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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 INTERIM RESULTS FOR THE SIX MONTHS ENDED JUNE 30, 2020

The board (the “**Board**”) of directors (the “**Directors**”) 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 six months ended June 30, 2020 (the “**Reporting Period**”), together with comparative figures for the same period of 2019.

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 six months ended June 30,	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	9,760,605	11,694,626
Revenue from Haidilao restaurant operation	9,150,653	11,331,412
(Loss) profit before tax	(924,418)	1,251,008
(Loss) profit for the period	(964,507)	912,165
Net (loss) profit attributable to owners of the Company	(964,602)	911,035
Basic (loss) earnings per share (RMB)	(0.18)	0.17

KEY BUSINESS HIGHLIGHTS

	As of and for the six months ended June 30,	
	2020	2019
Number of Haidilao restaurants	935	593
Average table turnover rate (times/day)	3.3	4.8
Average spending per guest (RMB)	112.8	104.4

2020 INTERIM PERFORMANCE REVIEW

As of June 30, 2020, the principal business of the Group has been materially affected due to the outbreak of the COVID-19 epidemic. As disclosed in the voluntary announcements of the Company dated January 28, 2020 and February 2, 2020, in order to actively support the epidemic prevention and control and ensure the health and safety of our employees and customers, we have suspended the operation of all of our restaurants in mainland China temporarily since January 26, 2020. As the Chinese government has exerted great efforts to prevent and control the epidemic in mainland China, the epidemic in mainland China has been gradually under effective control since March 2020. As such, the Company has reopened most of its restaurants suspended in mainland China since March 12, 2020. At the same time, the Company requests that the reopened restaurants in each region should comply with the requirements of the national and local governments for the epidemic prevention and control and that such restaurants should strictly implement the customer flow control measure, arrange separate seating for customers and limit the number of customers. The epidemic has also hit markets outside mainland China. For the six-month period ended June 30, 2020, our Haidilao restaurants have served over 81 million customers with an average table turnover rate of 3.3 times per day.

In the first half of 2020, we still actively opened new restaurants and continued to expand the restaurant network of Haidilao. In the first half of 2020, we opened 173 new Haidilao restaurants, expanding the global Haidilao restaurant network from 768 restaurants as of December 31, 2019 to 935 ^{Note} restaurants as of June 30, 2020, among which 868 restaurants were located in 164 cities in mainland China, and 67 restaurants were located in Hong Kong, China, Macau, China, Taiwan, China and overseas, including Singapore, South Korea, Japan, the United States, Canada, the United Kingdom, Vietnam, Malaysia, Indonesia and Australia.

In addition, we adopted a series of measures during the epidemic from the perspectives of “customer satisfaction” and “employee efforts”. Certain of our restaurants in mainland China have taken lead in resumption of “safe delivery” (安心送) and “contactless delivery” (無接觸配送) delivery services. The Group developed and launched retail products such as semi-finished convenient dishes, and proactively expanded various online sale channels such as Haidilao App and the third party e-commercial platforms. In the first half of 2020, we introduced more than 91 new dishes in the whole market and different regional markets in mainland China, including Chongqing butter hot pot, banded shrimp paste, black pepper flavored beef and sakura mousse cake, providing our guests with a richer selection of products.

During the epidemic, we made full efforts to ensure employment of our employees under relevant requirements of the governments of various countries and regions. During the period of suspension of operation, we organized various kinds of online trainings for our employees and contributed epidemic prevention and control expenses to ensure the health and safety of our employees and the resumption of work and production of our restaurants. Furthermore, we actively assumed social responsibility and made donations to medical institutions, both monetary and in kind.

In the first half of 2020, we continued to boost intelligent upgrading of our restaurants, striving to provide customers with service that is both standard and personalized. As of June 30, 2020, we equipped three restaurants with intelligent robotic arms and 23 restaurants with “Thousand People Thousand Flavors” intelligent soup bases preparation machines. 958 robot waiters and 385 “Xiaomei” telephone robots have been used in our restaurants globally. Meanwhile, we continuously develop and update our Intelligent Kitchen Management System (IKMS) and restaurant procurement system. These intelligent elements guaranteed the food safety of our kitchen on the one hand, and on the other hand, improved the operating efficiency of our restaurants.

The overall performance of our restaurants has been improved on a month-to-month basis leveraging on all of our employees' unremitting efforts and customers' constant supports since the restaurants in mainland China were reopened and the remaining restaurants affected by the epidemic in other countries and regions gradually resumed under the epidemic prevention and control effects in such countries and regions.

Note: During the Reporting Period, we closed 6 restaurants due to expire of leases and other commercial reasons.

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue

The revenue of our Group decreased by 16.5% from RMB11,694.6 million for the six months ended June 30, 2019 to RMB9,760.6 million for the corresponding period in 2020.

