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SUPER HI INTERNATIONAL HOLDING LTD.

特海国际控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 9658)

(1) RENEWAL OF CONTINUING CONNECTED TRANSACTION AND (2) NEW CONTINUING CONNECTED TRANSACTIONS

**Independent Financial Adviser to the Independent Board Committee
and the Independent Shareholders**



Reference is made to the Listing Document of the Company dated December 19, 2022, in relation to, *inter alia*, the Yihai Master Purchase Agreement and the Master Decoration Project Management Service Agreement. As the Yihai Master Purchase Agreement and the Master Decoration Project Management Service Agreement will expire on December 31, 2023, and the Company will continue the transactions under the Yihai Master Purchase Agreement and the Master Decoration Project Management Service Agreement subsequent to December 31, 2023, the Company, for itself and on behalf of its subsidiaries, entered into the Renewed Yihai Master Purchase Agreement with Yihai, for itself and on behalf of its subsidiaries, and the New Master Decoration Project Management Service Agreement with YIZHIHUA, for itself and on behalf of its subsidiaries, respectively, on October 17, 2023 for both terms of three years commencing from January 1, 2024 to December 31, 2026 (both days inclusive). On the same date, the Company and YIZHIHUA, each for itself and on behalf of its respective subsidiaries, entered into the Master Decoration Project General Contract Service Agreement, for a term of three years commencing from January 1, 2024 to December 31, 2026 (both days inclusive).

As the highest of the applicable percentage ratios calculated with reference to the proposed annual cap of the YIZHIHUA Agreements is more than 0.1% but less than 5%, the transactions contemplated thereunder are subject to reporting, annual review and announcement requirements, but exempt from the Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules. As the highest of the applicable percentage ratios calculated with reference to the respective annual cap of the Renewed Yihai Master Purchase Agreement is more than 5%, the transactions contemplated thereunder are subject to reporting, annual review, announcement and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

In respect of the Renewed Yihai Master Purchase Agreement and the transactions and proposed annual caps thereunder, (i) an Extraordinary General Meeting will be convened by the Company for the Independent Shareholders to consider and, if thought fit, to approve the same; (ii) the Independent Board Committee comprising all the independent non-executive Directors has been formed to advise the Independent Shareholders; and (iii) Gram Capital, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, has been appointed as the Independent Financial Adviser to the Independent Board Committee and Independent Shareholders.

A circular containing, among others, further details of the Renewed Yihai Master Purchase Agreement, the transactions and the proposed annual caps thereunder, a letter of advice from the Independent Board Committee to the Independent Shareholders, a letter of advice from Gram Capital to the Independent Board Committee and the Independent Shareholders, and the notice convening the Extraordinary General Meeting will be dispatched to the Shareholders in accordance with the requirements of the Listing Rules. The circular is expected to be dispatched by the Company to the Shareholders on or before November 8, 2023.

SUMMARY OF THE CONTINUING CONNECTED TRANSACTION AGREEMENTS

Transaction	Connected Person	Connected Relationship	Terms	Proposed Annual Caps for the year ending December 31,		
				2024	2025	2026
				<i>(US\$'000)</i>		
Renewed Yihai Master Purchase Agreement	Yihai	Yihai was held as to approximately 31.44% in aggregate, directly and indirectly, by Mr. ZHANG Yong and Ms. SHU Ping as of the date of this announcement, and thus is a connected person of the Company	January 1, 2024 to December 31, 2026 (both days inclusive)	32,557	43,370	54,321
YIZHIHUA Agreements	YIZHIHUA	YIZHIHUA was wholly owned by Mr. ZHANG Shuoyi, the brother of Mr. ZHANG Yong, as of the date of this announcement, and thus is a connected person of the Company		8,690	11,840	12,750

RENEWED YIHAI MASTER PURCHASE AGREEMENT

Background

Reference is made to the Listing Document in relation to, *inter alia*, the Yihai Master Purchase Agreement. On December 12, 2022, Yihai and the Company, each for itself and on behalf of its subsidiaries, entered into the Yihai Master Purchase Agreement, pursuant to which the Group agreed to purchase Haidilao Customized Products, Yihai Retail Products and instant self-serving products from Yihai Group.

As disclosed in the Listing Document, the term of the Yihai Master Purchase Agreement commenced from the Listing Date and continue until December 31, 2023 (both days inclusive). Subject to compliance with 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 Yihai Master Purchase 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 Yihai Master Purchase Agreement during its term; or (ii) the Yihai Master Purchase 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 Yihai Master Purchase Agreement, the parties may amend the terms of the Yihai Master Purchase Agreement based on the then prevailing circumstances subject to the compliance with the requirements under Chapter 14A of the Listing Rules.

At the time of the Listing in December 2022, the Stock Exchange granted a waiver to the Company in respect of, *inter alia*, the non-exempt continuing connected transaction under the Yihai Master Purchase Agreement from strict compliance with the announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules (the "Waiver"). Pursuant to the Waiver, the transactions under the Yihai Master Purchase Agreement are subject to the respective annual caps for the two years ending December 31, 2023.

Since the Listing Date, the Group has been conducting certain continuing connected transactions under the Yihai Master Purchase Agreement in ordinary and usual course of its business on normal commercial terms. The Company has closely monitored the transactions contemplated under the Yihai Master Purchase Agreement and the actual transaction amounts did not exceed the annual cap for the year ended December 31, 2022. As of the date of this announcement, the actual transaction amounts for the transactions under the Yihai Master Purchase Agreement did not exceed the annual cap for the year ending December 31, 2023.

