated proposed annual caps in respect of the transactions contemplated under the Haidilao Master Sales Agreement and Shuhai Sales Agreement are more than 5%, the transactions and the proposed annual caps for such transactions for each of the two years ending 31 December 2020 are subject to reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Since the applicable ratios (as defined in Rule 14.07 of the Listing Rules) of the proposed annual caps in respect of the transactions contemplated under the Framework Sales and Purchase Agreements are more than 5%, the transactions and the proposed annual caps for to the year ending 31 December 2020 are subject to reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Extraordinary General Meeting will be convened to consider and, if thought fit, to approve the Haidilao (Shuhai) and JV Continuing Connected Transactions. In accordance with the Listing Rules, (i) Mr. Zhang Yong, Ms. Shu Ping and Mr. Shi Yonghong have a material interest in the Haidilao Master Sales Agreement and Shuhai Sales Agreement and will abstain from voting on the ordinary resolutions to approve the Haidilao Master Sales Agreement and Shuhai Sales Agreement, respectively, at the Extraordinary General Meeting, and (ii) Ms. Dang Chunxiang, Mr. Zhang Yong, Ms. Shu Ping and Mr. Shi Yonghong have a material interest in the Framework Sales and Purchase Agreements and will abstain from voting on the ordinary resolution to approve the Framework Sales and Purchase Agreements at the Extraordinary General Meeting.

An Independent Board Committee comprising all the independent non-executive Directors has been established to advise the Independent Shareholders in respect of the Haidilao (Shuhai) and JV Continuing Connected Transactions. In this respect, First Shanghai Capital Limited has been appointed as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders.

A circular containing, among others, further information on the Haidilao (Shuhai) and JV Continuing Connected Transactions, a letter from the Independent Board Committee to the Independent Shareholders containing its recommendation, a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, together with a notice to convene the Extraordinary General Meeting to approve the Haidilao (Shuhai) and JV Continuing Connected Transactions, is expected to be dispatched to the Shareholders on or before 27 July 2018.

I. RENEWAL OF ANNUAL CAPS FOR CONTINUING CONNECTED TRANSACTIONS IN RESPECT OF 2019 AND 2020

1. BACKGROUND

Reference is made to the section headed “Connected Transactions” of the Prospectus and the announcements of the Company dated 18 September 2017 (in relation to, among others, revision of annual caps under the Existing Master Sales Agreement and the Existing Shuhai Warehouse Storage Service Agreement in respect of 2017 and 2018) and 22 March 2018 (in relation to variation of terms of the Existing Master Sales Agreement).

As disclosed in the Prospectus and the aforementioned announcements, the Group has entered into the following agreements with connected persons which will expire on 31 December 2018: (i) Existing Chengdu Lease Agreement, (ii) Existing Shuhai Warehouse Storage Service Agreement, (iii) Existing Haidilao Warehouse Storage Service Agreement, (iv) Existing Master Sales Agreement and (v) Existing Shuhai Sales Agreement.

The Company intends to continue to enter into transactions of similar nature after 31 December 2018. Therefore, on 6 July 2018, the Group entered into new Framework Agreements, the nature of which are similar to that of the transactions under the Existing Agreements, for a term of two years from 1 January 2019 to 31 December 2020.

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

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

A. PROPERTY LEASE

2. CHENGDU LEASE AGREEMENT

Date:

6 July 2018

Parties:

(1) Sichuan Haidilao

(2) Chengdu Yueyihai

Term

The Chengdu Lease Agreement has an initial term of two years from 1 January 2019 to 31 December 2020. Subject to compliance with the Listing Rules and applicable laws and regulations, the Chengdu Lease Agreement may be renewed for a further term of three years from time to time, unless Chengdu Yueyihai

notifies Sichuan Haidilao to the contrary with one month's written notice prior to the expiry of the agreement's term. Upon renewal of the Chengdu Lease Agreement, the parties may amend the terms of the agreement based on the then prevailing circumstances.

Nature of transactions

Pursuant to the terms of the Chengdu Lease Agreement, Chengdu Yueyihai agreed to lease from Sichuan Haidilao a parcel of land together with properties and fixtures thereon to be used for production and warehousing. The leased property, with a total site area of approximately 9,656.5 sq.m., is located in Longquanyi District, Chengdu City, PRC.

The total rental paid by Chengdu Yueyihai for 2017 was RMB2,869,000. The total rental payable by Chengdu Yueyihai for 2019 and 2020 respectively shall be adjusted downwards if Chengdu Yueyihai decides not to continue to lease certain properties and fixtures.

In the event that Chengdu Yueyihai is unable to continue to use the leased properties for the reasons that the properties are confiscated or ordered to be demolished by relevant governmental authorities, Sichuan Haidilao shall indemnify Chengdu Yueyihai from the loss incurred.

Pricing basis

The rental payable under the Chengdu Lease Agreement was determined by both parties through arm's length negotiation with reference to (i) area leased, geographic location and profile of surrounding area, (ii) prevailing market rate in respect of the same or similar properties in the same area, and (iii) the estimated movements in prevailing market rate in the next two years.

Payment terms

Payment shall be made every six months in arrears. Chengdu Yueyihai shall also reimburse relevant utility expenses (e.g. water and electricity) incurred by Sichuan Haidilao on a monthly basis.

Historical amounts

The table below sets forth the historical rentals paid under the Existing Chengdu Lease Agreement for the two years ended 31 December 2017 and the three months ended 31 March 2018 and the annual cap for the year ending 31 December 2018:

For the year ended 31 December 2016 (RMB'000)	For the year ended 31 December 2017 (RMB'000)	For the three months ended 31 March 2018 (unaudited) (RMB'000)	Annual cap for the year ending 31 December 2018 (RMB'000)
2,917	2,869	717	4,500

As at the date of this announcement, the actual transaction amount has not exceeded the annual cap for the year ending 31 December 2018.

Proposed annual caps and basis of determination

The Company estimates that the annual caps for the Chengdu Lease Agreement for the two years ending 31 December 2020 are as follows:

For the year ending 31 December 2019 (RMB'000)	For the year ending 31 December 2020 (RMB'000)
4,500	4,500

In arriving at the above proposed annual caps, the Group has taken into account the following factors: (i) area leased, geographical location and profile of surrounding area, (ii) prevailing market rate in respect of the same or similar properties in the same area, (iii) the estimated movements in prevailing market rate in the next two years, and (iv) the estimated utility expenses to be incurred in connection with the Group's production on the leased properties.

