

## SUMMARY

*This summary aims to give you an overview of the information contained in this listing document. As this is a summary, it does not contain all the information that may be important to you and is qualified in its entirety by, and should be read in conjunction with, the full text of this listing document. You should read the whole listing document including the appendices hereto, which constitute an integral part of this listing document.*

### OVERVIEW

We are a leading Chinese cuisine restaurant brand in the international market<sup>(1)</sup> committed to spreading Chinese culinary heritage across the globe. We uphold Haidilao’s core values to satisfy two critical groups of people—“changing your future with your own hands” (用雙手改變命運) to motivate our employees, and delivering an exceptional and fun dining experience to our guests. Guided by our proven management philosophy, “aligned interests and disciplined management” (連住利益, 鎖住管理), we believe we are well positioned to expand internationally by balancing standardization and localization. According to F&S Report, we were the third largest Chinese cuisine restaurant brand in the international market and the largest Chinese cuisine restaurant brand originating from China in the international market in terms of 2021 revenue. We were also the largest Chinese cuisine restaurant brand in the international market in terms of number of countries covered by self-operated restaurants as of December 31, 2021.

Food is an expression of cultural identity, values and a way of life. Chinese cuisine is one of the richest and most diverse culinary heritages in the world. However, due to challenges in standardization, scalability and localization across countries, very few Chinese cuisine restaurant brands have successfully expanded internationally while maintaining consistent quality and a brand identity that resonates across cultures. Chinese cuisine restaurant brands with over 10 stores and brands covering two or more countries only accounted for approximately 13.0% and less than 5% of the international market in terms of number of restaurants in 2021, respectively. With a unique dining experience and outstanding service quality, our Haidilao restaurants have become a worldwide cultural phenomenon. Since opening our first restaurant in Singapore in 2012, we have expanded to 97 restaurants in 11 countries across four continents as of March 31, 2022.

We believe striking a balance between honoring the Haidilao legacy and continuous innovation for localization has been the foundation of our growth and expansion in the international market.

**Brand legacy.** Leveraging the renowned Haidilao brand and our extensive experience in standardized restaurant operation, we seek to address challenges faced in international expansion through implementing our operating paradigm of “aligned interests and disciplined management.”

- **Brand image.** After close to 30 years of cultivation, Haidilao has become a unique cultural phenomenon and a household name worldwide. Our Haidilao brand commands customer loyalty and strong brand equity through our commitment to a unique dining experience and service quality, as well as uncompromised food safety. With a brand recognition that precedes our presence, we believe the Haidilao brand will enable us to steadily expand in the international market.

<sup>(1)</sup> Unless otherwise specified, “international market” in this listing document refers to the global market excluding mainland China, Hong Kong, Macau and Taiwan.

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- *Management philosophy.* Haidilao’s management philosophy of “aligned interests and disciplined management” fuels our international expansion. Under this philosophy, the interests of our employees are highly aligned to ours, motivating them to drive our bottom-up dynamic growth. Meanwhile, our disciplined management systematically ensures our high-quality expansion by controlling operational risks and providing key resources and support to our restaurants. We believe that this principle appeals to human nature across different cultures and regions and has been proven in Haidilao’s expansion both in China and international markets.
- *Standardized operations.* Over the years, we have gained extensive experience in standardizing restaurant operations in different countries. We maintain strict control over key aspects of restaurant operation, including restaurant network expansion, employee training and promotion, food safety, service quality control and supply chain, which, we believe, have been crucial to our continuous expansion and efficient operations.

**Localization.** Under the framework of standardized operations and guided by core Haidilao values, we seek to adapt restaurant operations to local customs, tastes and preferences in order to provide a unique dining experience to guests and keep employees incentivized in different regional markets. We continue to innovate in the following aspects.

- *Food and menu.* We continuously develop and launch new menu items (including food ingredients, soup bases and dipping sauces) tailored to local tastes and preferences and introduce local food ingredients into our menu. Generally, a significant portion of our menu in each restaurant is localized.
- *Guest services.* We give employees the autonomy to discover how to best serve our guests and encourage them to adjust how we effectuate warm and personalized services based on local customs and cultural norms. For example, we organize themed events and decorate our restaurants to celebrate holidays in local cultures, such as Easter and Halloween. We also recommend optimal cooking times for each hot pot ingredient and dipping sauce combos in countries that are relatively new to hot pot dining.
- *Management structure.* We have established a three-layer structure consisting of our headquarters, senior regional managers and restaurant managers, to effectively manage our restaurants. Our headquarters hold control over critical restaurant management functions to ensure standardization across our multi-national operations and optimized resource allocation. Leveraging strong local know-how, our senior regional managers act as bridges between the strategic objectives of our headquarters and individual restaurants. They play key roles in expanding localized supply chains and building local teams to support operations, developing business strategies with our headquarters and implementing our strategies at the local level. Our restaurant managers are responsible for managing the day-to-day operations of our restaurants.

