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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, 2021

The board (the “**Board**”) of directors (the “**Directors**”) of Haidilao International Holding Ltd. (the “**Company**”) hereby announces the audited consolidated results of the Company and its subsidiaries (together, the “**Group**”) for the year ended December 31, 2021 (the “**Reporting Period**”), together with comparative audited figures for the same period of 2020. 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,	
	2021 RMB'000	2020 RMB'000
Revenue	41,111,624	28,614,255
Revenue from restaurant operation	39,661,441	27,454,306
(Loss) profit before tax	(3,976,019)	735,142
(Loss) profit for the year	(4,161,206)	309,546
(Loss) profit attributable to owners of the Company	(4,163,175)	309,271
Basic (loss) earnings per share (RMB)	(0.78)	0.06

KEY BUSINESS HIGHLIGHTS

	As of and for the year ended December 31,	
	2021	2020
Number of Haidilao restaurants	1,443	1,298
Average table turnover rate (times/day)	3.0	3.5
Average spending per guest (RMB)	104.7	110.1

2021 PERFORMANCE REVIEW

Financial and Business Review

For the financial year 2021, we recorded revenue of RMB41,111.6 million, increasing by 43.7% as compared to 2020, and loss attributable to shareholders was RMB4,163.2 million, as compared to the profit attributable to shareholders of RMB309.3 million for the previous year.

For 2021, the overall average table turnover rate of our Haidilao restaurants was 3.0 times per day and the same-store turnover rate was 3.5 times per day. Due to the overall operation of Haidilao restaurants, during the year, we made a decision to adjust our expansion strategy and closed some restaurants, and also planned to appropriately reduce some future capital investment. Throughout 2021, we opened 421 new Haidilao restaurants and closed 276 Haidilao restaurants, 16 of which were due to the expiration of leases and other reasons. As of December 31, 2021, Haidilao has a global network consisting of 1,443 restaurants, including 1,329 in mainland China, 114 in Hong Kong, Macao and Taiwan regions as well as other 11 countries.

In order to cover a wider range of consumer groups and meet different dining needs, we actively explore multi-brand operations. As of December 31, 2021, in addition to Haidilao restaurants, we also owned several self-operated restaurants under brand names including but not limited to Madam Zhu's Kitchen (漢舍中國菜), Shi Ba Cuan Noodle (十八朵麵館), Five Grains Three Meals (五谷三餐) and Brother Miao (苗師兄炒雞), etc.

Management Reform

2021 was a challenging year for Haidilao. In terms of external environment, the recurring waves of COVID-19 pandemic severely affected people's lives. Although the improved pandemic prevention and control capabilities of local governments and the promotion of COVID-19 vaccination have laid a foundation for economic recovery, the global consumer sentiment dropped significantly from the pre-pandemic period and there are still many uncertainties ahead.

Reflecting on ourselves, our rapid expansion strategy over the past two years has made the Company scale up in a rapid manner, posing greater challenges on management. The management paid close attention to the operations of the Group and took various measures to continuously explore the solutions to maintain the brand value and market position of Haidilao in the new market environment. However, the operations of the Group continued to fluctuate during the year.

In order to improve the performance of the Group, in November 2021, the Group announced the launch of the “Woodpecker” plan upon rounds of discussions of the Board and the senior management. The main contents of the plan are the following:

- Closing certain Haidilao restaurants. Up to December 31, 2021, 260 Haidilao restaurants listed under the “Woodpecker” plan were permanently closed and 32 restaurants were temporarily closed for reorganization under the “Woodpecker” plan. The reasons for the closing of restaurants include (1) the relatively low customer traffic for a long term due to the absence of an established business district; (2) unsatisfying operating performance as a longer period is needed to improve performance; and (3) high density of Haidilao restaurants nearby. The affected employees were provided with the opportunity to continue working with the Group and no layoff was conducted due to the closing of restaurants.
- Continuously improving and adjusting the restaurant management system. During the year, we replanned the hierarchy of restaurant operation business management, and clarified the job description, job objective, appraisal standards, and reward and punishment mechanism of each hierarchy. Currently, the Company has a total of 15 senior regional managers, responsible for the operation of restaurants in each region. Selected from coordinating coaches and senior family heads, the senior regional managers are responsible for the overall arrangement of store expansion, engineering, pricing, restaurant assessment and other work in the region. Under the senior regional managers, there are family heads, who are responsible for the restaurants under his or her management. The original community manager position has been merged with the family head position to avoid hierarchical redundancy. In addition to selecting and cultivating store managers and spreading corporate culture, a family head is also responsible for supervising and guiding the management and operation of restaurants within the family. While benefiting from family expansion, a family head shall be accountable for the performance of the restaurants under his or her management. We will strictly implement the evaluation system to achieve survival of the fittest based on performance evaluation, while linking the remuneration of the management at each level with their work performance to implement the management philosophy of “aligned interests and disciplined management” in a more effective manner.
- Rebuilding and strengthening our functional departments. As our business expands, the total number of Haidilao restaurant amounted to 1,443 as of the end of 2021, we need stronger functional departments to provide support in all aspects. In 2021, each functional department of Haidilao reviewed their respective job description and scope of responsibilities, and invited family heads and store managers to discuss the detailed regulations of each functional department, put forward requirements based on actual situation and jointly discuss the measures to be taken by functional departments to empower restaurant operation more effectively, thus generating the synergy of front-end and back-end of the Company.
- Emphasizing the adherence of corporate culture, improving employee training and establishing talent echelon. A total of 146,584 kind, diligent and determined employees are the source of our high-quality services and the force driving the bottom-up efforts of Haidilao to forge ahead. Since the establishment, the relationship among our employees and the relationship between employees and the Company have been built upon a mentoring system. During the organizational restructuring in the year, we reviewed the duties and responsibilities and incentive systems of each position to provide clear guidance for the development of employees while specifying the responsibilities and obligations of each member of the frontline service team, restaurant, a family and other systems based on the mentoring system in order to enable the employees to feel the supports and helps from the Company and colleagues at work, thus uniting all Haidilao colleague as a group to move forward.