Reasons for and benefit of entering into the Chengdu Lease Agreement

The Directors consider the Chengdu Lease Agreement to be consistent with the business and commercial objectives of the Company, as the operation of the Group will not be disturbed by relocation and the Group will be provided with an overall business and operational convenience.

Listing Rules implications

As at the date of this announcement, Mr. Zhang Yong and his wife Ms. Shu Ping, the non-executive Director and executive Director, together hold approximately 35.59% of the total issued shares of the Company and are therefore controlling shareholders of the Company. Mr. Shi Yonghong, the non-executive Chairman, holds approximately 16.93% of the total issued shares of the Company and is therefore a substantial shareholder of the Company.

Sichuan Haidilao is directly or indirectly held as to approximately 33.5% by Mr. Zhang Yong and Ms. Shu Ping (controlling shareholders of the Company), 50% by Jingyuan Investment (which in turn is held as to approximately 68% by Mr. Zhang Yong and Ms. Shu Ping) and 16% by Mr. Shi Yonghong (the non-executive Chairman) and his wife.

Sichuan Haidilao is therefore a connected person of the Company by virtue of being an associate of the controlling shareholders of the Company, and the lease arrangements between Chengdu Yueyihai, an indirectly wholly owned subsidiary of the Company, and Sichuan Haidilao constitute continuing connected transactions of the Company under the Listing Rules.

Since the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) are more than 0.1% but less than 5%, the proposed annual caps under the Chengdu Lease Agreement are subject to the reporting, annual review and announcement requirements but is exempt from the independent shareholders' approval under Chapter 14A of the Listing Rules.

B. WAREHOUSE STORAGE

3. SHUHAI WAREHOUSE STORAGE SERVICE AGREEMENT

Date:

6 July 2018

Parties:

(1) Yihai Shanghai

(2) Shuhai Supply Chain

Term

The Shuhai Warehouse Storage Service Agreement has an initial term of two year from 1 January 2019 to 31 December 2020. Subject to compliance with the Listing Rules and applicable laws and regulations, the Shuhai Warehouse Storage Agreement may be automatically renewed for a further term of three years from time to time, unless Yihai Shanghai notifies Shuhai Supply Chain to the contrary with 30 days' written notice prior to the expiry of the agreement's term. Upon renewal of the Shuhai Warehouse Storage Agreement, the parties may amend the terms of the agreement based on the then prevailing circumstances.

Nature of transactions

During the term of the Shuhai Warehouse Storage Service Agreement, Shuhai Supply Chain Group has agreed to provide warehousing facilities and related services, including warehouse storage, sorting process management, stock-taking, and other logistics service, to the Group in connection with the storage of the Group's products.

Pricing basis

The storage service fees will be charged on a per parcel basis, at a rate determined by reference to factors such as location of the warehouse and services provided, and will be payable in the following month.

The storage service fees under the Shuhai Warehouse Storage Service Agreement shall be determined by both parties through arm's length negotiation with reference to (i) the geographic location of the warehouses, (ii) the quality of storage services provided by Shuhai Supply Chain Group, and (iii) fees charged by independent third parties for similar storage services with comparable warehouse facilities and locations.

Payment terms

An invoice regarding fees payable under the Shuhai Warehouse Storage Service Agreement will be sent by the Shuhai Supply Chain to Yihai Shanghai on a monthly basis, and a bill will be issued upon confirmation. The relevant fees will be settled by the end of the following month.

Historical amounts

The table below sets forth the historical amounts for the storage service fees paid under the Existing Shuhai Warehouse Storage Service Agreement for the two years ended 31 December 2017 and the three months ended 31 March 2018 and the annual cap for the year ending 31 December 2018:

For the year ended 31 December 2016 (RMB'000)	For the year ended 31 December 2017 (RMB'000)	For the three months ended 31 March 2018 (unaudited) (RMB'000)	Annual cap for the year ending 31 December 2018 (RMB'000)
2,308	3,544	1,506	9,000

As at the date of this announcement, the actual transaction amount has not exceeded the annual cap for the year ending 31 December 2018.

Proposed annual caps and basis of determination

The Company estimates that the annual caps for the Shuhai Warehouse Storage Service Agreement for the two years ending 31 December 2020 are as follows:

For the year ending 31 December 2019 <i>(RMB'000)</i>	For the year ending 31 December 2020 <i>(RMB'000)</i>
10,600	17,400

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

- (i) the historical transaction amounts with the Shuhai Supply Chain Group;
- (ii) the expected increase in handling rate per parcel due to the increase in operating costs, including labour costs;
- (iii) the acquisition of most of the warehouse storage businesses of the Sichuan Haidilao Group by the Shuhai Supply Chain Group, such that the most of the storage services previously provided by the Sichuan Haidilao Group to the Group is provided by the Shuhai Supply Chain;
- (iv) the estimated increase in the volume of products for storage and handling at these warehouses as a result of the anticipated expansion of the hotpot restaurant chain of the Haidilao Group; and
- (v) the expected increase in the sales volume of the Group's products through e-commerce sales and distribution network.

Reasons for and benefit of entering into the Shuhai Warehouse Storage Service Agreement

Having considered the relevant expertise of Shuhai Supply Chain Group and the service fees charged, the Director consider the Shuhai Warehouse Storage Service Agreement to be consistent with the business and commercial objectives of the Company and that the Group can continue to benefit from the co-operation with the Shuhai Supply Chain Group.

Listing Rules implications

Shuhai Supply Chain is indirectly held as to approximately 52.17% by the controlling shareholders, Mr. Zhang Yong and Ms. Shu Ping, and their associate and 24.65% by Mr. Shi Yonghong and his wife.

Shuhai Supply Chain is, therefore, a connected person of the Company by virtue of being an associate of the controlling shareholders of the Company, and the transactions contemplated under the Shuhai Warehouse Storage Service Agreement constitute continuing connected transactions of the Company under the Listing Rules.

Since (i) the nature of service to be provided under the Shuhai Warehouse Storage Service Agreement and Sichuan Haidilao Warehouse Storage Service Agreement is similar and (ii) both Shuhai Supply Chain and Sichuan Haidilao are associates of the controlling shareholders, Mr. Zhang Yong and Ms. Shu Ping, the transactions contemplated under the Shuhai Warehouse Storage Service Agreement and Sichuan Haidilao Warehouse Storage Service Agreement will be aggregated pursuant to Rule 14A.82(1) and Rule 14A.83 of the Listing Rules. Accordingly, the annual caps in respect of the Shuhai Warehouse Storage Service Agreement and Sichuan Haidilao Warehouse Storage Service Agreement are aggregated.