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 six months ended June 30,			
	2020		2019	
	<i>(RMB' 000 except percentages)</i>		<i>(RMB' 000 except percentages)</i>	
Haidilao restaurant operation	9,150,653	93.7%	11,331,412	96.9%
Other restaurant operation	11,999	0.1%	4,761	0.0%
Delivery business	409,645	4.2%	183,156	1.6%
Sales of condiment products and food ingredients	182,150	1.9%	175,297	1.5%
Others	6,158	0.1%	—	—
Total revenue	<u>9,760,605</u>	<u>100%</u>	<u>11,694,626</u>	<u>100%</u>

Revenue from Haidilao restaurant operation, the major part of our revenue which accounted for 93.7% of our total revenue for the six months ended June 30, 2020, decreased by 19.2% from RMB11,331.4 million for the six months ended June 30, 2019 to RMB9,150.7 million for the corresponding period in 2020, mainly due to the decreased customer flow of restaurants resulting from the epidemic. Our Haidilao restaurants' average table turnover rate for six-month period dropped to 3.3 times per day from 4.8 times per day for the corresponding period in 2019, mainly due to the decreased customer flow of restaurants resulting from the epidemic. Our Haidilao restaurants' average spending per guest increased from RMB104.4 for the six months ended June 30, 2019 to RMB112.8 for the corresponding period in 2020.

Revenue from our delivery business increased by 123.7% from RMB183.2 million for the six months ended June 30, 2019 to RMB409.6 million for the corresponding period in 2020, mainly due to an increase in number of delivery orders.

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

	For the six months ended June 30,	
	2020	2019
Overall		
Average spending per guest⁽¹⁾ (RMB)		
Tier 1 cities ⁽²⁾	118.1	110.0
Tier 2 cities ⁽³⁾	107.4	98.4
Tier 3 cities and below ⁽⁴⁾	101.8	94.8
<i>Mainland China restaurants</i>	108.0	100.4
Outside mainland China	191.3	185.5
Overall	112.8	104.4
Table turnover rate⁽⁵⁾ (times/day)		
Tier 1 cities ⁽²⁾	3.0	4.8
Tier 2 cities ⁽³⁾	3.5	5.0
Tier 3 cities and below ⁽⁴⁾	3.6	4.7
<i>Mainland China restaurants</i>	3.4	4.8
Outside mainland China	2.6	3.9
Overall	3.3	4.8
New and existing restaurants⁽⁶⁾		
Newly-opened restaurants	2.4	3.9
Existing restaurants	3.4	4.9
Overall	3.3	4.8

Notes:

- ⁽¹⁾ Calculated by dividing gross revenue generated from restaurant operation for the period by total guests served for the period.
- ⁽²⁾ Beijing, Shanghai, Guangzhou and Shenzhen.
- ⁽³⁾ All municipalities and provincial capitals excluding tier 1 cities, plus Qingdao, Xiamen, Ningbo, Dalian, Zhuhai, Suzhou and Wuxi.
- ⁽⁴⁾ All the cities and regions excluding tier 1 cities and tier 2 cities.
- ⁽⁵⁾ Calculated by dividing the total tables served for the period by the product of total operation days for the period and average table count during the period. The average table count included the table count in the areas that were not opened due to the epidemic prevention and control during the Reporting Period.
- ⁽⁶⁾ We define our existing restaurants as those that had 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 six months ended June 30,	
	2020	2019
Number of same stores⁽¹⁾		
Tier 1 cities	65	
Tier 2 cities	160	
Tier 3 cities and below	110	
Outside mainland China	35	
Overall	370	
Average same store sales per day⁽²⁾ (in thousands of RMB)		
Tier 1 cities	97.3	133.8
Tier 2 cities	100.1	126.7
Tier 3 cities and below	96.1	110.9
Outside mainland China	96.8	139.4
Overall	98.1	124.4
Average same store table turnover rate (times/day)⁽³⁾		
Tier 1 cities	3.4	4.7
Tier 2 cities	3.8	5.0
Tier 3 cities and below	4.1	4.8
Outside mainland China	2.7	3.9
Overall	3.7	4.8

Notes:

- ⁽¹⁾ Includes restaurants that had commenced operations prior to the beginning of the periods under comparison and opened for more than 120 days in both the six-month periods ended June 30, 2019 and 2020. As certain restaurants were temporarily suspended for more than 30 days due to the epidemic, we deducted 30 days from the previous standards of 150 days for selecting same stores so as to more accurately reflect real operating profile of Haidilao restaurants.
- ⁽²⁾ Calculated by dividing the gross revenue from restaurant operation at our same stores for the period by the total operation days at our same stores for the period.
- ⁽³⁾ Calculated by dividing the total tables served at our same stores for the period by the product of total operation days for the period and average table count during the period. The average table count included the table count in the areas that were not opened due to the epidemic prevention and control during the Reporting Period.