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Benefiting from our proven management philosophy and successful localization efforts, we have built an international Haidilao restaurant network with highly standardized operations, effective management systems, motivated employees and a high level of guest satisfaction. Despite the effect of the global COVID-19 pandemic, we have achieved strong growth during the Track Record Period.

- *Restaurant expansion.* Our restaurant network expanded from 24 restaurants in five countries as of January 1, 2019 to 97 restaurants in 11 countries as of March 31, 2022. Our revenue increased from US\$233.1 million in 2019 to US\$312.4 million in 2021 at a CAGR of 15.8%. We also recorded a robust recovery from the COVID-19 pandemic since 2022, with our revenue increasing from US\$68.3 million in the three months ended March 31, 2021 to US\$109.1 million in the three months ended March 31, 2022.
- *Entering new markets.* Prior to the start of the COVID-19 pandemic, we expanded into six new countries in 2019, including four countries in Southeast Asia, namely Vietnam, Malaysia, Thailand and Indonesia, the UK and Australia. In the same year, we achieved strong table turnover rates of over 4.8 times per day on average in these countries. During the pandemic, we focused primarily on expansion within existing countries and enhancing their operating performance, opening a total of 61 new restaurants as of March 31, 2022.
- *Guest traffic.* Prior to the COVID-19 pandemic, we recorded a total of approximately 8.1 million guest visits at our restaurants in 2019. While our guest traffic was significantly affected by COVID-19, through our efforts, we increased guest visits from approximately 7.1 million in the height of the pandemic in 2020 to approximately 9.8 million in 2021 and our same-store guest visits per restaurant increased from 133.2 thousand in 2020 to 143.2 thousand in 2021. In the first quarter of 2022, we recorded approximately 3.8 million guest visits in total as the pandemic gradually eased in certain countries, a 60.3% increase from approximately 2.4 million for the same period in 2021.
- *Table turnover rate.* We recorded a strong overall table turnover rate of 4.1 times per day in 2019. During the pandemic, we implemented a number of measures, such as offering discounts, reactivating existing guests and offering off-peak hour meals, to improve table turnover rates. In the first quarter of 2022, our overall table turnover rate was 2.7 times per day, improving from the overall table turnover rate of 2.4 times per day and 2.1 times per day in 2020 and 2021, respectively.

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### OUR BUSINESS

During the Track Record Period, we generated substantially all of our revenue from Haidilao restaurant operations. To a lesser extent, we also generated revenue from food delivery and sales of hot pot condiment products and food ingredients. The following table sets forth the components of our revenue in absolute amounts and as percentages of the total revenue for the period indicated.

	For the Year Ended December 31,						For the Three Months Ended March 31,			
	2019		2020		2021		2021		2022	
	<i>(US\$ in thousands, except for percentages)</i>									
	<i>(Unaudited)</i>									
Restaurant operation	232,542	99.8%	209,275	94.5%	296,059	94.8%	65,019	95.2%	105,043	96.3%
Delivery business	158	0.1%	10,225	4.6%	11,783	3.8%	2,588	3.8%	2,596	2.4%
Others <sup>(1)</sup>	419	0.1%	1,911	0.9%	4,531	1.4%	665	1.0%	1,436	1.3%
<b>Total</b>	<b>233,119</b>	<b>100.0%</b>	<b>221,411</b>	<b>100.0%</b>	<b>312,373</b>	<b>100.0%</b>	<b>68,272</b>	<b>100.0%</b>	<b>109,075</b>	<b>100.0%</b>

Note:

- (1) Others primarily represented revenue generated from sales of hot pot condiment products and food ingredients.

### Our Restaurant Network

We opened our first restaurant in Singapore in 2012. Since then, we have gradually expanded our restaurant network to 97 restaurants in 11 countries in Asia, North America, Europe and Oceania as of March 31, 2022. The following table summarizes the number of Haidilao restaurants and breakdown of our revenue from restaurant operation by geographic region as of the date and for the period indicated.

