
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt about any of the contents of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional Adviser.

If you have sold or transferred all your shares in Haidilao International Holding Ltd., you should at once hand this circular together with the form of proxy and reply slip to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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HAIDILAO INTERNATIONAL HOLDING LTD.

海底捞国际控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 6862)

**(1) PROPOSED RENEWAL OF EXISTING NON-EXEMPT
CONTINUING CONNECTED TRANSACTIONS
AND
(2) NOTICE OF EXTRAORDINARY GENERAL MEETING**

**INDEPENDENT FINANCIAL ADVISER TO THE INDEPENDENT BOARD
COMMITTEE AND THE INDEPENDENT SHAREHOLDERS**



A notice convening the Extraordinary General Meeting of Haidilao International Holding Ltd. to be held at 4th Floor, Building 7, Hengsongyuan, East Tiejiaqing Street, South Third Ring Road, Fengtai District, Beijing, PRC on Wednesday, December 13, 2023 at 10:00 a.m. is set out on pages 75 to 78 of this circular. A form of proxy for use at the Extraordinary General Meeting is also enclosed. Such form of proxy is also published on the Company's website at www.haidilao.com and the website of the Stock Exchange at www.hkexnews.hk.

Whether or not you are able to attend the Extraordinary General Meeting, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return it to the Hong Kong share registrar of the Company, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time fixed for the holding of the Extraordinary General Meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude Shareholders from attending and voting at the Extraordinary General Meeting if they so wish.

November 24, 2023

CONTENTS

	<i>Page</i>
DEFINITIONS	1
LETTER FROM THE BOARD	10
1. INTRODUCTION	10
2. RENEWAL OF EXISTING NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS	11
3. INTERNAL CONTROL MEASURES	35
4. NOTICE OF EXTRAORDINARY GENERAL MEETING	37
5. FORM OF PROXY	38
6. VOTING AT THE EXTRAORDINARY GENERAL MEETING	38
7. RECOMMENDATION OF THE BOARD	39
8. RECOMMENDATION OF THE INDEPENDENT BOARD COMMITTEE AND THE INDEPENDENT FINANCIAL ADVISER	39
LETTER FROM THE INDEPENDENT BOARD COMMITTEE	41
LETTER FROM GRAM CAPITAL	42
APPENDIX I GENERAL INFORMATION	67
NOTICE OF EXTRAORDINARY GENERAL MEETING	75

DEFINITIONS

In this circular, unless the context otherwise requires, the following terms shall 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
“Commodity Ingredients”	food ingredients which do not require processing, primarily consist of meat, seafood, unwashed vegetables and condiments
“Company” or “our Company”	Haidilao International Holding Ltd. (海底捞国际控股有限公司), a company incorporated under the laws of the Cayman Islands with limited liability on July 14, 2015 and, except where the context otherwise requires, all of its subsidiaries
“Director(s)”	director(s) of the Company
“Existing Non-exempt Continuing Connected Transactions”	Yihai Master Purchase Agreement, Shuhai Agreements and Shuyun Dongfang Agreements
“Extraordinary General Meeting”	the extraordinary general meeting of the Company to be held at 4th Floor, Building 7, Hengsongyuan, East Tiejiangying Street, South Third Ring Road, Fengtai District, Beijing, PRC on Wednesday, December 13, 2023 at 10:00 a.m.
“Fuhai Shanghai”	Fuhai (Shanghai) Food Technology Co., Ltd.* (馥海(上海)食品科技有限公司), a company owned as to 60% by Yihai Shanghai and 40% by Shanghai Xinpai as of the Latest Practicable Date
“General Project Contract Services”	decoration services in connection with the interior decoration and renovation, including but not limited to selecting and engaging subcontractors to carry out the decoration work and purchasing plants and equipment for the projects
“Group” or “our Group”	the Company and its subsidiaries
“Haidilao Customized Products”	the hot pot soup flavoring, the hot pot dipping source and Chinese-style compound condiment products supplied by Yihai Group manufactured using formulae owned by our Group for use at our hot pot restaurants

DEFINITIONS

“Haidilao Singapore”	Hai Di Lao Holdings Pte. Ltd., a private company limited by shares incorporated in Singapore on February 28, 2013 and a wholly-owned subsidiary of our Company
“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 Dr. Chua Sin Bin, Mr. Hee Theng Fong, Mr. Qi Daqing, Dr. Ma Weihua and Mr. Wu Xiaoguang, established to advise the Independent Shareholders on the Renewed Agreements and the transactions contemplated thereunder and the Proposed Annual Caps
“Independent Financial Adviser” or “Gram Capital”	Gram Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activities under the SFO, and the Independent Financial Adviser to the Independent Board Committee and Independent Shareholders in relation to the Renewed Agreements and the transactions contemplated thereunder and the Proposed Annual Caps
“Independent Shareholders”	has the meaning ascribed to it under the Listing Rules; and in relation to approving the Renewed Connected Transactions and the Proposed Annual Caps at the Extraordinary General Meeting, means the Shareholders other than (i) NP United, ZY NP, SP NP, SYH NP and LHY NP with respect to the Renewed Yihai Master Purchase Agreement and Renewed Shuhai Agreements; or (ii) NP United, ZY NP and SP NP with respect to the Renewed Shuyun Dongfang Agreements
“Independent Third Party(ies)”	an individual or a company which, to the best of our 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

DEFINITIONS

“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 May 11, 2011, which was a wholly-owned subsidiary of Jingyuan Investment and a connected person of our Company as of the Latest Practicable Date
“Jingyuan Investment”	Jiayang Jingyuan Investment Co., Ltd.* (簡陽市靜遠投資有限公司), a limited liability company incorporated in the PRC on March 13, 2009, which was owned as to 52% by Mr. Zhang Yong, 16% by Ms. Shu Ping, 16% by Mr. Sean Shi and 16% by Ms. Hailey Lee as of the Latest Practicable Date and is a connected person of our Company
“Latest Practicable Date”	November 20, 2023, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
“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 was held as to (i) approximately 62.70% by Beijing Yihan Consulting Management Co., Ltd.* (北京宜涵管理諮詢有限公司), a company owned as to approximately 76.31% and 23.69% by Mr. Zhang Yong and Ms. Shu Ping, respectively, (ii) approximately 14.85% by Mr. Sean Shi, (iii) approximately 14.85% by Ms. Hailey Li, (iv) 4% by Ms. June Yang Lijuan, and (v) 3.6% by four individuals who are Independent Third Parties, as of the Latest Practicable Date
“LHY NP”	LHY NP Ltd., an investment holding company incorporated in the BVI and controlled by Ms. Hailey Lee (李海燕), which directly held approximately 6.01% of the equity interest in the Company and was wholly owned by UBS Trustees (B.V.I.) Limited as the trustee of Cheerful Trust as of the Latest Practicable Date. Cheerful Trust is a discretionary trust set up by Mr. Sean Shi and Ms. Hailey Lee as the settlors and protectors on August 22, 2018 with UBS Trustees (B.V.I.) Limited acting as trustee, the beneficiaries of which is Mr. Sean Shi, Ms. Hailey Lee and their family

DEFINITIONS

“Listing Date”	September 26, 2018, on which dealings in our Shares first commence on the Main Board
“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 dated December 7, 2020 entered into between the Company and Shuyun Dongfang, each for itself and on behalf of its subsidiaries, pursuant to which Shuyun Dongfang agreed to provide decoration project general contract services, including but not limited to, selecting and engaging subcontractors to carry out the decoration work and purchasing plants and equipment for the projects, to our Group in connection with the interior decoration and renovation of our PRC restaurants
“Master Decoration Project Management Service Agreement”	the master decoration project management service agreement dated December 7, 2020 entered into between the Company and Shuyun Dongfang, each for itself and on behalf of its subsidiaries, 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, to our Group in connection with the interior decoration and renovation of our restaurants
“NP United”	an investment holding company incorporated in the BVI and controlled by Mr. Zhang Yong, which was owned as to approximately 51.778% by ZY NP and 16.074% by each of SP NP, SYH NP and LHY NP, respectively, as of the Latest Practicable Date
“PRC” or “China”	People’s Republic of China, but for the purpose of this circular and for geographical reference only and except where the context requires otherwise, references in this circular to “China” and the “PRC” do not apply to Hong Kong, Macau and Taiwan
“Previous Circular and Announcement”	the previous circular and announcement of the Company dated December 7, 2020 in relation to the renewal of continuing connected transactions

DEFINITIONS

“Processed Ingredients”	food ingredients which require processing, which primarily consist of meats that require processing and flavoring, vegetables that require washing and cutting, seafood paste (such as shrimp paste and fish balls)
“Proposed Annual Caps”	the proposed annual caps under each of the Renewed Agreements for the three years ending December 31, 2024, 2025 and 2026
“Prospectus”	the Company’s prospectus dated September 12, 2018
“Renewed Agreements”	The agreements in relation to the existing continuing connected transactions to be renewed for a term of three years from January 1, 2024 to December 31, 2026, namely, Renewed Yihai Master Purchase Agreement, Renewed Shuhai Agreements and Renewed Shuyun Dongfang Agreements
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as amended, supplemental or otherwise modified from time to time
“Shanghai Xinpai”	Xinpai (Shanghai) Catering Management Co., Ltd.* (新派(上海)餐飲管理有限公司), a limited liability company incorporated in the PRC on May 12, 2013 and a wholly-owned subsidiary of our Company
“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

DEFINITIONS

“Shuhai”	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 incorporated in the PRC on June 3, 2014 and a connected person of our Company, which was held as to (i) 42.72% by Leda Haisheng and 0.92% by its wholly-owned subsidiary, Shanghai Haiyue Investment Management Co., Ltd. (上海海悅投資管理有限公司), (ii) approximately 26.17% by Jinghai Investment and (iii) approximately 30.19% by 2 other companies, limited partnerships and individuals who are Independent Third Parties, each holding no more than 5% equity interest in Shuhai as of the Latest Practicable Date
“Shuhai Agreements”	the Warehouse Storage and Logistics Service Agreement and the Shuhai Master Purchase Agreement
“Shuhai Group”	the group of companies comprising Shuhai and its subsidiaries
“Shuhai Master Purchase Agreement”	the Shuhai master purchase agreement dated December 7, 2020 entered into between our Group and Shuhai Group pursuant to which Shuhai Group agreed to supply to our Group the Processed Ingredients
“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 incorporated in the PRC on May 10, 2006, which was held as to 80.00% by Mr. Zhang Shuoyi (張碩軼) and 20.00% by his spouse, Ms. Wang Dongyu (王東煜), as of the Latest Practicable Date
“Shuyun Dongfang Agreements”	the Master Decoration Project Management Service Agreement and the Master Decoration Project General Contract Service Agreement

DEFINITIONS

“Sichuan Haidilao”	Sichuan Haidilao Catering Co., Ltd* (四川海底撈餐飲股份有限公司), previously known as Sichuan Jianyang Haidilao Catering Co., Ltd.* (四川省簡陽市海底撈餐飲有限責任公司) a limited company incorporated in the PRC on April 16, 2001 and a connected person of our Company, which was owned as to 50.00% by Jingyuan Investment, 25.50% by Mr. Zhang Yong, 8.00% by Ms. Shu Ping, 8.00% by Mr. Sean Shi, 8.00% by Ms. Hailey Lee (李海燕), 0.20% by Ms. June Yang Lijuan (楊利娟), 0.10% by Mr. Yuan Huaqiang (袁華強), 0.10% by Mr. Gou Yiqun (苟軼群), 0.06% by Mr. Chen Yong (陳勇) and 0.04% by Mr. Yang Bin (楊賓), and its predecessor (as the case may be) as of the Latest Practicable Date
“SP NP”	SP NP Ltd., an investment holding company incorporated in the BVI. The entire share capital of SP NP Ltd. is wholly owned by UBS Trustees (B.V.I.) Limited as the trustee of the Rose Trust via UBS Nominees Limited in its capacity as nominee for the trustee of the Rose Trust. Rose Trust is a discretionary trust set up by Ms. Shu Ping as the settlor and protector on August 22, 2018 for the benefit of herself, Mr. Zhang Yong and their families. Ms. Shu Ping (as the founder of the Rose Trust) and UBS Trustees (B.V.I.) Limited are taken to be interested in the Shares held by SP NP Ltd. under the SFO
“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
“Super Hi”	SUPER HI INTERNATIONAL HOLDING LTD. (特海國際控股有限公司), a company incorporated under the laws of the Cayman Islands with limited liability on May 6, 2022, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 9658) since December 30, 2022 by way of introduction; Super Hi ceased to be a subsidiary of our Group upon the completion of the spin-off on December 30, 2022

DEFINITIONS

“SYH NP”	SYH NP Ltd., is an investment holding company incorporated in the BVI. The entire share capital of SYH NP Ltd. Is wholly owned by UBS Trustees (B.V.I.) Limited as the trustee of the Cheerful Trust via UBS Nominees Limited in its capacity as nominee for the trustee of the Cheerful Trust. Cheerful Trust is a discretionary trust set up by Mr. Sean Shi and Ms. Hailey Lee as the settlors and protectors on August 22, 2018 for their own benefit and the benefit of their families. Mr. Sean Shi and Ms. Hailey Lee (as the founders of the Cheerful Trust) and UBS Trustees (B.V.I.) Limited are taken to be interested in the Shares held by SYH NP Ltd. under the SFO
“US\$”	United States dollars, the lawful currency of the United States
“Warehouse Storage and Logistics Service Agreement”	the warehouse storage and logistics service agreement dated December 7, 2020 entered into between the Company and Shuhai pursuant to which Shuhai Group agreed to provide warehousing facilities and storage services and logistic services to our Group in connection with the Commodity Ingredients
“we”, “us” or “our”	the Company or the Group, as the context requires
“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 (stock code: 1579) (which was controlled by Mr. Zhang Yong and Ms. Shu Ping as of the Latest Practicable Date) and our connected person
“Yihai Group”	the group of companies comprising Yihai and its subsidiaries
“Yihai Master Purchase Agreement”	the master purchase agreement entered into among Haidilao Singapore and Yihai Group (each for itself and on behalf of its subsidiaries) on December 7, 2020, pursuant to which the Group agreed to purchase Haidilao Customized Products, Yihai Retail Products and instant self-serving products from Yihai Group for a term ending December 31, 2023

DEFINITIONS

“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 our hot pot restaurants and on our various online platforms (e.g. the Haidilao App)
“Yihai Shanghai”	Yihai (Shanghai) Food Co., Ltd.* (頤海(上海)食品有限公司), a wholly-owned subsidiary of Yihai
“ZY NP”	ZY NP Ltd., an investment holding company incorporated in the BVI. The entire share capital of ZY NP Ltd. is wholly owned by UBS Trustees (B.V.I.) Limited as the trustee of the Apple Trust via UBS Nominees Limited in its capacity as nominee for the trustee of the Apple Trust. Apple Trust is a discretionary trust set up by Mr. Zhang Yong as the settlor and protector on August 22, 2018 for the benefit of himself, Ms. Shu Ping and their families. Mr. Zhang Yong (as the founder of the Apple Trust) and UBS Trustees (B.V.I.) Limited are taken to be interested in the Shares held by ZY NP Ltd. under the SFO
“%”	percentage

* *English translations of company names are for identification purposes only.*



HAIDILAO INTERNATIONAL HOLDING LTD.
海底捞国际控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock code: 6862)

Executive Directors:

Mr. Zhang Yong (*Chairman*)
Ms. June Yang Lijuan
Mr. Li Peng
Ms. Song Qing
Ms. Gao Jie

Non-executive Director:

Mr. Zhou Zhaocheng

Independent Non-executive Directors:

Dr. Chua Sin Bin
Mr. Hee Theng Fong
Mr. Qi Daqing
Dr. Ma Weihua
Mr. Wu Xiaoguang

Registered Office:

Cricket Square, Hutchins Drive
PO Box 2681
Grand Cayman KY1-1111
Cayman Islands

Corporate Headquarters in the PRC:

7th Floor, No. 1 Building
No. 398 Yard, Zhongdong Road
Dongxiaokou Town, Changping district
Beijing, PRC

Principal place of business in

Hong Kong:

40th Floor, Dah Sing Financial Centre
No. 248 Queen's Road East
Wanchai, Hong Kong

November 24, 2023

To the Shareholders

Dear Sir or Madam,

**(1) PROPOSED RENEWAL OF EXISTING NON-EXEMPT
CONTINUING CONNECTED TRANSACTIONS
AND
(2) NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

Reference is made to the announcement of the Company dated October 17, 2023 in relation to, among other things, the renewal of Existing Non-exempt Continuing Connected Transactions and the respective annual caps to be proposed under the contemplated transactions herein.