Revenue from Haidilao Restaurant Operation by Geographic Region

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

	For the six months ended June 30,					
	2020			2019		
	Number of restaurants	Gross Revenue/ Revenue (RMB'000)		Number of restaurants	Gross Revenue/ Revenue (RMB'000)	
Mainland China						
Tier 1 cities	212	2,019,303	22.0%	146	2,864,838	25.2%
Tier 2 cities	389	3,801,388	41.5%	257	5,024,381	44.1%
Tier 3 cities and below	267	2,450,572	26.7%	147	2,532,050	22.2%
Subtotal	868	8,271,263	90.2%	550	10,421,269	91.5%
Outside mainland China						
Asia	56	807,015	8.8%	36	830,980	7.3%
North America	8	61,118	0.7%	5	93,919	0.9%
Europe	1	12,565	0.1%	1	14,095	0.1%
Oceania	2	14,155	0.2%	1	21,051	0.2%
Subtotal	67	894,853	9.8%	43	960,045	8.5%
Total restaurants/gross revenue generated from restaurant operation	935	9,166,116	100%	593	11,381,314	100%
Net of: Customer loyalty program		(15,463)			(49,902)	
Total restaurants/revenue generated from restaurant operation	935	9,150,653		593	11,331,412	

Raw Materials and Consumables Used

Our raw materials and consumables used decreased by 11.3% from RMB4,902.6 million for the six months ended June 30, 2019 to RMB4,348.2 million for the corresponding period in 2020, primarily due to a decrease in operation days of our restaurants during the Reporting Period resulting from the epidemic. As a percentage of revenue, our raw materials and consumables used was at 41.9% for the six months ended June 30, 2019 and 44.5% for the six months ended June 30, 2020, primarily due to a decrease in our revenue as a result of the epidemic and the higher consumption of materials as a result of the improvement of customers' dining experience.

Staff Costs

Our staff costs increased by 11.6% from RMB3,651.9 million for the six months ended June 30, 2019 to RMB4,074.0 million for the corresponding period in 2020, primarily due to the increase in the number of employees as a result of our business expansion. As a percentage of revenue, our staff costs increased from 31.2% for the six months ended June 30, 2019 to 41.7% for the corresponding period in 2020, primarily because our revenue reduced during the Reporting Period as a result of the epidemic.

Property Rentals and Related Expenses

Our property rentals and related expenses decreased by 8.3% from RMB96.1 million for the six months ended June 30, 2019 to RMB88.1 million for the corresponding period in 2020, primarily because revenue from restaurants reduced during the Reporting Period as a result of the epidemic, resulting in a decrease in variable lease payments based on pre-determined percentages of revenue from restaurants. As a percentage of revenue, property rentals and related expenses remained relatively stable at 0.8% for the six months ended June 30, 2019 and 0.9% for the corresponding period in 2020.

Utilities Expenses

Our utilities expenses decreased by 18.0% from RMB439.1 million for the six months ended June 30, 2019 to RMB360.0 million for the corresponding period in 2020, primarily due to a decrease in operation days of our restaurants during the Reporting Period as a result of the epidemic. As a percentage of revenue, the utilities expenses remained relatively stable at 3.8% for the six months ended June 30, 2019 and 3.7% for the six months ended June 30, 2020.

Travelling and Related Expenses

Our travelling and related expenses decreased by 16.1% from RMB94.3 million for the six months ended June 30, 2019 to RMB79.1 million for the corresponding period in 2020, primarily due to fewer trips resulting from the epidemic.

Depreciation and Amortization

Our depreciation and amortization increased by 56.2% from RMB830.1 million for the six months ended June 30, 2019 to RMB1,297.0 million for the corresponding period in 2020. As a percentage of revenue, depreciation and amortization increased from 7.1% for the six months ended June 30, 2019 to 13.3% for the corresponding period in 2020, mainly due to our business expansion and a decrease in our revenue during the Reporting Period as a result of the epidemic.

Other Expenses

Our other expenses increased by 10.7% from RMB461.6 million for the six months ended June 30, 2019 to RMB510.8 million for the corresponding period in 2020, which was due to our business expansion, primarily reflecting (i) a RMB23.8 million increase in administrative expenses; (ii) a RMB19.2 million decrease in consultation service fees; and (iii) a RMB44.6 million increase in storage fees. As a percentage of revenue, our other expenses increased from 3.9% for the six months ended June 30, 2019 to 5.2% for the corresponding period in 2020, mainly due to our business expansion and a decrease in our revenue during the Reporting Period as a result of the epidemic.

Share of Profits of Associates and a Joint Venture

Our share of profits in relation to (i) our associate 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), increased significantly from RMB18.3 million for the six months ended June 30, 2019 to RMB41.9 million for the corresponding period in 2020, mainly due to the business expansion of Fuhai.

Other Gains and Losses

Our other gains and losses increased by 1,278.1% from RMB2.8 million (loss) for the six months ended June 30, 2019 to RMB32.8 million for the corresponding period in 2020, due to an increase in net foreign exchange gain.