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue

The revenue of the Group increased by 43.7% from RMB28,614.3 million for the year ended December 31, 2020 to RMB41,111.6 million for the corresponding period in 2021.

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,			
	2021		2020	
	<i>(RMB'000 except percentages)</i>		<i>(RMB'000 except percentages)</i>	
Haidilao restaurant operation	39,463,660	96.0%	27,433,692	95.9%
Other restaurant operation	197,781	0.5%	20,614	0.1%
Delivery business	705,659	1.7%	717,683	2.5%
Sales of condiment products and food ingredients	687,059	1.7%	420,901	1.4%
Others	57,465	0.1%	21,365	0.1%
Total revenue	<u>41,111,624</u>	<u>100.0%</u>	<u>28,614,255</u>	<u>100.0%</u>

Revenue from Haidilao restaurant operation, the major part of our revenue which accounted for 96.0% of our total revenue in 2021, increased by 43.9% from RMB27,433.7 million in 2020 to RMB39,463.7 million in 2021, mainly due to an increase in the number of new restaurants and increase in operation days. The average table turnover rate in 2021 was 3.0 times per day. The average spending per guest decreased from RMB110.1 in 2020 to RMB104.7 in 2021, primarily due to changes in the average number of orders per client and other reasons.

Revenue from delivery business decreased slightly from RMB717.7 million in 2020 to RMB705.7 million in 2021, as our delivery business was affected by changes in the COVID-19 pandemic prevention and control policies in various regions.

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

	For the year ended December 31,	
	2021	2020
Average spending per guest⁽¹⁾ (RMB)		
Tier 1 cities ⁽²⁾	111.8	116.2
Tier 2 cities ⁽³⁾	101.7	105.7
Tier 3 cities and below ⁽⁴⁾	95.7	100.2
<i>Mainland China restaurants</i>	101.2	106.1
Outside mainland China	197.9	192.6
Overall	104.7	110.1
Table turnover rate⁽⁵⁾ (times/day)		
Tier 1 cities	3.1	3.4
Tier 2 cities	3.1	3.6
Tier 3 cities and below	2.9	3.6
<i>Mainland China restaurants</i>	3.0	3.6
Outside mainland China	2.3	2.8
Overall	3.0	3.5
New and existing restaurants⁽⁶⁾		
Newly-opened restaurants	2.4	2.8
Existing restaurants	3.1	3.7
Overall	3.0	3.5

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.
- (6) We define our existing restaurants as those that commenced operations prior to the beginning of a reporting period, and had an operating record during 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,	
	2021	2020
Number of same stores⁽¹⁾		
Tier 1 cities	144	
Tier 2 cities	253	
Tier 3 cities and below	182	
Outside mainland China	49	
Overall	628	
Same store sales⁽²⁾ (in thousands of RMB)		
Tier 1 cities	4,681,494.0	4,332,972.5
Tier 2 cities	7,836,500.4	7,794,422.1
Tier 3 cities and below	5,496,600.0	5,437,453.1
Outside mainland China	1,672,186.9	1,813,702.3
Overall	19,686,781.3	19,378,550.0
Average same store sales per day⁽³⁾ (in thousands of RMB)		
Tier 1 cities	89.9	96.9
Tier 2 cities	87.0	97.9
Tier 3 cities and below	83.9	95.1
Outside mainland China	95.0	103.3
Overall	87.4	97.3
Average same store table turnover rate⁽⁴⁾ (times/day)		
Tier 1 cities	3.4	3.6
Tier 2 cities	3.6	4.0
Tier 3 cities and below	3.6	4.0
Outside mainland China	2.7	3.0
Overall	3.5	3.8

Notes:

- (1) Includes restaurants that commenced operations prior to the beginning of the periods under comparison, remained open as of December 31, 2021 and opened for more than 270 days in both 2020 and 2021. As certain restaurants were temporarily suspended for more than 30 days in 2020 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) The gross revenue from restaurant operation at our same stores for the period indicated.
- (3) Calculated by dividing the gross revenue from restaurant operation at our same stores for the period by the total restaurant operation days at our same stores for the period.
- (4) Calculated by dividing the total tables served at our same stores for the period by the product of total restaurant operation days of our same stores for the period and average table count at our same stores during the period. The average table count included the table count in the areas that were not opened due to the COVID-19 epidemic prevention and control.

