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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)

**ANNOUNCEMENT OF UNAUDITED ANNUAL RESULTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

The board of directors (the “**Board**”) of Haidilao International Holding Ltd. (the “**Company**”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (together, the “**Group**”) for the year ended December 31, 2019 (the “**Reporting Period**”), together with comparative audited figures for the same period of 2018. For the reasons explained in the paragraph headed “Review of Unaudited Annual Results” in this announcement, the auditing process for the annual results of the Group for the year ended December 31, 2019 has not been completed.

In this announcement, “we”, “us”, and “our” refer to the Company (as defined above) and where the context otherwise requires, the Group (as defined above).

KEY FINANCIAL HIGHLIGHTS

| | For the year ended December 31, | |
|--|--|------------------|
| | 2019 | 2018 |
| | RMB'000 | RMB'000 |
| | (Unaudited) | (Audited) |
| Revenue | 26,555,792 | 16,969,100 |
| Revenue from restaurant operation | 25,609,677 | 16,491,223 |
| Profit before tax | 3,247,224 | 2,261,830 |
| Profit for the year | 2,346,962 | 1,648,846 |
| Net profit attributable to owners of the Company | 2,344,711 | 1,646,156 |
| Basic earnings per share (RMB) | 0.44 | 0.33 |

KEY BUSINESS HIGHLIGHTS

| | As of and for the year ended December 31, | |
|---|--|------------|
| | 2019 | 2018 |
| Number of Haidilao restaurants | 768 | 466 |
| Average table turnover rate (times/day) | 4.8 | 5.0 |
| Average spending per guest (RMB) | 105.2 | 101.1 |
| Same store sales (RMB'000) | 12,065,690 | 11,879,693 |
| Same store sales growth | 1.6% | |

2019 PERFORMANCE REVIEW

In 2019, with the management philosophy of “aligned interests and disciplined management”, the Group, on the one hand, achieved the interests of our employees highly aligned to ours, motivating them to propel our dynamic, bottom-up driven growth, and, on the other hand, ensured our strategic direction and strictly controlled food safety and other risks.

In 2019, we opened 308 new Haidilao restaurants, and the global restaurant network of Haidilao increased from 466 at the end of 2018 to 768 ^{Note} at the end of 2019, among which 716 were located in mainland China, and 52 were located in Hong Kong, Macao, Taiwan and overseas, including Singapore, Vietnam, South Korea, Japan, the United Kingdom, the United States, Canada and Australia, making the brand of Haidilao known to more guests. We believe that the ongoing organizational restructuring over the years helped us balance and manage the relationship between our employees and restaurants, among our restaurants, between our headquarters and restaurants, and our relationship with third-party service providers, and laid a solid foundation for high-quality sustainable growth in terms of talent, management and supply chain.

During the year, by focusing on “guest satisfaction” and “employees’ efforts”, we continued to optimize operational management and improve service quality to comprehensively create a better dining experience. In 2019, our Haidilao restaurants served more than 244 million guests, with an average annual table turnover rate of 4.8 times per day, and Haidilao members increased to 54.73 million as of December 31, 2019. In 2019, in addition to continuous provision of regular benefits to all of our Haidilao members, including bonus points redemption gifts, birthday gifts, upgraded privileges and offline activities, we also optimized the Haidilao “Super APP” to enable our members to enjoy multi-channel and more convenient membership rights as well as to choose various personalized Haidilao derivative products.

We have also made further breakthroughs in application of new technologies. In 2019, we opened three new-technology restaurants, including the first overseas new-technology restaurant. Robotic arm automatic serving room and direct supply of dishes from central kitchens are under small-scale testing and promotion. Intelligent soup bases preparation machines have been applied in some restaurants, allowing guests to taste personalized hot pot soup bases in Haidilao. We have introduced more than 1,000 robot waiters to enrich dining experience of our guests. Kitchen cleaning equipment has been deployed in more than 500 Haidilao restaurants globally, making our employees’ work easier and enabling them to better serve our guests.

Note: We closed six restaurants in 2019 due to the expiration of leases and other commercial reasons.

In 2019, starting from the perspective of guests, we continued to develop and launch dishes that meet demand from our guests, and are committed to offering them fresh, high-quality, delicious and abundant food ingredients. A variety of new dishes and beverages introduced by us in the whole market in mainland China and different regional markets outside mainland China have been well recognized by our guests.

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue

The revenue of the Group increased by 56.5% from RMB16,969.1 million for the year ended December 31, 2018 to RMB26,555.8 million for the corresponding period in 2019.

Revenue by Segment

We generate substantially all of our revenue from (i) our restaurant operation, (ii) our delivery business, and (iii) sales of condiment products and food ingredients. The following table sets forth the components of our revenue for the period indicated:

| | For the year ended December 31, | | | |
|--|--------------------------------------|---------------|--------------------------------------|---------------|
| | 2019 | | 2018 | |
| | <i>(RMB' 000 except percentages)</i> | | <i>(RMB' 000 except percentages)</i> | |
| | <i>(Unaudited)</i> | | <i>(Audited)</i> | |
| Haidilao restaurant operation | 25,588,523 | 96.3% | 16,491,223 | 97.2% |
| Other restaurant operation | 21,154 | 0.1% | — | — |
| Delivery business | 448,543 | 1.7% | 323,585 | 1.9% |
| Sales of condiment products and food ingredients | 494,425 | 1.9% | 154,292 | 0.9% |
| Others | 3,147 | 0.0% | — | — |
| Total revenue | 26,555,792 | 100.0% | 16,969,100 | 100.0% |

Revenue from Haidilao restaurant operation, the major part of our revenue which accounted for 96.3% of our total revenue in 2019, increased significantly by 55.2% from RMB16,491.2 million in 2018 to RMB25,588.5 million in 2019, mainly due to the 308 new Haidilao restaurants we opened in 2019. Our average annual table turnover rate in 2019 remained relatively stable at 4.8 times per day. Our average spending per guest increased from RMB101.1 in 2018 to RMB105.2 in 2019.

Revenue from our delivery business increased by 38.6% from RMB323.6 million in 2018 to RMB448.5 million in 2019, mainly due to an increase in number of delivery orders.

The following table sets forth certain key performance indicators of Haidilao restaurants for the period indicated.

| | For the year ended December 31, | |
|---|--|-------------|
| | 2019 | 2018 |
| Average spending per guest⁽¹⁾ (RMB) | | |
| Tier 1 cities | 110.1 | 106.1 |
| Tier 2 cities | 99.4 | 94.8 |
| Tier 3 cities and below | 94.9 | 92.1 |
| <i>Mainland China restaurants</i> | 100.9 | 96.9 |
| Outside mainland China | 185.3 | 199.3 |
| Overall | 105.2 | 101.1 |
| Table turnover rate⁽²⁾ (times/day) | | |
| Tier 1 cities | 4.7 | 5.1 |
| Tier 2 cities | 4.9 | 5.3 |
| Tier 3 cities and below | 4.7 | 4.8 |
| <i>Mainland China restaurants</i> | 4.8 | 5.1 |
| Outside mainland China | 4.1 | 3.8 |
| Overall | 4.8 | 5.0 |
| New and existing restaurants⁽³⁾ | | |
| Newly-opened restaurants | 4.1 | 4.5 |
| Existing restaurants | 4.9 | 5.2 |
| Overall | 4.8 | 5.0 |

Notes:

- ⁽¹⁾ Calculated by dividing gross revenue generated from restaurant operation for the period by total guests served for the period.
- ⁽²⁾ Calculated by dividing the total tables served for the period by the product of total restaurant operation days for the period and average table count during the period.
- ⁽³⁾ We define our existing restaurants as those that commenced operations prior to the beginning of the respective period, and remained open at the end of the same period.

