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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 TRANSACTION SUPER HI MASTER SALES AGREEMENT

1. REFERENCES

References are made to the announcement and circular of Yihai International Holding Ltd. (the “**Company**”) dated 7 December 2020 and 15 December 2020, respectively, in relation to, among others, the Haidilao Master Sales Agreement entered into by and between the Company and Haidilao for the continuing connected transactions with respect to the sale of products to the Haidilao Group for the financial years of 2021 to 2023 as contemplated thereunder.

References are also made to the announcements of Haidilao dated 11 July 2022, 13 July 2022 and 15 December 2022 and the listing document of Super Hi dated 19 December 2022 in relation to, among other things, the distribution in specie and schedule in relation to the proposed Super Hi Spin-off. Following completion of the proposed Super Hi Spin-off, Haidilao will not retain any interest in Super Hi and Super Hi will cease to be a subsidiary of Haidilao.

2. SUPER HI MASTER SALES AGREEMENT

On 12 December 2022, the Company entered into the Super Hi Master Sales Agreement with Super Hi, pursuant to which the Company agreed to provide and Super Hi agreed to purchase Haidilao Customized Products, Yihai Retail Products and Convenient Ready-to-eat Food Products for a term commencing on the Super Hi Listing Date until 31 December 2023.

3. LISTING RULES IMPLICATION

Upon completion of the proposed Super Hi Spin-off, Super Hi will cease to be a subsidiary of Haidilao and will be indirectly held as to approximately 54.28% by the controlling shareholders of the Company, Mr. Zhang Yong and Ms. Shu Ping, respectively being a non-executive Director and an executive Director.

Super Hi will be therefore a connected person of the Company by virtue of being an associate of the controlling shareholders and Directors of the Company, and the sales transactions between the Group and the Super Hi Group will cease to be part of the continuing connected transactions contemplated under the Haidilao Master Sales Agreement and constitute separate continuing connected transactions of the Company under the Listing Rules.

Considering the transactions contemplated under the Super Hi Master Sales Agreement have been part of the transactions contemplated under the Haidilao Master Sales Agreement for which the Company has already complied with the relevant requirements under Chapter 14A of the Listing Rules and the proposed annual caps in respect of the Super Hi Master Sales Agreement are spun off from the Haidilao Master Annual Caps, the percentage ratios pursuant to Rule 14.07 of the Listing Rules in respect of the proposed annual caps for transactions contemplated under the Super Hi Master Sales Agreement will not be repeatedly calculated in aggregation with the Haidilao Master Annual Caps.

As the applicable percentage ratios pursuant to Rule 14.07 of the Listing Rules in respect of the proposed annual caps for the transactions contemplated under the Super Hi Master Sales Agreement exceed 0.1% but less than 5%, the Super Hi Master Sales Agreement is subject to the reporting and announcement requirements but is exempt from the circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

SUPER HI MASTER SALES AGREEMENT

On 12 December 2022, the Company and Super Hi entered into the Super Hi Master Sales Agreement, pursuant to which the Company agreed to sell Haidilao Customized Products, Yihai Retail Products and Convenient Ready-to-eat Food Products to the Super Hi Group.

The principal terms of the Super Hi Master Sales Agreement, are set out below:

Date:

12 December 2022

Parties:

- (1) the Company (for itself and on behalf of its subsidiaries)
- (2) Super Hi (for itself and on behalf of its subsidiaries)

Term

The Super Hi Master Sales Agreement will commence from the Super Hi Listing Date and continue until 31 December 2023 (both days inclusive). Subject to compliance with the Listing Rules and applicable laws and regulations (including but not limited to Chapter 14A of the Listing Rules at the time of renewal) and requirements of securities regulatory authorities, the Super Hi Master Sales Agreement may be renewed for a further term of three years from time to time, unless: (i) the parties agree in writing to terminate the Super Hi Master Sales Agreement during its term; or (ii) the Super Hi Master Sales Agreement is terminated as required by applicable laws, regulations, requirements of the securities regulatory authorities, or judgment or decision of any competent court. Upon renewal of the Super Hi Master Sales Agreement, the parties may amend the terms of the agreement based on the then prevailing circumstances subject to the compliance with the requirements under Chapter 14A of the Listing Rules.