Principal Terms

As the Yihai Master Purchase Agreement will expire on December 31, 2023, and the Company will continue the transactions under the Yihai Master Purchase Agreement subsequent to December 31, 2023, the Company and Yihai, each for itself and on behalf of its subsidiaries, entered into the Renewed Yihai Master Purchase Agreement on October 17, 2023 for a term of three years commencing from January 1, 2024 to December 31, 2026 (both days inclusive), subject to the independent shareholders' approval of both Yihai and the Company. The Yihai Master Purchase Agreements will be terminated once the Renewed Yihai Master Purchase Agreement takes effect.

The principal terms of the Renewed Yihai Master Purchase Agreement are summarized below:

Date: October 17, 2023

Parties: (1) The Company (for itself and on behalf of its subsidiaries)
(2) Yihai (for itself and on behalf of its subsidiaries)

Terms: The Renewed Yihai Master Purchase Agreement has an initial term of three years commencing from January 1, 2024 to December 31, 2026 (both days inclusive), subject to the independent shareholders' approval of both Yihai and the Company.

Subject to compliance with 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 Renewed Yihai Master Purchase 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 Renewed Yihai Master Purchase Agreement during its term; or (ii) the Renewed Yihai Master Purchase 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 Renewed Yihai Master Purchase Agreement, the parties may amend the terms of the Renewed Yihai Master Purchase Agreement based on the then prevailing circumstances subject to the compliance with the requirements under Chapter 14A of the Listing Rules.

Nature of transactions: (1) *Purchase of Haidilao Customized Products*

During the term of the Renewed Yihai Master Purchase Agreement, Yihai Group is the supplier of Haidilao Customized Products for use in the hot pot restaurants outside Greater China. The Company is generally restricted from engaging Independent Third Party suppliers to provide the Haidilao Customized Products unless (i) in the event that Yihai Group is unable to satisfy the quantity or quality of products demanded by the Group, and such problem is not resolved within a reasonable period of time after negotiation between both parties, the Group may engage Independent Third Party suppliers; or (ii) the parties agree as otherwise. For example, the Company may enter into good faith negotiation and agree with Yihai if the Company decides to engage local Independent Third Party suppliers taking into account various factors, including delivery cost and delivery time.

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

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

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

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

(2) *Purchase of Yihai Retail Products and instant self-serving products*

During the term of the Renewed Yihai Master Purchase Agreement, Yihai Group is the supplier of the Yihai Retail Products and instant self-serving products to the Group for display and sales to consumers in the hot pot restaurants. Yihai Retail Products are manufactured with Yihai Group’s formulas.

Purchase of Yihai Retail Products and instant self-serving 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 Yihai Retail Products and instant self-serving products shall be determined based on the pricing policy as set out below. Payment shall be made based on the actual quantity of products in each shipment timely and appropriately, adhering to the mutually agreed upon settlement method.

Pricing basis:

The prices of Haidilao Customized Products, Yihai Retail Products and instant self-serving products shall be determined by the parties with reference to a number of factors:

(1) Purchase of Haidilao Customized Products

The purchase price of Haidilao Customized Products shall be determined by the parties at arm's length negotiations with reference to (i) historical purchase price, (ii) Yihai 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) Yihai Group's estimated overall net profit margin through sales to its Independent Third Party distributors, and (iv) the market price of similar products purchased from independent and comparable suppliers.

(2) Purchase of Yihai Retail Products and instant self-serving products

The purchase price of Yihai Retail Products and instant self-serving products shall be consistent with the pricing policy for similar products Yihai Group offers to its Independent Third Party distributors and shall be determined by the parties at 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 Yihai Retail Products and instant self-serving products, and (ii) the prevailing market price of similar products.

To ensure that the purchase prices of Yihai Retail Products and instant self-serving products are consistent with the pricing policy for similar products offered by Yihai Group to its Independent Third Party distributors, the Group and Yihai Group will explicitly agree on such pricing policy in the relevant purchase agreements. In addition, the Group has adopted comprehensive internal control measures to monitor the enforcement of the purchase agreements. Please refer to “— Internal Control” below for further details.

The terms of the Renewed Yihai Master Purchase Agreement are substantially the same as the Yihai Master Purchase Agreement.

Reasons for the Transaction

Yihai Group is a leading compound condiment manufacturer, and has been the supplier of flavoring products for the Group for a long time. The long-term, stable and mutually beneficial business relationship between the Group and Yihai Group and the mass production capabilities of Yihai Group have contributed significantly to the successful growth and expansion. The Company believes that the maintenance of the mutually beneficial relationship is in the best interest of the Shareholders as a whole.

Yihai Group, principally conducts manufacturing, distribution and sale, as well as research and development, of hot pot condiment products, Chinese-style compound condiment products and convenient ready-to-eat food products. Yihai has been a supplier for the business of the Company for many years.