	As of/For the Year Ended December 31,						As of/For the Three Months Ended March 31,			
	2019		2020		2021		2021		2022	
	# of restaurants	Revenue	# of restaurants	Revenue	# of restaurants	Revenue	# of restaurants	Revenue	# of restaurants	Revenue
	<i>(US\$ in thousands, except for number of restaurants)</i>									
	<i>(Unaudited)</i>									
Southeast Asia	20	128,933	39	136,263	55	165,942	43	44,432	57	64,040
East Asia	10	49,910	17	34,309	17	37,251	17	8,112	17	11,768
North America	6	37,888	13	25,203	16	68,064	14	8,289	16	20,149
Others <sup>(1)</sup>	2	15,811	5	13,500	6	24,802	5	4,186	7	9,086
<b>Total</b>	<b>38</b>	<b>232,542</b>	<b>74</b>	<b>209,275</b>	<b>94</b>	<b>296,059</b>	<b>79</b>	<b>65,019</b>	<b>97</b>	<b>105,043</b>

Note:

- (1) Others include Australia and the United Kingdom.

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### Key Operating Data

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

	For the Year Ended December 31,			For the Three Months Ended March 31,
	2019	2020	2021	2022
	Total guest visits (million)	8.1	7.1	9.8
Table turnover rate (times per day)	4.1	2.4	2.1	2.7
Average spending per guest (US\$)	28.7	29.4	30.3	27.5
Average daily revenue per restaurant (in thousands of US\$)	20.8	11.6	10.0	12.8

We recorded strong restaurant performance in 2019, with total guest visits of approximately 8.1 million and an overall table turnover rate of 4.1 times per day. Since 2020, the COVID-19 pandemic had a major impact on our restaurant performance, reflected in a decrease in guest traffic and table turnover rates due to various restrictions implemented around the world. Many of these restrictions have gradually lifted, enabling us to resume normal operations in most of our restaurants. Our restaurant performance has improved significantly in the first quarter of 2022, with approximately 3.8 million in total guest visits and an overall table turnover rate of 2.7 times per day. For details, see “Business—Our Business—Our Haidilao Restaurant Business.”

### OUR PROCUREMENT

Our procurement primarily includes (i) soup base for our hot pot; (ii) food ingredients; and (iii) decoration materials and related services. During the Track Record Period and up to the Latest Practicable Date, Yihai Group was our primary supplier of soup base. For our food ingredients, we primarily adopt a centralized procurement for markets where we have a larger business scale. We have set up a central kitchen in Singapore, which is responsible for manufacturing and processing food ingredients used in our restaurants nearby, including meats that require processing and flavoring and vegetables that require washing and cutting. For other markets, we normally procure food ingredients from local suppliers directly.

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In each of the years ended December 31, 2019, 2020 and 2021 and the three months ended March 31, 2022, our purchase amount from our five largest suppliers was US\$18.2 million, US\$22.0 million, US\$28.4 million and US\$8.9 million, respectively, accounting for 8.2%, 8.5%, 10.1% and 10.6% of our total purchases for the same period.

### CONNECTED TRANSACTIONS

Prior to the Listing, our Group has entered into certain transactions in our ordinary and usual course of business with connected persons of our Company. For details, see “Continuing Connected Transactions.” We have applied for, and the Stock Exchange has [granted] us, a waiver from strict compliance with the requirement to set a term of not exceeding three years under Rule 14A.52 of the Listing Rules in respect of the Trademark License Agreement. For details, see “Continuing Connected Transactions—Continuing Connected Transactions—Trademark License Agreement.”

### OUR COMPETITIVE STRENGTHS

We believe that the following strengths have contributed to our historical growth and will drive our future development: (i) we are a leading Chinese cuisine restaurant brand in the international market; (ii) Haidilao has become a global cultural phenomenon and an ambassador of Chinese culinary heritage; (iii) we have strong local know-how and international operating capabilities; (iv) we are guided by a proven management philosophy that enables sustainable international expansion; and (v) we are led by a seasoned management team with a corporate culture that prescribes acting with kindness.

### OUR STRATEGIES

We strongly believe that there is significant opportunity for growth in the international Chinese cuisine restaurant market. Capitalizing on our decade-long international operating experience and our broad and loyal guest base, we believe we are well-positioned to continue our growth and to spread Chinese cuisine culture across the globe. We intend to implement the following business strategies going forward: (i) continue to grow our international Haidilao brand, enhance our dining experience and spread Chinese culinary heritage internationally; (ii) enhance restaurant performance and explore new sources of revenue; (iii) strategically expand and optimize our restaurant network; and (iv) identify opportunities for organic growth and seek potential acquisition opportunities.