Nature of transactions

(a) Sale of Haidilao Customized Products

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

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

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

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

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

(b) *Sale of Yihai Retail Products*

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

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

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

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

Pricing basis

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

(a) *Sale of Haidilao Customized Products*

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

(b) *Sale of Yihai Retail Products*

The sale price of Yihai Retail Products shall be consistent with the pricing policy for similar products that the Group offers to its independent third party distributors and shall be determined by the parties after arm's length negotiations with reference to (i) the relevant costs and expenses, and (ii) the prevailing market price of similar products.

To ensure that the sale price of Yihai Retail Products is consistent with the pricing policy for similar products offered by the Group to its independent third party distributors, the Super Hi Group and the Group will explicitly agree on such pricing policy in the relevant purchase agreements.

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

The sales price of Convenient Ready-to-eat Food Products shall be determined by the parties after arm's length negotiations with reference to (i) the relevant costs and expenses, and (ii) the prevailing market price of similar products the Group offers to its other independent third parties.

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

Payment terms

Fees payable under the Super Hi 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 the hot pot restaurants of the Super Hi Group, payment shall be made based on the purchase volume per individual order.

(b) *Sale of Yihai Retail Products*

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

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

Payment shall be made on a regular 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 Group's sales to the Super Hi Group for the three years ended 31 December 2021 and the six months ended 30 June 2022:

For the year ended 31 December			For the six months
2019	2020	2021	ended 30 June
<i>(RMB in thousands)</i>			
<u>46,553</u>	<u>39,110</u>	<u>54,721</u>	<u>41,989</u>

Proposed annual caps and basis of determination

The Company estimates that the annual caps for the Super Hi Master Sales Agreement for the two years ending 31 December 2023 are as follows (the "Super Hi Master Annual Caps"):

Proposed annual cap for the year ending 31 December		2023
2022		
<i>(RMB in thousands)</i>		
<u>111,598</u>		<u>152,305</u>

The Existing Haidilao Master Annual Caps under the Haidilao Master Sales Agreement for the two years ending 31 December 2023 are set out below:

Existing Haidilao Master Annual Caps for the year ending 31 December		2023
2022		
<i>(RMB in thousands)</i>		
<u>5,693,000</u>		<u>7,540,000</u>

Accordingly, upon completion of the proposed Super Hi Spin-off, the Existing Haidilao Master Annual Caps under the Haidilao Master Sales Agreement for the two years ending 31 December 2023 will be adjusted by deducting the corresponding Super Hi Master Annual Caps, which are set out below:

New Haidilao Master Annual Caps for the year ending 31 December		2023
2022		
<i>(RMB in thousands)</i>		
<u>5,581,402</u>		<u>7,387,695</u>

In arriving the above proposed annual caps for the Super Hi Master Sales Agreement for the two years ending 31 December 2023, the Group has taken into account the following factors:

- (i) the historical transaction amounts with the Super Hi Group;
- (ii) the expected increase in the price of Haidilao Customized Products, Yihai Retail Products and the Convenient Ready-to-eat Food Products due to the fluctuation in raw material costs and delivery costs;
- (iii) the estimated increase in demand for Haidilao Customized Products and sales volume of Yihai Retail Products and Convenient Ready-to-eat Food Products as a result of the recovery of the overseas restaurant business operated by Super Hi in 2022 and 2023 as the COVID-19 pandemic gradually came under control, the anticipated expansion of the Super Hi Group's restaurant network and its reserve plan due to the expected increase in the price of the Haidilao Customized Products, Yihai Retail Products and the Convenient Ready-to-eat Food Products;
- (iv) the supply capacity of the Group; and
- (v) the strong growth and extensive market potential of the catering industry, especially the market of the Convenient Ready-to-eat Food Products.