Since the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the aggregated transactions are more than 0.1% but less than 5%, the proposed annual caps under the Shuhai Warehouse Storage Service Agreement are subject to the reporting, annual review and announcement requirements but is exempt from the independent shareholders' approval under Chapter 14A of the Listing Rules.

4. SICHUAN HAIDILAO WAREHOUSE STORAGE SERVICE AGREEMENT

Date:

6 July 2018

Parties:

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

Term

The Sichuan Haidilao Warehouse Storage Service Agreement has an initial term of two year from 1 January 2019 to 31 December 2020. Subject to compliance with the Listing Rules and applicable laws and regulations, the Sichuan Haidilao Warehouse Storage Agreement may be automatically renewed for a further term of three years from time to time, unless Yihai Shanghai notifies Sichuan Haidilao to the contrary with 30 days' written notice prior to the expiry of the agreement's term. Upon renewal of the Sichuan Haidilao Warehouse Storage Agreement, the parties may amend the terms of the agreement based on the then prevailing circumstances.

Nature of transactions

During the term of the Sichuan Haidilao Warehouse Storage Service Agreement, Sichuan Haidilao Group has agreed to provide warehousing facilities and related services, including warehouse storage, sorting process management, stock-taking, and other logistics service, to the Group in connection with the storage of the Group's products.

Pricing basis

The storage service fees will be charged on a per parcel basis, at a rate determined by reference to factors such as location of the warehouse and services provided, and will be payable in the following month.

The storage service fees under the Sichuan Haidilao Warehouse Storage Service Agreement shall be determined by both parties through arm's length negotiation with reference to (i) the geographic location of the warehouses, (ii) the quality of storage services provided by Sichuan Haidilao Group, and (iii) fees charged by independent third parties for similar storage services with comparable warehouse facilities and locations.

Payment terms

An invoice regarding fees payable under the Sichuan Haidilao Warehouse Storage Service Agreement will be sent by the Sichuan Haidilao to Yihai Shanghai on a monthly basis, and a bill will be issued upon confirmation. The relevant fees will be settled by the end of the following month.

Historical amounts

The table below sets forth the historical amounts for the storage service fees paid under the Existing Haidilao Warehouse Storage Service Agreement for the two years ended 31 December 2017 and the three months ended 31 March 2018 and the annual cap for the year ending 31 December 2018:

For the year ended 31 December 2016	For the year ended 31 December 2017	For the three months ended 31 March 2018 (unaudited)	Annual cap for the year ending 31 December 2018
<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
1,160	764	39	3,600

As at the date of this announcement, the actual transaction amount has not exceeded the annual cap for the year ending 31 December 2018.

Proposed annual caps and basis of determination

The Company estimates that the annual caps for the Sichuan Haidilao Warehouse Storage Service Agreement for the two years ending 31 December 2020 are as follows:

For the year ending 31 December 2019	For the year ending 31 December 2020
<i>(RMB'000)</i>	<i>(RMB'000)</i>
300	360

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

- (i) the historical transaction amounts with the Sichuan Haidilao Group, and the acquisition of most of the warehouse storage businesses of the Sichuan Haidilao Group by the Shuhai Supply Chain Group;
- (ii) the expected increase in handling rate per parcel due to the increase in operating costs, including labour costs; and
- (iii) the estimated increase in the volume of products for storage and handling at these warehouses as a result of the anticipated expansion of the hotpot restaurant chain of the Haidilao Group.

Reasons for and benefit of entering into the Sichuan Haidilao Warehouse Storage Service Agreement

The Group has been using the warehouse storage and logistics service of Sichuan Haidilao Group. Having considered the relevant expertise of Sichuan Haidilao Group and the service fees charged, the Director consider the Sichuan Haidilao Warehouse Storage Service Agreement to be consistent with the business and commercial objectives of the Company and that the Group can continue to benefit from the co-operation with the Sichuan Haidilao Group.

Listing Rules implications

Sichuan Haidilao is directly or indirectly held as to approximately 33.5% by Mr. Zhang Yong and Ms. Shu Ping (controlling shareholders of the Company), 50% by Jingyuan Investment (which in turn is held as to approximately 68% by Mr. Zhang Yong and Ms. Shu Ping) and 16% by Mr. Shi Yonghong (the non-executive Chairman) and his wife.

Sichuan Haidilao is therefore a connected person of the Company by virtue of being an associate of the controlling shareholders of the Company, and the lease arrangements between Chengdu Yueyihai, an indirectly wholly owned subsidiary of the Company, and Sichuan Haidilao constitute continuing connected transactions of the Company under the Listing Rules.

Since (i) the nature of service to be provided under the Shuhai Warehouse Storage Service Agreement and Sichuan Haidilao Warehouse Storage Service Agreement is similar and (ii) both Shuhai Supply Chain and Sichuan Haidilao are associates of the controlling shareholders, Mr. Zhang Yong and Ms. Shu Ping, the transactions contemplated under the Shuhai Warehouse Storage Service Agreement and Sichuan Haidilao Warehouse Storage Service Agreement will be aggregated pursuant to Rule 14A.82(1) and Rule 14A.83 of the Listing Rules. Accordingly, the annual caps in respect of the Shuhai Warehouse Storage Service Agreement and Sichuan Haidilao Warehouse Storage Service Agreement are aggregated.

Since the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the aggregated transactions are more than 0.1% but less than 5%, the proposed annual caps under the Sichuan Haidilao Warehouse Storage Service Agreement are subject to the reporting, annual review and announcement requirements but is exempt from the independent shareholders' approval under Chapter 14A of the Listing Rules.

C. SALES AND DISTRIBUTION

5. HAIDILAO MASTER SALES AGREEMENT

Date:

6 July 2018

Parties:

(1) Yihai Shanghai

(2) Singapore Haidilao

Term

The Haidilao Master Sales Agreement has an initial term of two years from 1 January 2019 to 31 December 2020. Subject to compliance with the Listing Rules and applicable laws and regulations, the Haidilao Master Sales Agreement may be renewed for a further term of three years from time to time, unless the parties agree in writing to terminate the Haidilao Master Sales Agreement during its term; or the Haidilao Master Sales Agreement is terminated as required by applicable laws, regulations, requirements of the securities regulatory authorities, or judgment or decision of any competent court. Upon renewal of the Haidilao Master Sales Agreement, the parties may amend the terms of the agreement based on the then prevailing circumstances.