Pursuant to the Renewed Yihai Master Purchase Agreement, Yihai Group provides Haidilao Customized Products, Yihai Retail Products (together with the Haidilao Customized Products, the “**Flavoring Products**”) and instant self-serving products to the Group. The Company believes that the Renewed Yihai Master Purchase Agreement does not constitute undue reliance on Yihai Group or the Controlling Shareholders on the following grounds:

(1) Long-standing and mutually beneficial relationship

There has been a continued long-term, stable and mutually beneficial business relationship between the Group and Yihai Group. Yihai Group has been the internal supplier of the Flavoring Products of the Group since 2012. The mass production capabilities of Yihai Group have ensured the stable supply of products that are price competitive, of high-quality and compliant with stringent food safety standards to the Group, while the long-term and stable business relationship enables Yihai Group to grow alongside the Group’s expansion. In addition, Yihai Group has every incentive to protect the proprietary know-how and trade secrets due to the importance of the Group to its business, and the in-house research teams of both Yihai Group and the Group have been working closely to continuously upgrade and explore hot pot soup flavoring formulae. To maintain a mutually beneficial relationship is in the best interest of the shareholders of both Yihai Group and the Group.

(2) Importance of the Group to Yihai Group

The purchase amount by the Group from Yihai Group was approximately US\$5.8 million, US\$8.6 million, US\$12.1 million and US\$6.6 million for the three years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2023, respectively, representing far over majority of the Company’s total soup base costs. In 2020, 2021 and 2022 and the six months ended June 30, 2023, the procurement from Yihai, which are Haidilao Customized Products, represented approximately 73%, 73%, 68% and 65% of the total soup base costs, which does not take into account the food ingredients used primarily in menu dishes and, to a lesser extent, in soup bases, which generally only represents a small portion of its total soup base costs. The purchase amount by the Group from Yihai Group for the three years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2023 accounted for at least 15% of the total revenue of Yihai Group’s overseas business for each of the relevant years. Given the leading market place of the Group in the Chinese-cuisine sector in the overseas market and the contribution of the Group to the overseas business of Yihai Group, which reflects an important role the Group has been playing in the overseas business

development of Yihai Group, the Company considers that Yihai Group has every incentive to deliver high-quality products with reasonable prices and it is unlikely that Yihai Group will intentionally cease or reduce its supply to the Group.

(3) Sourcing from alternative suppliers

The formulae for the Haidilao Customized Products are owned by the Group. Since the listing of Yihai on the Stock Exchange, the Group has been identifying alternative suppliers for the Haidilao Customized Products in case the supply from Yihai Group cannot meet the requirements and demand of the Group. The Company may consider to engage these alternative local Independent Third Party suppliers to provide the Haidilao Customized Products if the local regulatory authorities do not allow the import of certain materials used in these products from Yihai. The Company may also take into account other factors, including delivery cost and delivery time, in determining whether to engage these alternative local Independent Third Party suppliers. When the Company wishes to engage Independent Third Party suppliers, the Company will enter into good-faith negotiations with Yihai Group in advance. In 2020, 2021 and 2022 and up to the date of this announcement, there was no incident where the Group was not agreed to engage local Independent Third Party suppliers, nor was there any dispute, claim or other legal proceeding between the Company and Yihai Group over this issue.

The Group has entered into agreements with certain Independent Third Party suppliers of comparable Flavoring Products, who have been added into the “Qualified Supplier List” maintained for the purpose of its business, to procure specific types of soup base products which Yihai Group is currently unable to manufacture. Such alternative suppliers are able to supply similar Flavoring Products of comparable quality and pricing terms as those offered by Yihai Group. As the Group owns the formulae, which are tailored to the local taste and different from those of Haidilao International Holding Ltd., and the raw materials for the Haidilao Customized Products can be readily sourced, the Company believes that in the unlikely event that Yihai Group ceases or is unable to supply to the Group, the Group would be able to source from alternative suppliers the Haidilao Customized Products that meet its requirements and demand within a reasonable period of time, and the business of the Group would not be adversely affected. The Company has also identified one or two alternative suppliers for each of the jurisdictions where the Group had operations, who could manufacture the Haidilao Customized Products that meet the requirements of the Group and with comparable pricing terms.

When selecting the alternative suppliers, the Group may consider those high-profile and reliable companies with proven business records, high brand recognition and good reputation. The Group will also request such suppliers to undertake to the Company under the relevant legally-binding agreements that they will use best commercial efforts to (i) keep confidential the Condiments Formulae, and (ii) unless with the Company’s written consent, refrain from selling products that use these formulae to any of its major competitors in the overseas catering market. They will also be requested to provide indemnity to the Company if any loss is incurred as a result of their leakage of the Condiments Formulae. Considering the influence of its brand, the scale of its business and the legally-binding agreements, it is reasonably expected that those Independent Third Party suppliers have every incentive to protect the proprietary know-how and trade secrets and will not recklessly breach the contractual obligations under the agreements so as to maintain a mutually beneficial relationship with the Group. The Company will take various factors, including the qualifications, the operation history as well as the brand and reputation of the suppliers, the manufacturing capabilities, the

pricing terms, the turnaround time, the historical cooperation records, etc., into consideration to decide whether the Company will engage Yihai or other alternative suppliers.

Under the Renewed Yihai Master Purchase Agreement, Yihai Group is the supplier of the Yihai Retail Products and the instant self-serving products to the Group for display and sales to consumers in its restaurants. Given the revenue generated from sales of the Yihai Retail Products and the instant self-serving products is relatively insignificant to the Group, in the unlikely event that Yihai Group ceases or reduces the supply of the Yihai Retail Products and the instant self-serving products to the Group, the potential effect on the business, financial condition and results of operations would be immaterial. Therefore, the Company believes that it is unnecessary to secure alternative suppliers of such products.