### COMPETITION

Currently, the international Chinese cuisine restaurant market is very fragmented, with over 600,000 restaurants in the international market. We primarily compete with other chain and single-store restaurants with respect to food quality and consistency, brand reputation, price-value relationship, ambiance, service, location, supply of quality food ingredients and availability of trained employees. For details, see “Industry Overview.”

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### THE DISTRIBUTION AND SPIN-OFF

As approved and authorized by the Haidilao International Shareholders on [●], 2022, on [●], 2022, the Haidilao International Board declared the Haidilao International Distribution to the Qualifying Haidilao International Shareholders. The Haidilao International Distribution will be satisfied wholly by way of a distribution in specie to the Qualifying Haidilao International Shareholders of an aggregate of [REDACTED] Shares, representing 90% of the issued share capital of our Company, being the entire interest held by Haidilao International immediately before the Haidilao International Distribution and the Spin-off, in proportion to their respective shareholdings in Haidilao International as of the Record Date. Pursuant to the Haidilao International Distribution, the Qualifying Haidilao International Shareholders will be entitled to one Share for every [REDACTED] Haidilao International Shares held as of the Record Date.

The Spin-off will be implemented by way of a distribution alone, which will not constitute a transaction of Haidilao International under Chapter 14 of the Listing Rules and accordingly, Haidilao International is not required to comply with the requirements under Chapter 14 of the Listing Rules. The Haidilao International Distribution was approved by the Haidilao International Shareholders on [●], 2022 as required under Article 134 of the articles of association of Haidilao International.

Haidilao International considers that the Spin-off is in the interests of the Retained Group, our Group and their/our shareholders as a whole and the Spin-off will position each of the Retained Group and our Group better for growth in their/our respective businesses and deliver clear benefits to both due to the following reasons: (i) the Spin-off will enable more focused development and strategic planning, better allocation of resources for the respective businesses given their/our distinctive geographic nature; (ii) the Spin-off will enable our Group to obtain a separate listing status and an independent fund-raising platform; (iii) the Spin-off will strengthen the operational management ability of both the Retained Group and our Group where their/our respective management teams can focus more efficiently and effectively on each business; (iv) the Spin-off will enhance the corporate governance, management incentive mechanism and operational efficiency of our Group and provide investors, financial institutions and rating agencies with greater disclosures on the businesses and financial status of our Group and of the Retained Group, on a stand-alone basis; and (v) the Spin-off will enhance the business profile and market influence of us and the existing shareholders of Haidilao International will continue to enjoy the benefits from our future development and growth of through their shareholding in our Company. For details, see “The Distribution and Spin-off—The Spin-off and Listing by Introduction—Reasons for and Benefits of the Spin-off.”

### SUMMARY OF HISTORICAL FINANCIAL INFORMATION

The summary historical data of financial information set forth below has been derived from, and should be read in conjunction with, our combined audited financial statements for the three years ended December 31, 2021 and our condensed combined financial statements for the three months ended March 31, 2022, including the accompanying notes, set forth in Appendix IA and Appendix IB to this listing document, respectively, as well as the information set forth in “Financial Information” of this listing document. Our financial information was prepared in accordance with IFRSs.

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### Summary of Combined Statements of Profit or Loss

The following table sets forth summary data from our combined statements of profit or loss in absolute amounts and as percentages of the total revenue for the years ended December 31, 2019, 2020 and 2021 and the three months ended March 31, 2021 and 2022.