Finance Costs

Our finance costs increased by 79.2% from RMB102.1 million for the six months ended June 30, 2019 to RMB183.0 million for the corresponding period in 2020, primarily due to the increase in interests on lease liabilities resulting from our business expansion and the increase in interests on bank borrowings.

Income Tax Expense

Our income tax expense decreased by 88.2% from RMB338.8 million for the six months ended June 30, 2019 to RMB40.1 million for the corresponding period in 2020, primarily due to a decrease in our profit during the Reporting Period as a result of the epidemic.

(Loss) Profit for the Period

As a result of the foregoing, our (loss) profit for the period decreased by 205.7% from RMB912.2 million for the six months ended June 30, 2019 to RMB964.5 million (loss) for the corresponding period in 2020.

Capital Liquidity and Financial Resources

For the six months ended June 30, 2020, 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 renovate and decorate our restaurants. Our cash and cash equivalents increased from RMB2,222.0 million as of December 31, 2019 to RMB2,247.7 million as of June 30, 2020, mainly reflecting an increase in financing amount as a result of our business expansion and the epidemic.

Right-of-use Assets

Under International Financial Reporting Standards 16 Leases (“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 June 30, 2020, we recognized right-of-use assets of RMB5,729.4 million.

Inventories

Our inventories mainly represented our condiment products and food ingredients used in our restaurant operation. Our inventories decreased from RMB1,199.7 million as of December 31, 2019 to RMB907.9 million as of June 30, 2020, primarily due to the consumption of inventories held for Spring Festival holiday period of our subsidiary, Sichuan Haizhiyan Trade Co., Ltd. (四川海之雁貿易有限公司) as a result of the epidemic. Our inventory turnover days for the year ended December 31, 2019 and the six months ended June 30, 2020 equaled the average of the beginning and ending inventories for the year/period divided by raw materials and consumables used for the same period and multiplied by 365 days/181 days and increased from 26.9 days to 43.9 days, primarily due to a decrease in operation days of our restaurants during the Reporting Period as a result of the epidemic.

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 decreased from RMB203.6 million as of December 31, 2019 to RMB141.7 million as of June 30, 2020. The turnover days of trade receivables increased from 2.4 days for the year ended December 31, 2019 to 3.2 days for the six months ended June 30, 2020, primarily due to a decrease in operation days of our restaurants during the Reporting Period as a result of the epidemic.

Trade Payables

Trade payables mainly represent the balances due to our independent third party suppliers of food ingredients and consumables. Our trade payables decreased from RMB1,406.4 million as of December 31, 2019 to RMB1,206.8 million as of June 30, 2020, primarily due to a decrease in procurement as a result of the epidemic. The turnover days of trade payables increased from 34.7 days for the year ended December 31, 2019 to 54.4 days for the six months ended June 30, 2020, primarily due to a decrease in operation days of our restaurants during the Reporting Period as a result of the epidemic.

Bank Borrowings

As of June 30, 2020, we had bank borrowings of RMB3,305.2 million. During the six months ended June 30, 2020, the Group obtained new bank loans amounting to RMB3,238.3 million and repaid bank loans amounting to RMB60.8 million.

Other Borrowing

As of June 30, 2020, we had other borrowing of RMB96.1 million which was obtained and secured by fixed assets of the Group.

Contingent Liabilities

As of June 30, 2020, 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 June 30, 2020, the Group charged fixed assets with a net book value of RMB552.2 million as securities for other borrowing and bank borrowings.

As of June 30, 2020, the Group charged bank deposits of RMB22.7 million to banks to secure the rental payments to the lessors.

Debt-to-equity Ratio

As of June 30, 2020, the Group's debt-to-equity ratio was 38.1%.

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 June 30, 2020, the Group had a total of 92,179 employees, of which 85,261 employees were located in mainland China and 6,918 employees were located in China Hong Kong, China Macao, China Taiwan and overseas. For the six months ended June 30, 2020, the Group has incurred a total staff costs (including salaries, wages, allowance and benefits) of RMB4,074.0 million.

Material Acquisitions and Disposals

The Company had no material acquisitions and disposals during the period from January 1, 2020 to June 30, 2020.

No Material Changes

Saved as disclosed in this announcement, during the period from January 1, 2020 to June 30, 2020, there were no material changes affecting the Group's performance that needs to be disclosed under Paragraphs 32 and 40(2) of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

Future Plans for Material Investments

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.

