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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 2021 TO 2023 AND CLOSURE OF REGISTER OF MEMBERS**

#### **1. RENEWAL OF ANNUAL CAPS FOR CONTINUING CONNECTED TRANSACTIONS IN RESPECT OF 2021 TO 2023**

Reference is made to (i) the announcements of the Company dated 6 July 2018 and 10 June 2019 and (ii) the circulars of the Company dated 19 July 2018 and 14 June 2019 in relation to, among others, renewal of annual caps for continuing connected transactions in respect of 2019 and 2020, sale and purchase of products with the Joint Venture and the purchase of Shuhai Ingredients from the Shuhai Supply Chain.

As disclosed in the aforementioned announcements and circulars, the Group has entered into, among others, the following agreements with connected persons which will expire on 31 December 2020: (i) Existing Chengdu Lease Agreement, (ii) Existing Shuhai Warehouse Storage Service Agreement, (iii) Existing Shuhai Purchase Agreement, (iv) Existing Joint Venture Framework Sales and Purchase Agreement, (v) Existing Haidilao Master Sales Agreement, and (vi) Existing Shuhai Sales Agreement.

The Company intends to continue to enter into transactions of similar nature after 31 December 2020. Therefore, on 7 December 2020, the Group entered into the Framework Agreements, the nature of which are similar to that of the transactions under the Existing Agreements, for a term of three years from 2021 to 2023.

## **2. LISTING RULES IMPLICATION**

### *Chengdu Lease Agreement*

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 three years ending 31 December 2023 are subject to reporting, annual review and announcement requirements but are exempt from independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

### *Shuhai Warehouse Storage Service Agreement*

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 Shuhai 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 three years ending 31 December 2023 are subject to reporting, annual review and announcement requirements but are exempt from independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

### *Shuhai Purchase Agreement*

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 Shuhai Purchase Agreement are more than 5%, the transactions and the proposed annual caps for such transactions for each of the three years ending 31 December 2023 are subject to reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

### *Joint Venture Framework Sale and Purchase Agreement*

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 Joint Venture Framework Sales and Purchase Agreements are more than 5%, the transactions and the proposed annual caps for to the each of the three years ending 31 December 2023 are subject to reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

### *Haidilao Master Sales Agreement and Shuhai Sales Agreement*

Because (i) the nature of products to be sold under the Haidilao Master Sales Agreement and Shuhai Sales Agreement is similar and (ii) both 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 2023 are subject to reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

### *Voting at the Extraordinary General Meeting*

The Extraordinary General Meeting will be convened to consider and, if thought fit, to approve the Yihai Continuing Connected Transactions. In accordance with the Listing Rules, Mr. Zhang Yong, Ms. Shu Ping and Mr. Shi Yonghong have a material interest in each of the Shuhai Purchase Agreement, Joint Venture Framework Sales and Purchase Agreement, Haidilao Master Sales Agreement and Shuhai Sales Agreement and will abstain from voting on the ordinary resolutions to approve the Shuhai Purchase Agreement, Joint Venture Framework Sales and Purchase Agreement, Haidilao Master Sales Agreement and Shuhai Sales Agreement (including the proposed annual caps), respectively, at the Extraordinary General Meeting,

An Independent Board Committee comprising all the independent non-executive Directors has been established to advise the Independent Shareholders in respect of the Yihai Continuing Connected Transactions. 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 Yihai Continuing Connected Transactions, a letter from the Independent Board Committee to the Independent Shareholders containing its recommendation, a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, together with a notice to convene the Extraordinary General Meeting to approve the Yihai Continuing Connected Transactions, is expected to be dispatched to the Shareholders on or around 16 December 2020.

# **I. RENEWAL OF ANNUAL CAPS FOR CONTINUING CONNECTED TRANSACTIONS IN RESPECT OF 2021 TO 2023**

## **1. BACKGROUND**

Reference is made to (i) the announcements of the Company dated 6 July 2018 and 10 June 2019 and (ii) the circulars of the Company dated 19 July 2018 and 14 June 2019 in relation to, among others, renewal of annual caps for continuing connected transactions in respect of 2019 and 2020, sale and purchase of products with the Joint Venture and the purchase of Shuhai Ingredients from the Shuhai Supply Chain.

As disclosed in the aforementioned announcements and circulars, the Group has entered into, among others, the following agreements with connected persons which will expire on 31 December 2020: (i) Existing Chengdu Lease Agreement, (ii) Existing Shuhai Warehouse Storage Service Agreement, (iii) Existing Shuhai Purchase Agreement, (iv) Existing Joint Venture Framework Sales and Purchase Agreement, (v) Existing Haidilao Master Sales Agreement, and (vi) Existing Shuhai Sales Agreement.

The Company intends to continue to enter into transactions of similar nature after 31 December 2020. Therefore, on 7 December 2020, 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 three years from 2021 to 2023.