(4) Fair and reasonable pricing terms

Under the Renewed Yihai Master Purchase Agreement, the pricing of the Haidilao Customized Products is determined by taking into account various factors such as historical sale price to the Group by Yihai Group, the estimated overall net profit margin of Yihai's sales to Independent Third Party distributors, production cost, and the market price of similar products purchased from independent and comparable suppliers. The pricing terms are considered fair and reasonable and on normal commercial terms at arm's length negotiation by both parties. The pricing of the Yihai Retail Products and instant self-serving products follows the pricing of sales to Independent Third Party distributors by Yihai.

(5) High level of transparency and corporate governance measures

Yihai is listed on the Stock Exchange and its connected transactions with the Group may subject to the relevant requirements under the Listing Rules. The same compliance requirements are also expected to apply to the Group. As such, the Shareholders will be well protected as the fairness and reasonableness of the connected transactions between Yihai Group and the Group will be closely and regularly monitored by respective independent shareholders, independent non-executive directors and auditors of Yihai Group and the Group with sufficient disclosures.

Historical Amounts

The following table sets forth the historical amounts of the transaction amounts the purchase from Yihai Group for the three years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2023:

For the year ended December 31,			For the six months ended June 30,
2020	2021	2022	2023
<i>(US\$'000)</i>			<i>(Unaudited)</i>
5,794	8,582	12,057	6,626

Proposed Annual Caps

The Company estimates the proposed annual caps for the continuing transactions contemplated under the Renewed Yihai Master Purchase Agreement for the three years ending December 31, 2024, 2025 and 2026 are as below:

Proposed new annual cap for the year ending December 31,		
2024	2025	2026
	(US\$'000)	
32,557	43,370	54,321

Reasons for the Proposed Annual Caps and Basis of Determination

The proposed annual caps for the Renewed Yihai Master Purchase Agreement have been estimated based on the following factors:

- (i) the historical transaction amounts with the Yihai Group;
- (ii) the expected increase in the price of the Haidilao Customized Products, Yihai Retail Products and instant self-serving 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 instant self-serving products, reflecting the expected increase in (i) the customer flow and operating performance of the restaurants and (ii) the number of restaurants under the new restaurants opening plan;
- (iv) the expected increase in the type of Haidilao Customized Products;
- (v) the supply capacity of the Yihai Group; and
- (vi) the strong growth and extensive market potential of the catering industry and the market of the instant self-serving products.

Information on the Parties Involved

The Group is a self-operated restaurant brand, primarily serving Haidilao hot pot in the international market outside Greater China.

Yihai Group, principally conducts manufacturing, distribution and sale, as well as research and development, of hot pot condiment products, Chinese-style compound condiment products and convenient ready-to-eat food products. Yihai has been a supplier for the business of the Group for many years.

Listing Rules Implications

As of the date of this announcement, Yihai was held as to approximately 31.44% in aggregate, directly and indirectly, by Mr. ZHANG Yong and Ms. SHU Ping. Therefore, Yihai is an associate of Mr. ZHANG Yong and Ms. SHU Ping and thus a connected person of the Company. The transactions under the Renewed Yihai Master Purchase Agreement constitute continuing connected transactions of the Company under the Listing Rules. Since the highest of all applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the proposed annual caps of the Renewed Yihai Master Purchase Agreement will exceed 5%, the transactions under the Renewed Yihai Master Purchase Agreement shall be subject to annual review, reporting, announcement, circular (including independent financial advice) and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

YIZHIHUA AGREEMENTS

Background

Reference is made to the Listing Document in relation to, *inter alia*, the Master Decoration Project Management Service Agreement entered into between Shuyun Dongfang and the Company, each for itself and on behalf of its subsidiaries, on December 12, 2022, pursuant to which Shuyun Dongfang agreed to provide decoration project management and related services, including but not limited to, selecting and supervising the design and construction subcontractors, and provision of procurement services to the Group in connection with the interior decoration and renovation of our restaurants. As the Master Decoration Project Management Service Agreement will expire on December 31, 2023, and the Company will continue the transactions under the Master Decoration Project Management Service Agreement subsequent to December 31, 2023, the Company and YIZHIHUA, a company established by the controlling shareholder of Shuyun Dongfang, each for itself and on behalf of its subsidiaries, entered into a new Master Decoration Project Management Service Agreement (the “**New Master Decoration Project Management Service Agreement**”) on October 17, 2023 for a term of three years commencing from January 1, 2024 to December 31, 2026 (both days inclusive). On the same date, the Company and YIZHIHUA, each for itself and on behalf of its subsidiaries, entered into the Master Decoration Project General Contract Service Agreement, for a term of three years commencing from January 1, 2024 to December 31, 2026 (both days inclusive).

Principal Terms

New Master Decoration Project Management Service Agreement

The principal terms of the New Master Decoration Project Management Service Agreement are summarized below:

- Date:** October 17, 2023
- Parties:**
- (1) The Company (for itself and on behalf of its subsidiaries)
 - (2) YIZHIHUA (for itself and on behalf of its subsidiaries)

Terms: The New Master Decoration Project Management Service Agreement has an initial term of three years commencing from January 1, 2024 to December 31, 2026 (both days inclusive).

Subject to compliance with Listing Rules and applicable laws and regulations, the New Master Decoration Project Management Service Agreement may be further renewed for a term of three years from time to time, unless the Company notifies YIZHIHUA to the contrary with 30 days' written notice prior to the expiry of the agreement's term. Upon renewal of the New Master Decoration Project Management Service Agreement, the parties may amend the terms of the agreement based on the then prevailing circumstances.