	For the Year Ended December 31,						For the Three Months Ended			
	2019		2020		2021		2021		2022	
	<i>(US\$ in thousands, except percentages)</i>						<i>(Unaudited)</i>			
Revenue	233,119	100.0%	221,411	100.0%	312,373	100.0%	68,272	100.0%	109,075	100.0%
Other income	1,397	0.6%	9,144	4.1%	19,458	6.2%	3,370	4.9%	3,102	2.8%
Raw materials and consumables used	(81,287)	(34.9)%	(79,043)	(35.7)%	(113,760)	(36.4)%	(24,370)	(35.7)%	(39,994)	(36.7)%
Staff costs	(112,174)	(48.1)%	(100,430)	(45.4)%	(143,343)	(45.9)%	(30,536)	(44.7)%	(43,607)	(40.0)%
Rentals and related expenses	(2,269)	(1.0)%	(1,071)	(0.5)%	(6,556)	(2.1)%	(1,834)	(2.7)%	(2,148)	(2.0)%
Utilities expenses	(7,018)	(3.0)%	(7,829)	(3.5)%	(11,017)	(3.5)%	(2,499)	(3.7)%	(4,088)	(3.7)%
Depreciation and amortization	(32,338)	(13.9)%	(50,809)	(22.9)%	(69,916)	(22.4)%	(15,597)	(22.8)%	(16,410)	(15.0)%
Travelling and communication expenses	(4,211)	(1.8)%	(2,364)	(1.1)%	(2,674)	(0.9)%	(528)	(0.8)%	(1,061)	(1.0)%
Other expenses	(20,966)	(9.0)%	(28,315)	(12.8)%	(41,729)	(13.4)%	(7,633)	(11.2)%	(11,862)	(10.9)%
Other gains and losses	1,691	0.7%	1,997	0.9%	(73,270)	(23.5)%	(9,361)	(13.7)%	(16,418)	(15.1)%
Finance costs	(8,189)	(3.5)%	(14,437)	(6.5)%	(19,158)	(6.1)%	(4,182)	(6.1)%	(4,596)	(4.2)%
<b>Loss before tax</b>	<b>(32,245)</b>	<b>(13.8)%</b>	<b>(51,746)</b>	<b>(23.4)%</b>	<b>(149,592)</b>	<b>(47.9)%</b>	<b>(24,898)</b>	<b>(36.5)%</b>	<b>(28,007)</b>	<b>(25.7)%</b>
Income tax expense	(774)	(0.3)%	(2,014)	(0.9)%	(1,160)	(0.4)%	(287)	(0.4)%	(492)	(0.5)%
<b>Loss for the year/period</b>	<b>(33,019)</b>	<b>(14.2)%</b>	<b>(53,760)</b>	<b>(24.3)%</b>	<b>(150,752)</b>	<b>(48.3)%</b>	<b>(25,185)</b>	<b>(36.9)%</b>	<b>(28,499)</b>	<b>(26.1)%</b>
<b>Other comprehensive (expense) income:</b>										
Exchange differences arising on translation of foreign operations	(344)	(0.1)%	(2,261)	(1.0)%	2,097	0.7%	2,946	4.3%	2,292	2.1%
<b>Total comprehensive expense for the year/period</b>	<b>(33,363)</b>	<b>(14.3)%</b>	<b>(56,021)</b>	<b>(25.3)%</b>	<b>(148,655)</b>	<b>(47.6)%</b>	<b>(22,239)</b>	<b>(32.6)%</b>	<b>(26,207)</b>	<b>(24.0)%</b>



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### Summary of Combined Statements of Financial Position

The following table sets forth summary data from our combined statements of financial positions as of December 31, 2019, 2020 and 2021 and March 31, 2022.

	As of December 31,			As of March 31,
	2019	2020	2021	2022
	<i>(US\$ in thousands)</i>			<i>(Unaudited)</i>
Current Assets	129,640	128,660	206,732	188,207
Current Liabilities	298,168	452,725	596,614	610,975
Non-current Assets	267,672	472,925	419,991	386,395
Non-current Liabilities	109,804	215,830	217,291	188,278
Net Current Liabilities	(168,528)	(324,065)	(389,882)	(422,768)
Net Liabilities	(10,660)	(66,970)	(187,182)	(224,651)

We recorded net current liabilities and net liabilities as of December 31, 2019, 2020 and 2021 and the three months ended March 31, 2022 primarily due to amounts due to our related parties. We have settled a significant portion of such amounts due to our related parties as of the Latest Practicable Date and expect our working capital position and net liability position to be improved. For a discussion of our working capital sufficiency, see “—Sustainability and Path to Profitability.”

### Summary of Combined Statements of Cash Flows

The following table sets forth summary data from our combined statements of cash flows for the period indicated.

