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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 ANNUAL RESULTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

The board (the “**Board**”) of directors (the “**Directors**”) of Haidilao International Holding Ltd. (the “**Company**”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (together, the “**Group**”) for the year ended December 31, 2020 (the “**Reporting Period**”), together with comparative audited figures for the same period of 2019. The results have been reviewed by the audit committee of the Company (the “**Audit Committee**”).

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

KEY FINANCIAL HIGHLIGHTS

| | For the year ended December 31, | |
|--|--|-----------------|
| | 2020 | 2019 |
| | RMB' 000 | RMB' 000 |
| Revenue | 28,614,255 | 26,555,792 |
| Revenue from restaurant operation | 27,454,306 | 25,609,677 |
| Profit before tax | 735,142 | 3,247,224 |
| Profit for the year | 309,546 | 2,346,962 |
| Net profit attributable to owners of the Company | 309,271 | 2,344,711 |
| Basic earnings per share (RMB) | 0.06 | 0.44 |

KEY BUSINESS HIGHLIGHTS

| | As of and for the year ended December 31, | |
|---|--|-------------|
| | 2020 | 2019 |
| Number of Haidilao restaurants | 1,298 | 768 |
| Average table turnover rate (times/day) | 3.5 | 4.8 |
| Average spending per guest (RMB) | 110.1 | 105.2 |

2020 PERFORMANCE REVIEW

Financial Review

In the financial year of 2020, our revenue was RMB28,614.3 million, increasing by 7.8% as compared to year 2019. The increase was primarily driven by the expansion of our restaurant network. In 2020, the profit for the year was RMB309.5 million, decreasing by 86.8% as compared to year 2019. In 2020, the Group's income taxes paid was RMB657.1 million, decreasing by 24.8% as compared to the year 2019, and the Group's income taxes paid in mainland China was RMB605.9 million, which is lower than the tax target set by the Board at the beginning of the year. The management needs to work harder. In addition, the overall profitability of the Group in 2020 has been greatly affected by foreign exchange losses due to the appreciation of the RMB against the US dollar and other foreign currencies. The net loss of foreign exchange in 2020 was RMB234.8 million as compared to the net gain of foreign exchange in 2019 of RMB90.7 million.

Business Review

In 2020, various factors brought unprecedented pressures to the catering service industry. All the governance capacity of the Group's management, the overall quality of employees and the brand value of Haidilao were challenged. Sticking to the management philosophy of "aligned interests and disciplined management", our Group, on one hand, aligned the interests of our employees and the Company closely and continued to control food safety and other risks strictly with positive attitude toward difficulties and changes. On the other hand, we have worked hard to make immediate and effective responses to different events to provide a strong support to the long-term development of the Group.

As the outbreak of the COVID-19 epidemic, the Group's principal business was severely affected in 2020, especially in the first half of 2020. For the prevention and control of the COVID-19 epidemic and protecting the health and safety of our customers and employee to the largest extent, we have suspended the operation of all of our restaurants in mainland China voluntarily since January 26, 2020. As the Chinese government exerted greater efforts to prevent and control the COVID-19 epidemic, the COVID-19 epidemic in mainland China has been gradually under effective control since March 2020. Upon fulfillment of the COVID-19 epidemic prevention and control conditions required by the national and local governments, we gradually reopened the Haidilao restaurants in mainland China since March 12, 2020. In each reopened restaurant, various COVID-19 epidemic prevention and control measures were adopted as required, including the implementation of customer flow controls, setting up a temperature measuring point, providing hand sanitizer at the entrance, and distributing disposable mask storage bags to customers, in order to create a safe and sound dining environment.

As the COVID-19 epidemic faded gradually in mainland China from the second quarter of 2020, the recovery trend in the catering industry was getting clearer in the second half of the year. The Company sped up efforts to open more restaurants when the business condition of the existing restaurants gradually recovered. Meanwhile, the COVID-19 epidemic raged overseas, which severely affected our restaurant business in overseas market.

Throughout 2020, we opened 544 new Haidilao restaurants, expanding our global network to 1,298 restaurants, including 1,205 restaurants in mainland China, and 93 restaurants outside mainland China, including 14 countries and regions such as Hong Kong, Macao and Taiwan regions, Singapore, Vietnam, Malaysia, Indonesia, South Korea, Japan, the United Kingdom, the United States, Canada and Australia, making the brand of Haidilao known to more customers around the world and making Chinese catering become "branded catering" and promoting the spread of Chinese style service overseas.

After years of hard work, Haidilao is widely recognized by customers. Throughout 2020, our Haidilao restaurants served more than 250 million customers, recording an average table turnover rate of 3.5 times per day, and the number of Haidilao members increased to over 71 million. We launched diversified activities for our members within the year, including the Members' Day on March 20, 2020, "Online Reunion" (雲聚餐), new products evaluation meeting and DIY face paint, in order to improve member experience and stickiness. We also entered into cooperation with many banking institutions to provide money-off or voucher programs. For the convenience of customers, in 2020, we aligned the dine-in membership system with the take-out membership system, pursuant to which members who order hotpot takeout can also obtain membership points and corresponding rights. During the COVID-19 epidemic, we provided discount to customers who ordered takeout or picked up in restaurants by themselves and launched fresh products and convenience foods so that customers can enjoy Haidilao cuisine at home.

In addition to continuous improvement of "guest satisfaction", we were also committed to enhancing "employees' efforts". During the COVID-19 epidemic, we complied with the relevant requirements of various countries and local governments, making our full efforts to protect employees' living and employment without layoffs. During the suspension of operation in 2020, we organized our employees to carry out various kinds of online training to improve their working competence and knowledge for preventing COVID-19 epidemic. The Company established many platforms, including a full-time caring department, to communicate with employees so as to listen to their concerns about their lives and work, care about their physical and mental health and increase employees' sense of belonging and identity. In 2020, the Company's operating performance has declined, and there was a shortage of staff in the second half of the year. In the face of difficulties, the Board considered that the grassroots employees faced many challenges and made great efforts, and they had assumed heavier pressure and workload on the front line and had to shoulder family responsibilities. Therefore, the management decided to raise the basic salary standard (including piece-rate unit price and base salary standard of employees) of front-line employees of restaurants in mainland China since the third quarter of 2020. Depending on the circumstances in different cities nationwide, the standard of basic salary was increased by RMB200 to RMB1,600 per month. This is also in line with the company's consistent values: to help employees realize "changing your future with your own hands".