Nature of transactions: During the term of the New Master Decoration Project Management Service Agreement, YIZHIHUA agreed to provide decoration project management and related services, including but not limited to, selecting and supervising the design and construction subcontractors, and provision of procurement services to the Group in connection with the interior decoration and renovation of its restaurants.

Pricing basis: The management service fee will be determined based on the quality of the decoration services according to a fixed service fee schedule as agreed by both parties with reference to the prevailing market rate of such decoration project management service.

The terms of the New Master Decoration Project Management Service Agreement are substantially the same as the Master Decoration Project Management Service Agreement, except that the counterparty was changed to YIZHIHUA.

Master Decoration Project General Contract Service Agreement

The principal terms of the Master Decoration Project General Contract Service Agreement are summarized below:

Date: October 17, 2023

Parties: (1) The Company (for itself and on behalf of its subsidiaries)

(2) YIZHIHUA (for itself and on behalf of its subsidiaries)

Terms: The Master Decoration Project General Contract Service Agreement has an initial term of three years commencing from January 1, 2024 to December 31, 2026 (both days inclusive).

Subject to compliance with Listing Rules and applicable laws and regulations, the Master Decoration Project General Contract Service Agreement may be renewed for a further term of three years from time to time, unless the Company notifies YIZHIHUA to the contrary with 30 days' written notice prior to the expiry of the agreement's term. Upon renewal of the Master Decoration Project General Contract Service Agreement, the parties may amend the terms of the agreement based on the then prevailing circumstances.

Nature of transactions: During the term of the Master Decoration Project General Contract Service Agreement, YIZHIHUA agreed to provide decoration project general contract services to the Group in connection with the interior decoration and renovation of its restaurants, including but not limited to, selecting and engaging subcontractors to carry out the decoration work and purchasing plants and equipment for the projects.

Pricing basis: The general contract service fee will be determined based on the total cost and the quality of the decoration services with reference to the prevailing market rate of such decoration project general contract service.

Reasons for the Transactions

In consideration of the fact that Shuyun Dongfang, as a PRC company, may have many restrictions in obtaining relevant necessary licenses and carrying out decoration service business outside Greater China, the controlling shareholder of Shuyun Dongfang established a new company, YIZHIHUA, in Singapore on October 4, 2022 to undertake Shuyun Dongfang's overseas decoration service business. The key management and operation team of YIZHIHUA are from Shuyun Dongfang. We have been engaging Shuyun Dongfang to provide decoration project management for the interior decoration and renovation of our restaurants since 2012. Considering our long-term and stable business relationship with Shuyun Dongfang, we believe YIZHIHUA, with substantially the same management and operation team, is familiar with our requirements of decoration projects and is able to provide satisfying decoration services in a timely and cost-efficient manner.

In addition, as YIZHIHUA has presence in the countries where the Group operates and plans to expand, the transactions contemplated under the YIZHIHUA Agreements would allow the Group to leverage the experience and expertise of YIZHIHUA in restaurant operation workflows, customer experiences and buying habits and culture nuances, all of which contribute to creating efficient and attractive spaces, as well as aid the Group in better integrating into new markets. As the Group estimated that it would continue to expand in the future and the restaurant decoration execution demands will continue to increase, the Company believes that the cooperation with YIZHIHUA could improve efficiency by running multiple projects at competitive pricing for the Group's future decoration projects and also enhance the quality control in a timely manner, compared to engaging separate supplier for each location. In light of the above, the Directors are of the view that the entering into the YIZHIHUA Agreements to procure such services will be beneficial to the Group and is in the best interest of Shareholders as a whole.

We decided to adopt two different transaction arrangements with YIZHIHUA, i.e., the general contract arrangement and the project management arrangement. We adopted the general contract arrangement for our restaurants located in Malaysia for the following reasons: (i) YIZHIHUA has obtained all necessary licenses to provide decoration project general contract services in Malaysia; (ii) the general contract arrangement enables YIZHIHUA to monitor and manage the projects more actively and closely and ensure that the designs of our restaurants be implemented and executed effectively and cost-efficiently; and (iii) under the general contract arrangement, YIZHIHUA is responsible for the overall project management and supervision of the fitting-out works which could avoid potential disputes between the Group and the subcontractors. For our restaurants in other regions, since YIZHIHUA has not obtained the relevant licenses required for general contractor, we will continue with the project management arrangement. Thus, the New Master Decoration Project Management Service Agreement will be effective and applicable to our transactions with YIZHIHUA in relation to the interior decoration and renovation of the restaurants in the regions other than Malaysia. YIZHIHUA will keep stable business relationship with suitable local subcontractors and manage, coordinate and supervise the local subcontractors at work sites to ensure the decoration projects of our restaurants in relevant regions can be completed and delivered timely and with high quality.

Given the decoration related services can be readily sourced in the open market, and the service fee under the YIZHIHUA Agreements are determined with reference to the prevailing market rate, the Group can easily source such service from alternative service providers at comparable terms. As of the date of this announcement, certain Independent Third Party decoration management service providers have passed the supplier review process of the Group and have been added into the “Qualified Supplier List” maintained for the purpose of its business. The Company will select decoration management service providers from the “Qualified Supplier List” on a project-by-project basis and run the selection process for every single project. The selection criteria include, amongst others, the performance in recently completed projects, the quotation for the project and the current service capacity of the suppliers. While the number of decoration projects may increase with the expansion of the restaurant network, the Group will adhere to its supplier selection criteria to ensure fair competition between YIZHIHUA and other Independent Third Party decoration management service providers. Thus, the Company believes that its procurement of decoration related services from YIZHIHUA will not constitute undue reliance on YIZHIHUA or the Controlling Shareholders.