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:**

7 December 2020

**Parties:**

- (1) Sichuan Haidilao
- (2) Chengdu Yueyihai

## **Term**

The Chengdu Lease Agreement has an initial term of three years from 1 January 2021 to 31 December 2023. 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 2019 was RMB2,932,000. The total rental payable by Chengdu Yueyihai for 2021, 2022 and 2023 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 2019 and the nine months ended 30 September 2020, and the annual cap for the year ending 31 December 2020:

<b>For the year ended 31 December 2018</b>	<b>For the year ended 31 December 2019</b>	<b>For the nine months ended 30 September 2020</b>	<b>Annual cap for the year ending 31 December 2020</b>
<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i> (unaudited)	<i>(RMB'000)</i>
2,869	2,932	2,152	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 2020.

## Proposed annual caps and basis of determination

The Company estimates that the annual caps for the Chengdu Lease Agreement for the three years ending 31 December 2023 are as follows:

<b>For the year ending 31 December 2021</b>	<b>For the year ending 31 December 2022</b>	<b>For the year ending 31 December 2023</b>
<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
4,800	4,800	4,800

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 three 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 35.63% of the total issued shares of the Company and are therefore controlling shareholders of the Company. Mr. Shi Yonghong, the Chairman, holds approximately 16.97% 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 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:**

7 December 2020

#### **Parties:**

- (1) the Company
- (2) Shuhai Supply Chain

#### **Term**

The Shuhai Warehouse Storage Service Agreement has an initial term of three year from 1 January 2021 to 31 December 2023. 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 the Company 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 the Company 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 2019 and the nine months ended 30 September 2020, and the annual cap for the year ending 31 December 2020:

<b>For the year ended 31 December 2018</b>	<b>For the year ended 31 December 2019</b>	<b>For the nine months ended 30 September 2020</b>	<b>Annual cap for the year ending 31 December 2020</b>
<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i> (unaudited)	<i>(RMB'000)</i>
5,390	9,508	2,262	17,400

As at the date of this announcement, the actual transaction amount has not exceeded the annual cap for the year ending 31 December 2020.

## Proposed annual caps and basis of determination

The Company estimates that the annual caps for the Shuhai Warehouse Storage Service Agreement for the three years ending 31 December 2023 are as follows:

<b>For the year ending 31 December 2021</b>	<b>For the year ending 31 December 2022</b>	<b>For the year ending 31 December 2023</b>
<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
20,000	30,000	40,000



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

- (i) the historical transaction amounts with the Shuhai Supply Chain Group;
- (ii) the 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 in 2018, such that 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 hot pot 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 Directors 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 held as to approximately 45% by Leda Haisheng and 27.56% by Jinghai Investment. Shuhai Supply Chain is, therefore, a connected person of the Company by virtue of being an associate of the controlling shareholders (Mr. Zhang Yong and Ms. Shu Ping) 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 the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the 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.

## **C. PURCHASE OF SHUHAI INGREDIENTS**

### **4. SHUHAI PURCHASE AGREEMENT**

**Date:**

7 December 2020

**Parties:**

- (1) The Company
- (2) Shuhai Supply Chain

**Term**

The Shuhai Purchase Agreement has an initial term of three years from 1 January 2021 to 31 December 2023. Subject to compliance with the Listing Rules and applicable laws and regulations, the Shuhai Purchase Agreement may be renewed for a further term of three years from time to time, unless the Company notifies Shuhai Supply Chain to the contrary prior to the expiry of the agreement's term. Upon renewal of the Shuhai Purchase Agreement, the parties may amend the terms of the agreement based on the then prevailing circumstances.

**Nature of transactions**

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

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

**Pricing basis**

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

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

## Payment terms

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

## Historical amounts

The table below sets forth the historical amounts for the purchase of Shuhai Ingredients under the Existing Shuhai Purchase Agreement for the seven months ended 31 December 2019 and the nine months ended 30 September 2020, and the annual cap for the year ending 31 December 2020:

<b>For the seven months ended 31 December 2019</b>	<b>For the nine months ended 30 September 2020</b>	<b>Annual cap for the year ending 31 December 2020</b>
<i>(RMB'000)</i>	<i>(RMB'000)</i> (unaudited)	<i>(RMB'000)</i>
22,266	40,756	228,037

As at the date of this announcement, the actual transaction amount has not exceeded the annual cap for the year ending 31 December 2020.

## Proposed annual caps and basis of determination

The Company estimates that the annual caps for the Shuhai Purchase Agreement for the three years ending 31 December 2023 are as follows:

<b>For the year ending 31 December 2021</b>	<b>For the year ending 31 December 2022</b>	<b>For the year ending 31 December 2023</b>
<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
215,000	300,000	375,000

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

- (i) the historical transaction amounts with the Shuhai Supply Chain Group;
- (ii) the rapid growth in sales of the Small Hot Pot Products since its launch in 2017 and the estimated increase in demand, which is evidenced by the Group's revenue from sale of convenient ready-to-eat food products (primarily consisting of Small Hot Pot Products) in 2019 amounted to approximately RMB999.0 million, representing a tremendous increase by over 16.3 times when compared of that of approximately RMB61.4 million for 2017;
- (iii) there is a slight decrease in the annual cap from 2020 to 2021 because of (a) the Group's need to secure third-party suppliers to ensure a stable supply of ingredients and (b) in consideration of costs of procurement and logistics, the Group places order with other local third-party suppliers after the addition of assembly plants in Bazhou, Zhengzhou and Chengdu for manufacturing Convenient Ready-to-eat Food Products of the Group;

- (iv) the historical purchase of similar food ingredients from independent third parties. For the year ended 31 December 2019, the Group purchased packs of beef or beef offal in the total amount of approximately RMB276.7 million; and
- (v) the market price for similar ingredients sold by comparable companies.