Innovation is a key area where we put effort into. We also made further breakthroughs in the application of new technologies in 2020. We have built and reconstructed more than 50 new-technology restaurants, further promoting various equipment and techniques such as dish supplying machines and direct allocation of finished dishes from central kitchens. Intelligent soup bases preparation machines have been applied in some restaurants, allowing more customers to taste more personalized hotpot soup bases in Haidilao. Robot waiters have been deployed in more than 900 restaurants to enrich dining experience of our customers. Various kinds of kitchen cleaning equipment have been deployed in more than 1,000 Haidilao restaurants globally, making our employees' work easier and enabling them to better serve our customers.

Product innovation is a continuous process. In 2020, starting from the perspective of guests, we continued to research, develop and launch dishes that meet demand from our guests, and are committed to offering them fresh, high-quality, delicious and abundant food ingredients. Over 200 various new dishes, beverages and snacks 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 review

2020 was an arduous year for all sectors of society. Especially for the catering industry, the various changes caused by the COVID-19 epidemic will inevitably affect the entire industry in the long term. Although the management has been actively adjusting business and development strategies, not all attempts have achieved good results, and the Group's profits have experienced a significant decline during the year. Such operating results have undoubtedly sounded the alarm for the management and exposed our management shortcomings and deficiencies in response capabilities, which are not related to COVID-19 epidemic but the management's own problems. For example, there was a shortage of staff in the second half of the 2020. The Board, management team and relevant employees held more than 20 meetings, but failed to find effective solutions, which seriously affected the consumer experience. The Company's management has carried out a deep reflection. For the future, the Company's management will continue to comprehensively consider the "guest satisfaction" and "employees' efforts" while adhering to the management philosophy of "aligned interests and disciplined management", and assess whether core tasks such as store process systems and business operations are truly fully implemented, and ensure that store managers, family heads, coaches and the Board form a linkage model, so that the Company can develop in a sustainable and healthy manner.

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue

The revenue of the Group increased by 7.8% from RMB26,555.8 million for the year ended December 31, 2019 to RMB28,614.3 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 year ended December 31, | | | |
|--|--------------------------------------|---------------|--------------------------------------|---------------|
| | 2020 | | 2019 | |
| | <i>(RMB '000 except percentages)</i> | | <i>(RMB '000 except percentages)</i> | |
| Haidilao restaurant operation | 27,433,692 | 95.9% | 25,588,523 | 96.3% |
| Other restaurant operation | 20,614 | 0.1% | 21,154 | 0.1% |
| Delivery business | 717,683 | 2.5% | 448,543 | 1.7% |
| Sales of condiment products and food ingredients | 420,901 | 1.4% | 494,425 | 1.9% |
| Others | 21,365 | 0.1% | 3,147 | 0.0% |
| Total revenue | <u>28,614,255</u> | <u>100.0%</u> | <u>26,555,792</u> | <u>100.0%</u> |

Revenue from Haidilao restaurant operation, the major part of our revenue which accounted for 95.9% of our total revenue in 2020, increased by 7.2% from RMB25,588.5 million in 2019 to RMB27,433.7 million in 2020, mainly due to our business expansion. Our average table turnover rate in 2020 was 3.5 times per day. The average spending per guest increased from RMB105.2 in 2019 to RMB110.1 in 2020.

Revenue from our delivery business increased by 60.0% from RMB448.5 million in 2019 to RMB717.7 million in 2020, 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, | |
| | 2020 | 2019 |
| Average spending per guest⁽¹⁾ (RMB) | | |
| Tier 1 cities ⁽²⁾ | 116.2 | 110.1 |
| Tier 2 cities ⁽³⁾ | 105.7 | 99.4 |
| Tier 3 cities and below ⁽⁴⁾ | 100.2 | 94.9 |
| <i>Mainland China restaurants</i> | 106.1 | 100.9 |
| Outside mainland China | 192.6 | 185.3 |
| Overall | 110.1 | 105.2 |
| Table turnover rate⁽⁵⁾ (times/day) | | |
| Tier 1 cities | 3.4 | 4.7 |
| Tier 2 cities | 3.6 | 4.9 |
| Tier 3 cities and below | 3.6 | 4.7 |
| <i>Mainland China restaurants</i> | 3.6 | 4.8 |
| Outside mainland China | 2.8 | 4.1 |
| Overall | 3.5 | 4.8 |
| New and existing restaurants⁽⁶⁾ | | |
| Newly-opened restaurants | 2.8 | 4.1 |
| Existing restaurants | 3.7 | 4.9 |
| Overall | 3.5 | 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 restaurant 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 COVID-19 epidemic prevention and control during the year 2020.
- (6) 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, | |
| | 2020 | 2019 |
| Number of same stores⁽¹⁾ | | |
| Tier 1 cities | 90 | |
| Tier 2 cities | 161 | |
| Tier 3 cities and below | 113 | |
| Outside mainland China | 35 | |
| Overall | 399 | |
| Average same store sales per day⁽²⁾ (in thousands of RMB) | | |
| Tier 1 cities | 105.0 | 136.9 |
| Tier 2 cities | 106.5 | 128.2 |
| Tier 3 cities and below | 101.5 | 113.2 |
| Outside mainland China | 108.0 | 146.0 |
| Overall | 104.9 | 127.5 |
| Average same store table turnover rate⁽³⁾ (times/day) | | |
| Tier 1 cities | 3.7 | 4.9 |
| Tier 2 cities | 4.1 | 5.1 |
| Tier 3 cities and below | 4.3 | 4.9 |
| Outside mainland China | 3.0 | 4.0 |
| Overall | 4.0 | 4.9 |

Notes:

- ⁽¹⁾ Includes restaurants that commenced operations prior to the beginning of the periods under comparison and opened for more than 270 days in both 2019 and 2020. As certain restaurants were temporarily suspended for more than 30 days due to the COVID-19 epidemic, we deducted 30 days from the previous standards of 300 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 restaurant 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 restaurant operation days of our same stores for the period and average table count at our same stores during the period. The average table count included the table count in the areas that were not opened due to the COVID-19 epidemic prevention and control during the year 2020.