The following table sets forth details of our same store sales of Haidilao restaurants for the period indicated.

| | For the year ended December 31, | |
|---|--|-------------|
| | 2019 | 2018 |
| Number of same stores⁽¹⁾ | | |
| Tier 1 cities | 49 | |
| Tier 2 cities | 110 | |
| Tier 3 cities and below | 57 | |
| Outside mainland China | 17 | |
| Overall | 233 | |
| Same store sales⁽²⁾ (in thousands of RMB) | | |
| Tier 1 cities | 2,783,545 | 2,787,914 |
| Tier 2 cities | 5,778,917 | 5,889,188 |
| Tier 3 cities and below | 2,463,889 | 2,274,191 |
| Outside mainland China | 1,039,339 | 928,400 |
| Overall | 12,065,690 | 11,879,693 |
| Same store sales growth (%) | | |
| Tier 1 cities | -0.2% | |
| Tier 2 cities | -1.9% | |
| Tier 3 cities and below | 8.3% | |
| Outside mainland China | 11.9% | |
| Overall | 1.6% | |
| Average same store sales per day⁽³⁾ (in thousands of RMB) | | |
| Tier 1 cities | 156.1 | 156.7 |
| Tier 2 cities | 144.9 | 147.1 |
| Tier 3 cities and below | 119.0 | 109.8 |
| Outside mainland China | 168.2 | 151.9 |
| Overall | 142.6 | 140.4 |
| Average same store table turnover rate (times/day)⁽⁴⁾ | | |
| Tier 1 cities | 5.1 | 5.2 |
| Tier 2 cities | 5.3 | 5.4 |
| Tier 3 cities and below | 5.2 | 4.9 |
| Outside mainland China | 4.4 | 4.0 |
| Overall | 5.2 | 5.2 |

Notes:

- (1) Includes restaurants that commenced operations prior to the beginning of the periods under comparison and opened for more than 300 days in both 2018 and 2019.
- (2) Refers to the aggregate gross revenue from restaurant operation at our same stores for the period indicated.
- (3) Calculated by dividing the gross revenue from restaurant operation at our same stores for the period by the total restaurant operation days at our same stores for the period.
- (4) Calculated by dividing the total tables served at our same stores for the period by the product of total restaurant operation days of our same stores for the period and average table count at our same stores during the period.

Revenue from Haidilao Restaurant Operation by Geographic Region

Our business is conducted in mainland China, Hong Kong, Macao, Taiwan and overseas. The following table sets forth our breakdown of gross revenue from Haidilao restaurant operation by location for the period indicated:

| | As of and for the year ended December 31, 2019 | | | 2018 | | |
|--|---|--|---------------|--------------------------|--|---------------|
| | Number of restaurants | Gross Revenue/ Revenue (RMB'000) (Unaudited) | | Number of restaurants | Gross Revenue/ Revenue (RMB'000) (Audited) | |
| Mainland China | | | | | | |
| Tier 1 cities ⁽¹⁾ | 190 | 6,481,625 | 25.2% | 106 | 4,035,650 | 24.4% |
| Tier 2 cities ⁽²⁾ | 332 | 11,142,724 | 43.4% | 207 | 7,794,845 | 47.2% |
| Tier 3 cities and below ⁽³⁾ | 194 | 5,779,031 | 22.5% | 117 | 3,378,661 | 20.4% |
| Subtotal | 716 | 23,403,380 | 91.1% | 430 | 15,209,156 | 92.0% |
| Outside mainland China | | | | | | |
| Asia | 44 | 1,904,130 | 7.5% | 32 | 1,195,449 | 7.2% |
| North America | 6 | 261,999 | 1.0% | 4 | 127,096 | 0.8% |
| Europe | 1 | 60,971 | 0.2% | – | – | – |
| Oceania | 1 | 46,904 | 0.2% | – | – | – |
| Subtotal | 52 | 2,274,004 | 8.9% | 36 | 1,322,545 | 8.0% |
| Total restaurants/gross revenue generated from restaurant operation | 768 | 25,677,384 | 100.0% | 466 | 16,531,701 | 100.0% |
| Net of: Customer loyalty program | | (88,861) | | | (40,478) | |
| Total restaurants/revenue generated from restaurant operation | 768 | 25,588,523 | | 466 | 16,491,223 | |

Notes:

- ⁽¹⁾ Beijing, Shanghai, Guangzhou and Shenzhen.
- ⁽²⁾ All municipalities and provincial capitals excluding tier 1 cities, plus Qingdao, Xiamen, Ningbo, Dalian, Zhuhai, Suzhou and Wuxi.
- ⁽³⁾ All the cities and regions excluding tier one cities and tier two cities.

Raw Materials and Consumables Used

Our raw materials and consumables used increased by 62.1% from RMB6,935.0 million in 2018 to RMB11,239.0 million in 2019, primarily due to the increase in procurement unit price and our business expansion. As a percentage of revenue, our raw materials and consumables used increased from 40.9% in 2018 to 42.3% in 2019.

Staff Costs

Our staff costs increased by 59.3% from RMB5,016.3 million in 2018 to RMB7,992.6 million in 2019, and as a percentage of revenue, increased from 29.6% in 2018 to 30.1% in 2019, mainly because of our business expansion and the increase in compensation level of our staffs.

Property Rentals and Related Expenses

Our property rentals and related expenses decreased by 64.9% from RMB684.9 million in 2018 to RMB240.2 million in 2019, and as a percentage of revenue, decreased from 4.0% in 2018 to 0.9% in 2019, primarily due to the application of International Financial Reporting Standard 16 (“IFRS 16”). For rental contracts under IFRS 16, the related rental expenses were recorded under depreciation and amortization.

Utilities Expenses

Our utilities expenses increased by 53.3% from RMB594.8 million in 2018 to RMB911.6 million in 2019, primarily because of our business expansion. As a percentage of revenue, utilities expenses remained relatively stable at 3.5% in 2018 and 3.4% in 2019.

Travelling and Related Expenses

Our travelling and related expenses increased by 37.9% from RMB159.5 million in 2018 to RMB219.9 million in 2019 as a result of our business expansion. As a percentage of revenue, our travelling and related expenses remained relatively stable at 0.9% in 2018 and 0.8% in 2019.

Other Expenses

Our other expenses increased by 51.4% from RMB660.5 million in 2018 to RMB1,000.1 million in 2019, as a result of our business expansion, primarily due to (i) a RMB208.4 million increase in administrative expenses; (ii) a RMB73.6 million increase in consultation service fees; and (iii) a RMB57.6 million increase in storage fees. As a percentage of revenue, our other expenses remained relatively stable at 3.9% in 2018 and 3.8% in 2019.

Share of Profits of Associates and a Joint Venture

Our share of profits in relation to (i) our associate namely Fuhai (Shanghai) Food Technology Co., Ltd. (“**Fuhai**”), in which we held a 40% equity interest; (ii) our joint venture Ying Hai Holdings Pte. Ltd., in which we held a 51% equity interest; and (iii) other associates invested by Beijing Youdingyou Catering Co., Ltd. (北京優鼎優餐飲管理有限公司) (“**Youdingyou**”), a wholly-owned subsidiary we acquired in 2019, increased significantly from RMB27.7 million in 2018 to RMB65.2 million in 2019, mainly due to the business expansion of Fuhai.

Other Gains and Losses

Our other gains increased by 432.5% from RMB17.9 million in 2018 to RMB95.1 million in 2019, primarily due to the increase of net foreign exchange gain.

Finance Costs

Our finance costs increased by 658.2% from RMB31.2 million in 2018 to RMB236.8 million in 2019, primarily due to the increase of interest expenses resulting from the application of IFRS 16.

Income Tax Expense

Our income tax expense increased by 46.9% from RMB613.0 million in 2018 to RMB900.3 million in 2019. Our effective tax rate increased from 27.1% in 2018 to 27.7% in 2019, primarily reflecting (i) a RMB65.4 million increase in the tax effect of tax losses not recognized which primarily related to certain subsidiaries that had a tax loss, and (ii) a RMB38.5 million increase in the withholding tax in respect of the undistributed earnings expected to be distributed in the foreseeable future with the tax rate of 5%.

Profit for the Year

As a result of the foregoing, our profit for the year increased by 42.3% from RMB1,648.8 million in 2018 to RMB2,347.0 million in 2019.

Capital Liquidity and Financial Resources

For year ended December 31, 2019, we primarily funded our operations, expansion and capital expenditures through cash generated from our operations, bank borrowings and other borrowing. We monitor our cash flows and cash balance on a regular basis and strive to maintain an optimum liquidity that can meet our working capital needs while supporting continuing business expansion.