Nature of transactions

(a) *Sale of Haidilao Customized Products*

Pursuant to the terms of the Haidilao Master Sales Agreement, the Group is 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 or 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 fulfill 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. Under the Haidilao Master Sales Agreement, the Group may engage contract manufacturers to produce Haidilao Customized Products.

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

The Haidilao Group owns the proprietary rights to the formulas of Haidilao Customized Products (the “**Haidilao Group Formulas**”) and licenses the Haidilao Group Formulas to the Group and the Group’s contract manufacturers to use for production on a royalty-free basis. The Group is required to, and shall use reasonable efforts to procure its contract manufacturers to: (i) keep confidential the Haidilao Group Formulas, and (ii) unless the Haidilao Group has given written consent, refrain from selling products that use these formulas to any of the Haidilao Group’s competitors that are primarily engaged in the hot pot business in the PRC and has a market share of more than 0.5%.

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

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

(b) *Sale of Haidilao Retail Products*

Pursuant to the terms of the Haidilao Master Sales Agreement, the Group is the sole supplier of the Haidilao Retail Products to the Haidilao Group for display and sales to customers in the hotpot restaurant of the Haidilao Group. Haidilao Retail Products are manufactured with the Group's own formulas. Haidilao Group is not permitted to sell the Group's products to any third party distributor.

Sale of Haidilao Retail Products will be made on the basis of individual orders specifying the type of product, purchase volume, delivery date etc. The sales price for the Haidilao Retail Products by cities shall be provided to the Haidilao Group semi-annually.

(c) *Sale of Small Hotpot Products*

Pursuant to the terms of the Haidilao Master Sales Agreement, the Group is the sole supplier of the Small Hotpot Products to the Haidilao Group for display and sales to customers in the hotpot restaurant of the Haidilao Group. The Small Hotpot Products are manufactured with the Joint Venture's own formulas. Haidilao Group is not permitted to sell the Group's products to any third party distributor. The quantity of the Small Hotpot Products for sales is not fixed but is to be determined and agreed between the parties.

Pricing basis

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

(a) *Sale of Haidilao Customized Products*

The sale price of Haidilao Customized Products shall be determined by the parties after arm's length negotiations with reference to (i) the historical sales price, (ii) the estimated overall net profit margin through sales to independent third party distributors in accordance with the pricing formula, (iii) the production cost, 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 third party distributors.

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

(b) *Sale of Haidilao Retail Products*

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

(c) *Sale of Small Hotpot Products*

The sales price of Small Hotpot Products shall be determined by the parties after arm's length negotiations with reference to (i) the production cost, including the cost of raw materials, selling and administrative expenses, incurred in connection with the production of Small Hotpot Products, and (ii) the prevailing market price of similar products. The independent non-executive Directors will regularly review and re-assess the sales prices of the Small Hotpot Products semi-annually and make adjustments if there is any significant change in the production cost.

Payment terms

Fees payable under the Haidilao Master Sales Agreement will be billed in a timely and appropriate manner according to the terms agreed by both parties.

(a) *Sale of Haidilao Customized Products*

For sales to hotpot restaurants in the PRC, payment shall be made on a monthly basis following delivery of products and the issuance of delivery invoices; for sales to overseas hotpot restaurants, payment shall be made based on the purchase volume per individual order.

(b) *Sale of Haidilao Retail Products*

Payment shall be made on a monthly basis, following the delivery of products and issuance of invoices by the Group.

(c) *Sale of Small Hotpot Products*

Payment shall be made on a monthly basis, following the delivery of products and issuance of invoices by the Group.

Historical amounts

The table below sets forth the historical amounts for the sales to the Haidilao Group under the Existing Master Sales Agreement for the two years ended 31 December 2017 and the three months ended 31 March 2018 and the annual cap for the year ending 31 December 2018:

	For the year ended 31 December 2016 (RMB'000)	For the year ended 31 December 2017 (RMB'000)	For the three months ended 31 March 2018 (unaudited) (RMB'000)	Annual cap for the year ending 31 December 2018 (RMB'000)
Haidilao Customized Products	579,921	891,638	265,010	1,526,000
Haidilao Retail Products	17,625	13,596	2,993	30,000
Small Hotpot Products	<u>Nil</u>	<u>99</u>	<u>260</u>	<u>13,700</u>
Total	<u><u>597,546</u></u>	<u><u>905,333</u></u>	<u><u>268,263</u></u>	<u><u>1,569,700</u></u>

As at the date of this announcement, the actual transaction amount has not exceeded the annual cap for the year ending 31 December 2018.

Proposed annual caps and basis of determination

The Company estimates that the annual caps for the Haidilao Master Sales Agreement for the two years ending 31 December 2020 are as follows:

	For the year ending 31 December 2019 (RMB'000)	For the year ending 31 December 2020 (RMB'000)
Haidilao Customized Products	2,269,600	3,462,700
Haidilao Retail Products	45,000	65,000
Small Hotpot Products	<u>23,300</u>	<u>39,600</u>
Total	<u>2,337,900</u>	<u>3,567,300</u>

In arriving at the above proposed annual caps for the Haidilao Customized Products and Haidilao Retail Products, the Group has taken into account the following factors:

- (i) the historical transaction amounts with the Haidilao Group;
- (ii) Haidilao Group's rapid expansion in recent years, as demonstrated by the number of stores of the Haidilao Group as at 31 December 2015, 2016, 2017 and 31 March 2018, being 146, 176, 273 and 304 respectively; the growth in the same store results of the stores of the Haidilao Group;
- (iii) substantial increase in revenue of the Group from 2013 to 2017, which is largely attributable to the sales to the Haidilao Group; and
- (iv) the growth of the PRC catering industry.

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

- (i) the historical transaction amounts with the Haidilao Group;

- (ii) Haidilao Group's rapid expansion in recent years, as demonstrated by the number of stores of the Haidilao Group as at 31 December 2015, 2016, 2017 and 31 March 2018, being 146, 176, 273 and 304 respectively; the growth in the same store results of the stores of the Haidilao Group; and
- (iii) the strong growth and extensive market potential of the PRC catering industry and the self-serving small hotpot products market.

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

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

The sale of Small Hotpot Products has enriched the existing product scope and expanded the Group's existing business, and is expected to create a new source of profit growth for the Group.