Revenue from Haidilao Restaurant Operation by Geographic Region

Our business is conducted in mainland China, Hong Kong, Macao and Taiwan regions, 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, | | | | | |
|--|---|--|-------------|--------------------------|--|---------------|
| | 2020 | | | 2019 | | |
| | Number of restaurants | Gross Revenue/ Revenue (RMB' 000) | | Number of restaurants | Gross Revenue/ Revenue (RMB' 000) | |
| Mainland China | | | | | | |
| Tier 1 cities | 255 | 5,930,587 | 21.5% | 190 | 6,481,625 | 25.2% |
| Tier 2 cities | 499 | 11,271,932 | 40.9% | 332 | 11,142,724 | 43.4% |
| Tier 3 cities and below | 451 | 8,142,708 | 29.5% | 194 | 5,779,031 | 22.5% |
| Subtotal | 1,205 | 25,345,227 | 91.9% | 716 | 23,403,380 | 91.1% |
| Outside mainland China | | | | | | |
| Asia | 75 | 1,964,872 | 7.2% | 44 | 1,904,130 | 7.5% |
| North America | 13 | 169,970 | 0.6% | 6 | 261,999 | 1.0% |
| Europe | 2 | 37,780 | 0.1% | 1 | 60,971 | 0.2% |
| Oceania | 3 | 53,539 | 0.2% | 1 | 46,904 | 0.2% |
| Subtotal | 93 | 2,226,161 | 8.1% | 52 | 2,274,004 | 8.9% |
| Total restaurants/gross revenue generated from restaurant operation | 1,298 | 27,571,388 | 100% | 768 | 25,677,384 | 100.0% |
| Net of: Customer loyalty program | | (137,696) | | | (88,861) | |
| Total restaurants/revenue generated from restaurant operation | 1,298 | 27,433,692 | | 768 | 25,588,523 | |

Raw Materials and Consumables Used

Our raw materials and consumables used increased by 9.1% from RMB11,239.0 million in 2019 to RMB12,261.5 million in 2020, primarily due to the expansion of our business and the increase in the disinfection and sterilization materials used for anti-epidemic purpose. As a percentage of revenue, our raw materials and consumables used increased from 42.3% in 2019 to 42.9% in 2020.

Staff Costs

Our staff costs increased by 21.1% from RMB7,992.6 million in 2019 to RMB9,676.5 million in 2020, and as a percentage of revenue, increased from 30.1% in 2019 to 33.8% in 2020, mainly due to (i) the increase in the number of employees as a result of business expansion and the increase in compensation level of employees; and (ii) the slowdown in revenue growth during the Reporting Period as a result of the COVID-19 epidemic.

Property Rentals and Related Expenses

Our property rentals and related expenses decreased by 1.8% from RMB240.2 million in 2019 to RMB236.0 million in 2020, primarily due to (i) the slowdown in revenue growth during the Reporting Period as a result of the COVID-19 epidemic, resulting in a decrease in variable lease payments based on pre-determined percentages of revenue from restaurants; and (ii) COVID-19-related rent concessions received by the Group from lessors. As a percentage of revenue, our property rentals and related expenses remained relatively stable at 0.9% in 2019 and 0.8% in 2020.

Utilities Expenses

Our utilities expenses increased by 7.3% from RMB911.6 million in 2019 to RMB978.2 million in 2020, primarily because of our business expansion. As a percentage of revenue, utilities expenses remained stable at 3.4% in 2019 and 2020.

Travelling and Communication Expenses

Our travelling and communication expenses decreased by 15.3% from RMB219.9 million in 2019 to RMB186.2 million in 2020, primarily due to decreased travelling as impacted by the COVID-19 epidemic. As a percentage of revenue, our travelling and communication expenses remained relatively stable at 0.8% in 2019 and 0.7% in 2020.

Depreciation and Amortization

Our depreciation and amortization increased by 60.4% from RMB1,891.3 million in 2019 to RMB3,033.7 million in 2020, and as a percentage of revenue, increased from 7.1% in 2019 to 10.6% in 2020, primarily due to our business expansion and the slowdown in our revenue growth during the Reporting Period as a result of the COVID-19 epidemic.

Other Expenses

Our other expenses increased by 25.2% from RMB1,000.1 million in 2019 to RMB1,252.2 million in 2020 as a result of our business expansion, primarily reflecting (i) a RMB58.3 million increase in maintenance expenses; (ii) a RMB16.5 million increase in business development expenses, bank charges and other administrative expenses; (iii) a RMB83.5 million increase in human resource and other consultation service expenses; and (iv) a RMB93.8 million increase in storage expenses. As a percentage of revenue, our other expenses increased from 3.8% in 2019 to 4.4% in 2020, primarily due to our business expansion and the slowdown in our revenue growth during the Reporting Period as a result of the COVID-19 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. (馥海(上海)食品科技有限公司) (“**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 from RMB65.2 million in 2019 to RMB74.9 million in 2020, mainly due to the business expansion of Fuhai.

Other Gains and Losses

Our other gains and losses decreased by 357.6% from RMB95.1 million of gains in 2019 to RMB245.0 million of losses in 2020, primarily due to the net foreign exchange losses of RMB234.8 million in 2020, compared with the net foreign exchange gains of RMB90.7 million in 2019.

Finance Costs

Our finance costs increased by 88.2% from RMB236.8 million in 2019 to RMB445.6 million 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 52.7% from RMB900.3 million in 2019 to RMB425.6 million in 2020, primarily due to decrease in our profit during the Reporting Period as a result of the COVID-19 epidemic.

Profit for the Year

As a result of the foregoing, our profit for the year decreased by 86.8% from RMB2,347.0 million in 2019 to RMB309.5 million in 2020.

Capital Liquidity and Financial Resources

For year ended December 31, 2020, we primarily funded our operations, expansion and capital expenditures through cash generated from our operations and adopted flexible and diverse financing measures when necessary. 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 RMB2,682.7 million as of December 31, 2020, mainly due to increase in financing amount reflecting satisfaction of business expansion needs and the influence of COVID-19 epidemic.

Right-of-use Assets

Under International Financial Reporting Standard 16 (“**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, 2020, we recognized right-of-use assets with an amount of RMB7,564.6 million.

Inventories

Our inventories mainly represented our food ingredients, condiment products and other materials used in our restaurant operation. Our inventories decreased from RMB1,199.7 million as of December 31, 2019 to RMB1,154.2 million as of December 31, 2020, primarily reflecting the 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) at the end of 2019. Our inventory turnover days in 2019 and 2020 equaled the average of the beginning and ending balances of inventories for that year divided by raw materials and consumables used for that year and multiplied by 365 days and increased from 26.9 days to 35.0 days, mainly due to (i) the increase in the average inventory scale for the period as a result of business expansion; and (ii) the slowdown in the consumption of our raw materials and consumables during the Reporting Period as a result of the COVID-19 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 increased from RMB203.6 million as of December 31, 2019 to RMB275.2 million as of December 31, 2020, reflecting the trade receivables of the Group at the respective time. The turnover days of trade receivables increased from 2.4 days in 2019 to 3.1 days in 2020.