Cash and Cash Equivalents

Our principal uses of cash are for working capital to procure food ingredients, consumables and equipment, and to refurbish and decorate our restaurants. Our cash and cash equivalents decreased significantly from RMB4,118.6 million as of December 31, 2018 to RMB2,222.0 million as of December 31, 2019, mainly reflecting the capital expenditure on business expansion, the repayments of lease liabilities, the repayments of bank borrowings, the distribution of dividends and net cash outflow on acquisition of a subsidiary.

Right-of-use Assets

Under IFRS 16, we recognize right-of-use assets with respect to our property leases. Our right-of-use assets are depreciated over the lease term or the useful life of the underlying asset, whichever is shorter. As of December 31, 2019, we recognized right-of-use assets with an amount of RMB4,755.8 million.

Inventories

Our inventories mainly represented our food ingredients used in our restaurant operation. Our inventories increased from RMB457.1 million as of December 31, 2018 to RMB1,199.7 million as of December 31, 2019, primarily reflecting (i) a RMB474.0 million increase in food ingredients because of our business expansion; and (ii) a RMB139.5 million increase in condiment products related to our procurement arrangement changed in October 2019, under which, Sichuan Haizhiyan Trade Co., Ltd. (四川海之雁貿易有限公司), one of our subsidiary with strong storage capacity, purchases condiment products for our restaurants from Yihai International Holding Ltd. (頤海國際控股有限公司) and its subsidiaries (collectively, the “**Yihai Group**”) centrally. Prior to such change in procurement arrangement, our restaurants purchased condiment products directly from Yihai Group. Our inventory turnover days in 2018 and 2019 equaled the average of the beginning and ending inventories for that year divided by raw materials and consumables used for that year and multiplied by 365 days and increased from 14.5 days to 26.9 days, mainly due to our business expansion and the aforementioned change in our procurement arrangement.

Trade Receivables

The majority of our trade receivables were in connection with bills settled through payment platforms such as Alipay or WeChat Pay. Receivables from these payment platforms were normally settled within a short period of time. Our trade receivables increased from RMB150.1 million as of December 31, 2018 to RMB203.6 million as of December 31, 2019, reflecting the trade receivables of the Group at the respective time. The turnover days of trade receivables decreased from 3.5 days in 2018 to 2.4 days in 2019.

Trade Payables

Trade payables mainly represent the balances due to our independent third party suppliers of food ingredients and consumables. Our trade payables increased from RMB729.3 million as of December 31, 2018 to RMB1,406.4 million as of December 31, 2019, reflecting the increase of procurement resulting from the business expansion. The turnover days of trade payables due to independent third party suppliers increased from 23.6 days for the year ended December 31, 2018 to 34.7 days for the year ended December 31, 2019.

Bank Borrowings

As of December 31, 2019, we had bank borrowings of RMB122.2 million. In 2019, the Group obtained new bank loans amounting to RMB122.2 million and repaid bank loans amounting to RMB410.4 million.

Other Borrowing

As of December 31, 2019, we had other borrowing of RMB107.4 million, which were obtained in 2019 and were secured by the transportation equipment the Group purchased in 2019.

Contingent Liabilities

As of December 31, 2019, we did not have any material contingent liabilities, guarantees or any litigations or claims of material importance, pending or threatened against any member of our Group that is likely to have a material and adverse effect on our business, financial condition or results of operations.

Charge of Assets

As of December 31, 2019, the Group charged transportation equipment with a net book value of RMB145.0 million as security for other borrowing.

As of December 31, 2019, the Group charged bank deposits of RMB16.25 million to banks to secure the rental payments to the lessors and bank deposits of RMB41.86 million to a bank to secure the banking facility granted to the Group.

Debt-to-equity Ratio

As of December 31, 2019, the Company's debt-to-equity ratio was 2.2%.

Note: Equals bank borrowings and other borrowing divided by total equity as of the same date and multiplied by 100%.

Foreign Exchange Risk and Hedging

The Group mainly operates in mainland China with most of the transaction denominated and settled in RMB. However, the Group has certain overseas operations and cash denominated in other currencies, which is exposed to foreign currency exchange risks. The Group has not hedged its foreign currency exchange risks, but will closely monitor the exposure and will take measures when necessary to make sure the foreign exchange risks are manageable.

Employees and Remuneration Policy

As of December 31, 2019, the Group had a total of 102,793 employees, of which 95,334 were located in mainland China and 7,459 were located in Hong Kong, Macao, Taiwan and overseas. For the year ended December 31, 2019, the Group has incurred a total staff costs (including salaries, wages, allowance and benefits) of RMB7,992.6 million.

Material Acquisitions and Disposals

As disclosed in the announcement of the Company dated March 26, 2019 in relation to the acquisition of 100% equity interest in Youdingyou, on March 26, 2019, Hai Di Lao Holdings Pte. Ltd., a wholly-owned subsidiary of the Company, as the buyer, and the shareholders of Youdingyou, as the sellers, entered into the equity transfer agreements, pursuant to which, the sellers have agreed to sell and the buyer has agreed to purchase the 100% of the equity interest of Youdingyou at a total consideration of RMB204,081,633.

As disclosed in the announcement of the Company dated November 1, 2019 in relation to the acquisition of 100% equity interest of Shanghai Kiwa Internet Technology Co., Ltd. (上海基瓦網絡科技有限公司) (“**Shanghai Kiwa**”), on November 1, 2019, the Company, as the buyer, and Mr. Liang Yangbing(梁楊兵), as the seller, entered into an acquisition agreement, pursuant to which, the seller has agreed to sell and the buyer has agreed to purchase the 100% of the equity interest of Shanghai Kiwa at nil consideration.

Save as disclosed above, the Company had no other material acquisitions and disposals during the year ended December 31, 2019.

No Material Changes

Saved as disclosed in this announcement, during the year ended December 31, 2019, there were no material changes affecting the Group’s performance that needs to be disclosed under Paragraphs 32 of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

FUTURE PROSPECT

2020 Business Outlook

Going forward, our development initiatives mainly include:

- continue to strategically expand our restaurant network by further increasing our restaurant density and further expanding geographical coverage;
- continue to enhance the Haidilao dining experience by further improving our service and offering more value-added services to our guests;
- continue to invest in technology, such as further optimizing and developing our business management system and intelligent restaurant technology; and
- strategically pursue acquisitions of high-quality assets to further diversify our restaurant business patterns and guest base.

Future Plans for Material Investments

As disclosed in the announcement of the Company dated November 5, 2019 in relation to the possible acquisition, the Company and all existing shareholders of Shanghai Yuanshu Catering Management Co., Ltd. (上海緣澍餐飲管理有限公司), Hao Noodle & Tea LLC., Hao Noodle LLC. and Shanghai Haocui Catering Management Co., Ltd. (上海好萃餐飲管理有限公司) (the “**Hanshe Shareholders**”) entered into a memorandum of understanding on November 5, 2019, pursuant to which (i) the sellers have agreed to reorganize the catering business currently held by the sellers under the brand “Madam Zhu’s Kitchen (漢舍中國菜)” and “Hao Noodles” (the “**Hanshe Business**”) and the operating assets currently held by the Hanshe Shareholders in relation to the Target Business (the “**Hanshe Assets**”) in preparation for the possible acquisition and (ii) the Company has conditionally agreed to, by itself or through its subsidiary, acquire the controlling interest in the holding company of the Hanshe Business and the Hanshe Assets to be established during the reorganization by way of equity interest transfer or capital contribution.

Save as disclosed above, there is no current plan of the Group for other material investments or additions of material capital assets as of the date of this announcement.