REASONS FOR AND BENEFITS OF ENTERING INTO THE SUPER HI MASTER SALES AGREEMENT

Upon completion of the proposed Super Hi Spin-off, Super Hi will cease to be a subsidiary of Haidilao and the sales transactions between the Group and the Super Hi Group will be spun off from the sales transaction between the Group and the Haidilao Group. The principal terms of the Super Hi Master Sales Agreement are substantially the same with those of the Haidilao Master Sales Agreement, the details of which are set out above.

The Group is a leading compound condiment manufacturer, and has been the supplier of flavoring products for both Haidilao Group and Super Hi Group for a long time.

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

LISTING RULES IMPLICATIONS

Upon completion of the proposed Super Hi Spin-off, Super Hi will cease to be a subsidiary of Haidilao and will be indirectly held as to approximately 54.28% by the controlling shareholders of the Company, Mr. Zhang Yong and Ms. Shu Ping, respectively being a non-executive Director and an executive Director.

Super Hi will be therefore a connected person of the Company by virtue of being an associate of the controlling shareholders and Directors of the Company, and the sales transactions between the Group and the Super Hi Group will cease to be part of the continuing connected transactions contemplated under the Haidilao Master Sales Agreement and constitute separate continuing connected transactions of the Company under the Listing Rules.

Considering the transactions contemplated under the Super Hi Master Sales Agreement have been part of the transactions contemplated under the Haidilao Master Sales Agreement for which the Company has already complied with the relevant requirements under Chapter 14A of the Listing Rules and the proposed annual caps in respect of the Super Hi Master Sales Agreement are spun off from the Haidilao Master Annual Caps, the percentage ratios pursuant to Rule 14.07 of the Listing Rules in respect of the proposed annual caps for transactions contemplated under the Super Hi Master Sales Agreement will not be repeatedly calculated in aggregation with the Haidilao Master Annual Caps in respect of the Haidilao Master Agreement.

As the applicable percentage ratios pursuant to Rule 14.07 of the Listing Rules in respect of the proposed annual caps for the transaction contemplated under the Super Hi Master Sales Agreement exceed 0.1% but less than 5%, the Super Hi Master Sales Agreement is subject to the reporting and announcement requirements but is exempt from the circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Company will re-comply with relevant requirements, including the circular, independent financial advice and independent shareholders' approval requirements, under Chapter 14A of the Listing Rules before (i) the proposed annual caps for the Super Hi Master Sales Agreement is exceeded; or (ii) the Company proposes to renew the Super Hi Master Sales Agreement or the Haidilao Sales Agreement or effect a material change to their respective terms.

As Mr. Sean Shi, an executive Director, together with Ms. Hailey Lee, the spouse of Mr. Sean Shi, will be interested in approximately 8.21% of the shares of Super Hi upon completion of the proposed Super Hi Spin-off, Mr. Sean Shi is deemed to have material interests in the Super Hi Master Sales Agreement. In accordance with the Listing Rules, Mr. Zhang Yong, Ms. Shu Ping and Mr. Sean Shi, and their respective associates have a material interest in the Super Hi Master Sales Agreement and Mr. Zhang Yong, Ms. Shu Ping and Mr. Sean Shi have abstained from considering and approving the Super Hi Master Sales Agreement and the transactions thereunder at the Board meeting. Save for Mr. Zhang Yong, Ms. Shu Ping and Mr. Sean Shi, none of the Directors has any material interests or is required to abstain from voting on the Board resolutions.

DIRECTORS' CONFIRMATION

The Board (including the Company's independent non-executive Directors) is of the view that the transactions contemplated under the Super Hi Master Sales Agreement have been negotiated and agreed on an arms' length basis by the parties and the proposed annual caps hereunder are fair and reasonable and in the interest of the Company and the shareholders of the Company as a whole.

INFORMATION ON THE PARTIES

The Group is principally engaged in the manufacture and sales of hot pot condiment products, Chinese-style compound condiment products and instant self-serving products in the PRC.