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,					
	2021			2020		
	Number of	Gross		Number of	Gross	
	restaurants	Revenue/		restaurants	Revenue/	
		Revenue			Revenue	
		(RMB' 000)			(RMB' 000)	
Mainland China						
Tier 1 cities	248	7,728,253	19.5%	255	5,930,587	21.5%
Tier 2 cities	522	14,903,891	37.7%	499	11,271,932	40.9%
Tier 3 cities and below	559	14,230,285	35.9%	451	8,142,708	29.5%
Subtotal	1,329	36,862,429	93.1%	1,205	25,345,227	91.9%
Outside mainland China						
Asia	92	2,123,410	5.4%	75	1,964,872	7.2%
North America	16	438,789	1.1%	13	169,970	0.6%
Europe	3	63,252	0.2%	2	37,780	0.1%
Oceania	3	96,328	0.2%	3	53,539	0.2%
Subtotal	114	2,721,779	6.9%	93	2,226,161	8.1%
Total restaurants/gross revenue generated from restaurant operation	1,443	39,584,208	100%	1,298	27,571,388	100.0%
Net of: Customer loyalty program		(120,548)			(137,696)	
Total restaurants/revenue generated from restaurant operation	1,443	39,463,660		1,298	27,433,692	

Raw Materials and Consumables Used

Our raw materials and consumables used increased by 46.6% from RMB12,261.5 million in 2020 to RMB17,977.1 million in 2021, primarily due to (i) our business expansion; (ii) an increase in operation days of our restaurants during the Reporting Period. As a percentage of revenue, our raw materials and consumables used increased from 42.9% in 2020 to 43.7% in 2021, mainly because that the Company's optimization of the menu to improve customer experience.

Staff Costs

Our staff costs increased by 53.7% from RMB9,676.5 million in 2020 to RMB14,874.8 million in 2021, mainly due to the increase in the number of employees as a result of business expansion. As a percentage of revenue, our staff costs increased from 33.8% in 2020 to 36.2% in 2021, mainly due to the higher compensation level of employees and the slower increase in revenue during the Reporting Period.

Property Rentals and Related Expenses

Our property rentals and related expenses increased by 43.6% from RMB236.0 million in 2020 to RMB338.9 million in 2021, primarily due to our business expansion. As a percentage of revenue, our property rentals and related expenses remained stable at 0.8% in 2020 and 2021.

Utilities Expenses

Our utilities expenses increased by 48.9% from RMB978.2 million in 2020 to RMB1,457.0 million in 2021, primarily because of (i) our business expansion; and (ii) the increase in operation days of restaurants. As a percentage of revenue, utilities expenses remained stable at 3.4% and 3.5% in 2020 and 2021.

Travelling and Communication Expenses

Our travelling and communication expenses increased by 32.0% from RMB186.2 million in 2020 to RMB245.7 million in 2021, primarily due to more trips resulting from our business expansion. As a percentage of revenue, our travelling and communication expenses remained relatively stable at 0.7% in 2020 and 0.6% in 2021, respectively.

Depreciation and Amortization

Our depreciation and amortization increased by 49.9% from RMB3,033.7 million in 2020 to RMB4,548.1 million in 2021 primarily due to our business expansion. As a percentage of revenue, depreciation and amortization increased from 10.6% in 2020 to 11.1% in 2021, primarily due to the slower increase in revenue during the Reporting Period.

Other Expenses

Our other expenses increased by 48.1% from RMB1,252.2 million in 2020 to RMB1,854.2 million in 2021, primarily reflecting (i) a RMB239.3 million increase in business expansions expenses, bank charges and other administrative expenses; (ii) a RMB153.5 million increase in human resources and other consulting service expenses; (iii) a RMB113.7 million increase in storage expenses; and (iv) a RMB95.5 million increase in maintenance expenses, due mainly to our business expansion. As a percentage of revenue, our other expenses remained relatively stable at 4.4% in 2020 and 4.5% in 2021.

Share of profit of Associates and a Joint Venture

Our share of profit in relation to (i) our associate Fuhai (Shanghai) Food Technology Co., Ltd. (馥海(上海)食品科技有限公司), 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 RMB74.9 million in 2020 to RMB81.1 million in 2021.

Other Gains and Losses

Our other gains and losses increased from RMB245.0 million of losses in 2020 to RMB3,707.4 million of losses in 2021, primarily due to the one-off losses on long-term assets such as improvement, plant and equipment resulting from the closure or suspend the operation of over 300 restaurants and the declined operating performance, as well as the provisions for impairment losses made by the management in a prudent manner during the year 2021, amounting to RMB3,653.7 million (including one-off loss for disposal of long-term assets of RMB1,902.9 million and impairment loss of approximately RMB1,750.8 million).

Finance Costs

Our finance costs increased by 44.7% from RMB445.6 million in 2020 to RMB644.5 million in 2021, primarily due to the increase in interests on long term bonds, 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 56.5% from RMB425.6 million in 2020 to RMB185.2 million in 2021, primarily due to decrease in our earnings during the Reporting Period.

(Loss) profit for the Year

As a result of the foregoing, our (loss) profit for the year decreased from RMB309.5 million of profit in 2020 to RMB4,161.2 million of loss in 2021.