LETTER FROM THE BOARD

The purposes of this circular are, among other things: (i) to give you further details of the renewal of Existing Non-exempt Continuing Connected Transactions and the respective annual caps to be proposed under the contemplated transactions for the three years ending December 31, 2024, 2025 and 2026; (ii) to set out the letter of advice from Gram Capital to the Independent Board Committee and the Independent Shareholders in relation to the matters set out in (i); (iii) to set out the recommendation and opinion of the Independent Board Committee to the Independent Shareholders after taking into consideration the advice of Gram Capital in relation to the matters set out in (i); and (iv) to give you the notice of the Extraordinary General Meeting.

RENEWAL OF EXISTING NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

Renewal of Yihai Master Purchase Agreement

Background

Reference is made to the Previous Circular and Announcement in relation to, inter alia, Yihai Master Purchase Agreement pursuant to which our Group agreed to purchase Haidilao Customized Products, Yihai Retail Products and instant self-serving products from Yihai Group for a term ending December 31, 2023. Subject to compliance with applicable laws and regulations (including but not limited to the Listing Rules) and requirements of securities regulatory authorities, the Yihai Master Purchase Agreement may be automatically 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.

The Group has been conducting certain continuing connected transactions under the Yihai Master Purchase Agreements 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 years ended December 31, 2021 and 2022. As of the Latest Practicable Date, 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.

Renewed Yihai Master Purchase Agreement

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 a new Yihai master purchase agreement (the “**Renewed Yihai Master Purchase Agreement**”) on October 17, 2023 for a term of three years commencing from

LETTER FROM THE BOARD

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 Agreement will be terminated once the Renewed Yihai Master Purchase Agreement takes effect. No term has been modified or changed since the parties entered into the Renewed Yihai Master Purchase Agreement.

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

Date: October 17, 2023

Parties: (1) The Company

(2) Yihai

(each 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 the Listing Rules) and requirements of securities regulatory authorities, the Renewed Yihai Master Purchase Agreement may be automatically 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.

LETTER FROM THE BOARD

Nature of transactions: During the term of the Renewed Yihai Master Purchase Agreement, the Group agreed to purchase Haidilao Customized Products and Yihai Retail Products from Yihai Group and purchase instant self-serving products from Fuhai Shanghai.

i. Purchase of Haidilao Customized Products

During the term of the Renewed Yihai Master Purchase Agreement, subject to compliance with our requirements on mass production and standardization, Yihai Group is our supplier of Haidilao Customized Products for use in our hot pot restaurants in mainland China, Hong Kong, Macao, and Taiwan regions. In the event that Yihai Group fails to satisfy our demands and such problem is not resolved within a reasonable period of time (in any event no longer than 30 days) after negotiation between both parties, we may engage third party suppliers.

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. Payment will be made based on the purchase volume per individual order on a monthly basis or at other periods as agreed by both parties.

We own the proprietary rights to the formulae 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 required to, and shall use reasonable efforts to procure its contract manufacturers to: (i) keep confidential the Condiments Formulae, and (ii) unless we have given written consent, refrain from selling products that were made using these formulae to any of our competitors that is primarily engaged in hot pot business in the PRC.

LETTER FROM THE BOARD

For any upgrades and developments in the Condiments Formulae made through the joint efforts of Yihai Group and us, we will own the proprietary rights, while 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 Yihai Master Purchase Agreement, a supplemental agreement will be entered into by the parties to confirm that the upgraded formulae are a result of the joint efforts of Yihai Group and us.

For any upgrades and developments in the 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 us, 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.

ii. Purchase of Yihai Retail Products

During the term of the Renewed Yihai Master Purchase Agreement, Yihai Group is the supplier of the Yihai Retail Products to us for display and sales to consumers online (e.g. the Haidilao App) and in our hot pot restaurants. Yihai Retail Products are manufactured with Yihai Group's formulas, and we are not permitted to sell these products to any third party distributor.

Purchase of Yihai Retail 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 shall be determined based on the pricing policy as set out below, and a price list for the Yihai Retail Products by cities shall be provided to us semi-annually. Payment will be made on a monthly basis, following the delivery of products and Yihai Group's issuance of delivery invoices.

LETTER FROM THE BOARD

iii. Purchase of instant self-serving products

During the term of the Renewed Yihai Master Purchase Agreement, Yihai Group is the supplier of the instant self-serving products to us for display and sales to customers in our hot pot restaurants and on our online platforms (e.g. the Haidilao App).

Purchase of 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 instant self-serving products shall be determined based on the pricing policy as set out below. Payment will be made on a monthly basis, following the delivery of products and Yihai Group's issuance of delivery invoices.

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:

i. 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.

ii. 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.

LETTER FROM THE BOARD

To ensure that the purchase price of Yihai Retail Products and instant self-serving products be consistent with the pricing policy for similar products offered by Yihai Group to its Independent Third Party distributors, the Company and Yihai Group will explicitly agree on such pricing policy in the relevant purchase agreements. In addition, the Company has adopted comprehensive internal control measures to monitor the enforcement of the purchase agreements under the Renewed Agreements and the transactions contemplated thereunder. Please refer to “– Internal Control Measures” for further details.

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

Reasons for and Benefits of the Transaction

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

Yihai Group principally conducts manufacturing, distribution and sale, as well as research and development, of hot pot soup flavoring, hot pot dipping sauce and Chinese-style compound condiment products under the 海底捞 brand in mainland China and certain overseas regions, and has been our supplier for over a decade. It was initially founded as and had been an internal supplier of hot pot soup flavoring products to the Group since its establishment. With gradual growth alongside the expansion of the Group, Yihai Group expanded and started to offer products to third-party distributors and customers. To optimize its corporate structure for future development and for the purpose of listing on the Stock Exchange, Yihai Group underwent a corporate reorganization from 2013 to 2015 and is no longer a member of the Group.

LETTER FROM THE BOARD

Pursuant to the Renewed Yihai Master Purchase Agreement, Yihai Group is the supplier of the Haidilao Customized Products and the Yihai Retail Products (together with the Haidilao Customized Products, the “**Flavoring Products**”) and the instant self-serving products to the Group. We believe that the Renewed Yihai Master Purchase Agreement does not constitute undue reliance on Yihai Group or our 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 our Group and Yihai Group. Our Group has been the largest customer of Yihai Group since its establishment, and Yihai Group has been the supplier of Flavoring Products for our Group for over a decade. 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 our Group, while the long-term and stable business relationship enables Yihai Group to grow alongside our Group’s expansion. In addition, Yihai Group has every incentive to protect the proprietary know-how and trade secrets due to the importance of our Group to its business, and the in-house research team of each of Yihai Group and our Group has been working closely to continuously upgrade and explore hot pot soup flavoring formulae. To maintain the mutually beneficial relationship is in the best interest of the shareholders of both Yihai Group and our Group.

(2) Importance of our Group to Yihai Group

The purchase amount from Yihai Group was approximately RMB1,929 million, RMB1,475 million and RMB834 million for the years ended December 31, 2021 and 2022 and the six months ended June 30, 2023, respectively, which accounted for approximately 32.5%, 24.0% and 31.9% of the total revenue of Yihai Group for the relevant period, and our Group’s demand of the products under the Renewed Yihai Master Purchase Agreement may further increase as a result of our anticipated expansion. Given the top market player status of our Group in the catering sector in China, and the significant contribution to Yihai Group’s revenue from its sales to our Group, which reflects the pivotal role our Group has been playing in the business development of Yihai Group, the Company considers that Yihai Group has every interest to deliver high quality products with reasonable prices under the Renewed Yihai Master Purchase Agreement, and it is highly unlikely that Yihai Group will intentionally cease or reduce its supply to our Group.

(3) Sourcing from alternative suppliers

The formulae for the Haidilao Customized Products are owned by our Group. Since the listing of Yihai on the Stock Exchange, Our Group has been identifying alternative suppliers for the Haidilao Customized Products in case the supply from Yihai Group cannot meet our requirements and demand, and has entered into agreements with certain Independent Third Party suppliers of comparable flavoring products, who have been

LETTER FROM THE BOARD

added into the “Qualified Supplier List” maintained by our Group, to procure a specific type of soup base product which Yihai Group is currently unable to manufacture. Such alternative suppliers are able to supply comparable flavoring products at similar quality with similar pricing terms as Yihai Group. As our Group owns the Condiments Formulae and the raw materials for the Haidilao Customized Products can readily be sourced, the Company believes that in the unlikely event that Yihai Group ceases or is unable to supply to our Group, Our Group would be able to source from alternative suppliers the Haidilao Customized Products that meet its requirements and demand within 30 days, and the business of our Group would not be adversely affected.

Under the Renewed Yihai Master Purchase Agreement, Yihai Group is the supplier of the Yihai Retail Products and the instant self-serving products to us for display and sales to consumers in our restaurants and on our various online platforms (e.g. the Haidilao App). Given the revenue generated from sales of the Yihai Retail Products and the instant self-serving products is relatively insignificant to our 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 our Group, the potential effect on our business, financial condition and results of operations would be immaterial. Therefore, we believe 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 our Group by Yihai Group, net profit margin for Yihai’s sales to third-party distributors, production cost, and the market price of similar products sold by Yihai to Independent Third Parties. The pricing terms of the Haidilao Customized Products are considered to be 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 third parties by Yihai.

(5) High level of transparency and corporate governance measures

Yihai is listed on the Stock Exchange and its connected transactions with our Group are subject to the relevant requirements under the Listing Rules, including but not limited to, independent shareholders’ approval and the review by its independent non-executive directors and auditors on an annual basis. As such, the Shareholders will be well protected as the fairness and reasonableness of the connected transactions between Yihai Group and our Group will be closely and regularly monitored by their respective independent shareholders, independent non-executive directors and auditors.

LETTER FROM THE BOARD

Historical Amounts and Proposed Annual Caps

The following table sets forth the historical amounts^{Note 1} of the transaction amounts our 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
2020	2021	2022	Six Months
<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	Ended
			June 30,
			2023
			<i>RMB'000</i>
			<i>(Unaudited)</i>
1,399,634	1,928,954	1,475,163 ^{Note 2}	833,970

Notes:

1. In December 2022, Super Hi was spun-off and listed separately on the Main Board of the Stock Exchange (the “**Spin-off**”) by way of introduction through a distribution in specie to the Shareholders. Super Hi and its subsidiaries (the “**Super Hi Group**”) are principally engaged in the operation of restaurant business outside mainland China, Hong Kong, Macau, and Taiwan regions. Upon completion of the Spin-off, the business of Super Hi and its subsidiaries was classified as discontinued operations of the Group. The historical transaction amounts set out above also included the purchases from Yihai Group for the discontinued operations of Super Hi Group before the Spin-off.
2. The decrease in the historical transaction amounts for the year ended December 31, 2022 was primarily due to (i) the suspension of business operation or dine-in services of certain restaurants and the decrease of customer flow in mainland China resulted from the impact of the COVID-19 pandemic in 2022; and (ii) the decrease in the number of restaurants due to the implementation of the “Woodpecker” plan.

The Company estimates that 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
<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
2,880,000	3,420,000	3,990,000

Reasons for the Proposed Annual Caps and Basis of Determination

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

- (i) the historical transaction amounts with Yihai Group and the Spin-off;
- (ii) 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 following the re-opening of certain previously suspended restaurants under the “Hard Bone” plan and the new restaurants opening plan;

LETTER FROM THE BOARD

- (iii) the supply capacity of Yihai Group; and
- (iv) the strong growth and extensive market potential of the catering industry and the market of instant self-serving products in mainland China.

Information on the Parties

The Group is principally engaged in the hot pot restaurant business and other catering business.

Yihai Group principally conducts manufacturing, distribution and sale, as well as research and development, of hot pot soup flavoring, hot pot dipping sauce and Chinese-style compound condiment products under the 海底捞 brand in China and certain overseas regions.

Listing Rules Implications

As of the Latest Practicable Date, 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 is more than 5%, the transactions under the Renewed Yihai Master Purchase Agreement are subject to the announcement, circular, independent shareholders' approval, annual review and reporting requirements under Chapter 14A of the Listing Rules.

Directors' Confirmation

The Directors (including the independent non-executive Directors) are of the view that (i) the transactions under the Renewed Yihai Master Purchase Agreement have been and will be entered into in the ordinary and usual course of business of the Group, are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole; and (ii) the Renewed Yihai Master Purchase Agreement and the proposed annual caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

To the best knowledge, belief and information of the Company, having made all reasonable enquiries, as of the Latest Practicable Date, Yihai was controlled by Mr. Zhang Yong through ZYSP YIHAI Ltd. Therefore, Mr. Zhang Yong is deemed to have material interests in the transactions contemplated under the Renewed Yihai Master Purchase Agreement and accordingly abstained from voting on the Board resolutions in connection with the continuing connected transactions under the Renewed Yihai Master Purchase Agreement, the transactions contemplated thereunder and the proposed annual caps related thereto. Except for Mr. Zhang Yong, none of the Directors has any material interest or is required to abstain from voting on the relative Board resolutions approving the same.

LETTER FROM THE BOARD

Approval by Independent Shareholders

To the best knowledge, belief and information of the Company, having made all reasonable enquiries, as of the Latest Practicable Date, (i) NP United, ZY NP, SP NP, SYH NP and LHY NP directly held 1,801,970,108 Shares, 1,148,739,121 Shares, 410,962,014 Shares, 169,632,014 Shares and 335,155,014 Shares, respectively, representing approximately 32.33%, 20.61%, 7.37%, 3.04% and 6.01% of the issued share capital of the Company. Mr. Zhang Yong (through ZY NP), Ms. Shu Ping (through SP NP), together through NP United, are collectively interested in approximately 60.31% of the total issued share capital of our Company. Ms. Hailey Lee directly held 37,500,000 Shares. Mr. Sean Shi (through SYH NP) and Ms. Hailey Lee (by herself and through LHY NP), are collectively interested in approximately 9.73% of the total issued share capital of our Company; and (ii) Ms. Shu Ping and Mr. Zhang Yong are interested in approximately 31.44% of the issued share capital of Yihai. Ms. Hailey Lee and Mr. Sean Shi are interested in approximately 12.60% of the issued share capital of Yihai. Therefore, Mr. Zhang Yong, Ms. Shu Ping, Mr. Sean Shi and Ms. Hailey Lee and their respective associates, namely, NP United, ZY NP, SP NP, SYH NP and LHY NP, are deemed to have material interests in the transactions contemplated under the Renewed Yihai Master Purchase Agreement. In accordance with the Listing Rules, each of Mr. Zhang Yong, Ms. Shu Ping, Mr. Sean Shi and Ms. Hailey Lee and their respective associates will abstain from voting on the ordinary resolutions to approve the Renewed Yihai Master Purchase Agreement, the transactions contemplated thereunder and the proposed annual caps related thereto at the Extraordinary General Meeting.

Apart from the above, none of the Shareholders have a material interest in the transactions under the Renewed Yihai Master Purchase Agreement, and save as disclosed in this circular, no other Shareholder is required to abstain from voting on the proposed resolutions approving the same.

The Company will seek the Independent Shareholders' approval at the Extraordinary General Meeting for, among others, the Renewed Yihai Master Purchase Agreement on the condition that:

1. the annual transaction amount of the Renewed Yihai Master Purchase Agreement shall not exceed the respective annual caps;
2. the Renewed Yihai Master Purchase Agreement will be entered into in the ordinary and usual course of business of the Group and either (a) on normal commercial terms or better; or (b) if there is no available comparison, on terms no less favorable than terms available to the Group from Independent Third Parties; and
3. the transactions will be entered into in accordance with the Renewed Yihai Master Purchase Agreement and on terms that are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

The Company will comply with relevant provisions of the Listing Rules in relation to the transactions under the Renewed Yihai Master Purchase Agreement.

Renewal of Shuhai Agreements

Background

As disclosed in the Previous Circular and Announcement, the Company and Shuhai, each for itself and on behalf of its subsidiaries, entered into (i) the Warehouse Storage and Logistics Service Agreement, pursuant to which Shuhai Group agreed to provide warehousing facilities and storage services and logistics services to our Group in connection with the Commodity Ingredients; and (ii) the Shuhai Master Purchase Agreement pursuant to which Shuhai Group agreed to supply to our Group the Processed Ingredients. The Shuhai Agreements have an initial term of three years commencing from December 7, 2020. Subject to compliance with Listing Rules and applicable laws and regulations, the Shuhai Agreements may be renewed for a further term of three years from time to time, unless the parties agree in writing to terminate the agreement during their term. Upon renewal of the Shuhai Agreements, the parties may amend the terms of the agreements based on the then prevailing circumstances.