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | Notes | As at December 31, 2019 RMB'000 (Unaudited) | 2018 RMB'000 (Audited) |
|---|-------|--|------------------------------|
| Non-current Assets | | | |
| Property, plant and equipment | | 7,689,580 | 3,999,803 |
| Right-of-use assets | 11 | 4,755,839 | — |
| Goodwill | | 92,602 | — |
| Other intangible assets | | 111,864 | 51,816 |
| Investments in associates | | 169,417 | 34,531 |
| Investment in a joint venture | | 56,741 | 65,331 |
| Equity instrument at fair value through other comprehensive income (“FVTOCI”) | | 48,833 | — |
| Financial assets at fair value through profit or loss (“FVTPL”) | | 44,267 | 12,585 |
| Deferred tax assets | | 170,169 | 91,626 |
| Deposits placed in a financial institution | | — | 1,720,216 |
| Rental deposits | | 269,269 | 232,749 |
| Security deposits for other borrowing | | 5,060 | — |
| | | 13,413,641 | 6,208,657 |
| Current Assets | | | |
| Inventories | | 1,199,666 | 457,124 |
| Trade and other receivables and prepayments | 12 | 1,615,551 | 845,118 |
| Amounts due from related parties | | 300,973 | 201,261 |
| Financial assets at FVTPL | | — | 1,653 |
| Deposits placed in a financial institution | | 1,804,035 | 103,381 |
| Other financial assets | | — | 807 |
| Pledged bank deposits | | 58,104 | 8,019 |
| Bank balances and cash | | 2,221,962 | 4,118,623 |
| | | 7,200,291 | 5,735,986 |
| Current Liabilities | | | |
| Trade payables | 13 | 1,406,408 | 729,328 |
| Notes payable | | 300,000 | — |
| Other payables | 14 | 1,276,989 | 906,464 |
| Amounts due to related parties | | 1,071,805 | 592,663 |
| Dividend payable | 9 | 3,805 | 128,416 |
| Tax payable | | 224,301 | 160,724 |
| Lease liabilities | | 733,203 | — |
| Bank borrowings | | 122,174 | 410,354 |
| Other borrowing | | 22,602 | — |
| Contract liabilities | | 502,784 | 378,039 |
| | | 5,664,071 | 3,305,988 |
| Net Current Assets | | 1,536,220 | 2,429,998 |
| Total Assets less Current Liabilities | | 14,949,861 | 8,638,655 |

| | | As at December 31, | |
|--|--------------|---------------------------|------------------|
| | <i>Notes</i> | 2019 | 2018 |
| | | RMB'000 | RMB'000 |
| | | (Unaudited) | (Audited) |
| Non-current Liabilities | | | |
| Deferred tax liabilities | | 46,760 | 1,618 |
| Lease liabilities | | 4,142,960 | – |
| Other borrowing | | 84,758 | – |
| Provision | | 49,350 | 7,479 |
| | | 4,323,828 | 9,097 |
| Net Assets | | 10,626,033 | 8,629,558 |
| Capital and Reserves | | | |
| Share capital | <i>15</i> | 175 | 175 |
| Reserves | | 10,622,826 | 8,624,797 |
| Equity attributable to owners of the Company | | 10,623,001 | 8,624,972 |
| Non-controlling interests | | 3,032 | 4,586 |
| Total Equity | | 10,626,033 | 8,629,558 |

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

| | | For the year ended December 31, | |
|--|--------------|--|---------------------------------------|
| | <i>Notes</i> | 2019 RMB'000 (Unaudited) | 2018 RMB'000 (Audited) |
| Revenue | 3 | 26,555,792 | 16,969,100 |
| Other income | 4 | 262,701 | 104,318 |
| Raw materials and consumables used | | (11,238,992) | (6,935,033) |
| Staff costs | | (7,992,555) | (5,016,321) |
| Property rentals and related expenses | | (240,230) | (684,910) |
| Utilities expenses | | (911,635) | (594,772) |
| Depreciation and amortization | | (1,891,324) | (689,321) |
| Travelling and related expenses | | (219,934) | (159,470) |
| Listing expenses | | – | (85,540) |
| Other expenses | | (1,000,131) | (660,533) |
| Share of profits of associates | | 75,262 | 30,049 |
| Share of loss of a joint venture | | (10,023) | (2,363) |
| Other gains and losses | 5 | 95,084 | 17,857 |
| Finance costs | 6 | (236,791) | (31,231) |
| Profit before tax | | 3,247,224 | 2,261,830 |
| Income tax expense | 7 | (900,262) | (612,984) |
| Profit for the year | 8 | 2,346,962 | 1,648,846 |
| Other comprehensive expense | | | |
| Item that may be reclassified subsequently to profit or loss: | | | |
| Exchange differences arising on translation of foreign operations | | (1,682) | (18,501) |
| Total comprehensive income for the year | | 2,345,280 | 1,630,345 |
| Profit for the year attributable to: | | | |
| Owners of the Company | | 2,344,711 | 1,646,156 |
| Non-controlling interests | | 2,251 | 2,690 |
| | | 2,346,962 | 1,648,846 |
| Total comprehensive income attributable to: | | | |
| Owners of the Company | | 2,343,029 | 1,627,655 |
| Non-controlling interests | | 2,251 | 2,690 |
| | | 2,345,280 | 1,630,345 |
| EARNINGS PER SHARE | | | |
| Basic (RMB) | 10 | 0.44 | 0.33 |
| Diluted (RMB) | 10 | 0.44 | 0.33 |

NOTES:

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on July 14, 2015 under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands with the name of Newpai International Investment Ltd.. Pursuant to a special resolution of the Company dated March 14, 2018, the Company's name was changed to Haidilao International Holding Ltd.. The ultimate controlling parties are Mr. Zhang Yong and his spouse namely Ms. Shu Ping.

The shares of the Company have been listed on the Stock Exchange with effect from September 26, 2018.

The Company is an investment holding company. Its subsidiaries are engaged in restaurants operation, delivery business, sales of condiment products and food ingredients and others located in the PRC and overseas.

Items included in the financial statements of each of the Group's entities are recorded using the currency of the primary economic environment in which the entity operates (the "**functional currency**"). The consolidated financial statements is presented in Renminbi ("**RMB**"), which is also the functional currency of the Company and its subsidiaries in mainland China.

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

New and amendments to IFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to IFRSs issued by the International Accounting Standards Board for the first time in the current year:

| | |
|----------------------|---|
| IFRS 16 | Leases |
| IFRIC 23 | Uncertainty over Income Tax Treatments |
| Amendments to IFRS 9 | Prepayment Features with Negative Compensation |
| Amendments to IAS 19 | Plan Amendment, Curtailment or Settlement |
| Amendments to IAS 28 | Long-term Interests in Associates and Joint Ventures |
| Amendments to IFRSs | Annual Improvements to IFRS Standards 2015-2017 Cycle |

Except as described below, the application of the new and amendments to IFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2.1 IFRS 16 Leases

The Group has applied IFRS 16 for the first time in the current year. IFRS 16 superseded IAS 17 *Leases* ("**IAS 17**"), and the related interpretations.

Definition of a lease

The Group has elected the practical expedient to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after January 1, 2019, the Group applies the definition of a lease in accordance with the requirements set out in IFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied IFRS 16 retrospectively with the cumulative effect recognized at the date of initial application, January 1, 2019.

As at January 1, 2019, the Group recognized additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities adjusted by any prepaid or accrued lease payments by applying IFRS 16.C8(b)(ii) transition. Any difference at the date of initial application is recognized in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under IFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under IAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

- i. relied on the assessment of whether leases are onerous by applying IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* as an alternative of impairment review;
- ii. elected not to recognize right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;
- iii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application;
- iv. applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment;
- v. used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with termination options.