Listing Rules implications

Singapore Haidilao is indirectly held as to approximately 62.7% by the controlling shareholders, Mr. Zhang Yong and Ms. Shu Ping, and 29.7% by Mr. Shi Yonghong and his wife.

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

Since (i) the sales of nature of products to be sold under the Haidilao Master Sales Agreement and Shuhai Sales Agreement is similar and (ii) both Singapore Haidilao and Shuhai Supply Chain are associates of the controlling shareholders, Mr. Zhang Yong and Ms. Shu Ping, the transactions contemplated under the

Haidilao Master Sales Agreement and Shuhai Sales Agreement will be aggregated pursuant to Rule 14A.82(1) and Rule 14A.83 of the Listing Rules. Accordingly, the annual caps in respect of the Haidilao Master Sales Agreement and the Shuhai Sales Agreement are aggregated.

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

6. SHUHAI SALES AGREEMENT

Date:

6 July 2018

Parties:

(1) Shuhai Supply Chain

(2) Yihai Shanghai

Term

The Shuhai Sales Agreement has an initial term of two years from 1 January 2019 to 31 December 2020. Subject to compliance with the Listing Rules and applicable laws and regulations, the Shuhai Sales Agreement may be renewed for a further term of three years from time to time, unless Yihai Shanghai notifies Shuhai Supply Chain to the contrary with one month's written notice prior to the expiry of the agreement's term. Upon renewal of the Shuhai Sales Agreement, the parties may amend the terms of the agreement based on the then prevailing circumstances.

Nature of transaction

Pursuant to the terms of the Shuhai Sales Agreement, the Group will supply products customized for Shuhai Supply Chain Group's customers who are catering service providers ("**Shuhai Customized Products**") and products targeting at the retail market ("**Shuhai Retail Products**"). Shuhai Customized Products and Shuhai Retail Products will be sold and distributed by Shuhai Supply Chain Group to its customers who are catering service providers. Shuhai

Supply Chain Group is not permitted to sell the Group's products to any third party distributor or any retail channel and shall ensure that its customers will not sell the Group's products to any third party distributor.

The Group will semi-annually provide a price list for all the Shuhai Customized Products and Shuhai Retail Products by cities to Shuhai Supply Chain Group. The sales price of the Shuhai Customized Products and Shuhai Retail Products shall be determined based on the pricing policy as set out below. Sales of the Shuhai Customized Products and Shuhai Retail Products will be made on the basis of individual orders specifying the type of product, purchase volume, delivery date and etc.

Pricing Basis

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

(a) *Sale of Shuhai Customized Products*

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

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

(b) *Sale of Shuhai Retail Products*

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

Payment terms

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

Historical amounts

The table below sets forth the historical amounts for the sales to the Shuhai Supply Chain Group under the Existing Shuhai Sales Agreement for the two years ended 31 December 2017 and the three months ended 31 March 2018 and the annual cap for the year ending 31 December 2018:

	For the year ended 31 December 2016 (RMB'000)	For the year ended 31 December 2017 (RMB'000)	For the three months ended 31 March 2018 (unaudited) (RMB'000)	Annual cap for the year ending 31 December 2018 (RMB'000)
Shuhai Customized Products	4,099	8,469	3,790	12,000
Shuhai Retail Products	<u>555</u>	<u>306</u>	<u>212</u>	<u>680</u>
Total	<u>4,654</u>	<u>8,775</u>	<u>4,002</u>	<u>12,680</u>

As at the date of this announcement, the actual transaction amount has not exceeded the annual cap for the year ending 31 December 2018.

Proposed annual caps and basis of determination

The Company estimates that the annual caps for the Shuhai Sales Agreement for the two years ending 31 December 2020 are as follows:

	For the year ending 31 December 2019 (RMB'000)	For the year ending 31 December 2020 (RMB'000)
Shuhai Customized Products	18,600	27,900
Shuhai Retail Products	<u>1,060</u>	<u>1,600</u>
Total	<u>19,660</u>	<u>29,500</u>

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

- (i) historical sales of Shuhai Customized Products by the Group to Shuhai Supply Chain Group, including sales volumes and sales prices;
- (ii) the estimated overall net profit margin through sales to independent third party distributors in accordance with the pricing formula;
- (iii) the prevailing production cost and expenses incurred by the Group in connection with the production of Shuhai Customized Products; and
- (iv) the estimated increase in demand for Shuhai Customized Products. Shuhai Supply Chain has been broadening its client base, which is expected to lead to an increase in demand for Shuhai Customized Products from the Group.

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

- (i) historical sales volume of Shuhai Retail Products by the Group to Shuhai Supply Chain Group;
- (ii) the prevailing market price of similar products sold by the Group to independent third party distributors;

- (iii) the prevailing production cost and expenses incurred by the Group in connection with the production of Shuhai Retail Products; and
- (iv) the estimated demand for Shuhai Retail Products. Shuhai Supply Chain has been broadening its client base, which is expected to lead to an increase in demand for Shuhai Retail Products from the Group.

Reasons for and benefit of entering into the Shuhai Sales Agreement

The Group supplies condiment products to a number of third-party catering service providers and the Group plans to further expand its customized services and sales to a greater number of catering service clients. Shuhai Supply Chain is primarily engaged in the provision of storage and logistics services to catering service providers. Its extensive client network gives the Group access to potential catering service clients, and increases consumer exposure to the Group's products and promote the brand image of the Group.

Listing Rules implications

Shuhai Supply Chain is indirectly held as to approximately 52.17% by the controlling shareholders, Mr. Zhang Yong and Ms. Shu Ping, and their associate and 24.65% by Mr. Shi Yonghong and his wife.

Shuhai Supply Chain is, therefore, a connected person of the Company by virtue of being an associate of the controlling shareholders of the Company, and the transactions contemplated under the Shuhai Sales Agreement constitute continuing connected transactions of the Company under the Listing Rules.

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

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

II. SALE AND PURCHASE OF PRODUCTS WITH THE JOINT VENTURE

1. BACKGROUND

Reference is made to the announcement of the Company dated 18 September 2017 (in relation to the sale of hotpot soup flavouring products to the Joint Venture and the purchase of Small Hotpot Products from the Joint Venture).

As disclosed in the announcement, Yihai Shanghai and the Joint Venture entered into the Existing Framework Sales and Purchase Agreements dated 18 September 2017 pursuant to which (i) Yihai Shanghai (for itself and on behalf of its subsidiaries, other than the Joint Venture) agreed to sell hotpot soup flavouring products to the Joint Venture as raw materials for the manufacture of Small Hotpot Products; and (ii) the Joint Venture agreed to sell Small Hotpot Products to Yihai Shanghai and its subsidiaries. The Existing Framework Sales and Purchase Agreements are for a term from 18 September 2017 to 31 August 2020.