The Group has been conducting certain continuing connected transactions under the Shuhai Agreements in ordinary and usual course of its business on normal commercial terms. The Company has closely monitored the transactions contemplated under the Shuhai Agreements and the actual transaction amounts did not exceed the annual cap for the years ended December 31, 2021 and 2022. As of the Latest Practicable Date, the actual transaction amounts for the transactions under the Shuhai Agreements did not exceed the annual cap for the year ending December 31, 2023.

Renewed Shuhai Agreements

As the Shuhai Agreements will expire on December 31, 2023, and the Company will continue the transactions under the Shuhai Agreements subsequent to December 31, 2023, the Company and Shuhai, each for itself and on behalf of its subsidiaries, entered into a new warehouse storage and logistics service agreement (the “**Renewed Warehouse Storage and Logistics Service Agreement**”) and a new Shuhai master purchase agreement (the “**Renewed Shuhai Master Purchase Agreement**”) (collectively, the “**Renewed Shuhai Agreements**”) 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 the Company. The Shuhai Agreements will be terminated once the Renewed Shuhai Agreements take effect. No term has been modified or changed since the parties entered into the Renewed Shuhai Agreements.

LETTER FROM THE BOARD

The principle terms of the Renewed Shuhai Agreements are summarized below:

Date: October 17, 2023

Parties: (1) Our Company

(2) Shuhai

(each for itself and on behalf of its subsidiaries)

Terms: The Renewed Shuhai Agreements have 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 Renewed Shuhai Agreements may be further renewed for a term of three years from time to time, unless our Company notifies Shuhai to the contrary with 30 days' written notice prior to the expiry of the agreement's term. Upon renewal of the Renewed Shuhai Agreements, the parties may amend the terms of the agreement based on the then prevailing circumstances.

Nature of transactions: Pursuant to the Renewed Shuhai Agreements,

- (i) under the Renewed Warehouse Storage and Logistics Service Agreement, Shuhai Group will provide storage and logistics services in relation to the Commodity Ingredients for our Group. We will enter into purchase agreements directly with third-party suppliers, and such third-party suppliers will deliver the products to Shuhai Group; and
- (ii) under the Renewed Shuhai Master Purchase Agreement, Shuhai Group will enter into purchase agreements with third-party suppliers of the raw materials selected by our Group and process the raw materials into Processed Ingredients. Our Group will then purchase the Processed Ingredients from Shuhai Group.

LETTER FROM THE BOARD

Pricing basis:

The service fee under the Renewed Warehouse Storage and Logistics Service Agreement will be determined by both parties at arm's length negotiation with reference to (i) the actual costs and expenses incurred by Shuhai Group for the provision of services in relation to the warehouse storage and logistics; (ii) the geographical location and the actual transaction amount for storage; and (iii) fees charged by Independent Third Parties for similar and comparable services.

The purchase price under the Renewed Shuhai Master Purchase Agreement will be determined with reference to: (i) historical purchase price, (ii) production cost, and (iii) the prevailing processing service fee rate charged by comparable processing service providers.

Based on the quotations obtained by the Company, as of the Latest Practicable Date, the fee charged by Shuhai Group for Commodity Ingredients and Processed Ingredients will not be more than the fee charged by other third party suppliers for providing the same/similar products.

The terms of the Renewed Shuhai Agreements are substantially the same as the Shuhai Agreements.

Reasons for and Benefits of the Transactions

Shuhai was established in June 2014 and primarily engages in the provision of “one-stop-shop” supply chain services (including purchase, process, warehouse storage, logistics, and sales of food products) to catering service providers. We have engaged Shuhai Group since its establishment for its processing, warehouse storage and logistics services for the materials and products we purchased from our suppliers which need to be processed or sorted, and delivered to our hot pot restaurants. The relevant expertise of Shuhai Group in providing warehouse storage and logistics services for catering service providers allows us to ensure efficient management of our materials and products purchased from our suppliers and orderly delivery to our restaurants. In addition, the purchase fees charged by Shuhai Group under the Renewed Shuhai Agreements are determined with reference to actual costs and expenses incurred. Therefore, our Directors believe that the continuous cooperation with Shuhai Group will be beneficial to our Group and is in the best interest of our Shareholders as a whole.

LETTER FROM THE BOARD

Taking into account that (1) our Group has control over the selection of suppliers of the Commodity Ingredients and raw materials of the Processed Ingredients; and (2) the processing, storage and logistics services provided by Shuhai Group do not require any complicated techniques and we can easily procure such services from Independent Third Party service providers in the market at comparable terms, the supply capacity of which can satisfy the demand of such services of our restaurants located in the relevant provinces for the next three to five years. Such alternative suppliers are able to supply storage and logistics services at similar quality with similar pricing terms as Shuhai. We believe that our connected transactions with Shuhai Group do not constitute undue reliance on Shuhai Group.

Taking into account that (1) the significant contribution to Shuhai Group's revenue from its sales to our Group, which reflects the pivotal role our Group has been playing in the business development of Shuhai Group; and (2) the extensive experience and good reputation of Shuhai Group in providing warehouse storage and logistics service for catering service providers, the Company believes that it is unlikely that Shuhai Group will cease or reduce the supplies to our Group.

Historical Amounts and Proposed Annual Caps

The following table sets forth the historical amounts of services we obtained and purchases from Shuhai Group for the three years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2023:

	For the year ending December 31,			For the Six Months Ended June 30, 2023
	2020	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(Unaudited)</i>
Renewed Warehouse Storage and Logistics Service Agreement	283,633	576,102	477,579	266,079
Renewed Shuhai Master Purchased Agreement	2,455,951	2,890,344	1,618,903	811,190
Total	2,739,584	3,466,446	2,096,482^{Note 1}	1,077,269

Note:

- The decrease in the historical transaction amount for the year ended December 31, 2022 was primarily due to (i) the suspension of business operation or dine-in services of certain restaurants and the decrease of customer flow in mainland China resulting from the impact of the COVID-19 pandemic in 2022; and (ii) the decrease in the number of restaurants due to the implementation of the "Woodpecker" plan.

LETTER FROM THE BOARD

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

	Annual cap for the year ending		
	December 31,		
	2024	2025	2026
	RMB'000	RMB'000	RMB'000
Renewed Warehouse Storage and Logistics Service Agreement	696,000	835,200	1,002,240
Renewed Shuhai Master Purchase Agreement	3,251,656	4,534,172	6,167,629
Total	3,947,656	5,369,372	7,169,869

Reasons for the Proposed Annual Caps and Basis of Determination

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

- (i) the historical storage fee and the historical purchase volume;
- (ii) the estimated increase in our demand of Commodity Ingredients, Processed Ingredients and the storage and logistics service, reflecting the expected increase in (i) the customer flow and operating performance of the restaurants and (ii) the number of restaurants following the re-opening of certain previously suspended restaurants under the “Hard Bone” plan and the new restaurants opening plan; and
- (iii) the potential fluctuation of (a) the price of the raw materials of the Processed Ingredients; (b) the production cost and processing service fee rate in relation to the Processed Ingredients.

Information on the Parties

The Group is principally engaged in the hot pot restaurant business and other catering business.

Shuhai is principally engaged in primarily engages in the provision of “one-stop-shop” supply chain services (including warehouse storage, logistics, and sales of food products) to catering service providers.

LETTER FROM THE BOARD

Listing Rules Implications

As of the Latest Practicable Date, Shuhai was held as to 42.72% by Leda Haisheng and approximately 26.17% by Jinghai Investment. Therefore, Shuhai is an associate of Mr. Zhang Yong and Ms. Shu Ping, and thus a connected person of the Company. Accordingly, the transactions under the Renewed Shuhai 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 Renewed Shuhai Agreements is more than 5%, the transactions under the Renewed Shuhai Agreements are subject to the announcement, circular, independent shareholders' approval, annual review and reporting requirements under Chapter 14A of the Listing Rules.

Directors' Confirmation

The Directors (including the independent non-executive Directors) are of the view that (i) the transactions under the Renewed Shuhai Agreements have been and will be entered into in the ordinary and usual course of business of the Group, are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole; and (ii) the Renewed Shuhai Agreements and the proposed annual caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

To the best knowledge, belief and information of the Company, having made all reasonable enquiries, as of the Latest Practicable Date, Shuhai was controlled by Leda Haisheng, which was held as to approximately 62.70% by Beijing Yihan Consulting Management Co., Ltd.* (北京宜涵管理諮詢有限公司), a company controlled by Mr. Zhang Yong, owned as to approximately 76.31% by Mr. Zhang Yong. Therefore, Mr. Zhang Yong, is deemed to have material interests in the transactions contemplated under the Renewed Shuhai Agreements and accordingly abstained from voting on the Board resolutions in connection with the continuing connected transactions under the Renewed Shuhai Agreements, the transactions contemplated thereunder and the proposed annual caps related thereto. Except for Mr. Zhang Yong, none of the Directors has any material interest or is required to abstain from voting on the relative Board resolutions approving the same.

Approval by Independent Shareholders

To the best knowledge, belief and information of the Company, having made all reasonable enquiries, as of the Latest Practicable Date, (i) NP United, ZY NP, SP NP, SYH NP and LHY NP directly held 1,801,970,108 Shares, 1,148,739,121 Shares, 410,962,014 Shares, 169,632,014 Shares and 335,155,014 Shares, respectively, representing approximately 32.33%, 20.61%, 7.37%, 3.04% and 6.01% of the issued share capital of the Company. Mr. Zhang Yong (through ZY NP), Ms. Shu Ping (through SP NP), together through NP United, are collectively interested in approximately 60.31% of the total issued share capital of our Company. Ms. Hailey Lee directly held 37,500,000 Shares. Mr. Sean Shi (through SYH NP) and Ms. Hailey Lee (by herself and through LHY NP), are collectively interested in approximately 9.73% of the total issued share capital; (ii) Mr. Zhang Yong, Ms. Shu Ping, Mr. Sean Shi and Ms. Hailey

LETTER FROM THE BOARD

Lee are interested in 35.6%, 11.7%, 10.7% and 10.9% of Shuhai. Therefore, Mr. Zhang Yong, Ms. Shu Ping and Mr. Sean Shi and Ms. Hailey Lee and their respective associates, namely, NP United, ZY NP, SP NP, SYH NP and LHY NP, are deemed to have material interests in the transactions contemplated under the Renewed Shuhai Agreements. In accordance with the Listing Rules, each of Mr. Zhang Yong, Ms. Shu Ping, Mr. Sean Shi and Ms. Hailey Lee and their respective associates will abstain from voting on the ordinary resolutions to approve the Renewed Shuhai Agreements, the transactions contemplated thereunder and the proposed annual caps related thereto at the Extraordinary General Meeting.

Apart from the above, none of the Shareholders have a material interest in the transactions under the Renewed Shuhai Agreements, and save as disclosed in this circular, no other Shareholder is required to abstain from voting on the proposed resolutions approving the same.

The Company will seek the Independent Shareholders' approval at the Extraordinary General Meeting for, among others, the Renewed Shuhai Agreements on the condition that:

1. the annual transaction amount of the Renewed Shuhai Agreements shall not exceed the respective annual caps;
2. the Renewed Shuhai Agreements will be entered into in the ordinary and usual course of business of the Group and either (a) on normal commercial terms or better; or (b) if there is no available comparison, on terms no less favorable than terms available to the Group from Independent Third Parties; and
3. the transactions will be entered into in accordance with the Renewed Shuhai Agreements and on terms that are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Company will comply with relevant provisions of the Listing Rules in relation to the transactions under the Renewed Shuhai Agreements.

Renewal of Shuyun Dongfang Agreements

Background

Reference is made to the Previous Circular and Announcement in relation to, inter alia, the engagement of Shuyun Dongfang for the provision of decoration related services to the Group. As disclosed in the Previous Circular and Announcement, on December 7, 2020, our Company and Shuyun Dongfang, each for itself and on behalf of its respective subsidiaries, entered into (i) the Master Decoration Project Management Service Agreement, pursuant to which Shuyun Dongfang agreed to provide decoration project management and related services to our Group in connection with the interior decoration and renovation of our restaurants; and (ii) Master Decoration Project General Contract Service Agreement, pursuant to which Shuyun Dongfang agreed to provide decoration project general contract services to our Group in connection with the interior decoration and renovation of our restaurants located in mainland China.

LETTER FROM THE BOARD

The Group has been conducting certain continuing connected transactions under the Shuyun Dongfang Agreements in ordinary and usual course of its business on normal commercial terms. The Company has closely monitored the transactions contemplated under the Shuyun Dongfang Agreements and the actual transaction amounts did not exceed the annual cap for the years ended December 31, 2021, 2022 and 2023. As of the Latest Practicable Date, the actual transaction amounts for the abovementioned transactions did not exceed the annual cap for the year ending December 31, 2023.

Renewed Shuyun Dongfang Agreements

As the Shuyun Dongfang Agreements will expire on December 31, 2023, and the Company will continue the transactions under the Shuyun Dongfang Agreements subsequent to December 31, 2023, the Company and Shuyun Dongfang, each for itself and on behalf of its subsidiaries, entered into a new master decoration project management service agreement (“**Renewed Master Decoration Project Management Service Agreement**”) and a new master decoration project general contract service agreement (“**Renewed Master Decoration Project General Contract Service 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. The Shuyun Dongfang Agreements will be terminated once the Renewed Shuyun Dongfang Agreements take effect.

The principal terms of the Renewed Shuyun Dongfang Agreements are summarized below:

Date:	October 17, 2023
Parties:	(1) Our Company (2) Shuyun Dongfang (each for itself and on behalf of its subsidiaries)
Terms:	The Renewed Shuyun Dongfang Agreements have an initial term of three years commencing from January 1, 2024 to December 31, 2026 (both days inclusive).

Subject to compliance with the Listing Rules and applicable laws and regulations, the Renewed Shuyun Dongfang Agreements may be further renewed for a term of three years from time to time, unless our Company notifies Shuyun Dongfang to the contrary with 30 days’ written notice prior to the expiry of the agreement’s term. Upon renewal of the Renewed Shuyun Dongfang Agreements, the parties may amend the terms of the agreement based on the then prevailing circumstances.

LETTER FROM THE BOARD

Nature of transactions: During the term of the Renewed Master Decoration Project General Contract Service Agreement, Shuyun Dongfang agreed to provide General Project Contract Services, including but not limited to, selecting and engaging subcontractors to carry out the decoration work and purchasing plants and equipment for the projects, to our Group in connection with the interior decoration and renovation of our restaurants located in mainland China.

During the term of the Renewed Master Decoration Project Management Service Agreement, Shuyun Dongfang agreed to provide decoration project management and related services, including but not limited to, selecting and supervising the design and construction subcontractors, to our Group in connection with the interior decoration and renovation of our restaurants located in Hong Kong, Macau and Taiwan Regions.

Pricing basis: The general contract service fee under the Renewed Master Decoration Project General Contract Service Agreement 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.

The management service fee under the Renewed Master Decoration Project Management Service Agreement 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 Renewed Shuyun Dongfang Agreements are substantially the same as the Shuyun Dongfang Agreements.

Reasons for and Benefits of the Transactions

Shuyun Dongfang primarily conducts the provision of decoration service business. We have been engaging Shuyun Dongfang to provide decoration services for the interior decoration and renovation of our restaurants since its establishment in 2006. Due to our long-term and stable business relationship, Shuyun Dongfang has been very familiar with our requirements of decoration projects and has been providing satisfying project management services and general contract services in a timely and cost-efficient manner.

As disclosed in the Previous Circular and Announcement, we have tried two different transaction arrangements with Shuyun Dongfang in the past, i.e., the general contract arrangement and the project management arrangement.

LETTER FROM THE BOARD

We decided to adopt the general contract arrangement for our restaurants located in mainland China for the following reasons:

- Shuyun Dongfang has obtained all necessary licenses to provide decoration project general contract services in mainland China;
- The general contract arrangement enables Shuyun Dongfang 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
- Under the general contract arrangement, Shuyun Dongfang 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 Hong Kong, Macau and Taiwan regions, since Shuyun Dongfang has not obtained the relevant licenses required for general contractor, we will continue with the project management arrangement. Thus, the Renewed Master Decoration Project Management Service Agreement will be effective and applicable to our transactions with Shuyun Dongfang in relation to the interior decoration and renovation of the restaurants in Hong Kong, Macau and Taiwan regions. Shuyun Dongfang 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 Hong Kong, Macau and Taiwan regions can be completed and delivered timely and with high quality.

The Company believes that the continuous cooperation with Shuyun Dongfang could improve efficiency by running multiple projects at the same time and also enhance the quality control. Based on the long-term cooperation with the Company, Shuyun Dongfang is more familiar with the Company's decoration needs under the general contract arrangement for our restaurants located in mainland China and the project management arrangement for our restaurants in Hong Kong, Macao and Taiwan regions and can tailor to the Group's decoration demands.