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

The Group has firstly tried to commence procurement of such Shuhai Ingredients since the second half of 2019, so the historical transaction for purchasing Shuhai Ingredients merely amounted to RMB22.3 million for the period. Upon satisfaction of the quality and healthy standard of such Shuhai Ingredients, the Group has been increasing its procurement volume and amount from Shuhai Supply Chain Group, and will significantly shift its original procurement sources from other independent suppliers to Shuhai Supply Chain Group in the coming years.

The Group had purchased similar hot pot ingredients of beef and bovine offal from independent suppliers in the amount of approximately RMB276.7 million in 2019, which was between the proposed annual caps of RMB215 million and RMB300 million under the Shuhai Purchase Agreement for each of 2021 and 2022. The Group now plans to further expand its manufacture and sales of Convenient Ready-to-eat Food Products by sourcing much larger volume of ingredients from Shuhai Supply Chain Group in each of the three years from 2021 to 2023. Having considered the Group's tremendous increase in sale of Convenient Ready-to-eat Food Products by almost 16.3 times over the three years from 2017 to 2019 and its aggressive business expansion plan for innovating, developing and producing many more categories of Convenient Ready-to-eat Food Products in the coming years, it is desirable for the Company to shift more of the source of supply of products from small, dispersed suppliers to Shuhai Supply Chain Group, whose capabilities to meet the Company's needs had been confirmed consistently over the years.

### **Reasons for and benefit of entering into the Shuhai Purchase Agreement**

The Group manufactures Convenient Ready-to-eat Food Products and plans to further expand its manufacture and sales due to its increasingly popular demand. Shuhai Supply Chain Group is primarily engaged in the supply of food ingredients and provision of storage and logistics services to catering service providers. Shuhai Supply Chain has eight production base in the PRC, and its products have obtained AIB and ISO22000 certification. At present, Shuhai Supply Chain Group is one of the main food suppliers to Haidilao Group restaurants and it also supplies food products to other famous enterprises. Its broad range of ingredients gives the Group access to high quality ingredients that may be used in the manufacture of Convenient Ready-to-eat Food Products. Shuhai Supply Chain Group also has a strong research and development team, which enables it to develop and produce high quality products and give assurance to the Group in relation to food product safety.

## **Listing Rules implications**

Mr. Zhang Yong and his wife Ms. Shu Ping, a non-executive Director and executive Director respectively of the Company, together hold approximately 35.63% of the total issued shares of the Company and are therefore controlling shareholders of the Company. Mr. Shi Yonghong, the Chairman, holds approximately 16.97% of the total issued shares of the Company and is therefore a substantial shareholder of the Company.

Shuhai Supply Chain is held as to approximately 45% by Leda Haisheng and 27.56% by Jinghai Investment. Shuhai Supply Chain is, therefore, a connected person of the Company by virtue of being an associate of the controlling shareholders (Mr. Zhang Yong and Ms. Shu Ping) of the Company, and the transactions contemplated under the Shuhai Purchase Agreement constitute continuing connected transactions of the Company under the Listing Rules.

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

## **D. SALE AND PURCHASE OF PRODUCTS WITH JOINT VENTURE**

### **5. JOINT VENTURE FRAMEWORK SALES AND PURCHASE AGREEMENTS**

#### **Date:**

7 December 2020

#### **Parties:**

- (1) the Company
- (2) Joint Venture

#### **Term**

The Joint Venture Framework Sales and Purchase Agreements are for an initial term of three years from 1 January 2021 to 31 December 2023. Subject to compliance with the Listing Rules and applicable laws and regulations, the Joint Venture Framework Sales and Purchase Agreements may be renewed for a further term of three years from time to time, unless the Company notifies the Joint Venture to the contrary with one month's written notice prior to the expiry of the agreement's term. Upon renewal of the Joint Venture Framework Sales and Purchase Agreements, the parties may amend the terms of the agreement based on the then prevailing circumstances.

#### **Nature of transaction**

Pursuant to the Joint Venture Framework Sales and Purchase Agreements, (a) the Company (for itself and on behalf of its subsidiaries, other than the Joint Venture) agreed to sell condiment products to the Joint Venture as raw materials for the manufacture of Convenient Ready-to-eat Food Products; and (b) the Joint Venture agreed to sell Convenient Ready-to-eat Food Products to the Group (excluding the Joint Venture).

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

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

### **Pricing basis**

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

#### ***(a) Sale of condiment products***

The sales price of condiment 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. The sale price of condiment products to the Joint Venture shall not be less favourable than the sale prices to independent third parties.