	For the Year Ended December 31,			For the Three Months Ended March 31,
	2019	2020	2021	2022
	<i>(US\$ in thousands)</i>			<i>(Unaudited)</i>
Operating cash flows before movements in working capital	6,330	7,002	12,492	9,088
Net cash from operating activities	16,529	2,757	4,382	1,191
Net cash used in investing activities	(146,379)	(91,822)	(87,464)	(12,175)

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	<b>For the Year Ended December 31,</b>			<b>For the Three Months Ended March 31,</b>
	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
	<i>(US\$ in thousands)</i>			<i>(Unaudited)</i>
Net cash from/(used in)				
financing activities	147,749	109,752	108,502	(10,324)
Net increase/(decrease) in				
cash and cash equivalents	17,899	20,687	25,420	(21,308)
Cash and cash equivalents at				
beginning of the				
year/period	13,468	36,327	51,564	89,546
Cash and cash equivalents at				
end of the year/period	36,327	51,564	89,546	70,130

## SUSTAINABILITY AND PATH TO PROFITABILITY

### Our Historical Business Growth and Focus

We are a fast-growing business with the goal to build a leading international Chinese restaurant brand to spread Chinese culinary heritage across the globe. Leveraging the Haidilao brand, our international restaurant operations experience and vast opportunities in the international Chinese cuisine restaurant market, we have grown our restaurant network from 24 restaurants in five countries in the beginning of 2019 to 97 in 11 countries as of March 31, 2022. As we expand our restaurant network, we recorded revenues of US\$233.1 million, US\$221.4 million, US\$312.4 million, US\$68.3 million and US\$109.1 million in 2019, 2020, 2021 and the three months ended March 31, 2021 and 2022, respectively.

As we expand, we have focused on building a solid foundation for long-term business success. We are committed to honoring the Haidilao legacy—upholding our brand image, applying Haidilao’s proven management philosophy and executing high-quality and standardized restaurant operations—which we believe is crucial to our success. At the same time, we complement our commitment to the Haidilao legacy with continued innovation to adapt our operations to local customs, tastes and preferences.

By focusing on brand building and high-quality operations, we have been able to create demand for Haidilao hotpot and meet the needs of consumers in the international market. Before the COVID-19 pandemic, our restaurant performance metrics in 2019 were strong with an overall table turnover rate of 4.1 times per day and total guest visits per restaurant of 207.7 thousand. Moreover, we believe our restaurants are in demand and well run with a healthy cash flow, reflected by a net cash inflow from operating activities for all periods during the Track

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Record Period, even in 2020 when COVID-19 was at its peak. However, in implementing our long-term vision for our business, we experienced losses due to the negative impact of the COVID-19 pandemic and our fast pace of expansion. Key factors affecting our financial performance are set out below:

- *Impact of the COVID-19 pandemic.* Since early 2020, our business and financial performance were significantly affected by the COVID-19 pandemic. In order to control the outbreak, various restrictions were implemented around the world, including lockdowns, restaurant closures, limited dining hours and social distancing seating, among others. During the pandemic, our overall table turnover rates decreased significantly from 4.1 times per day in 2019 to 2.4 times per day and 2.1 times per day in 2020 and 2021, and our total guest visits per restaurant decreased from 207.7 thousand in 2019 to 96.3 thousand and 101.9 thousand in 2020 and 2021, respectively. As a result, our average daily revenue per restaurant per day decreased from US\$20.8 thousand in 2019 to US\$11.6 thousand and US\$10.0 thousand in 2020 and 2021, respectively. As the pandemic gradually eases, we are experiencing a recovery in restaurant performance, especially since the first quarter of 2022.
- *High proportion of new restaurants.* During the Track Record Period, we opened a total of 76 new restaurants, which accounted for 78.4% of restaurants we operated as of March 31, 2022. Opening new restaurants incurs pre-opening costs and capital expenditures. Moreover, new restaurants need time to achieve breakeven and investment payback. Particularly due to challenges during COVID-19, the breakeven period of certain new restaurants opened during the Track Record Period was longer. As our new restaurants accounted for a significant portion of total number of restaurants during the Track Record Period, their extended breakeven period and initial costs and expenses contributed to our net losses.

### **Our Strategies to Deliver Sustainable Growth and Profitability**

We continue to believe that our industry has tremendous growth opportunities, primarily driven by the growing popularity of Chinese culture and increasing acceptance of Chinese food, as well as increasing innovation and adaptation of Chinese cuisine tailored to local guests. According to the F&S Report, the international Chinese cuisine restaurant market increased from US\$281.8 billion in 2016 to US\$334.3 billion in 2019. Despite a decrease in market size in 2020 due to the COVID-19 pandemic, the international Chinese cuisine restaurant market began to recover and is expected to grow from US\$261.1 billion in 2021 to US\$409.8 billion in 2026 at a CAGR of 9.4%.