Capital Liquidity and Financial Resources

For year ended December 31, 2021, we primarily funded our operations, expansion and capital expenditures through cash generated from our operations, bank borrowings and other borrowing, and we also adopted flexible and diverse financing methods when needed. 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 for our business operation.

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 RMB2,682.7 million as of December 31, 2020 to RMB5,766.8 million as of December 31, 2021, mainly due to the increase in financing amount for our business needs.

Right-of-use Assets

Under IFRS 16, we recognize right-of-use assets with respect to our property leases. Our right-of-use assets are depreciated over the lease term or the useful life of the underlying asset, whichever is shorter. As of December 31, 2021, we recognized right-of-use assets with an amount of RMB5,819.3 million.

Inventories

Our inventories mainly represented our food ingredients, condiment products and other materials used in our restaurant operation. Our inventories increased from RMB1,154.2 million as of December 31, 2020 to RMB1,456.2 million as of December 31, 2021, primarily due to our business expansion. Our inventory turnover days in 2020 and 2021 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 decreased from 35.0 days to 26.5 days, mainly due to the acceleration in the consumption of our raw materials and consumables during the Reporting Period.

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 RMB275.2 million as of December 31, 2020 to RMB367.7 million as of December 31, 2021. The turnover days of trade receivables decreased from 3.1 days in 2020 to 2.9 days in 2021.

Trade Payables

Trade payables mainly represent the balances of our independent third party suppliers of food ingredients and consumables. Our trade payables increased from RMB1,582.6 million as of December 31, 2020 to RMB1,944.2 million as of December 31, 2021, primarily reflecting the increase in procurement. The turnover days of trade payables decreased from 44.5 days for the year ended December 31, 2020 to 35.8 days for the year ended December 31, 2021.

Bank Borrowings

As of December 31, 2021, we had bank borrowings of RMB3,781.4 million. In 2021, the Group obtained new bank loans amounting to RMB2,304.0 million and repaid bank loans amounting to RMB2,487.2 million.

Other Borrowing

As of December 31, 2021, we had other borrowing of RMB62.4 million which was secured by fixed assets of the Group.

Contingent Liabilities

As of December 31, 2021, 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, 2021, the Group charged fixed assets with a net book value of RMB341.5 million and RMB134.1 million as securities for bank borrowings and other borrowing respectively.

As of December 31, 2021, the Group charged bank deposits of RMB21.7 million to banks to secure the rental payments to the lessors.

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, 2021, the Group had a total of 146,584 employees, of which 135,687 were located in mainland China and 10,897 were located in Hong Kong, Macao and Taiwan regions, and overseas countries. For the year ended December 31, 2021, the Group has incurred a total staff costs (including salaries, wages, allowance and benefits) of RMB14,874.8 million.

Material Acquisitions and Disposals

Save as disclosed herein, the Company had no material acquisitions and disposals during the year ended December 31, 2021.

No Material Changes

During the year ended December 31, 2021, the Group has decided to adjust its restaurant expansion planning decisions and shut down or suspend the operation of about 300 Haidilao restaurants with relatively low customer traffic and unsatisfying results of operations gradually by December 31, 2021, of which some restaurants will be temporarily closed of no more than two years and resume operation in appropriate times. Please refer to the announcement of the Company dated November 5, 2021 for details.

Saved as disclosed above and 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**").

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.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	For the year ended December 31,	
		2021 RMB'000	2020 RMB'000
Revenue	3	41,111,624	28,614,255
Other income	4	478,858	360,867
Raw materials and consumables used		(17,977,071)	(12,261,465)
Staff costs		(14,874,837)	(9,676,510)
Property rentals and related expenses		(338,902)	(235,961)
Utilities expenses		(1,456,984)	(978,212)
Depreciation and amortization		(4,548,051)	(3,033,699)
Travelling and communication expenses		(245,734)	(186,230)
Other expenses		(1,854,154)	(1,252,238)
Share of profit of associates		91,731	99,109
Share of loss of a joint venture		(10,621)	(24,249)
Other gains and losses	5	(3,707,365)	(244,966)
Finance costs	6	(644,513)	(445,559)
(Loss) profit before tax		(3,976,019)	735,142
Income tax expense	7	(185,187)	(425,596)
(Loss) profit for the year	8	(4,161,206)	309,546
Other comprehensive (expense) income			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		17,877	5,092
Total comprehensive (expense) income for the year		(4,143,329)	314,638
(Loss) profit for the year attributable to:			
Owners of the Company		(4,163,175)	309,271
Non-controlling interests		1,969	275
		(4,161,206)	309,546
Total comprehensive (expense) income attributable to:			
Owners of the Company		(4,145,298)	314,363
Non-controlling interests		1,969	275
		(4,143,329)	314,638
(LOSS) EARNINGS PER SHARE			
Basic (RMB)	10	(0.78)	0.06
Diluted (RMB)	10	(0.78)	0.06