In light of the above, our Directors believe that the continuous procurement of such services from Shuyun Dongfang will be beneficial to our Group and is in the best interest of our Shareholders as a whole.

Our Group may make prepayment to Shuyun Dongfang according to the payment schedule of each project, while Shuyun Dongfang will not recognize revenue until certain phase of such project is completed at a later stage. Given the services provided by Shuyun Dongfang can be readily sourced in the open market, and the service fee under the Renewed Shuyun Dongfang Agreement is determined with reference to the prevailing market rate of such service, we can easily source such service from alternative service providers at comparable terms. As of the Latest Practicable Date, Shuyun Dongfang, together with certain third party decoration service providers have passed the supplier review process of our Group and have been added into the "Qualified Supplier List" maintained by our Group. The Company will

LETTER FROM THE BOARD

select decoration 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 our restaurant network, we will adhere to our supplier selection criteria to ensure fair competition between Shuyun Dongfang and other third party suppliers. Thus, we believe that our procurement of decoration services from Shuyun Dongfang does not constitute undue reliance on Shuyun Dongfang.

Historical Amounts and Proposed Annual Caps

The following table sets forth the historical amounts^{Note 1} of the decoration services that we obtained from Shuyun Dongfang, including project management services and general contract services, 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
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)
Decoration project management and related services	43,872	30,391	21,961	3 ^{Note 2}
Decoration general project contract services	3,295,159	2,163,235	247,481 ^{Note 2}	13,837 ^{Note 3}
Total	3,339,031	2,193,626	269,442	13,840

Notes:

1. The historical transaction amounts set out above also included the purchases from Shuyun Dongfang Group for the discontinued operations of Super Hi Group before the Spin-off.
2. Under the Master Decoration Project Management Service Agreement, the Group used to purchase decoration project management and related services for all overseas restaurants. Upon completion of the Spin-off in December 2022, the Group only purchased the decoration project management and related services for the restaurants located in Hong Kong, Macau and Taiwan regions.
3. The significant decrease in historical amounts for the year ended December 31, 2022 and six months ended June 30, 2023 is primarily due to the slowdown in the Company's business expansion.

LETTER FROM THE BOARD

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

	Annual cap for the year ending		
	December 31,		
	2024	2025	2026
	RMB'000	RMB'000	RMB'000
Decoration project management and related services	5,000 ^{Note 1}	6,000 ^{Note 1}	5,000 ^{Note 1}
Decoration general project contract services	2,699,640	2,809,120	2,945,340
Total	2,704,640	2,815,120	2,950,340

Note:

1. The significant decrease in the expected transaction amounts for the project management and related services as compared to its historical amounts is mainly because since the completion of the Spin-off in December 2022, the Group did not and would not purchase the decoration project management and related services for the restaurants located out of Greater China given these restaurants were no longer part of the Group and thus the transaction for project management and related services would only occur with respect to the restaurants in Hong Kong, Macau and Taiwan regions.

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 Shuyun Dongfang 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 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 agreed by Shuyun Dongfang and us; and
- (iv) the historical transaction amounts with Shuyun Dongfang under both transaction arrangements and the service capacity of Shuyun Dongfang in providing general contract services and project management services and the Spin-off.

Information on the Parties

The Group is principally engaged in the hot pot restaurant business and other catering business.

Shuyun Dongfang is principally engaged in providing decoration related services.

LETTER FROM THE BOARD

Listing Rules Implications

As of the Latest Practicable Date, Mr. Zhang Shuoyi (張碩軼) was the sole director of Shuyun Dongfang and owns 80.00% of the equity interests in Shuyun Dongfang. Mr. Zhang Shuoyi is the brother of Mr. Zhang Yong, our executive Director and controlling shareholder. Therefore, Shuyun Dongfang is an associate of Mr. Zhang Yong and a connected person of the Company, and the transactions under the Renewed Shuyun Dongfang 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 Renewed Shuyun Dongfang Agreements is more than 5%, the transactions under the Renewed Shuyun Dongfang Agreements are subject to the announcement, circular, independent shareholders' approval, annual review and reporting requirements under Chapter 14A of the Listing Rules.

Directors' Confirmation

The Directors (including the independent non-executive Directors) are of the view that (i) the transactions under the Renewed Shuyun Dongfang Agreements have been and will be entered into in the ordinary and usual course of business of the Group, are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole; and (ii) the Renewed Shuyun Dongfang Agreements and the proposed annual caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

To the best knowledge, belief and information of the Company, having made all reasonable enquiries, as of the Latest Practicable Date, Shuyun Dongfang was controlled by Mr. Zhang Shuoyi, who is the brother of Mr. Zhang Yong. Therefore, Mr. Zhang Yong is deemed to have material interests in the transactions contemplated under the Renewed Shuyun Dongfang Agreements and accordingly abstained from voting on the Board resolutions in connection with the continuing connected transactions under the Renewed Shuyun Dongfang Agreements, the transactions contemplated thereunder and the proposed annual caps related thereto. Except for Mr. Zhang Yong, none of the Directors has any material interest or is required to abstain from voting on the relative Board resolutions approving the same.

Approval by Independent Shareholders

To the best knowledge, belief and information of the Company, having made all reasonable enquiries, as of the Latest Practicable Date, NP United (a company controlled by Mr. Zhang Yong), ZY NP (a company controlled by Mr. Zhang Yong) and SP NP (a company controlled by Ms. Shu Ping), directly held 1,801,970,108 Shares, 1,148,739,121 Shares and 410,962,014 Shares, representing approximately 32.33%, 20.61% and 7.37% of the issued share capital of the Company. Mr. Zhang Yong (through ZY NP), Ms. Shu Ping (through SP NP), together through NP United, are collectively interested in approximately 60.31% of the total issued share capital of our Company. Therefore, Mr. Zhang Yong and Ms. Shu Ping and their respective associates, namely, NP United, ZY NP and SP NP, are deemed to have material

LETTER FROM THE BOARD

interests in the transactions contemplated under the Renewed Shuyun Dongfang Agreements. In accordance with the Listing Rules, each of Mr. Zhang Yong and Ms. Shu Ping and their respective associates will abstain from voting on the ordinary resolutions to approve the Renewed Shuyun Dongfang Agreements, the transactions contemplated thereunder and the proposed annual caps related thereto at the Extraordinary General Meeting.

Apart from the above, none of the Shareholders has a material interest in the transactions under the Renewed Shuyun Dongfang Agreements, and save as disclosed in this circular, no other Shareholder is required to abstain from voting on the proposed resolutions approving the same.

The Company will seek the Independent Shareholders' approval at the Extraordinary General Meeting for, among others, the Renewed Shuyun Dongfang Agreements on the condition that:

1. the annual transaction amount of the Renewed Shuyun Dongfang Agreements shall not exceed the respective annual caps;
2. the Renewed Shuyun Dongfang Agreements will be entered into in the ordinary and usual course of business of the Group and either (a) on normal commercial terms or better; or (b) if there is no available comparison, on terms no less favorable than terms available to the Group from Independent Third Parties; and
3. the transactions will be entered into in accordance with the Renewed Shuyun Dongfang Agreements and on terms that are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Company will comply with relevant provisions of the Listing Rules in relation to the transactions under the Renewed Shuyun Dongfang Agreements.

INTERNAL CONTROL MEASURES

The Group has a comprehensive internal control system to ensure that the Renewed Agreements 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 management of the Company;

LETTER FROM THE BOARD

- (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, amongst others, the professional qualifications team size, capabilities and historical experience of the product and/or service providers. 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 the Latest Practicable Date, Yihai, Shuhai and Shuyun Dongfang, have passed the supplier review process of our Group and have been added into the “Qualified Supplier List” maintained by our 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 update 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 enter into any sub-contract 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 Company will conduct regular checks on the market price for the purpose of considering if the price charged for a specific transaction is fair and reasonable and in accordance with the pricing basis for the relevant continuing connected transactions. The marketing team will from time to time (on a regular basis and/or prior to price negotiation) gather market intelligence by way of research and investigation to ascertain the quality of the products compared to similar products/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 collects and reviews 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 Company and the connected parties are within the annual caps;

LETTER FROM THE BOARD

- (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.

NOTICE OF EXTRAORDINARY GENERAL MEETING

Set out on pages 75 to 78 of this circular is the notice of Extraordinary General Meeting at which, inter alia, ordinary resolutions will be proposed to Shareholders to consider and approve the proposed renewal of Existing Non-exempt Continuing Connected Transactions and the New Continuing Connected Transaction.

LETTER FROM THE BOARD

FORM OF PROXY

A form of proxy is enclosed for use at the Extraordinary General Meeting. Such form of proxy is also published on the website of the Stock Exchange (www.hkexnews.hk). Whether or not you are able to attend the Extraordinary General Meeting, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return it to the Hong Kong share registrar of the Company, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time fixed for the holding of the Extraordinary General Meeting or any adjournment thereof. Completion and return of the form of proxy shall not preclude Shareholders from attending and voting in person at the Extraordinary General Meeting or any adjourned meeting thereof should they so wish.

VOTING AT THE EXTRAORDINARY GENERAL MEETING

In accordance with the Listing Rules, any Shareholder with a material interest in the transactions under the Renewed Agreements, the transactions contemplated thereunder and their respective Proposed Annual Caps 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, as of the Latest Practicable Date:

- i. NP United (a company controlled by Mr. Zhang Yong), ZY NP (a company controlled by Mr. Zhang Yong) and SP NP (a company controlled by Ms. Shu Ping), directly held 1,801,970,108 Shares, 1,148,739,121 Shares and 410,962,014 Shares, representing approximately 32.33%, 20.61% and 7.37% of the issued share capital of the Company. Mr. Zhang Yong (through ZY NP), Ms. Shu Ping (through SP NP), together through NP United, are collectively interested in approximately 60.31% of the total issued share capital of our Company. Each of Mr. Zhang Yong and Ms. Shu Ping and their respective associates, namely, NP United, ZY NP and SP NP, will abstain from voting on the ordinary resolutions to approve the Renewed Yihai Master Purchase Agreement, the Renewed Shuhai Agreements, the Renewed Shuyun Dongfang Agreements and their respective proposed annual caps at the Extraordinary General Meeting; and
- ii. SYH NP (a company controlled by Mr. Sean Shi) and LHY NP (a company controlled by Ms. Hailey Lee) held 169,632,014 Shares and 335,155,014 Shares, representing approximately 3.04% and 6.01% of the issued share capital of the Company. Ms. Hailey Lee directly held 37,500,000 Shares. Mr. Sean Shi (through SYH NP) and Ms. Hailey Lee (by herself and through LHY NP), the spouse of Mr. Sean Shi, are collectively interested in approximately 9.73% of the total issued share capital of our Company. Each of Mr. Sean Shi and Ms. Hailey Lee and their respective associates, namely, SYH NP and LHY NP, will abstain from voting on the ordinary resolution to approve the Renewed Yihai Master Purchase Agreement and the Renewed Shuhai Agreements and their respective proposed annual caps at the Extraordinary General Meeting.

LETTER FROM THE BOARD

Apart from the above, there is no other Shareholder who has any material interest in the proposed resolutions. As of the Latest Practicable Date, Futu Trustee Limited, the trustee of the share award scheme adopted by the Company on October 8, 2019 (the “**Share Award Scheme**”), held 159,000,000 Shares (representing 2.85% of the issued shares capital of the Company) for the purpose of unvested awards under the Share Award Scheme. It 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.

Pursuant to Rule 13.39(4) of the Listing Rules and Article 66 of the articles of association of the Company, a resolution put to vote at any general meeting is to be decided by way of a poll, except where the chairman of the meeting, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands.

On a poll, every Shareholder present in person or by proxy or (being a corporation) by its duly authorized representative shall have one vote for each share registered in his/her/its name in the register of members. A Shareholder entitled to more than one vote need not use up all his/her/its votes nor cast all the votes in the same way.

RECOMMENDATION OF THE BOARD

The Board considers that the proposed ordinary resolutions for the Renewed Continuing Connected Agreements and the transactions contemplated thereunder, and the Proposed Annual Caps are in the best interests of the Company and the Shareholders as a whole, and accordingly, recommends all the Shareholders to vote in favor of the resolutions to be proposed at the Extraordinary General Meeting.

RECOMMENDATION OF THE INDEPENDENT BOARD COMMITTEE AND THE INDEPENDENT FINANCIAL ADVISER

An Independent Board Committee has been formed to advise the Independent Shareholders in connection with the terms of the Renewed Agreements and the transactions contemplated thereunder and the Proposed Annual Caps, and Gram Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders.

Gram Capital considers the Renewed Agreements and the transactions contemplated thereunder are on normal commercial terms and in the ordinary and usual course of business of the Group. Gram Capital also considers that the Renewed Agreements and the transactions contemplated thereunder, and the Proposed Annual Caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole. The full text of the letter from Gram Capital containing its recommendation in respect of the Renewed Agreements and the transactions contemplated thereunder and the Proposed Annual Caps is set out on pages 42 to 66 of this circular.

LETTER FROM THE BOARD

The Independent Board Committee, having taken into account the advice of Gram Capital, considers the terms of the Renewed Agreements and the transactions contemplated thereunder and the Proposed Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favor of the relevant ordinary resolutions to be proposed at the Extraordinary General Meeting to approve the Renewed Agreements and the transactions contemplated thereunder and the Proposed Annual Caps. The full text of the letter from the Independent Board Committee is set out on page 41 of this circular.

Yours faithfully,
By Order of the Board
Haidilao International Holding Ltd.
Zhang Yong
Chairman



HAIDILAO INTERNATIONAL HOLDING LTD.

海底捞国际控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 6862)

November 24, 2023

To the Independent Shareholders

Dear Sir or Madam,

We have been appointed by the Board as the Independent Board Committee to advise you in connection with the Renewed Agreements and the transactions contemplated thereunder and the Proposed Annual Caps, details of which are set out in the letter from the Board contained in the circular issued by the Company to the Shareholders dated November 24, 2023, of which this letter forms part.

We wish to draw your attention to the letter from Gram Capital as set out on pages 42 to 66 of the circular. Terms defined in the circular shall have the same meanings when used herein, unless the context otherwise requires.

Having considered the information set out in the letter from the Board, the terms of the Renewed Agreements and the transactions contemplated thereunder and the Proposed Annual Caps and the advice of Gram Capital in relation thereto as set out on pages 42 to 66 of the circular, we are of the view that the Renewed Agreements and the transactions contemplated thereunder are on normal commercial terms and conducted in the ordinary and usual course of the business of the Group. We are also of the view that the Renewed Agreements and the transactions contemplated thereunder, and the Proposed Annual Caps are in the interests of the Company and the Shareholders as a whole, and are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to vote in favor of the relevant ordinary resolutions to be proposed at the Extraordinary General Meeting to approve the Renewed Agreements and the transactions contemplated thereunder and the Proposed Annual Caps.

Yours faithfully,

The Independent Board Committee

**Dr. Chua
Sin Bin**

**Mr. Hee Theng
Fong**

**Mr. Qi
Daqing**

Dr. Ma Weihua

**Mr. Wu
Xiaoguang**

Independent Non-executive Directors

LETTER FROM GRAM CAPITAL

Set out below is the text of a letter received from Gram Capital, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Transactions for the purpose of inclusion in this circular.



Room 1209, 12/F.
Nan Fung Tower
88 Connaught Road Central/
173 Des Voeux Road Central
Hong Kong

24 November 2023

*To: The independent board committee and the independent shareholders
of Haidilao International Holding Ltd.*

Dear Sirs,

PROPOSED RENEWAL OF EXISTING NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Renewed Agreements and the transactions contemplated thereunder (including the Proposed Annual Caps) (the “**Transactions**”), details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 24 November 2023 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

On 17 October 2023, the Company and Yihai entered into the Renewed Yihai Master Purchase Agreement for a term of three years commencing from 1 January 2024 to 31 December 2026 (both days inclusive), subject to the independent shareholders’ approval of both Yihai and the Company. Pursuant to the Renewed Yihai Master Purchase Agreement, the Group agreed to purchase Haidilao Customized Products and Yihai Retail Products from Yihai Group and purchase instant self-serving products from Fuhai Shanghai.

On 17 October 2023, the Company and Shuhai entered into the Renewed Warehouse Storage and Logistics Service Agreement and the Renewed Shuhai Agreement for a term of three years commencing from 1 January 2024 to 31 December 2026 (both days inclusive), subject to the independent shareholders’ approval of the Company. Pursuant to the Renewed Shuhai Agreements, Shuhai Group (i) will provide storage and logistics services in relation to the Commodity Ingredients for the Group (the “**Shuhai Services Transactions**”); and (ii) will sell the Processed Ingredients to the Group (the “**Shuhai Processed Transactions**”).