When recognizing the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The incremental borrowing rates applied by the relevant group entities range from 1.50% to 6.87%.

| | At January 1, 2019 RMB'000 (Unaudited) |
|---|---|
| Operating lease commitments disclosed as at December 31, 2018 | 4,719,948 |
| Less: Value-added tax | (252,421) |
| | <hr/> |
| Operating lease commitments without value-added tax | 4,467,527 |
| | <hr/> |
| Lease liabilities discounted at relevant incremental borrowing rates | 3,588,665 |
| Less: Recognition exemption – short-term leases | (8,527) |
| Lease commitments signed but not commenced as at December 31, 2018 | (134,076) |
| | <hr/> |
| Lease liabilities relating to operating leases recognized upon application of IFRS 16 | 3,446,062 |
| | <hr/> |
| Lease liabilities as at January 1, 2019 | 3,446,062 |
| | <hr/> <hr/> |
| Analyzed as: | |
| Current | 471,883 |
| Non-current | 2,974,179 |
| | <hr/> |
| | 3,446,062 |
| | <hr/> <hr/> |

The carrying amount of right-of-use assets as at January 1, 2019 comprises the following:

| | <i>Notes</i> | <i>RMB'000</i> <i>(Unaudited)</i> |
|---|--------------|--|
| Right-of-use assets relating to operating leases recognized upon application of IFRS 16 | | 3,446,062 |
| Reclassified from prepaid lease payments | <i>(a)</i> | 48,685 |
| Amounts included in property, plant and equipment as at December 31, 2018 | | |
| – Restoration and reinstatement costs | <i>(b)</i> | 4,552 |
| Adjustments on rental deposits at January 1, 2019 | <i>(c)</i> | 34,911 |
| Less: Accrued lease liabilities at January 1, 2019 | <i>(d)</i> | (75,572) |
| Lease incentives received | <i>(e)</i> | (44,057) |
| | | 3,414,581 |

The right-of-use assets are all classified as buildings.

Notes:

- (a) Upfront payments for buildings in the PRC and overseas were classified as prepaid lease payments as at December 31, 2018. Upon application of IFRS 16, the prepaid lease payments amounting to RMB48,685,000 were reclassified to right-of-use assets.
- (b) In relation to the leases of restaurants that the Group acts as lessee, the carrying amount of the estimated costs of reinstating the rented premises previously included in property, plant and equipment amounting to RMB4,552,000 as at January 1, 2019 were reclassified to right-of-use assets.
- (c) Before the application of IFRS 16, the Group considered refundable rental deposits paid as rights and obligations under leases to which IAS 17 applied. Based on the definition of lease payments under IFRS 16, such deposits are not payments relating to the right to use of the underlying assets and were adjusted to reflect the discounting effect at transition. Accordingly, RMB34,911,000 was adjusted to refundable rental deposits paid and right-of-use assets.
- (d) Rent free period

These relate to accrued lease liabilities for leases of properties in which the lessors provided rent-free period. The carrying amount of the accrued lease liabilities as at January 1, 2019 was adjusted to right-of-use assets at transition.

Lease payments increase progressively over lease terms

These relate to accrued lease liabilities of several operating leases for leases of properties in which the rentals increase progressively by fixed annual percentage. The carrying amount of the accrued lease liabilities as at January 1, 2019 was adjusted to right-of-use assets at transition.
- (e) The carrying amount of the lease incentive received on or before January 1, 2019 was adjusted to right-of-use assets at transition.

The following adjustments were made to the amounts recognized in the consolidated statement of financial position at January 1, 2019. Line items that were not affected by the changes have not been included.

| | Notes | Carrying amounts previously reported at December 31, 2018 RMB'000 (Audited) | Adjustments RMB'000 (Unaudited) | Carrying amounts under IFRS 16 at January 1, 2019 RMB'000 (Unaudited) |
|--|-----------|--|---------------------------------------|---|
| Non-current Assets | | | | |
| Property, plant and equipment | (b) | 3,999,803 | (4,552) | 3,995,251 |
| Rental deposits | (c) | 232,749 | (34,911) | 197,838 |
| Right-of-use assets | | – | 3,414,581 | 3,414,581 |
| Current Assets | | | | |
| Trade and other receivables and prepayments | | | | |
| – Prepaid rental expenses | (a)(d)(e) | 58,273 | 70,944 | 129,217 |
| Current Liabilities | | | | |
| Lease liabilities | | – | 471,883 | 471,883 |
| Non-current liabilities | | | | |
| Lease liabilities | | – | 2,974,179 | 2,974,179 |

For the purpose of reporting cash flows from operating activities under indirect method for the year ended December 31, 2019, movements in working capital have been computed based on opening consolidated statement of financial position as at January 1, 2019 as disclosed above.

New and amendments to IFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to IFRSs that have been issued but are not yet effective:

| | |
|--|---|
| IFRS 17 | Insurance Contracts ¹ |
| Amendments to IFRS 3 | Definition of a Business ² |
| Amendments to IFRS 10 and IAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³ |
| Amendments to IAS 1 | Classification of Liabilities as Current or Non-current ⁵ |
| Amendments to IAS 1 and IAS 8 | Definition of Material ⁴ |
| Amendments to IFRS 9, IAS 39 and IFRS 7 | Interest Rate Benchmark Reform ⁴ |

¹ Effective for annual periods beginning on or after January 1, 2021

² Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after January 1, 2020

³ Effective for annual periods beginning on or after a date to be determined

⁴ Effective for annual periods beginning on or after January 1, 2020

⁵ Effective for annual periods beginning on or after January 1, 2022

In addition to the above new and amendments to IFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, *the Amendments to References to the Conceptual Framework in IFRS Standards*, will be effective for annual periods beginning on or after January 1, 2020.

The directors of the Company (the “**Directors**”) anticipate that the application of the above new and amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3. REVENUE AND SEGMENT INFORMATION

During the year, the Group's revenue which represents the amount received and receivable from the restaurant operation, delivery business, sales of condiment products and food ingredients and others, net of discounts and sales related taxes, are as follows:

| | For the year ended December 31, | |
|--|--|------------------|
| | 2019 | 2018 |
| | RMB'000 | RMB'000 |
| | (Unaudited) | (Audited) |
| Restaurant operation | 25,609,677 | 16,491,223 |
| Delivery business | 448,543 | 323,585 |
| Sales of condiment products and food ingredients | 494,425 | 154,292 |
| Others | 3,147 | — |
| Total | 26,555,792 | 16,969,100 |

Information reported to Mr. Zhang Yong, who is identified as the chief operating decision maker of the Company, in order to allocate resources and to assess performance, focuses on the operating results of the Group as a whole as the Group's resources are integrated and no discrete operating segment financial information is reviewed. Accordingly, no operating segment information is presented.

No revenue from individual customer contributing over 10% of total revenue of the Group during the year ended December 31, 2019 (2018: Nil).

The following table set forth the breakdown of the Group's revenue during the years ended December 31, 2019 and 2018, and the breakdown of the Group's non-current assets as at December 31, 2019 and 2018 based on locations of operations:

| | Revenue | | Non-current assets (Note) | |
|------------------------|--|------------------|----------------------------------|------------------|
| | For the year ended December 31, | | As at December 31, | |
| | 2019 | 2018 | 2019 | 2018 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| | (Unaudited) | (Audited) | (Unaudited) | (Audited) |
| Mainland China | 23,983,242 | 15,600,096 | 10,351,592 | 3,637,864 |
| Outside mainland China | 2,572,550 | 1,369,004 | 2,798,780 | 746,366 |
| Total | 26,555,792 | 16,969,100 | 13,150,372 | 4,384,230 |

Note:

Non-current assets exclude equity instrument at FVTOCI, financial assets at FVTPL, deposits placed in a financial institution and deferred tax assets.

4. OTHER INCOME

| | For the year ended December 31, | |
|--|---------------------------------|----------------|
| | 2019 | 2018 |
| | RMB'000 | RMB'000 |
| | (Unaudited) | (Audited) |
| Interest income on: | | |
| – bank deposits | 81,341 | 33,198 |
| – deposits placed in a financial institution | 55,960 | 4,733 |
| – rental deposits | 6,074 | – |
| – other financial assets | 1 | 321 |
| | <u>143,376</u> | <u>38,252</u> |
| Government grant (Note i) | 45,860 | 45,661 |
| Tax additional deduction (Note ii) | 25,536 | – |
| Others | 47,929 | 20,405 |
| | <u>262,701</u> | <u>104,318</u> |

Notes:

- i. The amounts represent the subsidies received from the local governments for the Group's local business development. There were no unfulfilled conditions in the years in which they were recognized.
- ii. The amounts represent the additional input value added tax deduction, pursuant to the announcement of the Ministry of Finance, the State Administration of Taxation and the General Administration of Customs of the PRC, which came into effect from April 1, 2019.