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Notes</i>	As at December 31,	
		2021	2020
		RMB'000	RMB'000
Non-current Assets			
Property, plant and equipment		9,315,090	12,063,795
Right-of-use assets	<i>11</i>	5,819,320	7,564,609
Goodwill		84,845	62,383
Other intangible assets		132,433	91,563
Interests in associates		327,929	268,526
Interest in a joint venture		22,937	32,806
Financial assets at fair value through profit or loss		12,092	86,999
Deferred tax assets		526,296	353,443
Other financial assets		3,188	52,414
Rental deposits		366,795	352,290
Security deposits for other borrowing		5,060	5,060
		16,615,985	20,933,888
Current Assets			
Inventories		1,456,237	1,154,215
Trade and other receivables and prepayments	<i>12</i>	3,135,462	2,205,415
Amounts due from related parties		287,100	267,708
Financial assets at fair value through profit or loss		672,895	4,000
Other financial assets		27,056	23,259
Pledged bank deposits		21,717	17,791
Bank balances and cash		5,805,035	2,920,868
		11,405,502	6,593,256
Current Liabilities			
Long term bonds		47,533	–
Trade payables	<i>13</i>	1,944,156	1,582,571
Notes payable		–	23,982
Other payables	<i>14</i>	1,752,832	2,224,784
Amounts due to related parties		385,564	387,072
Dividend payable	<i>9</i>	3,805	3,805
Tax payable		103,308	201,412
Lease liabilities		1,202,499	1,057,613
Bank borrowings		3,560,283	3,721,208
Other borrowing		22,847	22,936
Contract liabilities		744,647	642,560
Provision		118,395	–
		9,885,869	9,867,943
Net Current Assets (Liabilities)		1,519,633	(3,274,687)
Total Assets less Current Liabilities		18,135,618	17,659,201

	<i>Notes</i>	As at December 31,	
		2021	2020
		RMB'000	RMB'000
Non-current Liabilities			
Long term bonds		3,796,228	–
Deferred tax liabilities		31,349	21,398
Lease liabilities		6,044,559	7,004,421
Bank borrowings		221,158	268,160
Other borrowing		39,554	62,156
Provisions		74,145	65,808
		<u>10,206,993</u>	<u>7,421,943</u>
Net Assets		<u>7,928,625</u>	<u>10,237,258</u>
Capital and Reserves			
Share capital	<i>15</i>	183	175
Reserves		<u>7,914,377</u>	<u>10,233,776</u>
Equity attributable to owners of the Company		<u>7,914,560</u>	10,233,951
Non-controlling interests		<u>14,065</u>	<u>3,307</u>
Total Equity		<u>7,928,625</u>	<u>10,237,258</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 of Hong Kong Limited 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 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, 2021 for the preparation of the consolidated financial statements:

Amendments to IFRS 9, IAS 39 and IFRS 7 IFRS 4 and IFRS 16	Interest Rate Benchmark Reform-Phase 2
Amendment to IFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021

The Group has early applied the Amendment to IFRS 16 *Covid-19-Related Rent Concessions*¹.

In addition, the Group applied the agenda decision of the IFRS Interpretations Committee (the "**Committee**") of the International Accounting Standards Board issued in June 2021 which clarified the costs an entity should include as "estimated costs necessary to make the sale" when determining the net realisable value of inventories.

Except as described below, the application of 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.

Impacts on early application of Amendment to IFRS 16 Covid-19-Related Rent Concessions beyond 30 June 2021

The Group has early applied the amendment in the current year. The amendment extends the availability of the practical expedient in paragraph 46A of IFRS 16 *Leases* (“**IFRS 16**”) by one year so that the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met.

The application of this amendment has had no material impact on the Group’s financial positions and performance for the current and prior years.

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 ³
Amendments to IFRS 3	Reference to the Conceptual Framework ²
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
Amendments to IAS 1	Classification of Liabilities as Current or Non-current ³
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies ³
Amendments to IAS 8	Definition of Accounting Estimates ³
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ³
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 1 April 2021.

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

³ Effective for annual periods beginning on or after 1 January 2023.

⁴ Effective for annual periods beginning on or after a date to be determined.

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,	
	2021 RMB'000	2020 RMB'000
Restaurant operation	39,661,441	27,454,306
Delivery business	705,659	717,683
Sales of condiment products and food ingredients	687,059	420,901
Others	57,465	21,365
Total	<u>41,111,624</u>	<u>28,614,255</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, 2021 (2020: Nil).

The following table set forth the breakdown of the Group's revenue during the years ended December 31, 2021 and 2020, and the breakdown of the Group's non-current assets as at December 31, 2021 and 2020 based on location of operation:

	Revenue		Non-current assets (<i>Note</i>)	
	For the year ended December 31,		As at December 31,	
	2021 RMB'000	2020 RMB'000	2021 RMB'000	2020 RMB'000
Mainland China	38,160,899	26,133,846	12,276,902	16,262,831
Outside mainland China	2,950,725	2,480,409	3,425,652	3,820,851
Total	<u>41,111,624</u>	<u>28,614,255</u>	<u>15,702,554</u>	<u>20,083,682</u>

Note:

Non-current assets presented above excluded 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,	
	2021	2020
	RMB'000	RMB'000
Interest income on:		
– bank deposits	13,021	12,590
– deposits placed in a financial institution	–	18,528
– rental deposits	17,032	10,105
– financial assets at FVTOCI	2,106	–
– other financial assets	821	66
	<hr/> 32,980 <hr/>	<hr/> 41,289 <hr/>
Government grants (<i>Note i</i>)	173,515	198,140
Additional tax deduction (<i>Note ii</i>)	149,458	51,238
Others	122,905	70,200
	<hr/> 478,858 <hr/>	<hr/> 360,867 <hr/>

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 business development. During the current year, the Group recognized government grants of RMB32,001,000 (2020: RMB130,020, 000) in respect of Covid-19-related subsidies, of which RMB894,000 (2020: RMB56,464,000) relates to employment support scheme provided by the 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 become effective from April 1, 2019 onwards.