Trade Payables

Trade payables mainly represent the balances of our independent third party suppliers of food ingredients and consumables. Our trade payables increased from RMB1,406.4 million as of December 31, 2019 to RMB1,582.6 million as of December 31, 2020, primarily reflecting the increase in procurement as a result of business expansion. The turnover days of trade payables due to independent third party suppliers increased from 34.7 days for the year ended December 31, 2019 to 44.5 days for the year ended December 31, 2020.

Bank Borrowings

As of December 31, 2020, we had bank borrowings of RMB3,989.4 million. In 2020, the Group obtained new bank loans amounting to RMB4,220.4 million and repaid bank loans amounting to RMB329.3 million.

Other Borrowing

As of December 31, 2020, we had other borrowing of RMB85.1 million which was secured by fixed assets of the Group.

Contingent Liabilities

As of December 31, 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 December 31, 2020, the Group charged fixed assets with a net book value of RMB368.9 million and RMB137.8 million as securities for bank borrowings and other borrowing respectively.

As of December 31, 2020, the Group charged bank deposits of RMB17.0 million to banks to secure the rental payments to the lessors. As of the same date, the Group charged bank deposits of RMB0.8 million to a bank to secure the notes payable.

Debt-to-equity Ratio

As of December 31, 2020, the Group's debt-to-equity ratio was 39.8%.

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, 2020, the Group had a total of 131,084 employees, of which 121,403 were located in mainland China and 9,681 were located in Hong Kong, Macao and Taiwan regions, and overseas countries. For the year ended December 31, 2020, the Group has incurred a total staff costs (including salaries, wages, allowance and benefits) of RMB9,676.5 million.

Material Acquisitions and Disposals

As disclosed in the announcements of the Company dated November 5, 2019 and September 4, 2020 in relation to the acquisition of equity interest in Shanghai Shuhai Catering Management Co., Ltd. (上海澍海餐飲管理有限公司) (“**Shanghai Shuhai**”) and Hao Noodle and Tea Holdings Inc., (“**HN&T Holdings**”) on September 4, 2020, Sichuan Xinpai Catering Management Co., Ltd. (四川新派餐飲管理有限公司) (“**Sichuan Xinpai**”), a wholly-owned subsidiary of the Company, as the buyer, entered into an equity interest acquisition framework agreement with Mr. Yao Yunjie (姚雲傑) and Mr. Zhu An’yang (朱安陽), as the sellers, pursuant to which, Sichuan Xinpai has conditionally agreed to, by itself or another entity designated by it, acquire 80% equity interests in Shanghai Shuhai, the holding company of all the catering business and operating assets under the brand “Madam Zhu’s Kitchen (漢舍中國菜)” at a consideration of RMB120 million. On September 4, 2020, Hai Di Lao Holdings Pte. Ltd., a wholly-owned subsidiary of the Company, as the buyer, entered into a share purchase agreement with Mr. Chen Long (陳龍) and Ms. Zhu Rong (朱蓉), as the sellers, pursuant to which, Mr. Chen Long and Ms. Zhu Rong agreed to sell 80% of the issued and outstanding common stock of HN&T Holdings to Hai Di Lao Holdings Pte. Ltd., at a total consideration of US\$3.04 million.

Save as disclosed above, the Company had no other material acquisitions and disposals during the year ended December 31, 2020.

No Material Changes

Saved as disclosed in this announcement, during the Reporting Period, 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**”).

Impact of the COVID-19 Outbreak

Since the end of December 2019, the COVID-19 epidemic has materially and adversely affected the global economy. In response, countries and regions across the world, including China, have imposed widespread lockdowns, closure of work places and restrictions on mobility and travel to contain the spread of the virus. As of the date of this announcement, substantially all of the Chinese cities had eased or lifted domestic travel restrictions and resumed normal social activities, business, work and production.

As the prevention and control measures of COVID-19 epidemic went into effect across mainland China at the beginning of 2020 when the COVID-19 epidemic peaked in mainland China, we had experienced a significant decrease in revenue from restaurants operations compared to the same periods in 2019. As disclosed in the voluntary announcements of the Company dated January 28, 2020 and February 2, 2020, in an effort to contain the spread of the COVID-19 epidemic and in order to 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. Since March 2020, the COVID-19 epidemic has been gradually brought under control in mainland China and we began to re-open our restaurants in mainland China with strict measures in place to comply with the local disease prevention and control regulations. As of the end of May 2020, we have re-opened almost all of our restaurants in mainland China. The average table turnover rate in the second half of 2020 returned to more than 75% of the corresponding period in 2019 and our restaurant network has been further expanded.

Due to a number of factors such as mandatory quarantine requirements, social distancing and transportation and travel restrictions, customers' willingness of online services increased. Leveraging our proactive and swift responses to the COVID-19 epidemic and our success in enhancing our online service capabilities, our delivery services witnessed a significant growth in 2020. Revenues derived from our delivery business increased significantly from RMB448.5 million in 2019 to RMB717.7 million in 2020.

The COVID-19 epidemic did not have a material effect on our restaurant network expansion. In 2020, we still actively opened new restaurants and continued to promote the expansion of Haidilao's restaurant network. In 2020, we opened 544 new Haidilao restaurants, expanding the global Haidilao restaurant network from 768 restaurants as of December 31, 2019 to 1,298^{Note} restaurants as of December 31, 2020.

We primarily funded our operations, expansion and capital expenditures through cash generated from our operations and adopted flexible and diverse financing activities when necessary. 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. We also issues notes in the aggregate principal amount of USD600 million, the net proceeds of which will be used for general corporate purposes. Based on the above and also taking into account the financial resources available to our Group, including cash and cash equivalents of RMB2,682.7 million as of December 31, 2020 and available financing facilities, our Directors are of the opinion that, we have sufficient cash position and other available financial resources to cover our costs for normal operations.

Given the high uncertainties associated with the COVID-19 epidemic at this moment, it is difficult to predict how long these conditions will last and the extent to which we may be affected. The COVID-19 epidemic has in many ways disrupted nearly every routine in day-to-day life, resulting in not fully predictable changes in the spending habits of consumers. As such, even though the COVID-19 epidemic has been brought under control in mainland China and that the impetus for the behavior change may be transient, we may still continue to experience reduced needs for some or all of our services during and post crisis period. As we continue to open restaurants and expand our business operations in the PRC and other regions and countries, we may experience limited consumer demand for our services that may have a material and adverse effect on our business operations, financial condition and results of operations. Should the disruption to our operations continue, we may experience compulsory or voluntary suspension in our operations, which may materially and adversely affect our results of operations and financial condition and may also cause reputation damage. In addition, any further disruption to our operating activities may negatively affect our liquidity and access to capital. The COVID-19 epidemic may further create negative economic impact and increase volatility in the PRC and global market and continue to cause increasing concerns over the prospects of the PRC catering service market, which may materially and adversely affect the consumption demand for catering services in China.