The Company intends to continue to enter into transactions of similar nature with the Joint Venture after 31 August 2020. Therefore, on 6 July 2018, Yihai Shanghai and the Joint Venture entered into the Framework Sales and Purchase Agreements, the nature of which are similar to that of the transactions under the Existing Framework Sales and Purchase Agreements, for a term of four months from 1 September 2020 to 31 December 2020.

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

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

2. FRAMEWORK SALES AND PURCHASE AGREEMENTS

Date:

6 July 2018

Parties:

(1) Yihai Shanghai

(2) Joint Venture

Term

The Framework Sales and Purchase Agreements are for an initial term of four months from 1 September 2020 to 31 December 2020. Subject to compliance with the Listing Rules and applicable laws and regulations, the Framework Sales and Purchase Agreements may be renewed for a further term of three years from time to time, unless Yihai Shanghai notifies the Joint Venture to the contrary with one month's written notice prior to the expiry of the agreement's term. Upon renewal of the Framework Sales and Purchase Agreements, the parties may amend the terms of the agreement based on the then prevailing circumstances.

Nature of transaction

Pursuant to the Framework Sales and Purchase Agreements, (a) Yihai Shanghai (for itself and on behalf of its subsidiaries, other than the Joint Venture) agreed to sell hotpot soup flavouring products to the Joint Venture as raw materials for the manufacture of Small Hotpot Products; and (b) the Joint Venture agreed to sell Small Hotpot Products to Yihai Shanghai and its subsidiaries (excluding the Joint Venture).

The quantity of (a) the hotpot soup flavouring products to be sold to the Joint Venture; and (b) the Small Hotpot Products to be sold to Yihai Shanghai, respectively, are not fixed under the Framework Sales and Purchase Agreements but are to be determined and agreed between the relevant parties from time to time.

During the current term of the Framework Sales and Purchase Agreements, Yihai Shanghai and the Joint Venture may enter into separate agreements from time to time in respect of the sale and purchase of the hotpot soup flavouring products and the Small Hotpot Products upon and subject to the terms and conditions in compliance with the Framework Sales and Purchase Agreements.

Pricing basis

The sales prices of hotpot soup flavouring products and the purchase price of the Small Hotpot Products shall be determined by the parties with reference to a number of factors, details of which are further disclosed below. Any adjustment to the aforementioned prices must be agreed by both parties after one party gives prior written notice one month in advance.

(a) *Sale of hotpot soup flavouring products*

The sales price of hotpot soup flavouring products shall be determined by the parties after arm's length negotiations with reference to (i) the prevailing production cost and expenses incurred by the Group in connection with the production of the products, and (ii) the market price of similar products sold by comparable companies.

(b) *Purchase of Small Hotpot Products*

The purchase price of Small Hotpot Products shall be determined by the parties after arm's length negotiations with reference to (i) the production cost, including the cost of raw materials, selling and administrative expenses, incurred in connection with the production of Small Hotpot Products, and (ii) the prevailing market price of similar products.

Payment terms

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

Historical amounts

The table below sets forth the historical amounts for the sales of hotpot soup flavouring products to the Joint Venture and the purchase of Small Hotpot Products for the year ended 31 December 2017 and the three months ended 31 March 2018, and the annual caps for the two years ending 31 December 2019 and the eight months ending 31 August 2020:

	For the year ended 31 December 2017 (RMB'000)	For the three months ended 31 March 2018 (unaudited) (RMB'000)	Annual cap for the year ending 31 December 2018 (RMB'000)	Annual cap for the year ending 31 December 2019 (RMB'000)	Annual cap for the eight months ending 31 August 2020 (RMB'000)
Sale of hotpot soup flavouring products	Nil	728	9,500	14,500	12,800
Purchase of Small Hotpot Products	<u>2,560</u>	<u>2,837</u>	<u>131,800</u>	<u>191,000</u>	<u>165,533</u>
Total	<u>2,560</u>	<u>3,565</u>	<u>141,300</u>	<u>205,500</u>	<u>178,333</u>

As at the date of this announcement, the actual transaction amount has not exceeded the annual cap for the year ending 31 December 2018.

Proposed annual caps and basis of determination

The Company estimates that the caps for the Framework Sale and Purchase Agreements for the four months ending 31 December 2020 and therefore the annual caps for the year ending 31 December 2020 are as follows:

	For the four months ending 31 December 2020 (RMB'000)	For the year ending 31 December 2020 (RMB'000)
Sale of hotpot soup flavouring products	12,800	25,600
Purchase of Small Hotpot Products	<u>165,533</u>	<u>331,066</u>
Total	<u><u>178,333</u></u>	<u><u>356,666</u></u>

In arriving at the above proposed annual cap for the sales of hotpot soup flavouring products, the Group has taken into account the following factors:

The annual cap in relation to the sale of hotpot soup flavouring products is determined based on the expected demand of the Small Hotpot Products. As the hotpot soup flavouring products will be used as raw materials in producing the Small Hotpot Products, the demand for the former is directly proportionate to the market demand for the latter, as described below.

In arriving at the above proposed annual cap for the purchase of Small Hotpot Products, the Group has taken into account the following factors:

- (i) the expected market demand, in particular, the Company has taken into account the seasonal pattern of hotpot consumption in autumn and winter seasons;
- (ii) the prevailing market price of similar products;
- (iii) current production costs and expenses incurred in connection with the production of Small Hotpot Products by the Joint Venture; and
- (iv) the strong growth and extensive market potential of the PRC catering industry and the self-serving small hotpot products market.

Reasons for and benefit of entering into the Framework Sales and Purchase Agreements

Self-serving small hotpot products are new portable and instant products that can be purchased or sold in the retail market and can be sold through both online and offline sales channels, and has become a new line of business for the Group.

By selling hotpot soup flavouring products to the Joint Venture, the Company can further ensure that the Small Hotpot Products to be manufactured by the Joint Venture are of satisfactory quality.

The Group's subsequent sale of the Small Hotpot Products that it purchased from the Joint Venture to customers is expected to create a new source of income stream and profit growth for the Group as Small Hotpot Products are new products of the Group.