5. OTHER GAINS AND LOSSES

	For the year ended December 31,	
	2021	2020
	RMB'000	RMB'000
Impairment loss recognized in respect of		
– goodwill (<i>Note</i>)	(62,383)	(30,219)
– Investment in associates (<i>Note</i>)	(32,327)	–
– other intangible assets (<i>Note</i>)	(8,120)	–
– property, plant and equipment (<i>Note</i>)	(1,028,791)	(20,536)
– right-of-use assets (<i>Note</i>)	(600,178)	(19,750)
	<u>(1,731,799)</u>	<u>(70,505)</u>
Expected credit loss on rental deposits (<i>Note</i>)	(18,955)	–
Loss on disposal of property, plant and equipment and other intangible assets (<i>Note</i>)	(1,958,087)	(22,334)
Gain on termination of leases (<i>Note</i>)	55,180	–
Net foreign exchange loss	(118,058)	(234,828)
Net gain arising on financial assets at FVTPL	9,838	64,856
Others	54,516	17,845
	<u>(3,707,365)</u>	<u>(244,966)</u>

Note:

Due to the decline in restaurant operating results of the Group and its associates as well as the management's strategic decision to close, both permanently and temporarily, certain restaurants during the year, the Group incurred significant loss on disposal of property, plant and equipment and other intangible assets, net gain on termination of leases, and impairment loss and expected credit losses on various assets in 2021, which amounted to approximately RMB3,653,661,000 in aggregate.

6. FINANCE COSTS

	For the year ended December 31,	
	2021	2020
	RMB'000	RMB'000
Interests on lease liabilities	399,518	320,356
Interests on bank borrowings	155,138	118,384
Interests on long term bonds	83,743	–
Interests on other borrowing	3,486	4,899
Interests charge on unwinding of discounts	2,628	1,920
	<u>644,513</u>	<u>445,559</u>

7. INCOME TAX EXPENSE

	For the year ended December 31,	
	2021	2020
	RMB'000	RMB'000
Current tax:		
– current year		
– PRC Enterprise Income Tax (“EIT”)	325,912	572,177
– other jurisdictions	29,625	57,696
	355,537	629,873
– under provision in prior years		
– PRC EIT	540	3,861
– other jurisdictions	–	491
	540	4,352
	356,077	634,225
Deferred tax	(170,890)	(208,629)
	185,187	425,596

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, 2021, no deferred tax liability (2020: RMB11,850,000) was recognized in respect of the undistributed earnings expected to be distributed in the foreseeable future with the tax rate of 5%.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions at 12% to 30% (2020: 12% to 30%) 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%.

No provision for taxation in Hong Kong has been made as no taxable profit derived from Hong Kong in 2021 and 2020.

The income tax expense for the year ended December 31, 2021 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,	
	2021	2020
	RMB'000	RMB'000
(Loss) profit before tax	(3,976,019)	735,142
Tax at 25%	(994,005)	183,785
Tax effect of expenses not deductible for tax purposes	58,209	34,349
Tax effect of income not taxable for tax purposes	(27,163)	(26,031)
Tax effect of tax losses not recognized	688,347	134,267
Tax effect of deductible temporary differences not recognized	432,808	21,091
Utilization of tax losses previously not recognized	(7,523)	(8,769)
Withholding Tax	–	8,802
Under provision of current tax in respect of prior years	540	4,352
Effect of tax exemptions granted to PRC subsidiaries	–	(2,949)
Effect of different tax rates of subsidiaries operating in other jurisdictions	35,136	77,601
Others	(1,162)	(902)
Income tax expense for the year	185,187	425,596

8. (LOSS) PROFIT FOR THE YEAR

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

	For the year ended December 31,	
	2021	2020
	RMB'000	RMB'000
Depreciation of property, plant and equipment	3,383,086	2,118,281
Depreciation of right-of-use assets	1,127,414	887,620
Amortization of other intangible assets	37,551	27,798
Total depreciation and amortization	4,548,051	3,033,699
Property rentals		
– office premises (fixed payments)	810	804
– restaurants		
– Covid-19-related rent concessions (<i>Note</i>)	(27,999)	(78,650)
– variable lease payments (<i>Note</i>)	74,981	69,711
	46,982	(8,939)
Other rental related expenses	291,110	244,096
Total property rentals and related expenses	338,902	235,961
Directors' emoluments	59,661	90,875
Other staff cost:		
Salaries and other allowance	11,846,072	7,977,897
Employee welfare	1,573,843	1,094,018
Retirement benefit contribution	1,395,261	513,720
Total staff costs	14,874,837	9,676,510
Auditor's remuneration	6,350	6,050

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, 2021, Covid-19-related rent concessions amounted to RMB27,999,000 have been offset against variable lease payments of RMB74,981,000.