FUTURE PROSPECT

Going forward, our development initiatives mainly include:

- 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.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		For the six months ended June 30,	
		2020	2019
	Notes	<i>RMB'000</i> (Unaudited)	<i>RMB'000</i> (Unaudited)
Revenue	3	9,760,605	11,694,626
Other income	4	180,465	118,828
Raw materials and consumables used		(4,348,184)	(4,902,583)
Staff costs		(4,074,012)	(3,651,919)
Property rentals and related expenses		(88,149)	(96,110)
Utilities expenses		(359,979)	(439,146)
Depreciation and amortization		(1,296,990)	(830,144)
Travelling and related expenses		(79,144)	(94,343)
Other expenses		(510,780)	(461,570)
Share of profits of associates		45,452	21,828
Share of loss of a joint venture		(3,520)	(3,539)
Other gains and losses	5	32,821	(2,786)
Finance costs	6	(183,003)	(102,134)
(Loss) profit before tax		(924,418)	1,251,008
Income tax expense	7	(40,089)	(338,843)
(Loss) profit for the period	8	(964,507)	912,165
Other comprehensive expense			
Item that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of foreign operations		(33,394)	(47)
Total comprehensive (expense) income for the period		(997,901)	912,118
(Loss) profit for the period attributable to:			
Owners of the Company		(964,602)	911,035
Non-controlling interests		95	1,130
		(964,507)	912,165
Total comprehensive (expense) income attributable to:			
Owners of the Company		(997,996)	910,988
Non-controlling interests		95	1,130
		(997,901)	912,118
(LOSS) EARNINGS PER SHARE			
Basic (RMB)	10	(0.18)	0.17
Diluted (RMB)	10	(0.18)	0.17

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at June 30, 2020 <i>RMB'000</i> (Unaudited)	As at December 31, 2019 <i>RMB'000</i> (Audited)
Non-current Assets			
Property, plant and equipment		8,800,247	7,689,580
Right-of-use assets	11	5,729,352	4,755,839
Goodwill		92,602	92,602
Other intangible assets		103,015	111,864
Investments in associates		214,869	169,417
Investment in a joint venture		53,535	56,741
Equity instrument at fair value through other comprehensive income (“FVTOCI”)		49,557	48,833
Financial assets at fair value through profit or loss (“FVTPL”)		23,679	44,267
Deferred tax assets		216,405	170,169
Rental deposits		301,266	269,269
Security deposits for other borrowing		5,060	5,060
		15,589,587	13,413,641
Current Assets			
Inventories		907,908	1,199,666
Trade and other receivables and prepayments	12	1,603,411	1,615,551
Amounts due from related parties		253,575	300,973
Financial assets at FVTPL		1,301,855	–
Deposits placed in a financial institution		1,107,687	1,804,035
Other financial assets		2,000	–
Pledged bank deposits		22,737	58,104
Bank balances and cash		2,247,660	2,221,962
		7,446,833	7,200,291

		As at June 30, 2020 <i>RMB'000</i> (Unaudited)	As at December 31, 2019 <i>RMB'000</i> (Audited)
	<i>Notes</i>		
Current Liabilities			
Trade payables	13	1,206,818	1,406,408
Notes payable		111,808	300,000
Other payables	14	1,633,912	1,276,989
Amounts due to related parties		1,119,067	1,071,805
Dividend payable		3,805	3,805
Tax payable		38,995	224,301
Lease liabilities		857,702	733,203
Bank borrowings		3,013,212	122,174
Other borrowing		22,602	22,602
Contract liabilities		538,643	502,784
		<u>8,546,564</u>	<u>5,664,071</u>
Net Current (Liabilities) Assets		<u>(1,099,731)</u>	<u>1,536,220</u>
Total Assets less Current Liabilities		<u>14,489,856</u>	<u>14,949,861</u>
Non-current Liabilities			
Deferred tax liabilities		10,720	46,760
Lease liabilities		5,130,205	4,142,960
Bank borrowings		291,971	–
Other borrowing		73,457	84,758
Provision		58,784	49,350
		<u>5,565,137</u>	<u>4,323,828</u>
Net Assets		<u>8,924,719</u>	<u>10,626,033</u>
Capital and Reserves			
Share capital		175	175
Reserves		8,921,417	10,622,826
Equity attributable to owners of the Company		<u>8,921,592</u>	<u>10,623,001</u>
Non-controlling interests		<u>3,127</u>	<u>3,032</u>
Total Equity		<u>8,924,719</u>	<u>10,626,033</u>

NOTES:

1. General Information and Basis of Preparation

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 address of the Company's registered office is Cricket Square, Hutchins Drive, PO Box 268, Grand Cayman, KY1-1111 in Cayman Islands, and the address of the principal place of business is 7th Floor, No. 1 Building, No. 398 Yard, Zhongdong Road, Dongxiaokou Town, Changping District in Beijing, the PRC. The ultimate controlling parties are Mr. Zhang Yong and his spouse, namely Ms. Shu Ping (collectively the "**Controlling Shareholders**").

The shares of the Company have been listed on The Stock Exchange of Hong Kong Limited (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 condensed consolidated financial statements is presented in RMB, which is also the functional currency of the Company and its subsidiaries in mainland China.

The condensed consolidated financial statements for the six months ended June 30, 2020 have been prepared in accordance with International Accounting Standard 34 ("**IAS 34**") *Interim Financial Reporting* issued by the International Accounting Standards Board ("**IASB**") as well as with the applicable disclosure requirements of Appendix 16 to the Listing Rules.