5. OTHER GAINS AND LOSSES

| | For the year ended December 31, | |
|--|---------------------------------|---------------|
| | 2019 | 2018 |
| | RMB'000 | RMB'000 |
| | (Unaudited) | (Audited) |
| Loss on disposal of property, plant and equipment and termination of leases, net | (18,354) | (4,929) |
| Net foreign exchange gain | 90,740 | 7,276 |
| Net gain arising on financial assets at FVTPL | 7,264 | 6,803 |
| Others | 15,434 | 8,707 |
| | <u>95,084</u> | <u>17,857</u> |

6. FINANCE COSTS

| | For the year ended December 31, | |
|--|---------------------------------|---------------|
| | 2019 | 2018 |
| | RMB'000 | RMB'000 |
| | (Unaudited) | (Audited) |
| Interests on lease liabilities | 216,468 | – |
| Interests on bank borrowings | 16,697 | 31,231 |
| Interests on other borrowing | 2,144 | – |
| Interests charge on unwinding of discounts | 1,482 | – |
| | <u>236,791</u> | <u>31,231</u> |

7. INCOME TAX EXPENSE

| | For the year ended December 31, | |
|-------------------------------------|---------------------------------|-----------------------|
| | 2019 | 2018 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| | <i>(Unaudited)</i> | <i>(Audited)</i> |
| Current tax: | | |
| – current year | | |
| – PRC Enterprise Income Tax (“EIT”) | 934,604 | 645,400 |
| – other jurisdictions | 2,702 | 14,573 |
| | <u>937,306</u> | <u>659,973</u> |
| – under provision in prior year | | |
| – PRC EIT | – | 3,663 |
| – other jurisdictions | – | 26 |
| | <u>–</u> | <u>3,689</u> |
| | <u>937,306</u> | <u>663,662</u> |
| Deferred tax | <u>(37,044)</u> | <u>(50,678)</u> |
| | <u>900,262</u> | <u>612,984</u> |

The Company is a tax exempted company incorporated in the Cayman Islands.

Under the Law of the PRC on Enterprise Income Tax (“EIT Law”) and Implementation Regulation of the EIT Law, the statutory EIT rate of PRC subsidiaries of the Group is 25% for the year ended December 31, 2019 (2018: 25%).

Under the EIT Law, withholding tax is also imposed on dividends declared and paid to non-PRC resident in respect of profits earned by the PRC subsidiaries from January 1, 2008 onwards. As at December 31, 2019, a deferred tax liability of RMB38,500,000 (2018: Nil) was recognized in respect of the undistributed earnings expected to be distributed in the foreseeable future with the tax rate of 5%. Deferred tax liabilities have not been provided for the remaining undistributed earnings amounting to RMB3,971,009,000 as at December 31, 2019 (2018: RMB1,915,718,000), as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not be reversed in the foreseeable future.

The Company’s subsidiaries incorporated overseas are subject to overseas profits tax at 12% to 34% (2018: 10% to 35%) on estimated assessable profit for the year.

The income tax expense for the year ended December 31, 2019 can be reconciled to the profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

| | For the year ended December 31, | |
|--|--|------------------|
| | 2019 | 2018 |
| | RMB'000 | RMB'000 |
| | (Unaudited) | (Audited) |
| Profit before tax | 3,247,224 | 2,261,830 |
| Tax at 25% | 811,806 | 565,458 |
| Tax effect of expenses not deductible for tax purposes | 11,418 | 18,801 |
| Tax effect of income not taxable for tax purposes | (16,310) | (7,512) |
| Tax effect of tax losses not recognized | 96,410 | 31,033 |
| Utilization of tax losses previously not recognized | (10,214) | (6,412) |
| Withholding tax | 38,500 | – |
| Under provision in respect of prior year | – | 3,689 |
| Effect of tax exemptions granted to PRC subsidiaries | (2,525) | – |
| Effect of different tax rates of subsidiaries operating in other jurisdictions | (28,200) | 7,927 |
| Others | (623) | – |
| Income tax expense for the year | 900,262 | 612,984 |

8. PROFIT FOR THE YEAR

The Group's profit for the year has been arrived at after charging:

| | For the year ended December 31, | |
|---|--|------------------|
| | 2019 | 2018 |
| | RMB'000 | RMB'000 |
| | (Unaudited) | (Audited) |
| Depreciation of property, plant and equipment | 1,233,117 | 679,590 |
| Depreciation of right-of-use assets | 638,048 | – |
| Amortization of other intangible assets | 20,159 | 9,731 |
| Total depreciation and amortization | 1,891,324 | 689,321 |
| Property rentals | | |
| – office premises (fixed payments) | – | 99,872 |
| – restaurants | | |
| – fixed payments | 7,537 | 414,172 |
| – variable lease payments (<i>Note</i>) | 104,671 | 99,007 |
| | 112,208 | 513,179 |
| Other rental related expenses | 128,022 | 71,859 |
| Total property rentals and related expenses | 240,230 | 684,910 |
| Directors' emoluments | 87,593 | 60,295 |
| Other staff cost | | |
| Salaries and other allowance | 6,497,076 | 4,176,131 |
| Employee welfare | 861,626 | 545,378 |
| Retirement benefit contribution | 546,260 | 234,517 |
| Total staff costs | 7,992,555 | 5,016,321 |
| Auditor's remuneration | 5,300 | 2,700 |

Note: The variable lease payments refers to the property rentals based on pre-determined percentages of revenue less minimum rentals of the respective leases.

9. DIVIDENDS

| | For the year ended December 31, | |
|---|---------------------------------|------------------|
| | 2019 | 2018 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| | <i>(Unaudited)</i> | <i>(Audited)</i> |
| Dividends for ordinary shareholders of the Company recognized as distribution during the year | 345,000 | 584,002 |
| Dividends declared to non-controlling interests | 3,805 | — |
| | <u>348,805</u> | <u>584,002</u> |

On September 10, 2019, a final dividend of RMB3,805,000 was declared to non-controlling interests for the year ended December 31, 2018 by a subsidiary of the Company. The dividend was recorded as dividend payable of the Group as at December 31, 2019.

On March 26, 2019, a final dividend of Hong Kong Dollar (“HKD”) 0.076 (equivalent to RMB0.065) per share with total dividends of HKD403,627,000 (equivalent to RMB345,000,000) was declared to shareholders of the Company (the “Shareholders”) for the year ended December 31, 2018 by the Company out of share premium. The dividend was paid during the year of 2019.

On June 10, 2018, a final dividend of United States Dollar (“USD”) 88,816,000 (equivalent to RMB584,002,000), with the dividend per share of approximately USD5,329 (equivalent to RMB35,039) was declared to Shareholders for the year ended December 31, 2017 by the Company.

Subsequent to the end of the reporting period, final dividend in respect of the year ended December 31, 2019 of HKD0.15 (equivalent to RMB0.13) per share, amounting to approximately HKD771,388,012 (equivalent to RMB703,413,300) has been proposed by the Directors and is subject to approval by the Shareholders at the forthcoming AGM (as defined below).

10. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

| | For the year ended December 31, | |
|--|---------------------------------|------------------|
| | 2019 | 2018 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| | <i>(Unaudited)</i> | <i>(Audited)</i> |
| Earnings | | |
| Profit for the year attributable to owners of the Company | <u>2,344,711</u> | <u>1,646,156</u> |
| | | |
| | For the year ended December 31, | |
| | 2019 | 2018 |
| | <i>'000</i> | <i>'000</i> |
| | <i>(Unaudited)</i> | <i>(Audited)</i> |
| Number of shares | | |
| Weighted average number of ordinary shares for the purpose of basic earnings per share calculation | <u>5,300,000</u> | <u>4,988,290</u> |

The weighted average number of ordinary shares for 2018 for the purpose of basic earnings per share has been adjusted for the effect of the Share Subdivision and Capitalization Issue as described in Note 15.

No diluted earnings per share for the year ended December 31, 2019 were calculated as there were no potential ordinary shares in issue for the year ended December 31, 2019.