Listing Rules implications

The Joint Venture is currently a 60% held non wholly-owned subsidiary of the Company. As the Joint Venture is owned as to 40% by Xinpai Shanghai, which is controlled as to approximately (i) 62.70% by the controlling Shareholders, Mr. Zhang Yong and Ms. Shu Ping, and (ii) 29.7% by Mr. Shi Yonghong (the non-executive Chairman) and his wife, the Joint Venture is therefore a connected subsidiary of the Company. Accordingly, the transactions contemplated under the Framework Sales and Purchase Agreements constitute continuing connected transactions of the Company for the purpose of the Listing Rules.

Since the sales of hotpot soup flavouring products to the Joint Venture as raw materials for the manufacture of Small Hotpot Products and the subsequent purchase of Small Hotpot Products are related, the sales and purchase transactions as contemplated under the Framework Sales and Purchase Agreements will be aggregated and treated as if they were one transaction pursuant to Rule 14A.82(1) and Rule 14A.83 of the Listing Rules. Accordingly, the annual caps in respect of (i) sales of hotpot soup flavouring products; and (ii) purchase of Small Hotpot Products are aggregated.

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

III. DIRECTORS' CONFIRMATION

The Framework Agreements and the Framework Sales and Purchase Agreements have been negotiated and agreed on an arms' length basis by the parties thereto. The Directors (including the independent non-executive Directors) are of the view that the Framework Agreements and the Framework Sales and Purchase Agreements are entered into in the ordinary and usual course of business, on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Other than the proposed annual caps under the Haidilao Master Sales Agreement, the Shuhai Sales Agreement and the Framework Sales and Purchase Agreements, the Directors (including the independent non-executive Directors) are of the view that the proposed annual caps under the respective Framework Agreements for each of the two years ending 31 December 2020 are fair and reasonable and in the interests of the Company and the Shareholders as a whole. The independent non-executive Directors will form their views in respect of the proposed annual caps under the Haidilao Master Sales Agreement, the Shuhai Sales Agreement and the Framework Sales and Purchase Agreements after receiving advice from the Independent Financial Adviser.

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

In relation to the Framework Sales and Purchase Agreements, save for Ms. Dang Chunxiang (the chairman of the Joint Venture), Mr. Zhang Yong, Ms. Shu Ping and Mr. Shi Yonghong, none of the Directors has any material interests or is required to abstain from voting on the Board resolution.

IV. APPROVAL BY INDEPENDENT SHAREHOLDERS

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

In accordance with the Listing Rules, Mr. Zhang Yong, Ms. Shu Ping and Mr. Shi Yonghong, and their respective associates have a material interest in the Haidilao Master Sales Agreement and the Shuhai Sales Agreement and will abstain from voting on the ordinary resolutions to approve the Haidilao Master Sales Agreement and the Shuhai Sales Agreement, respectively, at the Extraordinary General Meeting.

In accordance with the Listing Rules, Ms. Dang Chunxiang, Mr. Zhang Yong, Ms. Shu Ping and Mr. Shi Yonghong, and their respective associates have a material interest in the Framework Sales and Purchase Agreements and will abstain from voting on the ordinary resolution to approve the Framework Sales and Purchase Agreements at the Extraordinary General Meeting.

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

A circular containing, among others, further information on the Haidilao (Shuhai) and JV Continuing Connected Transactions, a letter from the Independent Board Committee to the Independent Shareholders containing its recommendation, a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, together with a notice to convene the Extraordinary General Meeting to consider and, if thought fit, approve the Haidilao (Shuhai) and JV Continuing Connected Transactions (including their respective proposed annual caps) is expected to be dispatched to the Shareholders on or before 27 July 2018.

V. INFORMATION ON THE PARTIES

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

Chengdu Yueyihai is principally engaged in the manufacture and sales of condiments.

The Joint Venture is principally engaged in the manufacture and sales of Small Hotpot Products.

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

Sichuan Haidilao is principally engaged in investment consultancy and corporate management.

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

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

VI. DEFINITIONS

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

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Chengdu Lease Agreement”	the lease agreement dated 6 July 2018 entered into between Chengdu Yueyihai and Sichuan Haidilao in connection with the lease of a parcel of land with the properties and fixtures thereon by Sichuan Haidilao to Chengdu Yueyihai
“Chengdu Yueyihai”	Chengdu Yueyihai Co., Ltd.* (成都悦頤海商貿有限公司), a limited liability company established in the PRC on 28 April 2014 and an indirectly wholly owned subsidiary of the Company
“Company”	Yihai International Holding Ltd. (頤海國際控股有限公司), an exempted company incorporated under the laws of the Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“continuing connected transaction(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholders(s)”	has the meaning ascribed to it under the Listing Rules
“Directors”	the directors of the Company
“Existing Agreements”	collectively, the Existing Chengdu Lease Agreement, the Existing Shuhai Warehouse Storage Service Agreement, the Existing Haidilao Warehouse Storage Service Agreement, the Existing Master Sales Agreement and the Existing Shuhai Sales Agreement

“Existing Chengdu Lease Agreement”	the lease agreement dated 1 December 2015, as supplemented by a supplemental agreement dated 5 January 2016 entered into between Chengdu Yueyihai and Sichuan Haidilao in connection with the lease of a parcel of land with the properties and fixtures thereon by Sichuan Haidilao to Chengdu Yueyihai
“Existing Framework Sales and Purchase Agreements”	collectively, the hotpot soup flavouring products sales agreement dated 18 September 2017 entered into between Yihai Shanghai and the Joint Venture in relation to the sales of hotpot soup flavouring products from Yihai Shanghai and its subsidiaries to the Joint Venture, and the self-serving small hotpot products sales agreement dated 18 September 2017 entered into between the Joint Venture and Yihai Shanghai in relation to the sales of Small Hotpot Products by the Joint Venture to Yihai Shanghai and its subsidiaries
“Existing Haidilao Warehouse Storage Service Agreement”	the warehouse storage service agreement dated 24 June 2016 entered into between Yihai Shanghai and Sichuan Haidilao in relation to the provision of warehousing facilities and related services by Sichuan Haidilao Group to the Group
“Existing Master Sales Agreement”	the master sales agreement dated 24 June 2016 as supplemented by two supplemental master sales agreements dated 18 September 2017 and 22 March 2018, respectively, entered into between Singapore Haidilao and Yihai Shanghai to regulate the sale of Haidilao Customized Products, Haidilao Retail Products and Small Hotpot Products by the Group to the Haidilao Group
“Existing Shuhai Sales Agreement”	the sales agreement dated 24 June 2016 entered into between Yihai Shanghai and Shuhai Supply Chain in relation to the sale of hot pot soup flavoring products, hot pot dipping sauce products and other compound condiment products by the Group to Shuhai Supply Chain Group