LETTER FROM GRAM CAPITAL

On even date, the Company and Shuyun Dongfang entered into the Renewed Master Decoration Project Management Service Agreement and the Renewed Master Decoration Project General Contract Service Agreement for a term of three years commencing from 1 January 2024 to 31 December 2026 (both days inclusive), subject to the independent shareholders' approval of the Company. Pursuant to the Shuyun Dongfang Agreements, Shuyun Dongfang agreed to (i) provide decoration project management and related services to the Group; and (ii) provide General Project Contract Services, to the Group.

With reference to the Board Letter, the Transactions constitute non-exempted continuing connected transactions of the Company under Chapter 14A of the Listing Rules and are subject to reporting, annual review, announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Independent Board Committee comprising Dr. Chua Sin Bin, Mr. Hee Theng Fong, Mr. Qi Daqing, Dr. Ma Weihua and Mr. Wu Xiaoguang (all being the independent non-executive Director) has been established to advise the Independent Shareholders on (i) whether the terms of the Transactions are on normal commercial terms and are fair and reasonable; (ii) whether the Transactions are in the interests of the Company and the Shareholders as a whole and are conducted in the ordinary and usual course of business of the Group; and (iii) how the Independent Shareholders should vote in respect of the resolutions to approve the Transactions at the Extraordinary General Meeting. We, Gram Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

INDEPENDENCE

We were not aware of (i) any relationships or interests between Gram Capital and the Company; or (ii) any services provided by Gram Capital to the Company, during the past two years immediately preceding the Latest Practicable Date, or any other parties that could be reasonably regarded as hindrance to Gram Capital's independence to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors. We have assumed that all information and representations that have been provided by the Directors, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its

LETTER FROM GRAM CAPITAL

advisers and/or the Directors, which have been provided to us. Our opinion is based on the Directors' representation and confirmation that there is no undisclosed private agreement/arrangement or implied understanding with anyone concerning the Renewed Agreements. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules.

The Circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive and there are no other matters the omission of which would make any statement in the Circular or the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, Yihai, Shuhai, Shuyun Dongfang or their respective subsidiaries or associates (where applicable), nor have we considered the taxation implication on the Group or the Shareholders as a result of the Transactions. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, it is the responsibility of Gram Capital to ensure that such information has been correctly extracted from the relevant sources.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Transactions, we have taken into consideration the following principal factors and reasons:

Information on the Group

With reference to the Board Letter, the Group is principally engaged in the hot pot restaurant business and other catering business.

LETTER FROM GRAM CAPITAL

As stated in the Company’s annual report for the year ended 31 December 2022 (“**FY2022**”) (the “**2022 Annual Report**”), Haidilao is a globally leading Chinese cuisine restaurant brand focusing on hot pot cuisine. The Group seeks to provide a high quality, diversified, and dynamic menu, and are constantly developing new menu items, soup bases and dipping sauces, and customizing the Group’s menu to different taste preferences to enhance guest experience.

Set out below is a summary of the audited consolidated financial information of the Group for the two years ended 31 December 2022 as extracted from 2022 Annual Report:

	For the year ended 31 December 2022 RMB’000	For the year ended 31 December 2021 RMB’000	Change from 2021 to 2022 %
Revenue from continuing operations	31,038,634	39,096,727	(20.61)
– Haidilao restaurant operation	28,942,639	37,546,992	(22.92)
– Other restaurant operation	144,367	197,709	(26.98)
– Delivery business	1,280,100	629,763	103.27
– Sales of condiment products and food ingredients	662,164	668,358	(0.93)
– Others	9,364	53,905	(82.63)
Profit (loss) from continuing operations for the year	1,637,306	(3,247,846)	N/A

As depicted from the table above, the Group’s revenue from continuing operations was approximately RMB31.0 billion for FY2022, representing a decrease of approximately 20.61%, as compared to that for the year ended 31 December 2021 (“**FY2021**”), mainly attributable to the decrease in revenue from Haidilao restaurant operation. With reference to the 2022 Annual Report, the decrease in revenue from Haidilao restaurant operation was mainly due to (i) the suspension of business operation or dine-in services of certain restaurants and the decrease of customer flow in mainland China resulting from the impact of the COVID-19 pandemic; and (ii) the decrease in the number of restaurants from January 2022 to August 2022 as compared to the corresponding period in 2021 due to the implementation of the “Woodpecker” plan (which is a plan launched in November 2021 to close certain Haidilao restaurants, continuously improve and adjust the Group’s restaurant management system, rebuild and strengthen its functional department).

The Group recorded profit from continuing operations of approximately RMB1.6 billion for FY2022, as compared to loss from continuing operations of approximately RMB3.2 billion for FY2021. With reference to the 2022 Annual Report and as advised by the Directors, such turnaround was mainly attributable to (i) a RMB3.1 billion decrease in the one-off loss and impairment loss; (ii) the improved efficiency in restaurant operation as a result of the improvement measures taken under the “Woodpecker” plan; (iii) the markedly improved operating performance of restaurants in mainland China and other regions along with the ease of COVID-19 pandemic since June 2022.

LETTER FROM GRAM CAPITAL

Set out below are the Group’s unaudited consolidated financial information for the six months ended 30 June 2023 (with comparative figures) as extracted from the Company’s interim report for the six months ended 30 June 2023 (the “**2023 Interim Report**”):

	For the six months ended 30 June 2023 RMB'000	For the six months ended 30 June 2022 RMB'000	Year-on-year change %
Revenue from continuing operations	18,885,854	15,155,472	24.61
– Haidilao restaurant operation	17,935,372	14,305,664	25.37
– Other restaurant operation	104,636	67,782	54.37
– Delivery business	471,351	448,185	5.17
– Sales of condiment products and food ingredients	370,229	321,631	15.11
– Others	4,266	12,210	(65.06)
Profit from continuing operations for the period	2,258,886	72,265	3,025.84

As depicted from the table above, the Group’s revenue from continuing operations was approximately RMB18.9 billion for the six months ended 30 June 2023 (“**1H2023**”), representing an increase of approximately 24.6% to that for the six months ended 30 June 2022 (“**1H2022**”), mainly attributable to the increase in revenue from Haidilao restaurant operation. With reference to 2023 Interim Report, such increase was mainly due to (i) the increase in customer flow and the improved operating performance of Haidilao restaurants as a result of the lifting of the COVID-19 pandemic control measures; and (ii) the increase in the number of restaurants following the re-opening of certain previously suspended restaurants under the “Hard Bone” plan (which is a plan launched in September 2022 to resume the operations of certain previously closed restaurants).

The Group’s profit from continuing operations was approximately RMB2.3 billion for 1H2023, representing a significant increase of approximately 3,025.84% as compared to that for 1H2022. With reference to 2023 Interim Report and as advised by the Directors, such increase was primarily due to the increase in table turnover rate and the enhanced restaurant operation efficiency as a result of the improvement of internal management and operation.

With reference to the 2023 Interim Report, the Group will continue to extensively identify potential strategic investment opportunities and seek to acquire potential high-quality target businesses and assets that create synergies for the Group. In particular, the Group will continue to enhance the Haidilao dining experience by further improving its service, enhancing its product innovation capabilities, strengthening the operating capacity of its restaurants, and offering more value-added services and community operation services to its customers.

LETTER FROM GRAM CAPITAL

Reasons for and benefits of the Transactions

Renewed Yihai Master Purchase Agreement

With reference to the Board Letter:

1. Yihai Group is a leading compound condiment manufacturer in the PRC, and has been the supplier of flavoring products for the Group for a long time. The Group's long-term, stable and mutually beneficial business relationship with Yihai Group and Yihai Group's mass production capabilities have contributed significantly to the Group's successful growth and expansion. The Company believes that the maintenance of the mutually beneficial relationship will be beneficial to the Group and is in the best interest of the Shareholders as a whole.
2. Yihai Group principally conducts manufacturing, distribution and sale, as well as research and development, of hot pot soup flavoring, hot pot dipping sauce and Chinese-style compound condiment products under the 海底捞 brand in mainland China and certain overseas regions, and has been the Group's supplier for over a decade. Yihai Group was initially founded as and had been an internal supplier of hot pot soup flavoring products to the Group since Yihai Group's establishment. With gradual growth alongside the expansion of the Group, Yihai Group expanded and started to offer products to third-party distributors and customers. To optimize its corporate structure for future development and for the purpose of listing on the Stock Exchange, Yihai Group underwent a corporate reorganization from 2013 to 2015 and is no longer a member of the Group.
3. There has been continued long-term, stable and mutually beneficial business relationship between the Group and Yihai Group. The Group has been the largest customer of Yihai Group since Yihai Group's establishment, and Yihai Group has been the supplier of the Flavoring Products for the Group for over a decade. 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 team of each of Yihai Group and the Group has been working closely to continuously upgrade and explore hot pot soup flavoring formulae. To maintain the mutually beneficial relationship is in the best interest of the shareholders of both Yihai Group and the Group. As advised by the Directors, the Group's proprietary know-how, recipes, trade secrets and other intellectual property, including the Group's names and logos are important to its business. The Group owns the recipes for all of hot pot soup bases. The Group uses confidentiality and non-compete agreements with key management and operating personnel and other parties that may have access to the Group's proprietary know-how, recipes and trade secrets, including Yihai Group and Shuhai Group.

LETTER FROM GRAM CAPITAL

Having considered (i) that Yihai Group had been an internal supplier of hot pot soup flavoring products to the Group since Yihai Group's establishment; and (ii) the long-term, stable and mutually beneficial business relationship between the Group and Yihai Group, we are of the view that the transactions contemplated under the Renewed Yihai Master Purchase Agreement are beneficial to the Group.

Renewed Shuhai Agreements

With reference to the Board Letter:

1. Shuhai was established in June 2014 and primarily engages in the provision of "one-stop-shop" supply chain services (including purchase, process, warehouse storage, logistics, and sales of food products) to catering service providers. The Group has engaged Shuhai Group since Shuhai Group's establishment to provide processing, warehouse storage and logistics services for the materials and products the Group purchased from its suppliers which need to be processed or sorted, and delivered to the Group's hot pot restaurants in mainland China, Hong Kong, Macao, and Taiwan regions. The relevant expertise of Shuhai Group in providing warehouse storage and logistics service for catering service providers allows the Group to ensure efficient management of its materials and products purchased from its suppliers and orderly delivery to its restaurants.
2. The purchase fees charged by Shuhai Group under the Renewed Shuhai Agreements are determined with reference to actual costs and expenses incurred.
3. Based on the quotations obtained by the Company, as at the Latest Practicable Date, the fee charged by Shuhai Group for Commodity Ingredients and Processed Ingredients will not be more than the fee charged by other third party suppliers for providing the same/similar products.

Based on the above, we are of the view that the transactions contemplated under the Renewed Shuhai Agreements are beneficial to the Group.

Renewed Shuyun Dongfang Agreements

With reference to the Board Letter, Shuyun Dongfang primarily conducts the provision of decoration service business. The Group has been engaging Shuyun Dongfang to provide decoration services for the interior decoration and renovation of its restaurants since Shuyun Dongfang's establishment. Due to the long-term and stable business relationship, Shuyun Dongfang has been very familiar with the Group's requirements of decoration projects and has been providing satisfying project management services and general contract services in a timely and cost-efficient manner.

Having considered the above, we are of the view that the Transactions are conducted in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

LETTER FROM GRAM CAPITAL

A. RENEWED YIHAI MASTER PURCHASE AGREEMENT

Information on Yihai

With reference to the Board Letter, Yihai Group principally conducts manufacturing, distribution and sale, as well as research and development, of hot pot soup flavoring, hot pot dipping sauce and Chinese-style compound condiment products under the 海底捞 brand in mainland China and certain overseas regions. As of the Latest Practicable Date, Yihai was held as to approximately 31.44% in aggregate, directly and indirectly, by Mr. ZHANG Yong and Ms. SHU Ping (being Controlling Shareholders). Therefore, Yihai is an associate of Mr. ZHANG Yong and Ms. SHU Ping and thus a connected person of the Company.

Principal terms of Renewed Yihai Master Purchase Agreement

Major terms of the transactions contemplated under the Renewed Yihai Master Purchase Agreement are set out below (details of which are set out under the section headed “Renewal of Yihai Master Purchase Agreement” of the Board Letter):

Date

17 October 2023

Parties

(i) The Company; and (ii) Yihai

(each for itself and on behalf of its subsidiaries)

Term

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

Nature of transactions:

During the term of the Renewed Yihai Master Purchase Agreement, the Group agreed to purchase Haidilao Customized Products and Yihai Retail Products from Yihai Group and purchase instant self-serving products from Fuhai Shanghai.

As advised by the Directors, the Haidilao Customized Products, Yihai Retail Products and instant self-serving products are applied for the Group’s restaurant operation, delivery business, sales of condiment products and food ingredients.

Please also refer to sub-section headed “Nature of transactions” under section headed “Renewed Yihai Master Purchase Agreement” for more details.

LETTER FROM GRAM CAPITAL

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:

i. 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.

ii. 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.

Our analyses

Based on our independent research on continuing connected transactions conducted by other companies listed on the Stock Exchange involving purchase of materials/products from connected persons (e.g. continuing connected transactions as announced by Xiabuxiabu Catering Management (China) Holdings Co., Ltd. (stock code: 520) on 31 May 2019 and 14 December 2020; Dragon King Group Holdings Limited (stock code: 8493) on 19 April 2021; Ajisen (China) Holdings Limited (stock code: 538) on 14 May 2021; and Best Food Holding Company Limited (stock code: 1488) on 17 May 2022 and 12 January 2023), we noted that comparing prices with those offered by independent third parties for the same/similar material/product is one of the commonly adopted pricing policies.

Based on the above, we are of the view that the pricing policies of the Renewed Yihai Master Purchase Agreement are fair and reasonable.

LETTER FROM GRAM CAPITAL

For our due diligence purpose, we obtained from the Company a list of products under the transactions contemplated under the Yihai Master Purchase Agreements. From the aforesaid list, we (i) randomly selected three products in each of 2021 to 2023; and (ii) in respect of each product, obtained from the Company an invoice for purchasing the product from Yihai Group in the aforesaid periods and corresponding records on quotations from independent third parties. Based on the documents obtained, we noted that the unit prices of products offered by Yihai Group were not higher than those offered by independent third parties.

Internal control policies

We understood that the Group has a comprehensive internal control system to ensure that the Renewed Agreements and the transactions contemplated thereunder are fair and reasonable. Details of the internal control measures are set out in the section headed “INTERNAL CONTROL MEASURES” of the Board Letter.

Having considered that (i) the Group’s procurement department 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; (ii) the Group’s marketing team will from time to time (on a regular basis and/or prior to price negotiation) gather market intelligence by way of research and investigation to ascertain the quality of the products compared to similar products/services in the market and the reference price of each type of the products/services in the market; and (iii) before conducting any transactions contemplated under, or enter into any sub-contract pursuant to, an agreement for continuing connected transactions, the Group’s legal department and finance department 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, we are of the view that the effective implementation of the internal control policies would help to ensure fair pricing of the transactions contemplated under the Renewed Yihai Master Purchase Agreement.

In addition, we also noted that the team of senior management of the Group collects and reviews continuing connected transactions each month in order to guarantee that the actual transaction amounts incurred and estimated to be incurred between the Group and the connected parties are within the annual caps. We consider this arrangement will ensure the proposed annual caps of the transactions contemplated under the Renewed Yihai Master Purchase Agreement not being exceeded.

Proposed annual caps

Set out below are (i) the historical amounts of the transactions amounts the Group purchased from Yihai Group for the two years ended 31 December 2022 and six months ended 30 June 2023; and (ii) the proposed annual caps for the three years ending 31 December 2026.

	For the year ended 31 December 2021 RMB'000	For the year ended 31 December 2022 RMB'000	For the six months ended 30 June 2023 RMB'000
Historical amounts (<i>Note</i>)	1,928,954	1,475,163	833,970

LETTER FROM GRAM CAPITAL

	For the year ending 31 December 2024 ("FY2024") RMB'000	For the year ending 31 December 2025 ("FY2025") RMB'000	For the year ending 31 December 2026 ("FY2026") RMB'000
Proposed annual caps	2,880,000	3,420,000	3,990,000

Note:

The historical transaction amounts set out above also included the purchases from Yihai Group for the discontinued operations of Super Hi Group before the Spin-off in December 2022.

The above proposed annual caps were determined based on the factors as set out under the sub-section headed "Reasons for the Proposed Annual Caps and Basis of Determination" under the section headed "Renewed Yihai Master Purchase Agreement" of the Board Letter.