The calculation of diluted earnings per share for the year ended December 31, 2018 does not assume the exercise of the over-allotment option granted upon the Listing since the exercise price of the option was higher than the average market price during the exercisable period of this option, and therefore, no diluted earnings per share is presented for the year ended December 31, 2018.

11. RIGHT-OF-USE ASSETS

| | Leased properties RMB' 000 (Unaudited) |
|---|---|
| At January 1, 2019 | |
| Carrying amount | 3,414,581 |
| At December 31, 2019 | |
| Carrying amount | 4,755,839 |
| For the year ended December 31, 2019 | |
| Depreciation charge | <u>638,048</u> |
| Expense relating to short-term leases and other leases with lease terms end within 12 months of the date of initial application of IFRS 16 | 7,537 |
| Variable lease payments not included in the measurement of lease liabilities | 104,671 |
| Total cash outflow for leases (Note i) | 811,262 |
| Additions to right-of-use assets (Note ii) | <u><u>2,010,672</u></u> |

Notes:

- i. Amount includes payments of principal and interest portion of lease liabilities, variable lease payments, short-term leases and payments of lease payments on or before lease commencement date. These amounts could be presented in operating, investing or financing cash flows.
- ii. Amount includes right-of-use assets resulting from new signed leases contracts with lease terms longer than 12 months, business combination and lease modification.

For both years, the Group leases various buildings for its operations. Lease contracts are entered into for fixed term of 12 months to 20 years, but may have termination options as described below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

Variable lease payments

Leases of restaurants are either with only fixed lease payments or contain variable lease payment that are based on 0.25% to 9% of sales and minimum annual lease payment that are fixed over the lease term. The payment terms are common in restaurants in the countries and areas where the Group operates. The amount of fixed and variable lease payments paid/payable to relevant lessors for the year ended December 31, 2019:

| | Number of leases (Unaudited) | Fixed payments RMB' 000 (Unaudited) | Variable payments RMB' 000 (Unaudited) | Total payments RMB' 000 (Unaudited) |
|--|---|--|---|--|
| Office premises without variable lease payments | 4 | 14,969 | – | 14,969 |
| Restaurants without variable lease payments | 806 | 456,976 | – | 456,976 |
| Restaurants with variable lease payments | <u>317</u> | <u>234,646</u> | <u>104,671</u> | <u>339,317</u> |
| Total | <u><u>1,127</u></u> | <u><u>706,591</u></u> | <u><u>104,671</u></u> | <u><u>811,262</u></u> |

The overall financial effect of using variable payment terms is that higher rental costs are incurred by stores with higher sales. Variable rent expenses are expected to continue to represent a similar proportion of store sales in future years.

Termination options

The Group has termination options in a number of leases for restaurants. These are used to maximize operational flexibility in terms of managing the assets used in the Group's operations. The majority of termination options held are exercisable only by the Group and not by the respective lessors.

The Group assessed at lease commencement date and concluded it is reasonably certain not to exercise the termination options. In addition, the Group reassesses whether it is reasonably certain not to exercise a termination option, upon the occurrence of either a significant event or a significant change in circumstances that is within the control of the lessee. During the year ended December 31, 2019, there is no such triggering event.

Restrictions or covenants on leases

Lease liabilities of RMB4,876,163,000 are recognized with related right-of-use assets of RMB4,755,839,000 as at December 31, 2019. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Leases committed

As at December 31, 2019, the Group has entered into new leases for several restaurants that have yet to commence, with average non-cancellable period ranged from 3 to 15 years, the total future undiscounted cash flows over the non-cancellable period amounted to RMB280,769,000.

12. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

| | As at December 31, | |
|---|-------------------------|-----------------------|
| | 2019 | 2018 |
| | RMB'000 | RMB'000 |
| | (Unaudited) | (Audited) |
| Trade receivables | <u>203,571</u> | <u>150,093</u> |
| Other receivables and prepayments: | | |
| Prepaid rental expenses | – | 58,273 |
| Loans to employees (Note) | 12,663 | 17,474 |
| Prepayment to suppliers | 554,236 | 267,040 |
| Prepaid operating expenses | 272,451 | 69,537 |
| Input value-added tax recoverable | 460,734 | 237,860 |
| Interest receivable | 24,947 | 11,978 |
| Others | <u>86,949</u> | <u>32,863</u> |
| Subtotal | <u>1,411,980</u> | <u>695,025</u> |
| Total trade and other receivables and prepayments | <u>1,615,551</u> | <u>845,118</u> |

Note:

Loans to employees are non-interest bearing and principally repayable within 12 months. The amounts were secured by certain assets pledged by the employees or guaranteed by other employees.

Majority of trade receivables were from payment platforms for which are normally settled within 30 days. Trade receivables are aged within 30 days based on the date of rendering of services. There were not past due trade receivables.

13. TRADE PAYABLES

Trade payables are non-interest bearing and the majority are with a credit term of 30-60 days. An aged analysis of the Group's trade payables, as at the end of the reporting period, based on the invoice date, is as follows:

| | As at December 31, | |
|--------------------|--------------------|------------------|
| | 2019 | 2018 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| | <i>(Unaudited)</i> | <i>(Audited)</i> |
| Within 60 days | 1,368,866 | 715,522 |
| 61 to 180 days | 18,104 | 7,496 |
| More than 181 days | 19,438 | 6,310 |
| | <u>1,406,408</u> | <u>729,328</u> |

14. OTHER PAYABLES

| | As at December 31, | |
|---|--------------------|------------------|
| | 2019 | 2018 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| | <i>(Unaudited)</i> | <i>(Audited)</i> |
| Staff cost payable | 682,678 | 604,319 |
| Other taxes payables | 94,831 | 63,944 |
| Deposits from suppliers | 18,634 | 28,271 |
| Renovation fee payables | 351,651 | 158,245 |
| Listing fee/share issue cost payables | – | 33,669 |
| Interest payable | 203 | 391 |
| Consideration payable for acquisition of a subsidiary | 99,035 | – |
| Others | 29,957 | 17,625 |
| | <u>1,276,989</u> | <u>906,464</u> |

15. SHARE CAPITAL

| | Par value USD | Number of shares | Nominal amount USD'000 | Shown in the consolidated financial statements RMB'000 |
|--|------------------|---------------------|------------------------------|--|
| Authorized: | | | | |
| At January 1, 2018 (<i>Note i</i>) (Audited) | 0.1 | 166,667 | 17 | |
| Cancellation (<i>Note ii</i>) | 0.1 | (166,667) | (17) | |
| Increase (<i>Note iii</i>) | 0.000005 | 10,000,000,000 | 50 | |
| At December 31, 2018 (Audited) and 2019 (Unaudited) | 0.000005 | 10,000,000,000 | 50 | |
| Issued: | | | | |
| At January 1, 2018 (Audited) | 0.1 | 166,667 | 17 | 107 |
| Shares repurchased and cancelled under the Share Subdivision (<i>Note ii</i>) | 0.1 | (166,667) | (17) | (107) |
| Issue of ordinary shares under the Share Subdivision (<i>Note ii</i>) | 0.000005 | 3,333,340,000 | 17 | 107 |
| Issue of shares under the global offering (the “ Global Offering ”) (<i>Note iv</i>) | 0.000005 | 424,530,000 | 2 | 15 |
| Issue of shares under the Capitalization Issue (<i>Note v</i>) | 0.000005 | 1,542,130,000 | 8 | 53 |
| At December 31, 2018 (Audited) and 2019 (Unaudited) | 0.000005 | 5,300,000,000 | 27 | 175 |

Notes:

- i. The Company was incorporated on July 14, 2015 with authorized share capital of USD10,000, divided into 100,000 shares of USD0.1 each. These shares were issued on July 14, 2015 and were fully paid up during the year ended December 31, 2017.

According to the resolution of the Directors on April 7, 2017, it was resolved that the authorized capital of the Company be increased from USD10,000 to USD16,666.70, divided into 166,667 shares. The additional shares were issued and fully paid up during the year ended December 31, 2017. The new shares rank pari passu with the existing shares in all aspects.