Note: We closed 14 restaurants in 2020 due to the expiration of leases and other commercial reasons related to property lessors.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

| | Notes | For the year ended December 31, | |
|--|-------|------------------------------------|------------------|
| | | 2020 RMB'000 | 2019 RMB'000 |
| Revenue | 3 | 28,614,255 | 26,555,792 |
| Other income | 4 | 360,867 | 262,701 |
| Raw materials and consumables used | | (12,261,465) | (11,238,992) |
| Staff costs | | (9,676,510) | (7,992,555) |
| Property rentals and related expenses | | (235,961) | (240,230) |
| Utilities expenses | | (978,212) | (911,635) |
| Depreciation and amortization | | (3,033,699) | (1,891,324) |
| Travelling and communication expenses | | (186,230) | (219,934) |
| Other expenses | | (1,252,238) | (1,000,131) |
| Share of profits of associates | | 99,109 | 75,262 |
| Share of loss of a joint venture | | (24,249) | (10,023) |
| Other gains and losses | 5 | (244,966) | 95,084 |
| Finance costs | 6 | (445,559) | (236,791) |
| Profit before tax | | 735,142 | 3,247,224 |
| Income tax expense | 7 | (425,596) | (900,262) |
| Profit for the year | 8 | 309,546 | 2,346,962 |
| Other comprehensive income (expense) | | | |
| <i>Item that may be reclassified subsequently to profit or loss:</i> | | | |
| Exchange differences arising on translation of foreign operations | | 5,092 | (1,682) |
| Total comprehensive income for the year | | 314,638 | 2,345,280 |
| Profit for the year attributable to: | | | |
| Owners of the Company | | 309,271 | 2,344,711 |
| Non-controlling interests | | 275 | 2,251 |
| | | 309,546 | 2,346,962 |
| Total comprehensive income attributable to: | | | |
| Owners of the Company | | 314,363 | 2,343,029 |
| Non-controlling interests | | 275 | 2,251 |
| | | 314,638 | 2,345,280 |
| EARNINGS PER SHARE | | | |
| Basic (RMB) | 10 | 0.06 | 0.44 |
| Diluted (RMB) | 10 | 0.06 | 0.44 |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | <i>Notes</i> | As at December 31, | |
|--|--------------|---------------------------|----------------|
| | | 2020 | 2019 |
| | | RMB'000 | RMB'000 |
| Non-current Assets | | | |
| Property, plant and equipment | | 12,063,795 | 7,689,580 |
| Right-of-use assets | <i>11</i> | 7,564,609 | 4,755,839 |
| Goodwill | | 62,383 | 92,602 |
| Other intangible assets | | 91,563 | 111,864 |
| Investments in associates | | 268,526 | 169,417 |
| Investment in a joint venture | | 32,806 | 56,741 |
| Equity instrument at fair value through other comprehensive income (“FVTOCI”) | | – | 48,833 |
| Financial assets at fair value through profit or loss (“FVTPL”) | | 86,999 | 44,267 |
| Deferred tax assets | | 353,443 | 170,169 |
| Other financial assets | | 52,414 | – |
| Rental deposits | | 352,290 | 269,269 |
| Security deposits for other borrowing | | 5,060 | 5,060 |
| | | 20,933,888 | 13,413,641 |
| Current Assets | | | |
| Inventories | | 1,154,215 | 1,199,666 |
| Trade and other receivables and prepayments | <i>12</i> | 2,205,415 | 1,615,551 |
| Amounts due from related parties | | 267,708 | 300,973 |
| Financial assets at FVTPL | | 4,000 | – |
| Deposits placed in a financial institution | | – | 1,804,035 |
| Other financial assets | | 23,259 | – |
| Pledged bank deposits | | 17,791 | 58,104 |
| Bank balances and cash | | 2,920,868 | 2,221,962 |
| | | 6,593,256 | 7,200,291 |
| Current Liabilities | | | |
| Trade payables | <i>13</i> | 1,582,571 | 1,406,408 |
| Notes payable | | 23,982 | 300,000 |
| Other payables | <i>14</i> | 2,224,784 | 1,276,989 |
| Amounts due to related parties | | 387,072 | 1,071,805 |
| Dividend payable | <i>9</i> | 3,805 | 3,805 |
| Tax payable | | 201,412 | 224,301 |
| Lease liabilities | | 1,057,613 | 733,203 |
| Bank borrowings | | 3,721,208 | 122,174 |
| Other borrowing | | 22,936 | 22,602 |
| Contract liabilities | | 642,560 | 502,784 |
| | | 9,867,943 | 5,664,071 |
| Net Current (Liabilities) Assets | | (3,274,687) | 1,536,220 |
| Total Assets less Current Liabilities | | 17,659,201 | 14,949,861 |

| | | As at December 31, | |
|--|--------------|---------------------------|--------------------------|
| | <i>Notes</i> | 2020 | 2019 |
| | | RMB'000 | RMB'000 |
| Non-current Liabilities | | | |
| Deferred tax liabilities | | 21,398 | 46,760 |
| Lease liabilities | | 7,004,421 | 4,142,960 |
| Bank borrowings | | 268,160 | – |
| Other borrowing | | 62,156 | 84,758 |
| Provision | | 65,808 | 49,350 |
| | | <u>7,421,943</u> | <u>4,323,828</u> |
| Net Assets | | <u>10,237,258</u> | <u>10,626,033</u> |
| Capital and Reserves | | | |
| Share capital | 15 | 175 | 175 |
| Reserves | | <u>10,233,776</u> | <u>10,622,826</u> |
| Equity attributable to owners of the Company | | 10,233,951 | 10,623,001 |
| Non-controlling interests | | <u>3,307</u> | <u>3,032</u> |
| Total Equity | | <u>10,237,258</u> | <u>10,626,033</u> |

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 address of the Company's registered office is Cricket Square, Hutchins Drive, PO Box 2681, 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 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 AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

Amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the *Amendments to References to the Conceptual Framework in IFRS Standards* and the following amendments to IFRSs issued by the International Accounting Standards Board for the first time, which are mandatorily effective for the annual period beginning on or after January 1, 2020 for the preparation of the 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 year 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 Impacts on early application of Amendment to IFRS 16 COVID-19-Related Rent Concessions

The Group has applied the amendment for the first time in the current year. The amendment introduces a new practical expedient for lessees to elect not to assess whether a COVID-19-related rent concession is a lease modification. The practical expedient only applies to rent concessions occurring as a direct consequence of the COVID-19 that meets all of the following conditions:

- 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.