Historical Amounts

The following table sets forth the historical amounts of the procurement of decoration management service by our Group from Shuyun Dongfang for the three years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2023:

For the year ended December 31,			For the six months ended June 30,
2020	2021	2022	2023
			<i>(Unaudited)</i>
<i>(US\$'000)</i>			
2,172	5,576	3,702 ⁽¹⁾	180 ⁽²⁾

Notes:

- (1) The decrease in the transaction amounts for the year ended December 31, 2022 was primarily due to the Company's focus on improving restaurant performance and as a result, certain restaurants did not open as planned or there were delays in the renovation schedule.
- (2) The significant decrease in the transaction amounts for the six months ended June 30, 2023 was mainly because (i) most of the financial settlement between the Group and Shuyun Dongfang occurs in the second half year 2023 pursuant to the settlement arrangement; and (ii) the Company conducted a prudent re-assessment on the number and location of new restaurants in the first half of 2023. It is expected that a higher number of new decoration projects will be launched in the second half of 2023 compared to the first half.

Proposed Annual Caps

The Company estimates the proposed annual caps for the continuing transactions contemplated under the YIZHIHUA Agreements for the three years ending December 31, 2024, 2025 and 2026 are as below:

	Proposed new annual cap for the year ending December 31,		
	2024	2025	2026
	<i>(US\$'000)</i>		
<i>New Master Decoration Project Management Service Agreement</i>	4,190	5,840	5,250
<i>Master Decoration Project General Contract Service Agreement</i>	4,500	6,000	7,500
Total	8,690	11,840	12,750

Reasons for the Proposed Annual Caps and Basis of Determination

The proposed annual caps have been estimated based on the following factors:

- (i) the decoration project general contract service fee rate and the decoration project management service fee rate agreed by YIZHIHUA and us and the expected fluctuation in the rates;
- (ii) the estimated number of new restaurants we plan to open and decorate and the estimated number of existing restaurants we plan to renovate;
- (iii) the labor costs, raw material prices and their expected fluctuations in the countries where we operate and plan to expand;
- (iv) the past experience of the Group in restaurant decoration projects and the major terms and payment schedule for the general contract services and project management services; and
- (v) the service capacity of YIZHIHUA in providing general contract services and project management services.

Information on the Parties Involved

The Group is a self-operated restaurant brand, primarily serving Haidilao hot pot in the international market outside Greater China.

YIZHIHUA is principally engaged in providing decoration related services in overseas.

Listing Rules Implications

As of the date of this announcement, Mr. ZHANG Shuoyi is the director of YIZHIHUA and owns 100% of the equity interests in YIZHIHUA. Mr. ZHANG Shuoyi is the brother of Mr. ZHANG Yong, one of the Controlling Shareholders. Therefore, YIZHIHUA is an associate of Mr. ZHANG Yong and a connected person of the Company, and the transactions under the YIZHIHUA Agreements constitute continuing connected transactions of the Company under the Listing Rules. Since the highest of all applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the proposed annual caps of the YIZHIHUA Agreements will be more than 0.1% but less than 5%, the transactions contemplated thereunder are subject to reporting, annual review and announcement requirements, but exempt from the Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

GENERAL

Directors' Confirmation

The Directors (including the independent non-executive Directors) are of the view that (i) each of the Renewed Yihai Master Purchase Agreement and YIZHIHUA Agreements as set out above have been and will be entered into during the ordinary and usual course of business on normal commercial terms or terms better to the Group, and are fair and reasonable and in the interest of the Group and the Shareholders as a whole; and (ii) the proposed annual caps, where applicable, for these transactions are fair and reasonable and in the interest of the Group and the Shareholders as a whole.

To the best knowledge, belief and information of the Company, having made all reasonable enquiries, none of the Directors has any material interest or is required to abstain from voting on the relative Board resolutions approving the same.

The Extraordinary General Meeting

In respect of the Renewed Yihai Master Purchase Agreement and the transactions and proposed annual caps thereunder, (i) an Extraordinary General Meeting will be convened by the Company for the Independent Shareholders to consider and, if thought fit, to approve the same; (ii) the Independent Board Committee comprising all the independent non-executive Directors has been formed to advise the Independent Shareholders; and (iii) Gram Capital, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, has been appointed as the Independent Financial Adviser to the Independent Board Committee and Independent Shareholders.

In accordance with the Listing Rules, any Shareholder with a material interest in the transactions under the Renewed Yihai Master Purchase Agreement and the transactions and the proposed annual caps thereunder and his/her/its associates shall abstain from voting on the resolutions approving the same.

To the best knowledge, belief and information of the Directors, having made all reasonable enquiries, Mr. ZHANG Yong, Ms. SHU Ping, Mr. Sean SHI and Ms. Hailey LEE and their respective associates, namely, NP UNITED HOLDING LTD, ZY NP LTD, SP NP LTD, SYH NP LTD and LHY NP LTD, are deemed to have material interests in the transactions contemplated under the Renewed Yihai Master Purchase Agreement.