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

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

### **Payment terms**

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

## Historical amounts

The table below sets forth the historical amounts for the sales of condiment products to the Joint Venture and the purchase of Small Hot Pot Products under the Existing Joint Venture Framework Sales and Purchase Agreements for the two years ended 31 December 2019 and the nine months ended 30 September 2020, and the annual cap for the year ending 31 December 2020:

	<b>For the year ended 31 December 2018</b>	<b>For the year ended 31 December 2019</b>	<b>For the nine months ended 30 September 2020</b>	<b>Annual cap for the year ending 31 December 2020</b>
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i> (unaudited)	<i>(RMB'000)</i>
Sale of condiment products	7,918	58,396	59,793	121,251
Purchase of Small Hot Pot Products	96,750	127,219	69,764	331,066
<b>Total</b>	<b>104,668</b>	<b>185,615</b>	<b>129,557</b>	<b>452,317</b>

As at the date of this announcement, the actual transaction amount has not exceeded the annual cap for the year ending 31 December 2020.

## Proposed annual caps and basis of determination

The Company estimates that the caps for the Joint Venture Framework Sale and Purchase Agreements for the three years ending 31 December 2023 are as follows:

	<b>For the year ending 31 December 2021</b>	<b>For the year ending 31 December 2022</b>	<b>For the year ending 31 December 2023</b>
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Sale of condiment products	530,000	833,000	1,250,000
Purchase of Convenient Ready-to-eat Food Products	356,000	534,000	748,000
<b>Total</b>	<b>886,000</b>	<b>1,367,000</b>	<b>1,998,000</b>

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

The annual cap in relation to the sale of condiment products is determined based on the expected demand of the Convenient Ready-to-eat Food Products. As the condiment products will be used as raw materials in producing the Convenient Ready-to-eat Food 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 Convenient Ready-to-eat Food Products, the Group has taken into account the following factors:

- (i) the prevailing market price of similar products;
- (ii) the launch of new convenient ready-to-eat products of the Group, such as instant silk noodles and instant rice;
- (iii) current production costs and expenses incurred in connection with the production of Convenient Ready-to-eat Food Products by the Joint Venture; and
- (iv) the strong growth and extensive market potential of the PRC catering industry and the convenient ready-to-eat food products market.

The Group has been providing condiment products to the Joint Venture for production of Convenient Ready-to-eat Food Products since its establishment in September 2017. The Group generally procures beef and bovine offal from Shuhai Supply Chain Group, and other food ingredients from other independent suppliers. The Joint Venture has mainly combined all food ingredients and condiments into packs of Convenient Ready-to-eat Food Products for sale to the Group and other independent distributors as well as independent customers. As the Joint Venture has continuously been innovating, developing and producing new Convenient Ready-to-eat Food Products for sale to the market, it has to increase procurement of condiment products from the Group and also food ingredients from Shuhai Supply Chain Group and/or other independent suppliers. As the quality and healthy standard of such Shuhai Ingredients has been satisfactory after the past two years' experience, the Group has been increasing its procurement volume and amount from Shuhai Supply Chain Group, and will significantly shift its original procurement sources from other independent suppliers to Shuhai Supply Chain Group in the coming years.

The Group currently has adopted a research and development strategy, namely “project-based system for products”, for implementing new products. This is an incentive-based mechanism, which has been relying on the Group's strong research and development platform and supporting channels, its staff may form a team to propose innovative new products, and the development project of such new products would be completed by the team throughout the whole process from proposal to market launch. After the project was launched into the market and received earnings, the project team would immediately receive the corresponding rewards. This policy has provided opportunities for all staff to develop new products, enhanced the development efficiency of new products and the motivation of staff in exploring the markets. At present, the mechanism has been operating well, and the number of new products launched in the market have been increasing in 5, 7, 12 and 22 Convenient Ready-to-eat Food Products on hand as at 31 December 2017, 2018 and 2019 and 30 June 2020, respectively, which had generated revenue of RMB61.4 million, RMB449.3 million, RMB999.0 million and RMB668.2 million for each of the three years from 2017 to 2019 and the six months ended 30 June 2020. Each Convenient Ready-to-eat Food Product can increasingly generate average revenue from RMB12.3 million, RMB64.2 million to RMB83.2 million from 2017 to 2019, respectively. The Group will continue to innovate, development and produce many more categories of Convenient Ready-to-eat Food Products in the foreseeable future.



## **Reasons for and benefit of entering into the Joint Venture Framework Sales and Purchase Agreements**

Convenient ready-to-eat food products are 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.

By selling condiment products to the Joint Venture, the Company can further ensure that the Convenient Ready-to-eat Food Products to be manufactured by the Joint Venture are of satisfactory quality.