The application of the amendment had no impact to the opening retained profits at January 1, 2020. The Group has benefited from 0.5 to 10 months waiver of lease payments on several leases. The Group has derecognized the part of lease liability that has been extinguished by the forgiveness of lease payments using the discount rates originally applied to these leases respectively, resulting in a decrease in the lease liabilities of RMB78,650,000, which has been recognized as variable lease payments in profit or loss for the current year.

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 and the related Amendments ¹ |
| Amendments to IFRS 3 | Reference to the Conceptual Framework ² |
| Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 | Interest Rate Benchmark Reform – Phase 2 ⁴ |
| 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 ¹ |
| Amendments to IAS 1 and IFRS Practice Statement 2 | Disclosure of Accounting Policies ¹ |
| Amendments to IAS 8 | Definition of Accounting Estimates ¹ |
| Amendments to IAS 16 | Property, Plant and Equipment: Proceeds before Intended Use ² |
| Amendments to IAS 37 | Onerous Contracts – Cost of Fulfilling a Contract ² |
| Amendments to IFRS Standards | Annual Improvements to IFRS Standards 2018-2020 ² |

¹ Effective for annual periods beginning on or after January 1, 2023

² Effective for annual periods beginning on or after January 1, 2022

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, 2021

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, | |
|--|---------------------------------|-------------------|
| | 2020 RMB'000 | 2019 RMB'000 |
| Restaurant operation | 27,454,306 | 25,609,677 |
| Delivery business | 717,683 | 448,543 |
| Sales of condiment products and food ingredients | 420,901 | 494,425 |
| Others | 21,365 | 3,147 |
| Total | <u>28,614,255</u> | <u>26,555,792</u> |

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, 2020 (2019: Nil).

The following table set forth the breakdown of the Group's revenue during the years ended December 31, 2020 and 2019, and the breakdown of the Group's non-current assets as at December 31, 2020 and 2019 based on location of operation:

| | Revenue | | Non-current assets (Note) | |
|------------------------|---------------------------------|-------------------|---------------------------|-------------------|
| | For the year ended December 31, | | As at December 31, | |
| | 2020 RMB'000 | 2019 RMB'000 | 2020 RMB'000 | 2019 RMB'000 |
| Mainland China | 26,133,846 | 23,983,242 | 16,262,831 | 10,187,033 |
| Outside mainland China | 2,480,409 | 2,572,550 | 3,820,851 | 2,689,010 |
| Total | <u>28,614,255</u> | <u>26,555,792</u> | <u>20,083,682</u> | <u>12,876,043</u> |

Note:

Non-current assets presented above excluded equity instrument at FVTOCI, financial assets at FVTPL, other financial assets, rental deposits, security deposits for other borrowing and deferred tax assets.

4. OTHER INCOME

| | For the year ended December 31, | |
|--|--|----------------|
| | 2020 | 2019 |
| | RMB'000 | RMB'000 |
| Interest income on: | | |
| – bank deposits | 12,590 | 81,341 |
| – deposits placed in a financial institution | 18,528 | 55,960 |
| – rental deposits | 10,105 | 6,074 |
| – other financial assets | 66 | 1 |
| | <u>41,289</u> | <u>143,376</u> |
| Government grants (<i>Note i</i>) | 198,140 | 45,860 |
| Additional tax deduction (<i>Note ii</i>) | 51,238 | 25,536 |
| Others | 70,200 | 47,929 |
| | <u>360,867</u> | <u>262,701</u> |

Notes:

- i. The amounts represent the subsidies received from the PRC government and other governments where the overseas operations located in, for the Group's local business development. During the current year, the Group recognized government grants of RMB130,020,000 in respect of COVID-19-related subsidies, of which RMB56,464,000 relates to employment support scheme provided by PRC government. 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 onwards.

5. OTHER GAINS AND LOSSES

| | For the year ended December 31, | |
|--|--|----------------|
| | 2020 | 2019 |
| | RMB'000 | RMB'000 |
| Impairment loss recognized in respect of | | |
| – goodwill | (30,219) | – |
| – property, plant and equipment | (20,536) | – |
| – right-of-use assets | (19,750) | – |
| Loss on disposal of property, plant and equipment and termination of leases, net | (22,334) | (18,354) |
| Net foreign exchange (loss) gain | (234,828) | 90,740 |
| Net gain arising on financial assets at FVTPL | 64,856 | 7,264 |
| Others | 17,845 | 15,434 |
| | <u>(244,966)</u> | <u>95,084</u> |

6. FINANCE COSTS

| | For the year ended December 31, | |
|--|---------------------------------|----------------|
| | 2020 | 2019 |
| | RMB'000 | RMB'000 |
| Interests on lease liabilities | 320,356 | 216,468 |
| Interests on bank borrowings | 118,384 | 16,697 |
| Interests on other borrowing | 4,899 | 2,144 |
| Interests charge on unwinding of discounts | 1,920 | 1,482 |
| | <u>445,559</u> | <u>236,791</u> |

7. INCOME TAX EXPENSE

| | For the year ended December 31, | |
|-------------------------------------|---------------------------------|----------------|
| | 2020 | 2019 |
| | RMB'000 | RMB'000 |
| Current tax: | | |
| – current year | | |
| – PRC Enterprise Income Tax (“EIT”) | 572,177 | 934,604 |
| – other jurisdictions | 57,696 | 2,702 |
| | <u>629,873</u> | <u>937,306</u> |
| – under provision in prior years | | |
| – PRC EIT | 3,861 | – |
| – other jurisdictions | 491 | – |
| | <u>4,352</u> | <u>–</u> |
| | <u>634,225</u> | <u>937,306</u> |
| Deferred tax | (208,629) | (37,044) |
| | <u>425,596</u> | <u>900,262</u> |

Under the Law of the PRC on Enterprise Income Tax (“EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years.

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, 2020, a deferred tax liability of RMB11,850,000 (2019: RMB38,500,000) 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 RMB4,573,992,000 as at December 31, 2020 (2019: RMB3,971,009,000), 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.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions at 12% to 30% (2019: 12% to 34%) on the estimated assessable profits for the year.

On March 21, 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “**Bill**”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on March 28, 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first Hong Kong Dollar (“**HKD**”) 2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HKD2 million will be taxed at 16.5%. Accordingly, the Hong Kong Profits Tax of the qualifying group entity is calculated at 8.25% on the first HKD2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HKD2 million.

No provision for taxation in Hong Kong has been made as no taxable profit derived from Hong Kong in 2020.