Apart from the above, there is no other Shareholder who has any material interest in the proposed resolutions. As of the date of this announcement Futu Trustee Limited, the trustee of the share award scheme adopted by the Company on June 24, 2022 (the “**Share Award Scheme**”) held 61,933,000 Shares (representing 10% of the issued shares capital of the Company) for the purpose of unvested awards under the Share Award Scheme. Futu Trustee Limited will abstain from voting on the Extraordinary General Meeting according to Chapter 17 of the Listing Rules. Save as disclosed above, none of the Shareholders is required to abstain from voting on such resolutions at the Extraordinary General Meeting.

A circular containing, among others, further details of the Renewed Yihai Master Purchase Agreement, the transactions and the proposed annual caps thereunder, a letter of advice from the Independent Board Committee to the Independent Shareholders, a letter of advice from Gram Capital to the Independent Board Committee and the Independent Shareholders, and the notice convening the Extraordinary General Meeting will be dispatched to the Shareholders in accordance with the requirements of the Listing Rules. The circular is expected to be dispatched by the Company to the Shareholders on or before November 8, 2023.

INTERNAL CONTROL

The Group has a comprehensive internal control system to ensure that the above continuing connected transactions and the transactions contemplated thereunder and the proposed annual caps are fair and reasonable, and the transactions contemplated thereunder are conducted on normal commercial terms or better and in the ordinary course of business of the Group, and in the interests of the Company and the Shareholders as a whole. Relevant internal control measures include:

- (i) The Company has designated a team of senior management from business operation, legal, risk control and finance departments and Board office to monitor the continuing connected transactions and ensure that the continuing connected transactions with the abovementioned connected persons are on arm's length basis and that the annual caps are not exceeded. Such team of senior management continuously traces and regularly monitors the progress of the continuing connected transactions and reports to the management of the Company;
- (ii) The team of senior management and the internal control department of the Group organizes and runs internal control tests regularly to evaluate the completeness and effectiveness of the internal control measures in relation to continuing connected transactions;
- (iii) The Company has set up a specialized team of experienced employees specializing in restaurant management and operation to assess, among others, the professional qualifications, team size, capabilities and historical experience of the product and/or service providers based on its business needs. In addition, to avoid potential conflict of interest and ensure fairness of the assessment, members in the aforesaid specialized team cannot be the key contact persons reaching out to the relevant product and/or service providers. As of the date of this announcement Yihai has passed the supplier review process of the Group and has been added into the "Qualified Supplier List" maintained by the Group;
- (iv) The legal department of the Group is responsible for identifying connected persons of the Group from new customers or suppliers on a regular basis and updating the connected persons list. The finance department of the Group would monitor on an on-going basis the actual transaction amounts with the connected persons to ensure that such amounts do not exceed the relevant annual caps;
- (v) Before conducting any transactions contemplated under, or entering into any subcontract pursuant to, an agreement for continuing connected transactions, the legal department and finance department of the Group would review the terms of the proposed transactions and the draft sub-contracts to ensure that the transactions would be conducted in accordance with the terms of the agreement and in accordance with the Company's pricing policy;

- (vi) The procurement department of the Group will conduct regular checks on the market price for the purpose of considering if the price charged for a specific transaction is fair and reasonable and in accordance with the pricing basis for the relevant continuing connected transactions. The procurement team will from time to time (on a regular basis and/or prior to price negotiation) gather market intelligence by way of research and investigation to ascertain the quality of the products compared to similar products/services in the market and the reference price of each type of the products/services in the market;
- (vii) The team of senior management of the Group will collect and review continuing connected transactions each month in order to guarantee that (a) the connected parties have fulfilled the terms of the agreements in relation to continuing connected transactions during the relevant month; and (b) the actual transaction amounts incurred and estimated to be incurred between the Group and the connected parties are within the annual caps;
- (viii) The Board conducts annual review on the implementation of continuing connected transactions and conducts review of financial statements which include the disclosure of continuing connected transactions semi-annually. The review mainly includes a review on whether the Group and the connected parties have fulfilled the terms of the agreements in relation to continuing connected transactions during the relevant year or semi-annually and whether the actual transaction amounts incurred between the Group and the connected persons are within the annual caps;
- (ix) The independent non-executive Directors conduct annual review of continuing connected transactions and provide annual confirmations in the Company's annual report on whether the continuing connected transactions are conducted (a) in the Group's ordinary course of business; (b) in accordance with normal commercial terms or better and on terms that are fair and reasonable; (c) in accordance with the terms of the relevant agreements; and (d) in the interests of the Company and the Shareholders as a whole;
- (x) The audit committee of the Company conducts review of the annual financial statements, annual report, interim financial statements and interim report which include the disclosure and analysis of the implementation of continuing connected transactions and opine on continuing connected transactions as disclosed in such financial statements and reports, including whether the terms of the continuing connected transactions are fair and reasonable and whether the transaction amounts are within the relevant annual caps; and
- (xi) To assist the Company in complying with the applicable rules listed in chapter 14A of the Listing Rules, the external auditor of the Company performs work in accordance with the regulations in the "Hong Kong Standard on Assurance Engagements 3000 – Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to the "Practice Note 740 – Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants, on the Company's continuing connected transactions and issue a letter in respect of the continuing connected transactions disclosed in the Company's annual report in accordance with the applicable accounting standards and the Listing Rules.