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

## **Listing Rules implications**

The Joint Venture is currently a 60% held non wholly-owned subsidiary of the Company. As the Joint Venture is owned as to 40% by Xinpai Shanghai, which is a wholly-owned subsidiary of Haidilao and Mr. Zhang Yong and Ms. Shu Ping are the controlling shareholders of Haidilao, the Joint Venture is therefore a connected subsidiary of the Company. Accordingly, the transactions contemplated under the Joint Venture Framework Sales and Purchase Agreements constitute continuing connected transactions of the Company for the purpose of the Listing Rules.

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

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

## **E. SALES AND DISTRIBUTION**

### **6. HAIDILAO MASTER SALES AGREEMENT**

#### **Date:**

7 December 2020

#### **Parties:**

- (1) the Company
- (2) Haidilao

#### **Term**

The Haidilao Master Sales Agreement has an initial term of three years from 1 January 2021 to 31 December 2023. Subject to compliance with the Listing Rules and applicable laws and regulations, the Haidilao Master Sales Agreement may be renewed for a further term of three years from time to time, unless the parties agree in writing to terminate the Haidilao Master Sales Agreement during its term; or the Haidilao Master Sales Agreement is terminated as required by applicable laws, regulations, requirements of the securities regulatory authorities, or judgment or decision of any competent court. Upon renewal of the Haidilao Master Sales Agreement, the parties may amend the terms of the agreement based on the then prevailing circumstances.

#### **Nature of transactions**

##### ***(a) Sale of Haidilao Customized Products***

Pursuant to the terms of the Haidilao Master Sales Agreement, the Group is a supplier of Haidilao Customized Products to the Haidilao Group for use in its hot pot restaurants in mainland PRC. Upon fulfillment of certain requirements relating to mass production and standardization, the Group is also the supplier of the Haidilao Customized Products to the Haidilao Group for use in its hot pot restaurants in Hong Kong, China, Macau, China, Taiwan, China and overseas. 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 through online platform of the Haidilao Group and in the hot pot restaurants of the Haidilao Group. Haidilao Retail Products are manufactured with the Group’s own formulas. Haidilao Group is not permitted to sell the Group’s products to any third party distributor.

Sale of Haidilao Retail Products will be made on the basis of individual orders specifying the type of product, purchase volume, 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 Convenient Ready-to-eat Food Products***

Pursuant to the terms of the Haidilao Master Sales Agreement, the Group is the sole supplier of the Convenient Ready-to-eat Food Products to the Haidilao Group for display and sales to customers in the hot pot restaurants of the Haidilao Group. The Convenient Ready-to-eat Food 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 Convenient Ready-to-eat Food 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 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 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 semi-annually and make adjustments if there is any significant change in the production cost.

### ***(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 production cost, including the cost of raw materials, selling and administrative expenses, incurred in connection with the production of Convenient Ready-to-eat Food 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 Convenient Ready-to-eat Food Products semi-annually and make adjustments if there is any significant change in the production cost.

## Payment terms

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

### (a) *Sale of Haidilao Customized Products*

For sales to hot pot 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 hot pot 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 Convenient Ready-to-eat Food 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 and its associates under the Existing Haidilao Master Sales Agreement for the two years ended 31 December 2019 and the nine months ended 30 September 2020 and the annual cap for the year ending 31 December 2020:

	<b>For the year ended 31 December 2018</b>	<b>For the year ended 31 December 2019</b>	<b>For the nine months ended 30 September 2020</b>	<b>Annual cap for the year ending 31 December 2020</b>
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i> (unaudited)	<i>(RMB'000)</i>
Haidilao Customized Products	1,145,717	1,574,464	914,881	3,462,700
Haidilao Retail Products	13,422	30,686	29,273	65,000
Small Hot Pot Products	4,689	20,478	26,704	39,600
<b>Total (Note)</b>	<b>1,163,828</b>	<b>1,625,628</b>	<b>970,858</b>	<b>3,567,300</b>

*Note:*

For the two years ended 31 December 2019 and the nine months ended 30 September 2020, the historical amounts for the sale to the Haidilao Group amounted to RMB1,162,738,000, RMB1,625,239,000 and RMB970,857,000.

The Existing Haidilao Master Sales Agreement was entered into between Singapore Haidilao and Yihai Shanghai on 6 July 2018 with a term of two years from 1 January 2019 to 31 December 2020. Prior to the listing of Haidilao on 26 September 2018, the Group had been supplying the products to Singapore Haidilao, Sichuan Haidilao Catering Co., Ltd. (“**Sichuan Haidilao**”) and their then subsidiaries under the previous sales agreement dated 24 June 2016 (as supplemented by two supplemental master sales agreements dated 18 September 2017 and 22 March 2018) (the “**Previous Haidilao Master Sales Agreement**”). The transaction amounts under the Previous Haidilao Master Sales Agreement for the three years ended 31 December 2018 included the sales to Singapore Haidilao, Sichuan Haidilao and their then subsidiaries. Restructuring was carried out among Singapore Haidilao, Sichuan Haidilao and their then subsidiaries for the purpose of the listing of Haidilao in mid to end of 2018, and the Directors were not aware that some of those companies no longer formed part of the Haidilao Group. Therefore, the Group has included the sales to those companies under the Existing Haidilao Master Sales Agreement. The Company will no longer supply products to those associates.