As at June 30, 2020, the Group's net current liabilities amounted to RMB1,099,731,000. In the opinion of the directors of the Company, the Group will have sufficient funds available from the operating activities to meet their financial obligations in the foreseeable future. The Group also monitors the utilization and repayment of bank borrowings to ensure the Group with sufficient funds. As at June 30, 2020, the Group had unused banking facilities of RMB2,214 million. In addition, according to the sensitivity analysis performed by the management of the Group, the Group will be able to operate as a going concern even with a relatively low table turnover rate compared with last year. The condensed consolidated financial statements has been prepared on a going concern basis accordingly.

2. Principal Accounting Policies

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values.

Other than additional accounting policies resulting from application of amendments to International Financial Reporting Standards ("**IFRSs**"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended June 30, 2020 are the same as those presented in the Group's annual financial statements for the year ended December 31, 2019.

Application of amendments to IFRSs

In the current interim period, the Group has applied the Amendments to References to the Conceptual Framework in IFRS Standards and the following amendments to IFRSs issued by the IASB, for the first time, which are mandatorily effective for the annual period beginning on or after January 1, 2020 for the preparation of the Group's condensed consolidated financial statements:

Amendments to IAS 1 and IAS 8	Definition of Material
Amendments to IFRS 3	Definition of a Business
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform

In addition, the Group has early applied the Amendment to IFRS 16 "Covid-19-Related Rent Concessions".

Except as described below, the application of the Amendments to References to the Conceptual Framework in IFRS Standards and the amendments to IFRSs in the current period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

2.1 Impacts and accounting policies on early application of Amendments to IFRS 16 “Covid-19-Related Rent Concessions”

2.1.1 Accounting policies

Leases

Covid-19-related rent concessions

Rent concessions relating to lease contracts that occurred as a direct consequence of the Covid-19 pandemic, the Group has elected to apply the practical expedient not to assess whether the change is a lease modification if all of the following conditions are met:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before June 30, 2021; and
- there is no substantive change to other terms and conditions of the lease.

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying IFRS 16 “*Leases*” if the changes were not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognized in the profit or loss in the period in which the event occurs.

2.1.2 Transition and summary of effects

The Group has early applied the amendment in the current interim period. The application has no impact to the opening retained profits at January 1, 2020. The Group recognized changes in lease payments that resulted from rent concessions of RMB58,390,000 in the profit or loss for the current interim period.

3. Revenue and Segment Information

During the six months ended June 30, 2020 and 2019, 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 six months ended June 30,	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Restaurant operation	9,162,652	11,336,173
Delivery business	409,645	183,156
Sales of condiment products and food ingredients	182,150	175,297
Others	6,158	–
	<hr/>	<hr/>
Total	9,760,605	11,694,626
	<hr/> <hr/>	<hr/> <hr/>

Information reported to Mr. Zhang Yong, who is identified as the chief operating decision maker (the “CODM”) 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 six months ended June 30, 2020 (six months ended June 30, 2019: Nil).

The following table set forth the breakdown of the Group's revenue during the six months ended June 30, 2020 and 2019, and the breakdown of the Group's non-current assets as at June 30, 2020 and December 31, 2019 based on locations of operations:

	Revenue		Non-current assets (Note)	
	For the six months ended June 30,		As at	
	2020	2019	June 30,	December 31,
	RMB'000	RMB'000	2020	2019
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
Mainland China	8,761,230	10,650,298	12,054,356	10,351,592
Outside mainland China	999,375	1,044,328	3,245,590	2,798,780
	<hr/>	<hr/>	<hr/>	<hr/>
Total	9,760,605	11,694,626	15,299,946	13,150,372
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Note:

Non-current assets presented above excluded equity instrument at FVTOCI, financial assets at FVTPL and deferred tax assets.

4. Other Income

	For the six months ended June 30,	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Interest income on:		
– bank deposits	8,151	48,788
– deposits placed in a financial institution	16,255	29,857
– rental deposits	4,815	2,551
– other financial assets	–	1
	<u>29,221</u>	<u>81,197</u>
Government grant (Note i)	112,721	15,860
Additional tax deduction (Note ii)	13,164	5,608
Others	25,359	16,163
	<u>180,465</u>	<u>118,828</u>

Notes:

- i. The amounts represent the subsidies received from the local governments to support the Group's local business development. During the current interim period, the Group recognized government grants of RMB72,891,000 in respect of Covid-19-related subsidies, of which RMB39,735,000 is related to employment support scheme provided by PRC government. There were no unfulfilled conditions in the periods 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 onwards.