9. DIVIDENDS

	For the year ended December 31,	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Dividends for ordinary shareholders of the Company recognized as distribution during the year	<u>92,781</u>	<u>703,413</u>

On March 23, 2021, a final dividend of HKD0.021 (equivalent to RMB0.018) per share with a total amount of HKD110,788,933 (equivalent to RMB92,781,300) was declared to shareholders for the year ended December 31, 2020 by the Company out of share premium. The dividend was paid in July 2021.

On March 25, 2020, a final dividend of HKD0.15 (equivalent to RMB0.13) per share with a total amount of HKD771,388,000 (equivalent to RMB703,413,000) was proposed to shareholders for the year ended December 31, 2019 by the Company out of share premium. The dividend was paid in June 2020.

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 year ended December 31,	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
(Loss) earnings for the year attributable to the owners of the Company for the purpose of calculating (loss) earnings per share	<u>(4,163,175)</u>	<u>309,271</u>

	For the year ended December 31,	
	2021	2020
	<i>'000</i>	<i>'000</i>
Weighted average number of ordinary shares for the purpose of calculating (loss) earnings per share	<u>5,312,000</u>	<u>5,300,000</u>

No diluted earnings per share for the year ended December 31, 2021 and 2020 were calculated as there were no potential ordinary shares in issue for the year ended December 31, 2021 and 2020.

11. RIGHT-OF-USE ASSETS

	Leased properties RMB'000	
At December 31, 2021		
Carrying amount	5,819,320	
At December 31, 2020		
Carrying amount	7,564,609	
For the year ended December 31, 2021		
Depreciation charge	1,127,414	
Impairment loss recognized in profit or loss	<u>600,178</u>	
For the year ended December 31, 2020		
Depreciation charge	887,620	
Impairment loss recognized in profit or loss	<u>19,750</u>	
	For the year ended December 31,	
	2021	2020
	RMB'000	RMB'000
Expense relating to short-term leases	810	804
Variable lease payments not included in the measurement of lease liabilities	74,981	69,711
Total cash outflow for leases (<i>Note</i>)	1,045,681	778,584
Additions to right-of-use assets	538,827	3,792,707
Disposal right-of-use assets	<u>600,577</u>	<u>76,567</u>

Note:

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

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 1% to 11% of sales with 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, 2021

	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	40	18,727	–	18,727
Restaurants without variable lease payments	1,196	573,180	–	573,180
Restaurants with variable lease payments	793	378,793	74,981	453,774
Total	<u>2,029</u>	<u>970,700</u>	<u>74,981</u>	<u>1,045,681</u>

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>

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, the Group decided to discontinue the operations of certain restaurants before the expiry of original lease terms of those restaurants. As a result, the Group will exercise the termination option stipulated in the lease agreements and the right-of-use asset and lease liability have been adjusted accordingly.

Restrictions or covenants on leases

Lease liabilities of RMB7,247,058,000 are recognized with related right-of-use assets of RMB5,819,320,000 as at December 31, 2021 (2020: lease liabilities of RMB8,062,034,000 and related right-of-use assets of RMB7,564,609,000). 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, 2021, the Group has entered into new leases for several restaurants that have yet to commence, with average non-cancellable period ranging from 5 to 9 years (2020: 2 to 16 years), the total future undiscounted cash flows over the non-cancellable period amounted to RMB13,256,000 (2020: RMB569,890,000).

Rent concessions

During the year ended December 31, 2021, lessors of restaurants provided rent concessions to the Group through rent reductions ranging from 10% to 100% of monthly rents 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 RMB27,999,000 (2020: RMB78,650,000) were recognized as negative variable lease payments.

12. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	As at December 31,	
	2021	2020
	RMB'000	RMB'000
Trade receivables	<u>367,668</u>	<u>275,233</u>
Other receivables and prepayments:		
Loans to employees (<i>Note</i>)	16,879	14,608
Prepayment to suppliers	887,339	689,066
Prepaid operating expenses	740,303	408,065
Input value-added tax recoverable	868,192	676,488
Interest receivable	4,897	1,278
Others	<u>250,184</u>	<u>140,677</u>
Subtotal	<u>2,767,794</u>	<u>1,930,182</u>
Total trade and other receivables and prepayments	<u><u>3,135,462</u></u>	<u><u>2,205,415</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 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 December 31,	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Within 60 days	1,871,703	1,473,263
61 to 180 days	46,803	74,051
More than 181 days	25,650	35,257
	<u>1,944,156</u>	<u>1,582,571</u>

14. OTHER PAYABLES

	As at December 31,	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Staff cost payable	1,249,141	1,050,791
Other taxes payables	175,857	165,172
Deposits from suppliers	11,792	29,017
Renovation fee payables	223,645	922,084
Interest payable	1,279	—
Others	91,118	57,720
	<u>1,752,832</u>	<u>2,224,784</u>

15. SHARE CAPITAL

	Par value USD	Number of shares	Nominal amount USD'000	Shown in the consolidated financial statements RMB'000
Authorized:				
At beginning and end of 2020 and 2021	0.000005	<u>10,000,000,000</u>	<u>50</u>	
Issued:				
At beginning and end of 2020	0.000005	5,300,000,000	27	175
Issue of new ordinary shares upon subscription (note i)	0.000005	115,000,000	1	3
Issue of ordinary shares to share award scheme trust (note ii)	0.000005	<u>159,000,000</u>	<u>1</u>	<u>5</u>
At end of 2021	0.000005	<u>5,574,000,000</u>	<u>29</u>	<u>183</u>