- ii. According to the resolution of the Shareholders on September 6, 2018, it was resolved that every issued share of USD0.1 in the share capital of the Company be subdivided into 20,000 shares of par value USD0.000005 each such that the Company shall have an authorized and issued share capital of USD16,666.70 divided into 3,333,340,000 (the “**Share Subdivision**”). Under the Share Subdivision, the authorized and issued 166,667 shares were repurchased and cancelled accordingly.
- iii. On September 6, 2018, the authorized share capital of the Company was increased from USD16,666.70 divided into 3,333,340,000 shares of USD0.000005 each to USD50,000 divided into 10,000,000,000 shares of USD0.000005 each.
- iv. On September 26, 2018, 424,530,000 ordinary shares with par value of USD0.000005 each of the Company were issued at HKD17.80 by way of public offer with the share capital of approximately RMB15,000 recognized. On the same date, the Company’s shares were listed on the Main Board of the Stock Exchange. The new shares rank pari passu with the existing shares in all aspects.
- v. On September 26, 2018, the Company capitalized an amount of USD7,710.65 (equivalent to approximately RMB53,000) standing to the credit of the share premium of the Company by applying such sum in paying up in full at par 1,542,130,000 shares for allotment and issue to Shareholders (the “**Capitalization Issue**”). The new shares rank pari passu with the existing shares in all aspects.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Compliance with the Corporate Governance Code

Pursuant to A.2.1 of the Corporate Governance Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Zhang Yong currently serves as the chairman of the Board and the chief executive officer of the Company. He is one of the founders of the Group and has been operating and managing the Group since its establishment. Our Directors believe that it is beneficial to the business operations and management of the Group that Mr. Zhang Yong continues to serve as both the chairman of the Board and the chief executive officer of the Company.

The Company regularly reviews its compliance with corporate governance codes and save as the above, the Company has applied the principles and code provisions as set out in the Corporate Governance Code (the “**Corporate Governance Code**”) contained in Appendix 14 to the Listing Rules and has complied with the code provisions in the Corporate Governance Code during the year ended December 31, 2019.

Compliance with the Model Code

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) set out in Appendix 10 to the Listing Rules. Specific enquiries have been made to all Directors and the Directors have confirmed that they have complied with the Model Code during the year ended December 31, 2019.

The Company’s employees, who are likely to be in possession of inside information of the Company, have also been subject to the Model Code. No incident of non-compliance of the Model Code by the employees was noted by the Company during year ended December 31, 2019.

Purchase, Sale or Redemption of Listed Securities

Neither the Company nor any member of the Group has purchased, sold or redeemed any of the Company’s shares during the year ended December 31, 2019.

Audit Committee

The audit committee of the Board (the “**Audit Committee**”) has three members comprising our non-executive Director, namely Ms. Shu Ping, and two independent non-executive Directors, namely Mr. Qi Daqing (chairman of the Audit Committee) and Mr. Hee Theng Fong, with terms of reference in compliance with the Listing Rules.

Use of Proceeds from the Global Offering

The Company's shares were listed on the Stock Exchange on September 26, 2018. The net proceeds from the Global Offering amounted to approximately HK\$7,299.3 million. For the year ended December 31, 2019, the net proceeds have been applied in the manner as set out in the section headed "Future Plans and Use of Proceeds" of the Prospectus. As of December 31, 2019, the Company cumulatively used HK\$5,932.8 million, accounting for approximately 81.3% of the proceeds from the Global Offering. The company expects to utilize the balance of net proceeds of approximately HK\$1,366.5 million by the end of 2021.

| | | | As of December 31, 2019 | |
|--|------------|--------------|-------------------------|--------------|
| | Percentage | Net | Utilized | Unutilized |
| | % | Proceeds | amount | amount |
| | | HK\$ million | HK\$ million | HK\$ million |
| For expansion plan | 60.0 | 4,379.5 | 4,379.5 | – |
| For development and implementation of new technology | 20.0 | 1,459.9 | 129.9 | 1,330.0 |
| For the repayment of loan facility and credit facility | 15.0 | 1,094.9 | 1,094.9 | – |
| For working capital and general corporate purposes | 5.0 | 365.0 | 328.5 | 36.5 |
| Total | 100.0 | 7,299.3 | 5,932.8 | 1,366.5 |

Events after December 31, 2019

The outbreak of the 2019 Novel Coronavirus (the "COVID-19") in China and the subsequent quarantine measures imposed by the Chinese government as well as the travel restrictions imposed by other countries in early 2020 have had a significant impact on the operations of the Group since January 2020, as most of the Group's operations are located in China. The Group have suspended the operation of all of its restaurants in mainland China since January 26, 2020 voluntarily in an effort to contain the spread of the epidemic.

The Group has reopened most of those closed restaurants since March 12, 2020. Although affected by the COVID-19, the operating performance of the aforementioned restaurants is gradually improving.

Given the dynamic nature of these circumstances, the Directors considered that the financial effects cannot be reasonably estimated as at the date of this announcement, but are expected that with the improvement measures being taken and the availability of sources of funds, the Group will remain a going concern.

Save as disclosed above, Directors are not aware of any significant event requiring disclosure that has taken place subsequent to December 31, 2019 and up to the date of this announcement.

Principal Risks and Uncertainties

Our business, financial condition and results of operations could be materially and adversely affected by certain risks and uncertainties. For details, please see the section headed “Risk Factors” of the prospectus dated September 12, 2018.

FINAL DIVIDEND

The Board resolved to propose to the Shareholders in the forthcoming annual general meeting (“AGM”) for the distribution of a final dividend of HK\$0.15 (equivalent to RMB0.13) per share for the year ended December 31, 2019. The final dividend is expected to be paid in an aggregate of approximately HK\$771,388,012 (equivalent to RMB703,413,300). The final dividend will be distributed in HKD and will be calculated based on the average benchmark exchange rate of RMB against HKD announced by the People’s Bank of China in the five working days prior to but excluding the date of the Board meeting held on Wednesday, March 25, 2020. The proposal for the distribution of the final dividend above is subject to the consideration and approval of the Shareholders at the AGM.

REVIEW OF UNAUDITED ANNUAL RESULTS

Due to the transportation control implemented and the restrictions in resuming work as a result of the outbreak of COVID-19, the audit work, including but not limited to the confirmation arrangements, site visits and inspections of original and source documents, etc., has experienced a significant delay.

For the reasons illustrated above, the auditing process for the annual results for the year ended December 31, 2019 has not been completed as of the date of this announcement. The unaudited annual results contained herein have not been agreed with the Company’s auditors as required under Rule 13.49(2) of the Listing Rules. An announcement relating to the audited results will be made when the auditing process is completed. The unaudited annual results contained herein have been reviewed by the Audit Committee.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.haidilao.com).

Following the completion of the auditing process, the Company will issue further announcement(s) in relation to (i) the audited results for the year ended December 31, 2019 as agreed by the Company’s auditors and the material differences (if any) as compared with the unaudited annual results contained herein, (ii) the payment date of the proposed final dividend for the year ended December 31, 2019, (iii) the proposed date on which the forthcoming AGM will be held, (iv) the period during which the register of members of the Company will be closed in order to ascertain the eligibility of the Shareholders to attend and vote at the AGM, and (v) the period during which the register of members of the Company will be closed to determine the entitlement of the Shareholders to the final dividend. In addition, the Company will issue further announcement as and when necessary if there are other material development in the completion of the auditing process. The Company expects the auditing process will be completed on or before April 8, 2020 and in any event not later than April 10, 2020.

The annual report of the Company for the year ended December 31, 2019 containing all the information as required by the Listing Rules will be despatched to the Shareholders of the Company and made available for review on the same websites in April 2020.

APPRECIATION

The Board would like to express its sincere gratitude to the Shareholders, management team, employees, business partners and customers of the Company for their support and contribution to the Group.

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

Hong Kong, March 25, 2020

As of the date of this announcement, the Board of Directors of the Company comprises Mr. Zhang Yong as the Chairman and Executive Director and Mr. Shi Yonghong, Mr. Shao Zhidong and Mr. Tong Xiaofeng as Executive Directors, Ms. Shu Ping as the Non-executive Director, and Dr. Chua Sin Bin, Mr. Hee Theng Fong and Mr. Qi Daqing as Independent Non-executive Directors.