5. Other Gains and Losses

	For the six months ended June 30,	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Impairment loss recognized in respect of:		
– property, plant and equipment (Note 11)	(16,048)	–
– right-of-use assets (Note 11)	(12,595)	–
Loss on disposal of property, plant and equipment and termination of leases, net	(19,510)	(11,276)
Net foreign exchange gain (loss)	59,749	(1,290)
Net gain arising on financial assets at FVTPL	15,412	2,338
Others	5,813	7,442
	<u>32,821</u>	<u>(2,786)</u>

6. Finance Costs

	For the six months ended June 30,	
	2020 RMB' 000 (Unaudited)	2019 RMB' 000 (Unaudited)
Interests on lease liabilities	132,771	95,167
Interests on bank borrowings	46,039	6,883
Interests on other borrowing	3,331	84
Interests charge on unwinding of discounts	862	—
	<u>183,003</u>	<u>102,134</u>

7. Income Tax Expense

	For the six months ended June 30,	
	2020 RMB' 000 (Unaudited)	2019 RMB' 000 (Unaudited)
Current tax:		
– current period		
– PRC Enterprise Income Tax (“EIT”)	75,700	400,271
– other jurisdictions	42,804	1,226
	<u>118,504</u>	<u>401,497</u>
– under provision in prior period		
– PRC EIT	3,861	83
	<u>122,365</u>	<u>401,580</u>
Deferred tax	<u>(82,276)</u>	<u>(62,737)</u>
	<u>40,089</u>	<u>338,843</u>

Under the Law of the EIT, withholding tax is 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 June 30, 2020 and 2019, no deferred tax liability 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 RMB3,452,523,000 and RMB3,191,702,000 as at June 30, 2020 and 2019 respectively, 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.

8. (Loss) Profit for the Period

The Group's (loss) profit for the period has been arrived at after charging (crediting):

	For the six months ended June 30,	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Depreciation of property, plant and equipment	895,135	534,127
Depreciation of right-of-use assets	387,225	287,777
Amortization of other intangible assets	14,630	8,240
Total depreciation and amortization	1,296,990	830,144
Covid-19-related rent concessions (<i>Note 11</i>)	(58,390)	–
Property rentals		
– office premises (fixed payments)	320	–
– restaurants		
– fixed payments	–	4,744
– variable lease payments (<i>Note</i>)	25,596	50,451
	25,916	55,195
Other rental related expenses	62,233	40,915
Total property rentals and related expenses	88,149	96,110
Directors' emoluments	65,030	63,798
Other staff costs:		
Salaries and other allowance	3,236,337	3,037,005
Employee welfare	565,901	322,354
Retirement benefit contribution	206,744	228,762
Total staff costs	4,074,012	3,651,919

Note:

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

9. Dividends

	For the six months ended June 30,	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Dividends recognized as distributions during the period	<u>703,413</u>	<u>345,000</u>

On March 25, 2020, a final dividend of Hong Kong Dollar (“HKD”) 0.15 (equivalent to RMB0.13) per share with a total amount of HKD771,388,000 (equivalent to RMB703,413,000) was declared to shareholders for the year ended December 31, 2019 by the Company out of share premium. The dividend was paid in June 2020.

On March 26, 2019, a final dividend of HKD0.076 (equivalent to RMB0.065) per share with a total amount of HKD403,627,000 (equivalent to RMB345,000,000) was declared to shareholders for the year ended December 31, 2018 by the Company out of share premium. The dividend was paid in June 2019.

10. (Loss) 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 six months ended June 30,	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Earnings		
(Loss) profit for the period attributable to owners of the Company	<u>(964,602)</u>	<u>911,035</u>

	For the six months ended June 30,	
	2020	2019
	'000	'000
	(Unaudited)	(Unaudited)
Number of shares		
Number of ordinary shares in issue for the purpose of basic (loss) earnings per share calculation	<u>5,300,000</u>	<u>5,300,000</u>

No diluted (loss) earnings per share for the six months ended June 30, 2020 and 2019 were calculated as there were no potential ordinary shares in issue for the six months ended June 30, 2020 and 2019.

11. Right-of-use Assets

During the current interim period, certain leases were terminated by the lessor, with right-of-use assets of RMB22,268,000 (six months ended June 30, 2019: Nil) and lease liabilities of RMB22,884,000 (six months ended June 30, 2019: Nil) derecognized, resulting in a gain on termination of leases of RMB616,000 (six months ended June 30, 2019: Nil), which was recognized in other gains and losses.

During the current interim period, the Group entered into several new lease agreements for the use of restaurant operation and office premises with lease terms ranged from 3 to 20 years. The Group is required to make fixed-term payments with predetermined annual incremental rental adjustments. On lease commencement, the Group recognized right-of-use assets of RMB1,391,101,000 (six months ended June 30, 2019: RMB874,961,000) and lease liabilities of RMB1,368,113,000 (six months ended June 30, 2019: RMB860,433,000).

As disclosed in the section “2020 INTERIM PERFORMANCE REVIEW” of this announcement, the Group had to temporarily close certain restaurants in order to contain the spread of Covid-19. Lessors of the relevant restaurants provided rent concessions to the Group through rent reductions ranging from 50% to 100% over one to six months.