As at the date of this announcement, the actual transaction amount has not exceeded the annual cap for the year ending 31 December 2020.

### **Proposed annual caps and basis of determination**

The Company estimates that the annual caps for the Haidilao Master Sales Agreement for the three years ending 31 December 2023 are as follows:

	<b>For the year ending 31 December 2021 (RMB'000)</b>	<b>For the year ending 31 December 2022 (RMB'000)</b>	<b>For the year ending 31 December 2023 (RMB'000)</b>
Haidilao Customized Products	3,580,000	5,060,000	6,580,000
Haidilao Retail Products	150,000	271,000	408,000
Convenient Ready-to-eat Food Products ( <i>Note</i> )	186,000	362,000	552,000
<b>Total</b>	<b>3,916,000</b>	<b>5,693,000</b>	<b>7,540,000</b>

*Note:*

Small Hot Pot Product is a type of Convenient Ready-to-eat Food Products. The Group has developed new products such as instant silk noodles, instant rice, self-serving rice which shall be sold to the Haidilao Group.

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 2017, 2018, 2019 and 30 June 2020, being 273, 466, 768 and 935 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 2019, which is partly 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 Convenient Ready-to-eat Food Products, the Group has taken into account the following factors:

- (i) the historical transaction amounts with the Haidilao Group;
- (ii) the launch of new convenient ready-to-eat food products of the Group, such as instant silk noodles and instant rice;
- (iii) Haidilao Group's rapid expansion in recent years, as demonstrated by the number of stores of the Haidilao Group as at 31 December 2017, 2018, 2019 and 30 June 2020, being 273, 466, 768 and 935 respectively; the growth in the same store results of the stores of the Haidilao Group; and
- (iv) the growth and extensive market potential of the PRC catering industry and the convenient ready-to-eat food products market.

The estimated annual caps are calculated based on annual growth of opening of new hot pot restaurants of Haidilao Group of approximately 58.8% between 2019 and 2023.

### **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 hot pot soup flavoring, hot pot dipping sauce and Chinese-style compound condiment products. The Haidilao Group is the largest hot pot restaurant chain in the PRC. Being the supplier of hot pot 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 Convenient Ready-to-eat Food Products has enriched the existing product scope and expanded the Group's existing business, and has contributed to the profit growth of the Group as the convenient ready-to-eat food products of the Group, such as the Small Hot Pot Products, are well received in the market.

## **Listing Rules implications**

Haidilao is held as to approximately 68.16% by the controlling shareholders, Mr. Zhang Yong and Ms. Shu Ping, and 15.95% by Mr. Shi Yonghong and his wife.

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

Since (i) the nature of products to be sold under the Haidilao Master Sales Agreement and Shuhai Sales Agreement is similar and (ii) both 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.

## **7. SHUHAI SALES AGREEMENT**

### **Date:**

7 December 2020

### **Parties:**

(1) Shuhai Supply Chain

(2) the Company

### **Term**

The Shuhai Sales Agreement has an initial term of three years from 1 January 2021 to 31 December 2023. Subject to compliance with the Listing Rules and applicable laws and regulations, the Shuhai Sales Agreement may be renewed for a further term of three years from time to time, unless the Company notifies Shuhai Supply Chain to the contrary with one month's written notice prior to the expiry of the agreement's term. Upon renewal of the Shuhai Sales Agreement, the parties may amend the terms of the agreement based on the then prevailing circumstances.



## **Nature of transaction**

Pursuant to the terms of the Shuhai Sales Agreement, the Group will supply products customized for customers who are catering service providers (“**Shuhai Customized Products**”) and products targeting at the retail market (“**Shuhai Retail Products**”) of Shuhai Supply Chain Group and its associates. 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 2019 and the nine months ended 30 September 2020 and the annual cap for the year ending 31 December 2020:

	<b>For the year ended 31 December 2018</b>	<b>For the year ended 31 December 2019</b>	<b>For the nine months ended 30 September 2020</b>	<b>Annual cap for the year ending 31 December 2020</b>
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i> (unaudited)	<i>(RMB'000)</i>
Shuhai Customized Products	11,912	36,870	17,406	130,060
Shuhai Retail Products	320	540	863	1,600
<b>Total</b>	<b>12,232</b>	<b>37,410</b>	<b>18,269</b>	<b>131,660</b>

As at the date of this announcement, the actual transaction amount has not exceeded the annual cap for the year ending 31 December 2020.

## Proposed annual caps and basis of determination

The Company estimates that the annual caps for the Shuhai Sales Agreement for the three years ending 31 December 2023 are as follows:

	<b>For the year ending 31 December 2021</b>	<b>For the year ending 31 December 2022</b>	<b>For the year ending 31 December 2023</b>
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Shuhai Customized Products	82,000	110,000	150,000
Shuhai Retail Products	2,400	3,360	4,200
<b>Total</b>	<b>84,400</b>	<b>113,360</b>	<b>154,200</b>

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) there is a slight decrease in the proposed annual cap from 2020 to 2021 because of the anticipated impact of COVID-19 pandemic on small to medium sized catering service clients;
- (iii) the estimated overall net profit margin through sales to independent third party distributors in accordance with the pricing formula;
- (iv) the prevailing production cost and expenses incurred by the Group in connection with the production of Shuhai Customized Products; and
- (v) 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.