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As a leading player in the market with a proven management philosophy and a globally-recognized brand, we believe we are well-positioned to thrive and realize our long-term business goals. Going forward, we believe we will become profitable for the following reasons:

- *Measures to further align interests and standardize management.* Since April 2022, we implemented a series of measures to further align employee interests and standardize restaurant management and operations. For instance, we have adjusted our employee compensation and assessment system such that our employees not only share in the profits of restaurants, but are also penalized for underperformance. Management staff of underperforming restaurants may even be demoted if their restaurant underperforms for an extended time period. We believe that these measures will incentivize employees to take restaurant performance into their own hands and give us stricter control over restaurant operations, which will in turn drive revenue growth and increase productivity.
- *Accumulated experience and economies of scale.* We have dedicated the last decade of our operations to accumulating international restaurant operations experience and establishing our presence in target markets. In the initial stage of entering new markets, we devoted substantial efforts and resources to build a base of local knowledge and resources, including developing a local talent pool, understanding local laws and customs, building local supply chains and exploring ways to optimize restaurant operations in each market. As our operations in each market mature, we expect to leverage our accumulated experience and resources to achieve economies of scale and a higher degree of operational efficiency as we expand and deepen our presence in the region. As of March 31, 2022, we had opened at least ten stores in each of five countries, namely, Singapore, the United States, Japan, Malaysia and Vietnam.
- *Ramp-up of new restaurants.* As of the Latest Practicable Date, over 95% of our restaurants as of March 31, 2022 have achieved initial monthly breakeven. As the pandemic eases, we also expect restaurants we recently opened to achieve initial monthly breakeven in a shorter period of time. Moreover, with the pre-opening costs of these restaurants already accounted for in our financial statements during the Track Record Period, we believe the costs and expenses associated with new restaurants to have a lesser impact on our financial performance going forward. As a result of these factors, we believe the performance of new restaurants will boost our financial performance and enhance our profitability going forward.
- *Lower proportion of new restaurants.* We adjust our expansion plan dynamically based on market conditions and restaurant performance. For example, due to the extended impact of the pandemic, we adjusted our expansion plan in 2021 to prioritize optimizing the performance of our existing restaurants and decelerate the number and breadth of new restaurant openings. Accordingly, the number of new

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## SUMMARY

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restaurants we opened decreased from 36 in 2020 to 22 in 2021, and we opened three new restaurants in the first quarter of 2022. We expect that the decrease in proportion of new restaurants to total restaurant number will positively affect our profitability.

- *Business recovery from the impact of the COVID-19 pandemic.* Gradually since 2021 and particularly in 2022, many countries have lifted restrictive COVID-19 measures, enabling us to resume normal operations. In the three months ended March 31, 2022, we have experienced a strong rebound in restaurant performance. Our total guest visits increased by 60.3% from 2.4 million in the first quarter of 2021 to approximately 3.8 million in the first quarter of 2022. Our overall table turnover rate increased from 2.4 times per day and 2.1 times per day in 2020 and 2021, respectively, to 2.7 times per day in the three months ended March 31, 2022. This trend has continued in the second quarter of 2022 as many countries further ease COVID-19 restrictions. For example, in Singapore, where we currently have the most restaurants, social distancing and seating limits were further lifted in late April 2022. As a result, our overall table turnover rate in the second quarter of 2022 increased to 3.3 times per day and our total guest visits increased by 44.7% from approximately 3.8 million in the first quarter of 2022 to approximately 5.5 million in the second quarter of 2022. We expect our business performance to continue to normalize going forward as the COVID-19 pandemic continues to improve.

### ***Working Capital Sufficiency***

Based on the financial resources available to us, which include our cash and cash equivalents on hand, and considering our expansion plan and the estimated cash generated from operating activities, our Directors are of the view that we will have sufficient working capital for the next 12 months from the date of this listing document for the reasons set out below.

- *Settlement of amounts due to related parties of a non-trade nature.* We had amounts due to related parties of a non-trade nature of US\$234.3 million, US\$366.1 million, US\$499.8 million and US\$513.8 million as of December 31, 2019, 2020 and 2021 and March 31, 2022, respectively. These amounts primarily represented loans obtained from Haidilao International Group to support our business expansion and the interests arising from these loans. Pursuant to the Reorganization, we settled US\$471.3 million of such amounts by issuing equity to Newpai, a wholly-owned subsidiary of Haidilao International, in June 2022. The remaining portion of the amount due to related parties of a non-trade nature has been, or is expected to be, settled with cash prior to the Listing. As such, we expect our working capital position to improve since the latest balance sheet date.