With reference to the Board Letter, the decrease in the historical transaction amounts for the year ended 31 December 2022 was primarily due to (i) the suspension of business operation or dine-in services of certain restaurants and the decrease of customer flow in mainland China resulted from the impact of the COVID-19 pandemic in 2022; and (ii) the decrease in the number of restaurants due to the implementation of the "Woodpecker" plan.

Upon our request, the Company provided us with a calculation of the above proposed annual caps. We noted that the proposed annual caps for the three years ending 31 December 2026 were close to the estimated amounts of the Group's purchases under the Renewed Yihai Master Purchase Agreement (the "**Purchases From Yihai**").

In arriving at the estimated amounts of Purchases From Yihai for the three years ending 31 December 2026, the Company firstly estimated the amount of Purchases From Yihai for the year ending 31 December 2023 ("**FY2023**") of approximately RMB2,146 million with reference to the amount of Purchases From Yihai for 1H2023. As the proportion of the amount of Purchases From Yihai for 1H2023 to the estimated amount of Purchases From Yihai for FY2023 (i.e. approximately 38.9%) falls within the proportions for each of the three years ended 31 December 2022, we consider the estimated amount of Purchases From Yihai for FY2023 to be justifiable.

The Company estimated the amount of Purchases From Yihai for each of the three years ending 31 December 2026 with increases of (i) approximately 34.3% from FY2023 to FY2024; (ii) approximately 18.8% from FY2024 to FY2025; and (iii) approximately 16.2% from FY2025 to FY2026. Having considered the following factors, we are of the view that the aforesaid increases are justifiable:

- With reference to the 2023 Interim Report, for 1H2023, table turnover rate of Haidilao hot pot restaurants operating in mainland China was approximately 3.3 times per day.

LETTER FROM GRAM CAPITAL

As the COVID-19 pandemic control measures were lifted, the Directors expected the table turnover rate could be recovered in FY2024. Thereafter, the table turnover rate may grow mildly in FY2025 and FY2026.

We noted from the annual report for the year ended 31 December 2019 that the table turnover rate of Haidilao hot pot restaurants operating in mainland China were for 5.1 times per day for FY2018 and 4.8 times per day for FY2019. The aforesaid turnover rates were substantially higher (approximately 54.5% and 45.5% respectively) than that for 1H2023.

- According to the 2023 Interim Report, as at 30 June 2023, the Group operated a total of 1,382 Haidilao restaurants, among which 1,360 were located in mainland China and 22 were located in Hong Kong, Macau and Taiwan regions.

From 2018 to 2022, the median of increased number of Haidilao hot pot restaurants per annum was approximately 288 (“**Median of Increased Restaurants**”).

The Company provided us its estimation on number of Haidilao hot pot restaurants up to 31 December 2026. The estimated number of Haidilao hot pot restaurants as at 31 December 2023 was close to that as at 30 June 2023; and (ii) the increase in number of Haidilao hot pot restaurants for each of the three years ending 31 December 2026 was conservatively estimated to be less than the Median of Increased Restaurants.

Based on the above estimation, the estimated number of Haidilao hot pot restaurants will increase by approximately 17.7% during FY2024, approximately 15.6% during FY2025 and approximately 13.6% during FY2026.

As the proposed annual caps for the three years ending 31 December 2026 were close to the estimated amounts of the Purchases From Yihai, we are of the view that the proposed annual caps for the three years ending 31 December 2026 are fair and reasonable.

Shareholders should note that as the proposed annual caps are relating to future events and were estimated based on assumptions which may or may not remain valid for the entire period up to 31 December 2026, and they do not represent forecasts of cost to be incurred from the transactions contemplated under the Renewed Yihai Master Purchase Agreement. Consequently, we express no opinion as to how closely the actual cost to be incurred from the transactions contemplated under the Renewed Yihai Master Purchase Agreement will correspond with the proposed annual caps.

Having considered the above, including the principal terms of the transactions contemplated under the Renewed Yihai Master Purchase Agreement and the proposed annual caps, we are of the view that the terms of the transactions contemplated under the Renewed Yihai Master Purchase Agreement are fair and reasonable.

LETTER FROM GRAM CAPITAL

B. RENEWED SHUHAI AGREEMENTS

Information on Shuhai

With reference to the Board Letter, Shuhai is principally engaged in the provision of “one-stop-shop” supply chain services (including warehouse storage, logistics, and sales of food products) to catering service providers. Shuhai is an associate of Mr. Zhang Yong and Ms. Shu Ping, and thus a connected person of the Company.

Principal terms of Renewed Shuhai Agreements

Major terms of the transactions contemplated under the Renewed Shuhai Agreements are set out below (details of which are set out under the section headed “Renewal of Shuhai Agreements” of the Board Letter):

Date

17 October 2023

Parties

(i) The Company; and (ii) Shuhai

(each for itself and on behalf of its subsidiaries)

Term

The Renewed Shuhai Agreements have an initial term of three years commencing from 1 January 2024 to 31 December 2026 (both days inclusive).

Nature of transactions:

Pursuant to the Renewed Shuhai Agreements,

- (i) *Renewed Warehouse Storage and Logistics Service Agreement:* Shuhai Group will provide storage and logistics services in relation to the Commodity Ingredients for the Group. The Group will enter into purchase agreements directly with third-party suppliers, and such third-party suppliers will deliver the products to Shuhai Group; and
- (ii) *Renewed Shuhai Master Purchase Agreement:* Shuhai Group will enter into purchase agreements with third-party suppliers of the raw materials selected by the Group and process the raw materials into Processed Ingredients. The Group will then purchase the Processed Ingredients from Shuhai Group.

LETTER FROM GRAM CAPITAL

Pricing basis:

The services fee under the Renewed Warehouse Storage and Logistics Service Agreement will be determined by both parties at arm's length negotiation with reference to (i) the actual costs and expenses incurred by Shuhai Group for the provision of services in relation to warehouse storage and logistics; (ii) the geographical location and the actual transaction amount for storage; and (iii) fees charged by Independent Third Parties for similar and comparable services.

The purchase price under the Renewed Shuhai Master Purchase Agreement will be determined with reference to: (i) historical purchase price, (ii) production cost, and (iii) the prevailing processing service fee rate charged by comparable processing service providers.

Our analyses

As mentioned above, based on our independent research on continuing connected transactions conducted by other companies listed on the Stock Exchange involving provision of services by connected persons (e.g. continuing connected transactions as announced by Christine International Holdings Limited (stock code: 1210) on 30 December 2016; JD Health International Inc (stock code: 6618) on 21 October 2022, AEON Stores (Hong Kong) Co., Limited (stock code: 984) on 21 October 2022; Tenfu (Cayman) Holdings Company Limited (stock code: 6868) on 14 December 2022; and China Foods Limited (stock code: 506) on 7 November 2023), we noted that comparing prices with those offered by independent third parties for the same/similar service is one of the commonly adopted pricing policies.

With reference to the Board Letter, based on the quotations obtained by the Company, as at the Latest Practicable Date, the fee charged by Shuhai Group for Commodity Ingredients and Processed Ingredients will not be more than the fee charged by other third party suppliers for providing the same/similar products.

Based on the above, we are of the view that the pricing policies of the Renewed Shuhai Agreements are fair and reasonable.

For our due diligence purpose, we obtained from the Company a list of (i) products; and (ii) Haidilao hot pot restaurants which required the transactions contemplated under the Shuhai Agreements. From the aforesaid list, we (i) randomly selected three products/Haidilao hot pot restaurants in each of 2021 to 2023; and (ii) in respect of each product/Haidilao hot pot restaurant, obtained from the Company an invoice for purchasing the product/service from Shuhai Group in the aforesaid periods and corresponding records on quotations from or prices offered/charged by independent third parties. Based on the documents obtained, we noted that the unit prices of products/services offered by Shuhai Group were not higher than those offered/charged by independent third parties.

LETTER FROM GRAM CAPITAL

Internal control policies

We understood that the Group has a comprehensive internal control system to ensure that the Renewed Agreements and the transactions contemplated thereunder are fair and reasonable. Details of the internal control measures are set out in the section headed “Internal Control Measures” of the Board Letter.

Having considered that (i) the Group’s procurement department 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; (ii) the Group’s marketing team will from time to time (on a regular basis and/or prior to price negotiation) gather market intelligence by way of research and investigation to ascertain the quality of the products compared to similar products/services in the market and the reference price of each type of the products/services in the market; and (iii) before conducting any transactions contemplated under, or enter into any sub-contract pursuant to, an agreement for continuing connected transactions, the Group’s legal department and finance department 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, we are of the view that the effective implementation of the internal control policies would help to ensure fair pricing of the transactions contemplated under the Renewed Shuhai Agreements.

In addition, we also noted that the team of senior management of the Group collects and reviews continuing connected transactions each month in order to guarantee that the actual transaction amounts incurred and estimated to be incurred between the Group and the connected parties are within the annual caps. We consider this arrangement will ensure the proposed annual caps of the transactions contemplated under the Renewed Shuhai Agreements not being exceeded.

Proposed annual caps

Set out below are (i) the historical amounts of services the Group obtained and purchased from Shuhai Group for the two years ended 31 December 2022 and six months ended 30 June 2023; and (ii) the proposed annual caps for the three years ending 31 December 2026.

	For the year ended 31 December 2021 RMB’000	For the year ended 31 December 2022 RMB’000	For the six months ended 30 June 2023 RMB’000
Historical amounts of existing Shuhai Services Transactions	576,102	477,579	266,079

LETTER FROM GRAM CAPITAL

	For the year ended 31 December 2021 <i>RMB'000</i>	For the year ended 31 December 2022 <i>RMB'000</i>	For the six months ended 30 June 2023 <i>RMB'000</i>
Historical amounts of existing Shuhai Processed Transactions	2,890,344	1,618,903	811,190
Total	3,466,446	2,096,482	1,077,269

	For the year ending 31 December 2024 <i>RMB'000</i>	For the year ending 31 December 2025 <i>RMB'000</i>	For the year ending 31 December 2026 <i>RMB'000</i>
Proposed annual caps			
Renewed Warehouse Storage and Logistics Service Agreement	696,000	835,200	1,002,240
Renewed Shuhai Master Purchase Agreement	3,251,656	4,534,172	6,167,629

The above proposed annual caps were determined based on the factors as set out under the sub-section headed “Reasons for the Proposed Annual Caps and Basis of Determination” under the section headed “Renewed Shuhai Agreements” of the Board Letter.

With reference to the Board Letter, the decrease in the historical transaction amounts for the year ended 31 December 2022 was primarily due to (i) the suspension of business operation or dine-in services of certain restaurants and the decrease of customer flow in mainland China resulted from the impact of the COVID-19 pandemic in 2022; and (ii) the decrease in the number of restaurants due to the implementation of the “Woodpecker” plan.

Shuhai Services Transactions

Upon our request, the Company provided us with a calculation of the above proposed annual caps of the Shuhai Services Transactions for the three years ending 31 December 2026. We noted from the calculation that the proposed annual cap for FY2024 representing an increase of approximately 23% on the estimated amounts in respect of the Shuhai Services Transactions for FY2023. We consider such estimation to be justifiable after taking into account the followings:

- The estimated amount of Shuhai Services Transactions for FY2023 is close to the annualized transaction amount of Shuhai Services Transactions as derived from the historical transaction amount of approximately RMB367.8 million for the eight months ended 31 August 2023.

LETTER FROM GRAM CAPITAL

- The estimated number of Haidilao hot pot restaurants is expected to increase by approximately 17.7% during FY2024 as aforementioned.
- The expected recovery on table turnover rate in FY2024 as aforementioned.
- The estimated amount of Shuhai Services Transactions for FY2023 represents an increase of approximately 18.9% as compared to that for FY2022.

In addition, we noted from the calculation that there is year-on-year growth of 20% on proposed annual caps for FY2025 and FY2026. Having considered our above analyses in respect of estimated increase in number of Haidilao hot pot restaurants during FY2025 and FY2026 (i.e. the estimated number of Haidilao hot pot restaurants is expected to increase by approximately 15.6% during FY2025 and approximately 13.6% during FY2026) and the possible mild growth in table turnover rate in FY2025 and FY2026, we are of the view that the aforesaid year-on-year growth of 20% on proposed annual caps for FY2025 and FY2026 is justifiable.

Accordingly, we are of the view that the proposed annual caps of Shuhai Services Transactions for the three years ending 31 December 2026 are fair and reasonable.

Shuhai Processed Transactions

Upon our request, the Company provided us with a calculation of the above proposed annual caps of Shuhai Processed Transactions for the three years ending 31 December 2026.

According to the calculation, the estimated amounts of Shuhai Processed Transactions for the three years ending 31 December 2026 were determined with reference to (i) estimated demand of Shuhai Processed Transactions by each Haidilao hot pot restaurant; and (ii) estimated number of Haidilao hot pot restaurants, for the three years ending 31 December 2026.

The Company estimated the monthly demand of Shuhai Processed Transactions for FY2023 by each Haidilao hot pot restaurants with reference to (i) historical amount of Shuhai Processed Transactions of approximately RMB2,890 million for FY2021 and approximately RMB811.2 million for 1H2023 (relevant figure for FY2022 was not considered due to the suspension of business operation or dine-in services of certain restaurants and decreased customer flow in mainland China resulting from the impact of the COVID-19 pandemic in FY2022); and (ii) estimated number of Haidilao hot pot restaurants as at 31 December 2023 (which is close to the number of Haidilao hot pot restaurants as at 31 December 2021 and 30 June 2023).

There is a year-on-year growth rate of 20% in the estimated monthly demand of Shuhai Processed Transactions by each Haidilao hot pot restaurants for the three years ending 31 December 2026. Having considered expected recovery on table turnover rate in FY2024 and the possible mild growth in table turnover rate in FY2025 and FY2026 as aforementioned, we

LETTER FROM GRAM CAPITAL

are of the view that the aforesaid year-on-year growth of 20% is justifiable. The estimated demand of Shuhai Processed Transactions by each Haidilao hot pot restaurant for FY2024, based on that for FY2023 and the year-on-year growth of 20%, is fair and reasonable.

Based on the above our analyses on (i) estimated demand of Shuhai Processed Transactions by each Haidilao hot pot restaurant for FY2024; and (ii) estimated number of Haidilao hot pot restaurants for FY2024, we are of the view that the estimated amounts of Shuhai Processed Transactions for FY2024 are fair and reasonable.

The estimated amounts of Shuhai Processed Transactions for the two years ending 31 December 2026 represented increases of approximately 38.8% and 36.2% as compared to those for FY2024 and FY2025 respectively. Such estimated amounts were also calculated by multiplying (i) estimated demand of Shuhai Processed Transactions by each Haidilao hot pot restaurant (i.e. a year-on-year growth rate of 20% in the estimated monthly demand of Shuhai Processed Transactions by each Haidilao hot pot restaurants for the three years ending 31 December 2026); and (ii) estimated number of Haidilao hot pot restaurants (i.e. increase by approximately 15.6% during FY2025 and approximately 13.6% during FY2026). Having considered our above analyses in respect of (a) estimated demand of Shuhai Processed Transactions by each Haidilao hot pot restaurant; and (b) estimated increase in number of Haidilao hot pot restaurants during FY2024, FY2025 and FY2026 (note: the implied growth from (a) and (b) together would be approximately 38.8% and 36.2% according to the above individual growth rate), we are of the view that the estimated amounts of Shuhai Processed Transactions for FY2025 and FY2026 are fair and reasonable.

In addition to the estimated amounts of Shuhai Processed Transactions for the three years ending 31 December 2026, the Company also added certain amount of possible purchases to be shifted from Independent Third Parties to Shuhai Group (representing less than 7% of the proposed annual cap for each of the three years ending 31 December 2026) to form the proposed annual caps for the three years ending 31 December 2026.

Having considered the above, we are of the view that the proposed annual caps of Shuhai Processed Transactions for the three years ending 31 December 2026 are fair and reasonable.

Shareholders should note that as the proposed annual caps are relating to future events and were estimated based on assumptions which may or may not remain valid for the entire period up to 31 December 2026, and they do not represent forecasts of cost to be incurred from the transactions contemplated under the Renewed Shuhai Agreements. Consequently, we express no opinion as to how closely the actual cost arising from the transactions contemplated under the Renewed Shuhai Agreements will correspond with the proposed annual caps.

Having considered the above, including the principal terms of the transactions contemplated under the Renewed Shuhai Agreements and the proposed annual caps, we are of the view that the terms of the transactions contemplated under the Renewed Shuhai Agreements are fair and reasonable.

LETTER FROM GRAM CAPITAL

C. RENEWED SHUYUN DONGFANG AGREEMENTS

Information on Shuyun Dongfang

With reference to the Board Letter, Shuyun Dongfang is principally engaged in providing decoration related services. Shuyun Dongfang is an associate of Mr. Zhang Yong and a connected person of the Company.