There are currently 20 companies under the Shuhai Supply Chain Group which services their business in 15 key cities in the PRC and caters to around 6,500 retail clients. The Company's understanding of Shuhai Supply Chain's future business plans is to expand both within the PRC and overseas by increasing their customer base and offering a wider variety of food and beverage.

The Directors anticipate that customized catering business will gradually recover in 2021 and based on the business plan of Shuhai Supply Chain, the Company estimates that the transaction amount from 2021 to 2023 will have an increase of approximately 30% annually.

### **Reasons for and benefit of entering into the Shuhai Sales Agreement**

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

### **Listing Rules implications**

Shuhai Supply Chain is held as to approximately 45% by Leda Haisheng and 27.56% by Jinghai Investment. Shuhai Supply Chain is, therefore, a connected person of the Company by virtue of being an associate of the controlling shareholders (Mr. Zhang Yong and Ms. Shu Ping) 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 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. DIRECTORS' CONFIRMATION**

The Framework Agreements have been negotiated and agreed on an arms' length basis by the parties thereto. The Directors (including the independent non-executive Directors) are of the view that the Framework 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 Shuhai Purchase Agreement, the Joint Venture Framework Sales and Purchase Agreements, the Haidilao Master Sales Agreement and the Shuhai Sales Agreement, 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 three years ending 31 December 2023 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 Shuhai Purchase Agreement, the Joint Venture Framework Sales and Purchase Agreements, the Haidilao Master Sales Agreement and the Shuhai Sales Agreement 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.

## **III. APPROVAL BY INDEPENDENT SHAREHOLDERS**

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

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

An Independent Board Committee comprising all the independent non-executive Directors has been established to advise the Independent Shareholders in respect of the Yihai Continuing Connected Transactions (including their respective proposed annual caps). In this respect, 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 Yihai Continuing Connected Transactions, a letter from the Independent Board Committee to the Independent Shareholders containing its recommendation, a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, together with a notice to convene the Extraordinary General Meeting to consider and, if thought fit, approve the Yihai Continuing Connected Transactions (including their respective proposed annual caps) is expected to be dispatched to the Shareholders on or around 16 December 2020.

#### **IV. CLOSURE OF REGISTER OF MEMBERS**

For determining the entitlement to attend and vote at the Extraordinary General Meeting, notice is hereby given that the register of members of the Company will be closed from 28 December 2020 (Monday) to December 31, 2020 (Thursday) (both days inclusive), during which period no share transfers will be registered. To be eligible to attend the above meeting, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 24 December 2020 (Thursday). The Shareholders whose names appear on the register of members of the Company at the close of business on Thursday, 24 December 2020 will be entitled to attend and vote at the Extraordinary General Meeting. Please refer to the notice of Extraordinary General Meeting and the circular to be issued and despatched to the Shareholders on or around 16 December 2020 for further information on the Extraordinary General Meeting and the matters to be considered at such meeting.

#### **V. INFORMATION ON THE PARTIES**

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

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

The Group is principally engaged in the manufacture and sales of hot pot condiment products, Chinese-style compound condiment products and convenient ready-to-eat food products (primarily consists of Small Hot Pot Products) in the PRC.

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

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 7 December 2020 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
“Convenient Ready-to-eat Food Products”	collectively, instant silk noodles, instant rice, self-serving rice and Small Hotpot Products manufactured and sold by the Joint Venture
“Directors”	the directors of the Company
“Existing Agreements”	collectively, the Existing Chengdu Lease Agreement, the Existing Shuhai Warehouse Storage Service Agreement, the Existing Shuhai Purchase Agreement, the Existing Joint Venture Framework Sales and Purchase Agreements, the Existing Haidilao Master Sales Agreement and the Existing Shuhai Sales Agreement
“Existing 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
“Existing 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 Hot Pot Products by the Group to the Haidilao Group
“Existing Joint Venture Framework Sales and Purchase Agreements”	collectively, the hot pot soup flavouring products sales agreements dated 18 September 2017 and 6 July 2018 entered into between Yihai Shanghai and the Joint Venture in relation to the sales of condiment products from Yihai Shanghai and its subsidiaries to the Joint Venture, and the self-serving small hot pot products sales agreements dated 18 September 2017 and 6 July 2018 entered into between the Joint Venture and Yihai Shanghai in relation to the sales of Small Hot Pot Products by the Joint Venture to Yihai Shanghai and its subsidiaries