“Existing Shuhai Warehouse Storage Service Agreement”	the warehouse storage service agreement dated 24 June 2016 entered into between Yihai Shanghai and Shuhai Supply Chain in relation to the provision of warehousing facilities and related services by Shuhai Supply Chain Group to the Group
“Extraordinary General Meeting”	an extraordinary general meeting of the Company to consider and, if thought fit, approve the Haidilao (Shuhai) and JV Continuing Connected Transactions
“Framework Agreements”	collectively, the Chengdu Lease Agreement, the Shuhai Warehouse Storage Service Agreement, the Sichuan Haidilao Warehouse Storage Service Agreement, the Haidilao Master Sales Agreement and the Shuhai Sales Agreement
“Framework Sales and Purchase Agreements”	collectively, the hotpot soup flavouring products sales agreement dated 6 July 2018 entered into between Yihai Shanghai and the Joint Venture in relation to the sales of hotpot soup flavouring products from Yihai Shanghai and its subsidiaries to the Joint Venture, and the self-serving small hotpot products sales agreement dated 6 July 2018 entered into between the Joint Venture and Yihai Shanghai in relation to the sales of Small Hotpot Products by the Joint Venture to Yihai Shanghai and its subsidiaries
“Group”	the Company and its subsidiaries
“Haidilao (Shuhai) and JV Continuing Connected Transactions”	collectively, (i) the sale of Haidilao Customized Products, Haidilao Retail Products and Small Hotpot Products to the Haidilao Group pursuant to the Haidilao Master Sales Agreement, (ii) the sale of hot pot soup flavoring products, hot pot dipping sauce products and other compound condiment products by the Group to Shuhai Supply Chain Group, and (iii) the sale of hotpot soup flavouring products to and purchase of Small Hotpot Products from the Joint Venture pursuant to the Framework Sales and Purchase Agreements
“Haidilao Customized Products”	the hot pot soup flavoring and Chinese-style compound condiment products manufactured by the Group using formulas owned by Haidilao Group for use in its hot pot 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 Master Sales Agreement”	the master sales agreement dated 6 July 2018 entered into between Singapore Haidilao and Yihai Shanghai to regulate the sale of Haidilao Customized Products, Haidilao Retail Products and Small Hotpot Products by the Group to the Haidilao Group
“Haidilao Retail Products”	the retail hotpot soup flavouring, hotpot dipping sauce and Chinese-style compound condiment products manufactured by the Group 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 Haidilao (Shuhai) and JV Continuing Connected Transactions
“Independent Financial Adviser”	First Shanghai Capital Limited, a licensed corporation to carry out type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance, and the independent financial adviser to the Independent Board Committee and Independent Shareholders in relation to the Haidilao (Shuhai) and JV Continuing Connected Transactions

“Independent Shareholders”	has the meaning ascribed to it under the Listing Rules, and in relation to approving the Haidilao Master Sales Agreement at the Extraordinary General Meeting, means the Shareholders other than Mr. Zhang Yong, Ms. Shu Ping, Mr. Shi Yonghong, and their respective associates, (ii) the Shuhai Sales Agreement at the Extraordinary General Meeting, means the Shareholders other than Mr. Zhang Yong, Ms. Shu Ping, Mr. Shi Yonghong, and their respective associates, and (iii) the Framework Sales and Purchase Agreements at the Extraordinary General Meeting, means the Shareholders other than Ms. Dang Chunxiang, Mr. Zhang Yong, Ms. Shu Ping, Mr. Shi Yonghong, and their respective associates
“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 (the non-executive Chairman) 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
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PRC”	the People’s Republic of China, and for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Prospectus”	the Company’s prospectus dated 30 June 2016
“RMB”	Renminbi, the lawful currency of the PRC
“Securities and Futures Ordinance”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
“Shareholder(s)”	holder(s) of Shares
“Share(s)”	ordinary share(s) in the share capital of the Company with nominal value of US\$0.00001 each

“Shuhai Sales Agreement”	the sales agreement dated 6 July 2018 entered into between Yihai Shanghai and Shuhai Supply Chain in relation to the sale of hot pot soup flavoring products, hot pot dipping sauce products and other compound condiment products by the Group to Shuhai Supply Chain Group
“Shuhai Supply Chain”	Shuhai (Beijing) Supply Chain Management Co., Ltd.* (蜀海(北京)供應鏈管理有限責任公司), a limited liability company established in the PRC on 3 June 2014 and is indirectly held as to approximately 52.17% by the controlling shareholders, Mr. Zhang Yong and Ms. Shu Ping, and their associate and 24.65% by Mr. Shi Yonghong and his wife
“Shuhai Supply Chain Group”	Shuhai Supply Chain and its subsidiaries
“Shuhai Warehouse Storage Service Agreement”	the warehouse storage service agreement dated 6 July 2018 entered into between Yihai Shanghai and Shuhai Supply Chain in relation to the provision of warehousing facilities and related services by Shuhai Supply Chain Group to the Group
“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 or indirectly held as to approximately 33.5% by Mr. Zhang Yong and Ms. Shu Ping (controlling shareholders), 50% by Jingyuan Investment and 16% by Mr. Shi Yonghong (the non-executive Chairman) and his wife
“Sichuan Haidilao Group”	Sichuan Haidilao and its subsidiaries
“Sichuan Haidilao Warehouse Storage Service Agreement”	the warehouse storage service agreement dated 6 July 2018 entered into between Yihai Shanghai and Sichuan Haidilao in relation to the provision of warehousing facilities and related services by Sichuan Haidilao Group to the Group

“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 (the non-executive Chairman) and his wife
“Small Hotpot Products”	the self-serving small hotpot products to be manufactured and sold by the Joint Venture
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	has the meaning ascribed thereto in the Listing Rules
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Xinpai Shanghai”	Xinpai (Shanghai) Catering Management Co., Ltd.* (新派(上海)餐飲管理有限公司), a company established in the PRC with limited liability and is controlled as to approximately 62.70% by Mr. Zhang Yong and Ms. Shu Ping, and 29.7% by Mr. Shi Yonghong (the non-executive Director) and his wife
“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

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

Beijing, the PRC, 6 July 2018

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

* *For identification purposes only*