DEFINITION

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

“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“BVI”	the British Virgin Islands
“Company”	SUPER HI INTERNATIONAL HOLDING LTD. (特海国际控股有限公司), a company incorporated under the laws of the Cayman Islands with limited liability on May 6, 2022, whose Shares are listed on the main board of the Stock Exchange with stock code 9658
“Controlling Shareholder”	has the meaning ascribed thereto under the Listing Rules and unless the context requires otherwise, refers to Mr. ZHANG Yong (張勇), Ms. SHU Ping (舒萍), together with ZY NP LTD, SP NP LTD and NP UNITED HOLDING LTD. Mr. ZHANG and Ms. SHU, spouse of each other
“Director(s)”	director(s) of the Company
“Extraordinary General Meeting”	the extraordinary general meeting of the Company to be held to consider and, if thought fit, to approve Renewed Yihai Master Purchase Agreement, the transactions and proposed annual caps thereunder
“Greater China”	the mainland China, Hong Kong, Macau and Taiwan
“Group”	the Company and its subsidiaries
“Haidilao Customized Products”	the hot pot soup flavoring, the hot pot dipping sauce and Chinese-style compound condiment products and other customized products supplied by Yihai Group manufactured using formulae owned by the Group for use at the hot pot restaurants
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“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. TAN Kang Uei, Anthony, Mr. TEO Ser Luck and Mr. LIEN Jown Jing Vincent, established to advise the Independent Shareholders on the Renewed Yihai Master Purchase Agreement and the transactions and the proposed annual caps thereunder
“Independent Financial Adviser” or “Gram Capital”	Gram Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser to the Independent Board Committee and Independent Shareholders in relation to the Renewed Yihai Master Purchase Agreement, the transactions and the proposed annual caps thereunder

“Independent Shareholders”	has the meaning ascribed thereto under the Listing Rules; and means the Shareholders other than NP UNITED HOLDING LTD, ZY NP LTD, SP NP LTD, SYH NP LTD and LHY NP LTD with respect to the Renewed Yihai Master Purchase Agreement
“Independent Third Party(ies)”	an individual or a company which, to the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, is not a connected person of the Company within the meaning of the Listing Rules
“instant self-serving products”	instant self-serving food products including the self-serving instant small hot pot products, self-serving instant rice products, instant powder and snacks, and other related products
“Listing”	the listing of the Shares on the Main Board of the Stock Exchange
“Listing Date”	December 30, 2022, on which dealings in the Shares first commence on the Main Board
“Listing Document”	the Company’s listing document dated December 19, 2022
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
“Master Decoration Project General Contract Service Agreement”	the master decoration project general contract service agreement entered into between the Company and YIZHIHUA (each for itself and on behalf of its subsidiaries) on October 17, 2023
“Master Decoration Project Management Service Agreement”	the master decoration project management service agreement entered into between the Company and Shuyun Dongfang (each for itself and on behalf of its subsidiaries) on December 12, 2022
“New Master Decoration Project Management Service Agreement”	the new master decoration project management service agreement entered into between the Company and YIZHIHUA (each for itself and on behalf of its subsidiaries) on October 17, 2023
“PRC”	People’s Republic of China
“Renewed Yihai Master Purchase Agreement”	the renewed master purchase agreement entered into between the Company and Yihai (each for itself and on behalf of its subsidiaries) on October 17, 2023
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as amended, supplemental or otherwise modified from time to time
“Share(s)”	ordinary share(s) in the share capital of the Company with nominal value of US\$0.000005 each
“Shareholder(s)”	the holder(s) of the Shares of the Company

“Shuyun Dongfang”	Beijing Shuyun Dongfang Decoration Project Co., Ltd. (北京蜀韻東方裝飾工程有限公司), a limited liability company established in the PRC on May 10, 2006, which is owned as to 80% by Mr. Zhang Shuoyi (張碩軼), as of the date of this announcement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meanings ascribed thereto in the Listing Rules
“substantial shareholder(s)”	has the meanings ascribed thereto in the Listing Rules
“US\$”	the U.S. dollar, the lawfully currency of the United States
“Yihai Group”	the group of companies comprising Yihai and its subsidiaries
“Yihai Master Purchase Agreements”	the master purchase agreement entered into between the Company and Yihai (each for itself and on behalf of its subsidiaries) on December 12, 2022
“Yihai Retail Products”	the hot pot flavoring and Chinese-style compound condiment products supplied by Yihai Group manufactured using formulae owned by Yihai Group for display and sales to consumers in the hot pot restaurants
“Yihai”	Yihai International Holding Ltd. (頤海國際控股有限公司), an exempted company with limited liability incorporated in the Cayman Islands on October 18, 2013 and listed on the main board of the Stock Exchange with stock code 1579 (which was controlled by Mr. ZHANG Yong and Ms. SHU Ping as of the date of this announcement) and the connected person
“YIZHIHUA Agreements”	the New Master Decoration Project Management Service Agreement and the Master Decoration Project General Contract Service Agreement
“YIZHIHUA”	YIZHIHUA (SINGAPORE) CO. PTE. LTD., a private company limited by shares incorporated in Singapore on October 4, 2022, which was wholly owned by Mr. ZHANG Shuoyi, as of the date of this announcement
“%”	percentage

By order of the Board
SUPER HI INTERNATIONAL HOLDING LTD.
Mr. ZHOU Zhaocheng
Chairman

Singapore, October 17, 2023

As at the date of this announcement, the Board comprises Mr. ZHOU Zhaocheng, Mr. LI Yu, Mr. WANG Jinping and Ms. LIU Li as executive Directors; and Mr. TAN Kang Uei, Anthony, Mr. TEO Ser Luck and Mr. LIEN Jown Jing Vincent as independent non-executive Directors.