Notes:

- (i) On November 12, 2021, the Group entered into a placing and top-up subscription agreement with a placing agent (the “**Placing Agent**”) and SP NP Ltd. (“**SP NP**”), a shareholder of the Group, whereby SP NP agreed to appoint the Placing Agent to procure not less than 6 placees for an aggregate of 115,000,000 shares of the Company at a consideration of HKD20.43 per placing share representing a discount of approximately 4.76% to the average closing price as quoted on the Stock Exchange for the last five consecutive trading days up to and including the last trading day of the Company’s ordinary shares on 11 November 2021 and SP NP has agreed to subscribe for an aggregate of 115,000,000 shares of the Company.

On November 22, 2021, an aggregate of 115,000,000 ordinary shares of the Company with par value of USD0.000005 each were successfully placed. The net proceeds of HK\$2,337.01 million from the placing will be used to enhance supply chain management and product development, and to provide additional working capital for the Company. The new shares rank pari passu with the existing shares in all respects.

- (ii) In July 2021, the Company issued 159,000,000 ordinary shares with par value of USD0.000005 each to the Share Award Scheme Trust which was established by the Group to hold the shares for the benefit of the participants of the Share Award Scheme. As the Share Scheme Trust acts solely a warehouse for the Company’s shares, the shares held by the Share award Scheme Trust were presented as treasury shares in the consolidated financial statements of the Group.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Compliance with the Corporate Governance Code

Pursuant to C.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 served as the chairman of the Board and the chief executive officer of the Company in 2021. Ms. Yang Lijuan was designated as the chief executive officer of the Company on March 1, 2022, and Mr. Zhang Yong, the chairman of the Board and former chief executive officer of the Company, currently remains as the chairman of the Board and an executive Director

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, 2021.

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, 2021.

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, 2021.

Purchase, Sale or Redemption of Listed Securities

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company’s listed securities in 2021.

Audit Committee

The Audit Committee has three members comprising three independent non-executive Directors, namely Mr. Hee Theng Fong, Dr. Chua Sin Bin and Mr. Qi Daqing (chairman of the Audit Committee), 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, 2021, 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, 2021 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, 2021 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, 2021, 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, 2021, the Company cumulatively used HK\$6,355.0 million, accounting for approximately 87.1% of the proceeds from the Global Offering. The company expects to utilize the balance of net proceeds of approximately HK\$944.3 million by the end of 2022.

	Percentage %	Net Proceeds HK\$ million	As of December 31, 2021	
			Utilized amount HK\$ million	Unutilized amount 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	515.6	944.3
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>6,355.0</u>	<u>944.3</u>

Use of Proceeds from the Placing

The placing of existing shares and top-up subscription of new shares pursuant to the share placing and subscription agreement dated November 12, 2021 was completed on November 22, 2021 (the “**2021 Placing**”).

The net proceeds raised from the 2021 Placing were approximately HK\$2,337.01 million. As of the date of this annual report, the Company did not utilize any of the proceeds from the 2021 Placing. The Company intends to use the net proceeds for the following purposes as previously disclosed in the Company’s announcements relating to the 2021 Placing: (i) an amount of approximately HK\$701.10 million, representing approximately 30.0% of the net proceeds for enhancing supply chain management and product development; (ii) an amount of approximately HK\$701.10 million, representing approximately 30.0% of the net proceeds for the repayment of credit facilities; and (iii) an amount of approximately HK\$934.80 million, representing approximately 40.0% of the net proceeds for working capital and general corporate purpose of the Group. To the extent that the net proceeds are not immediately required for the above purposes, we may hold such funds in short-term deposits or purchase short-term wealth management products so long as it is deemed to be in the best interests of the Company.

There was no change in the intended use of net proceeds as previously disclosed, and the Company will gradually utilise the residual amount of the net proceeds in accordance with such intended purposes within the upcoming three to five years. This expected timeline is based on the best estimation of future market conditions and business operations made by the Company, and remains subject to change based on current and future development of market conditions and actual business needs.

FINAL DIVIDEND

The Board does not recommend any payment of a final dividend for the year ended December 31, 2021.

CLOSURE OF REGISTER OF MEMBERS FOR AGM

The register of members of the Company will be closed from Monday, June 6, 2022 to Thursday, June 9, 2022, both days inclusive, in order to determine the eligibility of the Shareholders to attend and vote at the AGM to be held on Thursday, June 9, 2022. 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 Thursday, June 2, 2022.

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, 2021 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 2022.

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, 2022

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. Zhou Zhaocheng, Ms. Gao Jie, Ms. Yang Lijuan, Mr. Li Peng, Ms. Yang Hua, Ms. Liu Linyi, Mr. Li Yu, Ms. Song Qing and Mr. Yang Li as Executive Directors, and Dr. Chua Sin Bin, Mr. Hee Theng Fong, Mr. Qi Daqing, Dr. Ma Weihua and Mr. Wu Xiaoguang as Independent Non-executive Directors