Principal terms of Renewed Shuyun Dongfang Agreements

Major terms of the transactions contemplated under the Renewed Shuyun Dongfang Agreements are set out below (details of which are set out under the section headed “Renewal of Shuyun Dongfang Agreements” of the Board Letter):

Date

17 October 2023

Parties

(i) The Company; and (ii) Shuyun Dongfang

(each for itself and on behalf of its subsidiaries)

Term

The Renewed Shuyun Dongfang Agreements have an initial term of three years commencing from 1 January 2024 to 31 December 2026 (both days inclusive).

Nature of transactions:

Pursuant to the Renewed Shuyun Dongfang Agreements,

- (i) *Renewed Master Decoration Project Management Service Agreement:* Shuyun Dongfang agreed to provide decoration project management and related services, including but not limited to, selecting and supervising the design and construction subcontractors, to the Group in connection with the interior decoration and renovation of the Group’s restaurants located in Hong Kong, Macau and Taiwan Regions; and
- (ii) *Renewed Master Decoration Project General Contract Service Agreement:* Shuyun Dongfang agreed to provide General Project Contract Services, including but not limited to, selecting and engaging subcontractors to carry out the decoration work and purchasing plants and equipment for the projects, to the Group in connection with the interior decoration and renovation of the Group’s restaurants located in mainland China.

LETTER FROM GRAM CAPITAL

Pricing basis:

Renewed Master Decoration Project Management Service Agreement: 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.

Renewed Master Decoration Project General Contract Service Agreement: 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.

Our analyses

As mentioned above, based on our independent research on continuing connected transactions conducted by other companies listed on the Stock Exchange involving provision of services by connected persons (e.g. continuing connected transactions as announced by Ajisen (China) Holdings Limited (stock code: 538) on 14 May 2018; Yantai North Andre Juice Co., Ltd. (stock code: 2218) on 26 August 2020; Embry Holdings Limited (stock code: 1388) on 14 December 2020; Café de Coral Holdings Limited (stock code: 341) on 22 March 2023; and New World Department Store China Limited (stock code: 825) on 28 April 2023), we noted that comparing prices with those offered by/to independent third parties for the same/similar service is one of the commonly adopted pricing policies.

Based on the above, we are of the view that the pricing policies of the Renewed Shuyun Dongfang Agreements are fair and reasonable.

For our due diligence purpose, we obtained from the Company a list of decoration and renovation projects for services/similar services under the Shuyun Dongfang Agreements. From the aforesaid list, we (i) randomly selected three decoration and renovation projects in each of 2021 to 2023; and (ii) in respect of each project, obtained from the Company individual agreement/project settlement report (項目結算報告) for accepting the decoration and renovation services from Shuyun Dongfang Group in the aforesaid periods and corresponding records on prices offered by independent third parties for similar projects. Based on the documents obtained, we noted that the unit prices of decoration and renovation services offered by Shuyun Dongfang Group were not higher than those offered by independent third parties for similar/same services.

Internal control policies

We understood that the Group has a comprehensive internal control system to ensure that the Renewed Agreements and the transactions contemplated thereunder are fair and reasonable. Details of the internal control measures are set out in the section headed “Internal Control Measures” of the Board Letter.

LETTER FROM GRAM CAPITAL

Having considered that (i) the Group's procurement department 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; (ii) the Group's marketing team will from time to time (on a regular basis and/or prior to price negotiation) gather market intelligence by way of research and investigation to ascertain the quality of the products compared to similar products/services in the market and the reference price of each type of the products/services in the market; and (iii) before conducting any transactions contemplated under, or enter into any sub-contract pursuant to, an agreement for continuing connected transactions, the Group's legal department and finance department 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, we are of the view that the effective implementation of the internal control policies would help to ensure fair pricing of the transactions contemplated under the Renewed Shuyun Dongfang Agreements.

In addition, we also noted that the team of senior management of the Group collects and reviews continuing connected transactions each month in order to guarantee that the actual transaction amounts incurred and estimated to be incurred between the Group and the connected parties are within the annual caps. We consider this arrangement will ensure the proposed annual caps of the transactions contemplated under the Renewed Shuyun Dongfang Agreements not being exceeded.

Proposed annual caps

Set out below are (i) the historical amounts of the decoration services including project management services and general contract services for the two years ended 31 December 2022 and the six months ended 30 June 2023; and (ii) the proposed annual caps for the three years ending 31 December 2026.

	For the year ended 31 December 2021 <i>RMB'000</i>	For the year ended 31 December 2022 <i>RMB'000</i>	For the six months ended 30 June 2023 <i>RMB'000</i>
Decoration project management and related services	30,391	21,961	3
Decoration general project contract services	2,163,235	247,481	13,837
	For the year ending 31 December 2024 <i>RMB'000</i>	For the year ending 31 December 2025 <i>RMB'000</i>	For the year ending 31 December 2026 <i>RMB'000</i>
Proposed annual caps	2,704,640	2,815,120	2,950,340

Note:

Under the Master Decoration Project Management Service Agreement, the Group used to purchase decoration project management and related services for all overseas restaurants. Upon completion of the Spin-off in December 2022, the Group only purchased the decoration project management and related services for the restaurants located in Hong Kong, Macau and Taiwan regions.

LETTER FROM GRAM CAPITAL

The above proposed annual caps were determined based on the factors as set out under the sub-section headed “Reasons for the Proposed Annual Caps and Basis of Determination” under the section headed “Renewed Shuyun Dongfang Agreements” of the Board Letter. With reference to the Board Letter, the significant decrease in historical amounts for FY2022 and 1H2023 was primarily due to the slowdown in the Company’s business expansion.

Upon our request, the Company provided us with a calculation of the above proposed annual caps for the three years ending 31 December 2026. We noted that the estimated demand of Shuyun Dongfang’s decoration general project contract services for (i) the decoration of new Haidilao hot pot restaurant; and (ii) the renovation of existing Haidilao hot pot restaurant accounted for approximately 96% to 98% of the proposed annual caps for the three years ending 31 December 2026.

In respect of the estimated demand of Shuyun Dongfang’s decoration general project contract services for the decoration of new Haidilao hot pot restaurant, the Company considered the estimated number of increased newly-opened Haidilao hot pot restaurants and estimated average capital expenditure for opening a new Haidilao hot pot restaurant, for the three years ending 31 December 2026.

Having taken into account the following factors, we consider such estimated demand to be justifiable:

- Our above analyses in respect of the estimated increase in number of Haidilao hot pot restaurants during FY2024, FY2025 and FY2026; as stated in the sub-section headed “Proposed annual caps” of the section headed “Principal terms of Renewed Yihai Master Purchase Agreement” above, from 2018 to 2022, the median of increased number of Haidilao hot pot restaurants per annum was approximately 288 (i.e. the Median of Increased Restaurants). The estimated number of Haidilao hot pot restaurants as at 31 December 2023 was close to that as at 30 June 2023; and the increase in number of Haidilao hot pot restaurants for each of the three years ending 31 December 2026 was conservatively estimated to be less than the Median of Increased Restaurants).
- The Group estimated the average capital expenditure for opening a new Haidilao hot pot restaurant to be RMB9 million.

This estimation was in line with the estimated average capital expenditure for opening a new Haidilao hot pot restaurant in determination of existing annual caps and the disclosure in the Prospectus (i.e. the total capital expenditure for opening a new PRC Haidilao hot pot restaurant typically ranged from RMB8 million to RMB10 million for the three years ended 31 December 2017 and the six months ended 30 June 2018).

LETTER FROM GRAM CAPITAL

As advised by the Directors, they do not expect material difference between the average capital expenditure for opening a new Haidilao hot pot restaurant for the three years ending 31 December 2026 and the capital expenditure for opening a new Haidilao hot pot restaurant in the past.

We also noted from the contracts entered into between the Group and (i) Shuyun Dongfang; and (ii) independent suppliers in respect of decoration general project contract services for the decoration of a new Haidilao hot pot restaurant in recent years that the estimated average capital expenditure for opening a new Haidilao hot pot restaurant (i.e. RMB9 million) falls within the considerations as shown in the aforesaid contracts.

Therefore, we are of the view that the estimated average capital expenditure for opening a new Haidilao hot pot restaurant for the three years ending 31 December 2026 is justifiable.

In respect of the estimated demand of Shuyun Dongfang's decoration general project contract services for the renovation of existing Haidilao hot pot restaurant, the Company considered the estimated number of Haidilao hot pot restaurants to be completely renovated and estimated cost for renovation of each existing Haidilao hot pot restaurant, for the three years ending 31 December 2026. Having taken into account the following factors, we consider such estimated demand to be justifiable:

- Upon our enquiry, the Directors advised us the estimated number of Haidilao hot pot restaurants to be completely renovated for the three years ending 31 December 2026. As advised by the Directors, the Group (i) typically carries out complete renovations for each of its restaurants every 10 years; or (ii) carries out complete renovations for a period of less than 10 years after considering different factors such as requirement for improving customers' dining experience, restaurant atmosphere, overall table turnover rate, etc. For our due diligence purpose, we obtained the Group's renovation plan for certain of its Haidilao hot pot restaurants with business operation of five years or above.

We also obtained from the Company number of newly-opened Haidilao hot pot restaurants in 2014, 2015 and 2016 (which will be operated for ten years in 2024, 2025 and 2026 respectively) and noticed from the Company's past annual reports that the number of Haidilao hot pot restaurants in the PRC as at 31 December 2018, 2019, 2020 and 2021 were 430, 716, 1,205 and 1,329 respectively. Based on the aforesaid figures, the estimated number of Haidilao hot pot restaurants to be completely renovated for the three years ending 31 December 2026 was not over-estimated.

- The Company expects the cost of a complete renovation to be similar to the estimated cost of decoration general project contract services for the decoration of a new Haidilao hot pot restaurant. Therefore, the renovation cost for each existing Haidilao hot pot restaurant was estimated to be RMB9 million.

LETTER FROM GRAM CAPITAL

In addition to the estimated demand of Shuyun Dongfang's decoration general project contract services for (i) the decoration of new Haidilao hot pot restaurant; and (ii) the renovation of existing Haidilao hot pot restaurant, the proposed annual caps also cater for possible demand of Shuyun Dongfang's decoration project management and related services and decoration general project contract services for other purposes (representing approximately 2% to 4% of the proposed annual caps for the three years ending 31 December 2026).

Having considered the above, we are of the view that the proposed annual caps for the three years ending 31 December 2026 are fair and reasonable.

Shareholders should note that as the proposed annual caps are relating to future events and were estimated based on assumptions which may or may not remain valid for the entire period up to 31 December 2026, and they do not represent forecasts of cost incurred from the transactions contemplated under the Renewed Shuyun Dongfang Agreements. Consequently, we express no opinion as to how closely the actual cost incurred from the transactions contemplated under the Renewed Shuyun Dongfang Agreements will correspond with the proposed annual caps.

Having considered the above, including the principal terms of the transactions contemplated under the Renewed Shuyun Dongfang Agreements and the proposed annual caps, we are of the view that the terms of the transactions contemplated under the Renewed Shuyun Dongfang Agreements are fair and reasonable.

Listing Rules implication

The Directors confirmed that the Company shall comply with the requirements of Rules 14A.53 to 14A.59 of the Listing Rules pursuant to which (i) the values of the Transactions must be restricted by the proposed annual caps; (ii) the terms of the Transactions (together with the proposed annual caps) must be reviewed by the independent non-executive directors annually; and (iii) details of the independent non-executive directors' annual review on the terms of the Transactions (together with the corresponding the proposed annual caps) must be included in the Company's subsequent published annual reports.

Furthermore, it is also required by the Listing Rules that the auditors of the Company must provide a letter to the Board confirming, among other things, whether anything has come to their attention that causes them to believe that the Transactions (i) have not been approved by the Board; (ii) were not entered into, in all material respects, in accordance with the relevant agreement governing the transactions; and (iii) have exceeded the proposed annual caps.

In the event that the total amounts of the Transactions are anticipated to exceed the proposed annual caps, or that there is any proposed material amendment to the terms of the Transactions, as confirmed by the Directors, the Company shall comply with the applicable provisions of the Listing Rules governing continuing connected transactions.

Given the above stipulated requirements for continuing connected transactions pursuant to the Listing Rules, we are of the view that there are adequate measures in place to monitor the Transactions and thus the interest of the Independent Shareholders would be safeguarded.

LETTER FROM GRAM CAPITAL

RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we are of the opinion that (i) the terms of the Transactions (including the proposed annual caps) are on normal commercial terms and are fair and reasonable; and (ii) the Transactions are conducted in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolutions to be proposed at the Extraordinary General Meeting to approve the Transactions (including the proposed annual caps) and we recommend the Independent Shareholders to vote in favour of the resolutions in this regard.

Yours faithfully,
For and on behalf of
Gram Capital Limited
Graham Lam
Managing Director

Note: Mr. Graham Lam is a licensed person registered with the Securities and Futures Commission and a responsible officer of Gram Capital Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. He has over 25 years of experience in investment banking industry.

RESPONSIBILITY STATEMENT

This circular, for which the Directors of the Company collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

DISCLOSURE OF INTERESTS

As of the Latest Practicable Date, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares or debentures of the Company or any of our associated corporations (within the meaning of Part XV of the SFO), which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

(i) Interest in the Company

Name of Director/ Chief Executive	Capacity/Nature of interest	Number of Ordinary Shares	Approximate percentage of shareholding in the total issued share capital (%)
Mr. Zhang Yong ^{Note 1, 2 and 4}	Founder of a discretionary trust Interest in a controlled corporation Interest of spouse Beneficiary of a trust Beneficial owner	3,363,658,743(L)	60.35(L)
Ms. June Yang Lijuan ^{Note 3}	Beneficial owner Beneficiary of a trust Beneficiary of a trust	179,686,726(L) 25,500,000(S)	3.22(L) 0.46(S)
Mr. Li Peng	Beneficial owner	397,500(L)	0.01(L)

Name of Director/ Chief Executive	Capacity/Nature of interest	Number of Ordinary Shares	Approximate percentage of shareholding in the total issued share capital (%)
Ms. Song Qing	Beneficial owner	795,000(L)	0.01(L)
Ms. Gao Jie	Beneficial owner	1,987,500(L)	0.04(L)
Mr. Zhou Zhaocheng ^{Note 5}	Interest of spouse Beneficial owner	2,087,500(L)	0.04(L)

(L) denotes a long position

(S) denotes a short position

Notes:

- (1) Mr. Zhang Yong is the spouse of Ms. Shu Ping. Therefore, Mr. Zhang Yong is deemed to be interested in the Shares in which Ms. Shu Ping is interested under the SFO.
- (2) ZY NP Ltd. is an investment holding company incorporated in the BVI. The entire share capital of ZY NP Ltd. is wholly owned by UBS Trustees (B.V.I.) Limited as the trustee of the Apple Trust via UBS Nominees Limited in its capacity as nominee for the trustee of the Apple Trust. Apple Trust is a discretionary trust set up by Mr. Zhang Yong as the settlor and protector on August 22, 2018 for the benefit of himself, Ms. Shu Ping and their families. Mr. Zhang Yong (as the founder of the Apple Trust) and UBS Trustees (B.V.I.) Limited are taken to be interested in the Shares held by ZY NP Ltd. under the SFO.

SP NP Ltd. is an investment holding company incorporated in the BVI. The entire share capital of SP NP Ltd. is wholly owned by UBS Trustees (B.V.I.) Limited as the trustee of the Rose Trust via UBS Nominees Limited in its capacity as nominee for the trustee of the Rose Trust. Rose Trust is a discretionary trust set up by Ms. Shu Ping as the settlor and protector on August 22, 2018 for the benefit of herself, Mr. Zhang Yong and their families. Ms. Shu Ping (as the founder of the Rose Trust) and UBS Trustees (B.V.I.) Limited are taken to be interested in the Shares held by SP NP Ltd. under the SFO.
- (3) Ms. June Yang Lijuan (as the settlor of the Ming Trust) and Credit Suisse Trust Limited (as the trustee of the Ming Trust) are taken to be interested in the Shares held by YLJ YIHAI LTD and Elite Ming Limited under the SFO.
- (4) NP United Holding Ltd. is an investment holding company incorporated in the BVI and is owned as to approximately 51.778% by ZY NP Ltd. and approximately 16.074% by each of SP NP Ltd., SYH NP Ltd. and LHY NP Ltd., respectively. Therefore, Mr. Zhang Yong, ZY NP Ltd. and UBS Trustees (B.V.I.) Limited are deemed to be interested in the Shares in which NP United Holding Ltd is interested under the SFO.
- (5) Mr. Zhou Zhaocheng is the spouse of Ms. Chen Ying. Therefore, Mr. Zhou Zhaocheng is deemed to be interested in the Shares in which Ms. Chen Ying is interested in under the SFO.