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

DEFINITIONS

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

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“China” or “PRC”	the People’s Republic of China but for the purpose of this announcement, and for geographic reference only, and except where the context requires otherwise, references in this announcement to China or the PRC do not apply to Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan;
“Company”	Yihai International Holding Ltd. (頤海國際控股有限公司), an exempted company incorporated under the laws of the Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“continuing connected transaction(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholders(s)”	has the meaning ascribed to it under the Listing Rules
“Convenient Ready-to-eat Food Products”	collectively, instant silk noodles, instant rice, self-serving rice and small hotpot products manufactured and sold by 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, also known as instant self-serving products
“Directors”	the directors of the Company
“Existing Haidilao Master Annual Cap(s)”	the existing annual cap(s) for transactions contemplated under the Haidilao Master Sales Agreement prior to the completion of the proposed Super Hi Spin-off, details of which are disclosed in the circular of the Company dated 15 December 2020

“Greater China”	the mainland China, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Group”	the Company and its subsidiaries
“Haidilao”	Haidilao International Holding Ltd., a company incorporated under the laws of the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 6862)
“Haidilao Customized Products”	the hot pot soup flavoring and Chinese-style compound condiment products supplied by the Group using formulae owned by the Super Hi Group for use in the hot pot restaurants of the Super Hi Group
“Haidilao Group”	Haidilao and its subsidiaries, the principal business of which is to operate hot pot restaurant chain in the PRC and overseas countries before the proposed Super Hi Spin-off. Upon completion of the proposed Super Hi Spin-off, Super Hi and its subsidiaries will cease to be part of the Haidilao Group
“Haidilao Master Sales Agreement”	the master sales agreement dated on 7 December 2020 entered into between Haidilao and the Company for the sale of Haidilao Customized Products, Yihai Retail Products and Convenient Ready-to-eat Food Products by the Group to the Haidilao Group
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Main Board”	the stock market (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange
“New Haidilao Master Annual Cap(s)”	the adjusted annual cap(s) for transactions contemplated under the Haidilao Master Sales Agreement upon the completion of the proposed Super Hi Spin-off
“proposed Super Hi Spin-off”	the proposed spin-off of Super Hi by way of distribution and the separate listing of the Shares of Super Hi on the Main Board of the Stock Exchange by way of introduction. For details, please refer to the announcements of Haidilao dated 11 July 2022, 13 July 2022, 22 August 2022 and 15 December 2022
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) in the share capital of the Company with nominal value of US\$0.00001 each
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“subsidiary(ies)”	has the meaning ascribed thereto in the Listing Rules
“Super Hi”	SUPER HI INTERNATIONAL HOLDING LTD. (特海國際控股有限公司), a company incorporated under the laws of the Cayman Islands with limited liability on May 6, 2022. Upon completion of the proposed Super Hi Spin-off, Super Hi will cease to be subsidiary of the Haidilao
“Super Hi Group”	Super Hi and its subsidiaries, the principal business of which is to operate hot pot restaurant chain outside the Greater China. Upon completion of the proposed Super Hi Spin-off, Super Hi and its subsidiaries will cease to be part of the Haidilao Group
“Super Hi Listing Date”	the date on which the shares of Super Hi are listed and from which dealings therein are permitted to take place on the Stock Exchange
“Super Hi Master Sales Agreement”	the master sales agreement dated on 12 December 2022 entered into between Super Hi and the Company each for itself and on behalf of its subsidiaries to regulate the sale of Haidilao Customized Products, Yihai Retail Products and Convenient Ready-to-eat Food Products by the Group to the Super Hi Group
“Yihai Retail Products”	the hot pot soup flavouring, hot pot dipping sauce and Chinese-style compound condiment products supplied by the Group using formulae owned by the Group for display and sales to consumers in the hot pot restaurants of the Super Hi Group
“%”	per cent

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

Hong Kong, 19 December 2022

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