The income tax expense for the year ended December 31, 2020 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, | |
|---|--|----------------|
| | 2020 | 2019 |
| | RMB’000 | RMB’000 |
| Profit before tax | 735,142 | 3,247,224 |
| Tax at 25% | 183,785 | 811,806 |
| Tax effect of expenses not deductible for tax purposes | 34,349 | 11,418 |
| Tax effect of income not taxable for tax purposes | (26,031) | (16,310) |
| Tax effect of tax losses not recognized | 134,267 | 96,410 |
| Tax effect of deductible temporary differences not recognized | 21,091 | – |
| Utilization of tax losses previously not recognized | (8,769) | (10,214) |
| Withholding tax | 8,802 | 38,500 |
| Under provision in respect of prior years | 4,352 | – |
| Effect of tax exemptions granted to PRC subsidiaries | (2,949) | (2,525) |
| Effect of different tax rates of subsidiaries operating in other jurisdictions | 77,601 | (28,200) |
| Others | (902) | (623) |
| Income tax expense for the year | 425,596 | 900,262 |

8. PROFIT FOR THE YEAR

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

| | For the year ended December 31, | |
|---|--|------------------|
| | 2020 | 2019 |
| | RMB'000 | RMB'000 |
| Depreciation of property, plant and equipment | 2,118,281 | 1,233,117 |
| Depreciation of right-of-use assets | 887,620 | 638,048 |
| Amortization of other intangible assets | 27,798 | 20,159 |
| | <u>3,033,699</u> | <u>1,891,324</u> |
| COVID-19-related rent concessions | <u>(78,650)</u> | – |
| Property rentals | | |
| – office premises (fixed payments) | <u>804</u> | – |
| – restaurants | | |
| – fixed payments | – | 7,537 |
| – variable lease payments (<i>Note</i>) | <u>(8,939)</u> | <u>104,671</u> |
| | <u>(8,939)</u> | <u>112,208</u> |
| Other rental related expenses | <u>244,096</u> | <u>128,022</u> |
| Total property rentals and related expenses | <u>235,961</u> | <u>240,230</u> |
| Directors' emoluments | 90,875 | 87,593 |
| Other staff cost: | | |
| Salaries and other allowance | 7,977,897 | 6,497,076 |
| Employee welfare | 1,094,018 | 861,626 |
| Retirement benefit contribution | <u>513,720</u> | <u>546,260</u> |
| Total staff costs | <u>9,676,510</u> | <u>7,992,555</u> |
| Auditor's remuneration | <u>6,050</u> | <u>5,300</u> |

Note:

The variable lease payments refers to the property rentals based on pre-determined percentages of revenue less minimum rentals of the respective leases. For the year ended December 31, 2020, COVID-19-related rent concessions amounted to RMB78,650,000 have been offset against variable lease payments of RMB69,711,000.

11. RIGHT-OF-USE ASSETS

| | Leased properties RMB'000 | |
|---|--|----------------|
| At December 31, 2020 | | |
| Carrying amount | | 7,564,609 |
| At December 31, 2019 | | |
| Carrying amount | | 4,755,839 |
| For the year ended December 31, 2020 | | |
| Depreciation charge | | 887,620 |
| Impairment loss recognized in profit or loss | | 19,750 |
| | | <hr/> |
| For the year ended December 31, 2019 | | |
| Depreciation charge | | 638,048 |
| | | <hr/> |
| | For the year ended December 31, | |
| | 2020 | 2019 |
| | RMB'000 | RMB'000 |
| Expense relating to short-term leases | 804 | 7,537 |
| Variable lease payments not included in the measurement of lease liabilities | 69,711 | 104,671 |
| Total cash outflow for leases (<i>Note</i>) | 778,584 | 811,262 |
| Additions to right-of-use assets | 3,792,707 | 2,010,672 |
| | <hr/> <hr/> | <hr/> <hr/> |

Note:

The amount includes payments of principal and interest portion of lease liabilities, variable lease payments and short term leases. These amounts could be presented in operating or financing cash flows.

For both years, the Group leases various buildings for its operations. Lease contracts are entered into for fixed terms 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 0.8% to 10% of sales and minimum annual lease payments that are fixed over the lease term. The payment terms are common in restaurants in the countries and areas where the Group operates. The amounts of fixed and variable lease payments paid to relevant lessors for the year are as follows:

For the year ended December 31, 2020

| | Number of leases | Fixed payments <i>RMB' 000</i> | Variable payments <i>RMB' 000</i> | Total payments <i>RMB' 000</i> |
|--|---------------------|--------------------------------------|---|--------------------------------------|
| Office premises without variable lease payments | 23 | 11,221 | – | 11,221 |
| Restaurants without variable lease payments | 1,337 | 446,471 | – | 446,471 |
| Restaurants with variable lease payments | 467 | 251,181 | 69,711 | 320,892 |
| Total | <u>1,827</u> | <u>708,873</u> | <u>69,711</u> | <u>778,584</u> |

For the year ended December 31, 2019

| | Number of leases | Fixed payments <i>RMB' 000</i> | Variable payments <i>RMB' 000</i> | Total payments <i>RMB' 000</i> |
|--|---------------------|--------------------------------------|---|--------------------------------------|
| Office premises without variable lease payments | 4 | 7,839 | – | 7,839 |
| Restaurants without variable lease payments | 806 | 464,106 | – | 464,106 |
| Restaurants with variable lease payments | 317 | 234,646 | 104,671 | 339,317 |
| Total | <u>1,127</u> | <u>706,591</u> | <u>104,671</u> | <u>811,262</u> |

The overall financial effect of using variable payment terms is that higher rental costs are incurred by stores with higher sales. Variable rental 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, 2020, there is no such triggering event.

Restrictions or covenants on leases

Lease liabilities of RMB8,062,034,000 are recognized with related right-of-use assets of RMB7,564,609,000 as at December 31, 2020 (2019: lease liabilities of RMB4,876,163,000 and related right-of-use assets of RMB4,755,839,000). 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, 2020, the Group has entered into new leases for several restaurants that have yet to commence, with average non-cancellable period ranging from 2 to 16 years (2019: 3 to 15 years), the total future undiscounted cash flows over the non-cancellable period amounted to RMB569,890,000 (2019: RMB280,769,000).

Rent concessions

During the year ended December 31, 2020, lessors of restaurants provided rent concessions to the Group through rent reductions ranging from 50% to 100% over 0.5 to 10 months.

These rent concessions occurred as a direct consequence of COVID-19 pandemic and met all of the conditions in IFRS 16.46B, and the Group applied the practical expedient not to assess whether the changes constitute lease modifications. The effects on changes in lease payments due to forgiveness or waiver by the lessors for the relevant leases of RMB78,650,000 were recognized as negative variable lease payments.

12. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

| | As at December 31, | |
|---|-------------------------|-------------------------|
| | 2020 | 2019 |
| | RMB'000 | RMB'000 |
| Trade receivables | <u>275,233</u> | <u>203,571</u> |
| Other receivables and prepayments: | | |
| Loans to employees (<i>Note</i>) | 14,608 | 12,663 |
| Prepayment to suppliers | 689,066 | 554,236 |
| Prepaid operating expenses | 408,065 | 272,451 |
| Input value-added tax recoverable | 676,488 | 460,734 |
| Interest receivable | 1,278 | 24,947 |
| Others | <u>140,677</u> | <u>86,949</u> |
| Subtotal | <u>1,930,182</u> | <u>1,411,980</u> |
| Total trade and other receivables and prepayments | <u><u>2,205,415</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 were from payment platforms 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, | |
|--------------------|-------------------------|-------------------------|
| | 2020 | 2019 |
| | RMB'000 | RMB'000 |
| Within 60 days | 1,473,263 | 1,368,866 |
| 61 to 180 days | 74,051 | 18,104 |
| More than 181 days | <u>35,257</u> | <u>19,438</u> |
| | <u><u>1,582,571</u></u> | <u><u>1,406,408</u></u> |

14. OTHER PAYABLES

| | As at December 31, | |
|---|--------------------|------------------|
| | 2020 | 2019 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Staff cost payable | 1,050,791 | 682,678 |
| Other taxes payables | 165,172 | 94,831 |
| Deposits from suppliers | 29,017 | 18,634 |
| Renovation fee payables | 922,084 | 351,651 |
| Interest payable | – | 203 |
| Consideration payable for acquisition of a subsidiary | – | 99,035 |
| Others | 57,720 | 29,957 |
| | <u>2,224,784</u> | <u>1,276,989</u> |

15. SHARE CAPITAL

| | Par value | Number of | Nominal | Shown in the |
|--|------------|-----------------------|----------------|----------------|
| | <i>USD</i> | shares | amount | consolidated |
| | | | <i>USD'000</i> | financial |
| | | | | statements |
| | | | | <i>RMB'000</i> |
| Authorized: | | | | |
| At beginning and end of 2019 and 2020 | 0.000005 | <u>10,000,000,000</u> | <u>50</u> | |
| Issued: | | | | |
| At beginning and end of 2019 and 2020 | 0.000005 | <u>5,300,000,000</u> | <u>27</u> | <u>175</u> |

CORPORATE GOVERNANCE AND OTHER INFORMATION

Compliance with the Corporate Governance Code

Pursuant to A.2.1 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules (the “**CG Code**”), the roles of chairman and chief executive officer should be separated 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 complied with the code provisions as set out in the CG Code during the year ended December 31, 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 year ended December 31, 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 year ended December 31, 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 listed securities during the year ended December 31, 2020.

Audit Committee

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 annual results for the year ended December 31, 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 annual financial results for the year ended December 31, 2020 are in compliance with the relevant accounting standards, rules and regulations and appropriate disclosures have been duly made.

Scope of work of Messrs. Deloitte Touche Tohmatsu

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended December 31, 2020 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

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, 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. As of December 31, 2020, the Company cumulatively used HK\$6,113.4 million, accounting for approximately 83.8% of the proceeds from the global offering. The company expects to utilize the balance of net proceeds of approximately HK\$1,185.9 million by the end of 2021.

| | | | As of December 31, 2020 | |
|---|-------------------|---------------------|--------------------------------|---------------------|
| | Percentage | Net Proceeds | Utilized | Unutilized |
| | % | HK\$ million | amount | amount |
| | | | 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 | 274.0 | 1,185.9 |
| 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>6,113.4</u> | <u>1,185.9</u> |

Events after December 31, 2020

On January 7, 2021, the Company entered into a subscription agreement with Morgan Stanley & Co. International plc, China International Capital Corporation Hong Kong Securities Limited, CMB International Capital Limited and Credit Suisse (Hong Kong) Limited in connection with the issuance of notes in the aggregate principal amount of USD600 million which will mature on January 14, 2026. The issue price of the notes was 99.854% of the principal amount of the notes. The gross proceeds of the notes issue, before deducting underwriting discounts and commissions and other estimated offering expenses, amounted to approximately USD599.1 million and our Company intends to use the net proceeds of the notes for general corporate purposes. The notes were listed on the Stock Exchange. For details, please refer to the announcements of the Company dated January 5, 2021, January 8, 2021 and January 14, 2021.

In February 2021, the acquisition of equity interest in Shanghai Shuhai has been completed.

Save as disclosed above, Directors are not aware of any significant event requiring disclosure that has taken place subsequent to December 31, 2020 and up to the date of this announcement.

FINAL DIVIDEND

The Board resolved to propose to the Shareholders in the forthcoming annual general meeting (“AGM”) on Friday, May 28, 2021 for the distribution of a final dividend of HK\$0.021 (equivalent to RMB0.018) per share for the year ended December 31, 2020. The final dividend is expected to be paid in an aggregate of approximately HK\$110,788,933 (equivalent to RMB92,781,300) on or about June 22, 2021. 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 Tuesday, March 23, 2021. The proposal for the distribution of the final dividend above is subject to the consideration and approval of the Shareholders at the AGM.

CLOSURE OF REGISTER OF MEMBERS FOR PROPOSED FINAL DIVIDEND

The register of members of the Company will also be closed from Thursday, June 3, 2021 to Monday, June 7, 2021, both days inclusive, in order to determine the entitlement of the Shareholders to the final dividend. The Shareholders whose names appear on the register of members of the Company at the close of business on Wednesday, June 2, 2021 will be entitled to the final dividend. In order to be eligible to be entitled to the final dividend, all transfers accompanied by the relevant share certificates and transfer forms must be lodged with the Company’s branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong before 4:30 p.m. on Wednesday, June 2, 2021.

CLOSURE OF REGISTER OF MEMBERS FOR AGM

The register of members of the Company will be closed from Tuesday, May 25, 2021 to Friday, May 28, 2021, both days inclusive, in order to determine the eligibility of the Shareholders to attend and vote at the AGM to be held on Friday, May 28, 2021. In order to be eligible to attend and vote at the AGM, all transfer accompanied by the relevant share certificates and transfer forms must be lodged with the Company’s branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong before 4:30 p.m. on Monday, May 24, 2021.

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).

The annual report of the Company for the year ended December 31, 2020 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 2021.

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 23, 2021

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.