(ii) Interest in the associated corporations

Name of Director/ Chief Executive	Name of Associated Corporation	Capacity/Nature of interest	Percentage of Shareholding in the Associated Corporation
Mr. Zhang Yong ^{Note 2}	Fuhai Shanghai ^{Note 1}	Founder of a discretionary trust Interest in a controlled corporation	60%

Notes:

- (1) Fuhai Shanghai is held as to 40% by Shanghai Xinpai and 60% by Yihai Shanghai, a wholly-owned subsidiary of Yihai, and therefore is an associated corporation of the Company under the SFO.
- (2) Yihai is held as of approximately 31.44% by ZYSP YIHAI Ltd. and SP YIHAI Ltd. The entire share capital of ZYSP YIHAI Ltd. and SP YIHAI Ltd. is wholly owned by UBS Trustees (B.V.I.) Limited as the trustee of the ZYSP Trust, a discretionary trust set up by Mr. Zhang Yong and Ms. Shu Ping as the settlors and protectors on June 1, 2016 for the benefit of themselves and their family, and the SP Trust, a discretionary trust set up by Ms. Shu Ping as the settlor and protector on December 31, 2020 for the benefit of herself, Mr. Zhang Yong and their family, respectively. Mr. Zhang Yong (as the founder of the ZYSP Trust and a beneficiary of the SP Trust) is deemed to be interested in the shares of Fuhai (Shanghai) Food Technology Co., Ltd. held by Yihai (Shanghai) Food Co., Ltd. under the SFO.

Save as disclosed above, as of the Latest Practicable Date, none of the Directors or chief executives of the Company and their respective associates has or is deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO); or which will be required to be recorded in the register to be kept by the Company pursuant to Section 352 of the SFO, or which will be required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS

As of the Latest Practicable Date, the followings were the persons, other than the Directors or chief executives of the Company, who had interests or short positions in the Shares and underlying Shares which would be required to be notified to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO; or as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of Part XV of the SFO:

Name of Shareholder	Capacity/Nature of interest	Total number of shares	Approximate Percentage of Shareholding (%)
UBS Trustees (B.V.I.) Limited ^{Note 1, 2, 4, 5 and 6}	Trustee	3,866,458,271(L)	69.37(L)
Ms. Shu Ping (舒萍) ^{Note 1, 2, 4, 5 and 6}	Founder of a discretionary trust Interest in a controlled corporation Interest of spouse Beneficiary of a trust	3,363,658,743(L)	60.35(L)
ZY NP ^{Note 1 and 6}	Beneficial owner Interest in a controlled corporation	2,950,709,229(L)	52.94(L)
NP United ^{Note 6}	Beneficial owner	1,801,970,108(L)	32.33(L)
Ms. Hailey Lee (李海燕) ^{Note 3, 4, 5 and 6}	Founder of a discretionary trust Interest in a controlled corporation Interest of spouse Beneficial owner	544,274,528(L)	9.76(L)
Mr. Sean Shi (施永宏) ^{Note 3, 4, 5 and 6}	Founder of a discretionary trust Interest in a controlled corporation Interest of spouse Beneficial owner	544,274,528(L)	9.76(L)

Name of Shareholder	Capacity/Nature of interest	Total number of shares	Approximate Percentage of Shareholding (%)
SP NP ^{Note 2}	Beneficial owner	410,962,014(L)	7.37% (L)
LHY NP ^{Note 5}	Beneficial owner	335,155,014(L)	6.01% (L)

(L) denotes a long position

Notes:

- (1) ZY NP is an investment holding company incorporated in the BVI. The entire share capital of ZY NP is wholly owned by UBS Trustees (B.V.I.) Limited as the trustee of the Apple Trust. Apple Trust is a discretionary trust set up by Mr. Zhang Yong as the settlor and protector on August 22, 2018 for the benefit of himself, Ms. Shu Ping and their families. Mr. Zhang Yong (as the founder of the Apple Trust) and UBS Trustees (B.V.I.) Limited are taken to be interested in the Shares held by ZY NP under the SFO.
- (2) SP NP is an investment holding company incorporated in the BVI. The entire share capital of SP NP is wholly owned by UBS Trustees (B.V.I.) Limited as the trustee of the Rose Trust. Rose Trust is a discretionary trust set up by Ms. Shu Ping as the settlor and protector on August 22, 2018 for the benefit of herself, Mr. Zhang Yong and their families. Ms. Shu Ping (as the founder of the Rose Trust) and UBS Trustees (B.V.I.) Limited are taken to be interested in the Shares held by SP NP under the SFO.
- (3) Ms. Hailey Lee is the spouse of Mr. Sean Shi. Therefore, Ms. Hailey Lee is deemed to be interested in the Shares in which Mr. Sean Shi is interested and Mr. Sean Shi is deemed to be interested in the Shares in which Ms. Hailey Lee is interested under the SFO.
- (4) SYH NP is an investment holding company incorporated in the BVI. The entire share capital of SYH NP is wholly owned by UBS Trustees (B.V.I.) Limited as the trustee of the Cheerful Trust. Cheerful Trust is a discretionary trust set up by Mr. Sean Shi and Ms. Hailey Lee as the settlors and protectors on August 22, 2018 for their own benefit and the benefit of their families. Mr. Sean Shi and Ms. Hailey Lee (as the founders of the Cheerful Trust) and UBS Trustees (B.V.I.) Limited are taken to be interested in the Shares held by SYH NP under the SFO.
- (5) LHY NP is an investment holding company incorporated in the BVI. The entire share capital of LHY NP is wholly owned by UBS Trustees (B.V.I.) Limited as the trustee of the Cheerful Trust. Cheerful Trust is a discretionary trust set up by Mr. Sean Shi and Ms. Hailey Lee as the settlors and protectors on August 22, 2018 for their own benefit and the benefit of their families. Mr. Sean Shi and Ms. Hailey Lee (as the founders of the Cheerful Trust) and UBS Trustees (B.V.I.) Limited are taken to be interested in the Shares held by LHY NP under the SFO.
- (6) NP United is an investment holding company incorporated in the BVI and is owned as to approximately 51.778% by ZY NP and 16.074% by each of SP NP, SYH NP and LHY NP, respectively. Therefore, Mr. Zhang Yong, ZY NP and UBS Trustees (B.V.I.) Limited are deemed to be interested in the Shares in which NP United is interested under the SFO.

Save as disclosed above, as of the Latest Practicable Date, the Company is not aware of any other person (other than the Directors or chief executives of the Company) who had an interest or short position in the Shares or underlying Shares of the Company which would be required to be notified to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO; or as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

QUALIFICATION AND CONSENT

The following is the qualification of the expert who has given its opinion or advice which is contained in this circular:

Name	Qualifications
Gram Capital Limited	A licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO

As of the Latest Practicable Date, Gram Capital had not had any beneficial interest in the share capital of any member of the Group, did not have any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group and did not have any interest, either directly or indirectly, in any assets which had been, since December 31, 2022, being the date of the latest published audited accounts of the Company, acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.

Gram Capital has given and has not withdrawn its written consent to the issue of this circular with inclusion of its opinion and letter, as the case may be, and the references to its name included herein in the form and context in which they respectively appear.

LITIGATION

As of the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration proceedings of material importance and there was no litigation or claim of material importance known to the Directors to be pending or threatened against any member of the Group.

MATERIAL ADVERSE CHANGE

As of the Latest Practicable Date, the Directors confirmed that there had been no material adverse change in the financial or trading positions of the Company since December 31, 2022, being the date to which the latest published audited financial statement of the Company have been made up.

SERVICE CONTRACT OF THE DIRECTORS

As of the Latest Practicable Date, none of the Directors had entered into any service contract with the Company or any member of the Group referred to in Rule 13.68 of the Listing Rules (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

INTERESTS OF DIRECTORS

- (a) The Directors are not aware of any Director or his respective associates having, as of the Latest Practicable Date, any interest in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group which would be required to be disclosed under the Listing Rules.
- (b) Save as disclosed in the section headed “Connected Transactions” of the Prospectus, the Previous Circular and Announcement and this circular, no Director was materially interested in any contract or arrangement subsisting at the Latest Practicable Date which was significant to the business of the Group taken as a whole.
- (c) Save as disclosed in the section headed “Connected Transactions” of the Prospectus and the Previous Circular and Announcement, since December 31, 2022, being the date of the latest published audited consolidated accounts of the Company, none of the Directors has, or has had, any direct or indirect interest in any assets which have been acquired or disposed of by or leased to or which are proposed to be acquired, disposed of by or leased to, any member of the Group.

GENERAL

- (a) The Company’s share registrar is Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong.
- (b) The English text of this circular and the accompanying form of proxy shall prevail over the Chinese text in the case of any inconsistency.

DOCUMENTS ON DISPLAY

Copies of the following documents will be available on display on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.haidilao.com during a period of 14 days from the date of this circular (both days inclusive):

- (a) the Renewed Yihai Master Purchase Agreement entered into between the Company and Yihai;
- (b) the Renewed Warehouse Storage and Logistics Service Agreement entered between the Company and Shuhai;
- (c) the Renewed Shuhai Master Purchase Agreement entered between the Company and Shuhai;

- (d) the Renewed Master Decoration Project Management Service Agreement entered into between the Company and Shuyun Dongfang;
- (e) the Renewed Master Decoration Project General Contract Service Agreement entered into between the Company and Shuyun Dongfang;
- (f) the letter of recommendation from the Independent Board Committee, the text of which is set out on page 41 of this circular;
- (g) the letter of advice issued by Gram Capital, being the Independent Financial Adviser, the text of which is set out on pages 42 to 66 of this circular; and
- (h) the written consent referred to in the subsection headed “Qualification and Consent” of this appendix.

NOTICE OF EXTRAORDINARY GENERAL MEETING



HAIDILAO INTERNATIONAL HOLDING LTD.

海底捞国际控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 6862)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Extraordinary General Meeting (the “**EGM**”) of Haidilao International Holding Ltd. (the “**Company**”, together with its subsidiaries, the “**Group**”) will be held at 4th Floor, Building 7, Hengsongyuan, East Tiejiangying Street, South Third Ring Road, Fengtai District, Beijing, PRC on Wednesday, December 13, 2023 at 10:00 a.m. for the following purposes. Unless the context otherwise requires, capitalized terms used herein shall have the same meanings as those defined in the Company’s circular dated November 24, 2023.

AS ORDINARY RESOLUTIONS

To consider and, if thought fit, to pass the following resolutions with or without amendments as ordinary resolutions:

1. “THAT:

- (i) the renewed Yihai master purchase agreement (the “**Renewed Yihai Master Purchase Agreement**”) dated October 17, 2023 entered into between the Company and Yihai, each for itself and on behalf of its subsidiaries, in relation to the purchase of Haidilao Customized Products, Yihai Retail Products and instant self-serving products from Yihai Group, and the transactions contemplated thereunder be and are hereby approved, ratified and confirmed;
- (ii) the proposed annual caps in relation to the transactions contemplated under the Renewed Yihai Master Purchase Agreement as specified below be and are hereby approved, ratified and confirmed;

Proposed annual cap (RMB’000) for the year ending December 31,

2024	2025	2026
2,880,000	3,420,000	3,990,000

NOTICE OF EXTRAORDINARY GENERAL MEETING

2. “THAT

- (i) the renewed warehouse storage and logistic service agreement (the “**Renewed Warehouse Storage and Logistic Service Agreement**”) dated October 17, 2023 entered into between the Company and Shuhai, each for itself and on behalf of its subsidiaries, in relation to the provision of storage and logistic services in relation to the Commodity Ingredients for our Group, and the transactions contemplated thereunder be and are hereby approved, ratified and confirmed;
- (ii) the renewed Shuhai master purchase agreement (“**Renewed Shuhai Master Purchase Agreement**”, together with the Renewed Warehouse Storage and Logistic Service Agreement, the “**Renewed Shuhai Agreements**”) dated October 17, 2023 entered into between the Company and Shuhai, each for itself and on behalf of its subsidiaries, in relation to the provision of Processed Ingredients to the Group, and the transactions contemplated thereunder be and are hereby approved, ratified and confirmed;
- (iii) the proposed annual caps in relation to the transactions contemplated under the Renewed Shuhai Agreements as specified below be and are hereby approved, ratified and confirmed;

	Annual cap for the year ending		
	December 31,		
	2024	2025	2026
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Renewed Warehouse Storage and Logistics Service Agreement	696,000	835,200	1,002,240
Renewed Shuhai Master Purchase Agreement	3,251,656	4,534,172	6,167,629
Total	<u>3,947,656</u>	<u>5,369,372</u>	<u>7,169,869</u>

3. “THAT

- (i) the renewed master decoration project management service agreement (the “**Renewed Master Decoration Project Management Service Agreement**”) dated October 17, 2023 entered into between the Company and Shuyun Dongfang each for itself and on behalf of its subsidiaries, in relation to the provision of decoration project management and related services to the Group, and the transactions contemplated thereunder be and are hereby approved, ratified and confirmed;

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (ii) the renewed master decoration project general contract service agreement (the “**Renewed Master Decoration Project General Contract Service Agreement**”, together with the Renewed Master Decoration Project Management Service Agreement, the “**Renewed Shuyun Dongfang Agreements**”) dated October 17, 2023 entered into between the Company and Shuyun Dongfang, each for itself and on behalf of its subsidiaries, in relation to the provision of decoration project general contract services to the Group, and the transactions contemplated thereunder be and are hereby approved, ratified and confirmed;
- (iii) the proposed annual caps in relation to the transactions contemplated under the Renewed Shuyun Dongfang Agreements as specified below be and are hereby approved, ratified and confirmed;

	Annual cap for the year ending		
	December 31,		
	2024	2025	2026
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Decoration project management and related services	5,000	6,000	5,000
Decoration general project contract services	2,699,640	2,809,120	2,945,340
Total	2,704,640	2,815,120	2,950,340

4. “**THAT**

- (i) any director of the Company be and is hereby authorized for and on behalf of the Company to sign, seal, execute, perfect, deliver and do all such documents, deeds, acts, matters and things as he/she may in his/her discretion consider necessary or desirable or expedient for the purpose of or in connection with the (i) Renewed Yihai Master Purchase Agreement, (ii) Renewed Shuhai Agreements and (iii) Renewed Shuyun Dongfang Agreements and to make and agree such variations of a non-material nature in or to the terms of the (i) Renewed Yihai Master Purchase Agreement, (ii) Renewed Shuhai Agreements and (iii) Renewed Shuyun Dongfang Agreements as he/she may in his discretion consider to be desirable and in the interests of the Company.”

By order of the Board
Haidilao International Holding Ltd.
Zhang Yong
Chairman

Hong Kong, November 24, 2023

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notes:

- (1) Any member entitled to attend and vote at the meeting is entitled to appoint one or more proxies (if such member is the holder of two or more shares) to attend and to vote instead of them. A proxy need not be a member of the Company. Completion and return of the form of proxy will not preclude a member of the Company from attending the EGM and vote in person. In such event, his form of proxy will be deemed to have been revoked.
- (2) Where there are joint holders of any share, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he were solely entitled thereto, but if more than one of such joint holders be present at any meeting, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose, seniority shall be determined by the order in which the names stand in the register of members in respect of the joint holding.
- (3) A form of proxy for use at the meeting is enclosed.
- (4) To be valid, the form of proxy, together with the power of attorney or other authority, if any, under which it is signed or a certified copy of such power or authority, must be deposited at the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the meeting or adjourned meeting.
- (5) The voting at the EGM will be taken by poll.
- (6) The register of members of the Company will be closed from Friday, December 8, 2023 to Wednesday, December 13, 2023, both days inclusive, in order to determine the eligibility of the shareholders to attend and vote at the EGM. The shareholders whose names appear on the register of members of the Company at the close of business on Thursday, December 7, 2023 will be entitled to attend and vote at the EGM. In order to be eligible to attend and vote at the EGM, all transfers accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong before 4:30 p.m. on Thursday, December 7, 2023.

As of the date of this notice, the Board of Directors of the Company comprises Mr. Zhang Yong as the Chairman and Executive Director; Ms. June Yang Lijuan, Mr. Li Peng, Ms. Song Qing and Ms. Gao Jie as Executive Directors, Mr. Zhou Zhaocheng as Non-executive Director and Dr. Chua Sin Bin, Mr. Hee Theng Fong, Mr. Qi Daqing, Dr. Ma Weihua and Mr. Wu Xiaoguang as Independent Non-executive Directors.