Majority of these rent concessions occurred as a direct consequence of Covid-19 pandemic and met of all the conditions in IFRS 16.46B, and the Group applied the practical expedient not to assess whether the changes constitute lease modifications. During the current interim period, the effects on changes in lease payments due to forgiveness or waiver by the lessors for the relevant leases of RMB58,390,000 were recognized as negative variable lease payments.

Impairment assessment

As a result of the changes in the current economic environment related to the Covid-19 pandemic, the Group is experiencing negative conditions including decreased revenues and restaurant suspensions which indicate that the relevant property, plant and equipment and right-of-use assets may be impaired. During the current interim period, the Group performed impairment testing and recognized impairment loss of RMB16,048,000 and RMB12,595,000 related to property, plant and equipment and right-of-use assets, respectively (six months ended June 30, 2019: Nil and Nil).

The Group estimates the recoverable amount of the several cash generating units (“CGUs”) of restaurants to which the asset belongs when it is not possible to estimate the recoverable amount individually. The recoverable amounts of CGUs have been determined based on value in use calculation. That calculation uses cash flow projections based on financial budgets approved by the management of the Group covering the remaining lease periods with a before-tax discount rate ranging from 9.47% to 20.40% as at June 30, 2020, which varies for restaurants operating in different countries/regions. Other key assumptions for the value in use calculations are related to the estimation of cash inflows/outflows which included revenue compound growth rate and average percentage of costs and operating expenses of revenue for the forecast period, which are based on the CGUs’ past performance and the management’s expectations for the market development.

12. Trade and Other Receivables and Prepayments

	As at June 30, 2020 <i>RMB'000</i> (Unaudited)	As at December 31, 2019 <i>RMB'000</i> (Audited)
Trade receivables	<u>141,654</u>	<u>203,571</u>
Other receivables and prepayments:		
Loans to employees (<i>Note</i>)	13,204	12,663
Prepayment to suppliers	513,947	554,236
Prepaid operating expenses	223,416	272,451
Input value-added tax recoverable	550,693	460,734
Interest receivable	197	24,947
Prepaid income tax	75,192	–
Others	<u>85,108</u>	<u>86,949</u>
Subtotal	<u>1,461,757</u>	<u>1,411,980</u>
Total trade and other receivables and prepayments	<u><u>1,603,411</u></u>	<u><u>1,615,551</u></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 are due from payment platforms and are normally settled within 30 days. Trade receivables are aged within 30 days based on the date of rendering of services. There were no 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 June 30, 2020 <i>RMB'000</i> (Unaudited)	As at December 31, 2019 <i>RMB'000</i> (Audited)
Within 60 days	1,075,931	1,368,866
61 to 180 days	66,890	18,104
More than 181 days	63,997	19,438
	<u>1,206,818</u>	<u>1,406,408</u>

14. Other Payables

	As at June 30, 2020 <i>RMB'000</i> (Unaudited)	As at December 31, 2019 <i>RMB'000</i> (Audited)
Staff cost payable	869,938	682,678
Other taxes payables	96,547	94,831
Deposits from suppliers	33,280	18,634
Renovation fee payables	586,665	351,651
Interest payable	3,212	203
Consideration payable for acquisition of a subsidiary	–	99,035
Others	44,270	29,957
	<u>1,633,912</u>	<u>1,276,989</u>

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 six months ended June 30, 2020.

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 six months ended June 30, 2020.

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 the six months ended June 30, 2020.

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 six months ended June 30, 2020.

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.

The Audit Committee has considered and reviewed the Group’s interim results for the six months ended June 30, 2020, the accounting principles and practices adopted by the Company and the Group and discussed matters in relation to internal control and financial reporting with the management. The Audit Committee considers that the interim financial results for the six months ended June 30, 2020 are in compliance with the relevant accounting standards, rules and regulations and appropriate disclosures have been duly made.

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 six months ended June 30, 2020, 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 of our Company dated September 12, 2018 (the "**Prospectus**"). As of June 30, 2020, the Company cumulatively used HK\$6,043.8 million, accounting for approximately 82.8% of the proceeds from the Global Offering. The company expects to utilize the balance of net proceeds of approximately HK\$1,255.5 million by the end of 2021.

			As of June 30, 2020	
	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	204.4	1,255.5
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	365.0	–
Total	<u>100.0</u>	<u>7,299.3</u>	<u>6,043.8</u>	<u>1,255.5</u>

Events after the End of the June 30, 2020

The Directors are not aware of any significant event requiring disclosure that has taken place subsequent to June 30, 2020 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.

Interim Dividends

The Board of Directors does not recommend the payment of interim dividends for the six months ended June 30, 2020 to the shareholders.

Publication of Interim Results Announcement and Interim Report

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

The interim report for the six months ended June 30, 2020 containing all the information required by Appendix 16 to the Listing Rules will be despatched to the Shareholders and published on the websites of the Stock Exchange and the Company in due course.

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, August 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. Zhou Zhaocheng and Ms. Gao Jie 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.