“Existing Shuhai Purchase Agreement”	the purchase agreement dated 10 June 2019 entered into between the Company and Shuhai Supply Chain in relation to the sale of Shuhai Ingredients by the Shuhai Supply Chain Group to the Group
“Existing 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
“Existing 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
“Extraordinary General Meeting”	an extraordinary general meeting of the Company to be held on 31 December 2020 to consider and, if thought fit, approve the Yihai Continuing Connected Transactions
“Framework Agreements”	collectively, the Chengdu Lease Agreement, the Shuhai Warehouse Storage Service Agreement, the Shuhai Purchase Agreement, the Joint Venture Framework Sales and Purchase Agreements, the Haidilao Master Sales Agreement and the Shuhai Sales Agreement
“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 manufactured by the Group using formulas owned by Haidilao Group for use in its hot pot restaurants
“Haidilao Group”	Haidilao and its subsidiaries, the principal business of which is to operate hot pot restaurant chain in the PRC and overseas countries
“Haidilao Master Sales Agreement”	the master sales agreement dated 7 December 2020 entered into between Haidilao and the Company to regulate the sale of Haidilao Customized Products, Haidilao Retail Products and Convenient Ready-to-eat Food Products by the Group to the Haidilao Group



“Haidilao Retail Products”	the retail hot pot soup flavouring, hot pot 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 Yihai 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 Yihai Continuing Connected Transactions
“Independent Shareholders”	has the meaning ascribed to it under the Listing Rules, and in relation to approving the Yihai Continuing Connected Transactions at the Extraordinary General Meeting, means the Shareholders other than Mr. Zhang Yong, Ms. Shu Ping, Mr. Shi Yonghong, and their respective associates
“Jinghai Investment”	Jiayang Jinghai Investment Co., Ltd. (簡陽市靜海投資有限公司), a limited liability company incorporated in the PRC on 11 May 2011, which is a wholly-owned subsidiary of Jingyuan Investment
“Jingyuan Investment”	Jiayang 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 52% by Mr. Zhang Yong, 16% by Ms. Shu Ping, 16% by Mr. Shi Yonghong and 16% by Ms. Li Haiyan
“Joint Venture”	Fuhai (Shanghai) Food Technology Co., Ltd.* (馥海(上海)食品科技有限公司), a company established in the PRC and a 60% owned subsidiary of the Company

“Joint Venture Framework Sales and Purchase Agreements”	collectively, the condiment products sales agreement dated 7 December 2020 entered into between the Company and the Joint Venture in relation to the sales of condiment products from the Company and its subsidiaries to the Joint Venture, and the convenient ready-to-eat food products sales agreement dated 7 December 2020 entered into between the Joint Venture and the Company in relation to the sales of Convenient Ready-to-eat Food Products by the Joint Venture to the Group
“Leda Haisheng”	Shanghai Leda Haisheng Enterprise Management Consulting Co., Ltd.* (上海樂達海生企業管理諮詢有限公司), a limited liability company incorporated in the PRC on May 23, 2017, which is held as to approximately 62.70% by Beijing Yihan Consulting Management Co., Ltd.* (北京宜涵諮詢管理有限公司), a company controlled by Mr. Zhang Yong and Ms. Shu Ping and approximately 14.85% by Mr. Shi Yonghong
“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
“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 Ingredients”	the food ingredients sold be Shuhai Supply Chain Group to the Group pursuant to the Shuhai Purchase Agreement
“Shuhai Purchase Agreement”	the purchase agreement dated 7 December 2020 entered into between the Company and Shuhai Supply Chain in relation to the sale of Shuhai Ingredients by the Shuhai Supply Chain Group to the Group

“Shuhai Sales Agreement”	the sales agreement dated 7 December 2020 entered into between the Company 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 held as to approximately 45% by Leda Haisheng, and 27.56% by Jinghai Investment
“Shuhai Supply Chain Group”	Shuhai Supply Chain and its subsidiaries
“Shuhai Warehouse Storage Service Agreement”	the warehouse storage service agreement dated 7 December 2020 entered into between the Company 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 Co., Ltd.* (四川海底撈餐飲股份有限公司), a limited 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 Chairman) and his wife
“Sichuan Haidilao Group”	Sichuan Haidilao and its subsidiaries
“Singapore Haidilao”	HAI DI LAO HOLDINGS PTE. LTD., a limited liability company incorporated in Singapore and is a wholly-owned subsidiary of Haidilao
“Small Hot Pot Products”	the self-serving small hot pot products, which are types of Convenient Ready-to-eat Food Products, manufactured and sold by the Joint Venture
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“subsidiary”	has the meaning ascribed thereto in the Listing Rules
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“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 a wholly-owned subsidiary of Haidilao
“Yihai Continuing Connected Transactions”	collectively, (i) the purchase of the Shuhai Ingredients under the Shuhai Purchase Agreement, (ii) the sale of condiment products to and purchase of Convenient Ready-to-eat Food Products from the Joint Venture pursuant to the Joint Venture Framework Sales and Purchase Agreements, (iii) the sale of Haidilao Customized Products, Haidilao Retail Products and Convenient Ready-to-eat Food Products to the Haidilao Group pursuant to the Haidilao Master Sales Agreement, and (iv) 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 pursuant to the Shuhai Sales Agreement
“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*

Shanghai, the PRC, 7 December 2020

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

\* For identification purposes only