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## SUMMARY

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- *Cash flow generated from our business.* In 2019, 2020 and 2021, we had net cash generated from operating activities of US\$16.5 million, US\$2.8 million and US\$4.4 million, respectively. As the COVID-19 pandemic eases, we recorded net cash flow generated from operating activities of US\$1.2 million in the three months ended March 31, 2022, as compared to a net cash outflow from operating activities of US\$7.4 million in the three months ended March 31, 2021.
- *Investment from Newpai.* Pursuant to the Reorganization, we received investment from Newpai in the amount of US\$23.1 million in June 2022, which will be used to support our business operation.

Based on the foregoing, our Directors are of the view that our Group has a sustainable business. The foregoing forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. These forward-looking statements involve known and unknown risks, uncertainties and other factors, some of which are beyond our control, which may cause the actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. For related risks, see “Risk Factors—Risks Relating to the Spin-off and Our Shares—Forward-looking information in this listing document may prove inaccurate.”

## OUR CONTROLLING SHAREHOLDERS

Immediately after the completion of the Haidilao International Distribution, our Company will cease to be a subsidiary of Haidilao International and Mr. ZHANG Yong (through ZY NP LTD) as well as Ms. SHU Ping (through SP NP LTD) individually, and together through NP United Holding Ltd, will be collectively interested in approximately [REDACTED] of our total issued share capital and continue to be our Controlling Shareholders.

There is a clear delineation between the businesses of our Group and the remaining business of the Retained Group after the Spin-off and our Group is able to function and operate independently from Haidilao International. For details, see “Relationship with our Controlling Shareholders”.

## SHARE AWARD SCHEME

On [●], 2022, our Company [adopted] the Share Award Scheme to provide incentives or rewards to eligible participants for their contribution to our Group. For details, see “History, Reorganization and Corporate Structure—Share Award Scheme” and “General Information—D. Share Award Scheme” in Appendix IV to this listing document.

## UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following unaudited pro forma statement of our adjusted combined total tangible assets less liabilities attributable to the owners of the Company prepared in accordance with Rule 4.29 of the Listing Rules is set out below to illustrate the effect of the Listing on our combined total tangible assets less liabilities attributable to the owners of the Company as of March 31, 2022, as if the Listing had taken place on such date.

## SUMMARY

The unaudited pro forma statement of our adjusted combined total tangible assets less liabilities attributable to the owners of the Company has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of our combined total tangible assets less liabilities of attributable to the owners of the Company as of March 31, 2022 or at any future dates. It is prepared based on our unaudited combined total tangible assets less liabilities of attributable to the owners of the Company as of March 31, 2022 as derived from the Condensed Combined Financial Statements as set out in Appendix IB to this listing document and adjusted as described below.

Unaudited combined total tangible assets less liabilities of the Group attributable to the owners of the Company as of March 31, 2022	Estimated listing expenses	Unaudited pro forma adjusted combined total tangible assets less liabilities attributable to owners of the Company as at March 31, 2022	Unaudited pro forma adjusted combined total tangible assets less liabilities attributable to owners of the Company as at March 31, 2022 per Share	
<i>USD'000</i> (Note 1)	<i>USD'000</i> (Note 2)	<i>USD'000</i>	<i>USD</i> (Note 3)	<i>HKD</i> (Note 5)

Based on [REDACTED]

Shares assumed to be  
in issue immediately  
prior to the Listing

(225,090) [REDACTED] [REDACTED] [REDACTED] [REDACTED]

Notes:

- The unaudited combined total tangible assets less liabilities of the Group attributable to owners of the Company as of March 31, 2022 is derived from the Condensed Combined Financial Statements set out in Appendix IB to this listing document, which is based on the unaudited combined net liabilities of the Group attributable to the owners of the Company as of March 31, 2022 of USD224,651,000 (deficit) with adjustments for other intangible assets of the Group attributable to owners of the Company as of March 31, 2022 of USD439,000.
- The estimated listing expenses mainly include professional fees payable to the Joint Sponsors, the legal advisors and Reporting Accountants and other listing related expenses, which are expected to be incurred by the Group subsequent to March 31, 2022.
- The unaudited pro forma adjusted combined total tangible assets less liabilities per Share is arrived at after the adjustments as described in Note 2 above and is based on [REDACTED] Shares assumed to be in issue immediately prior to the Listing, not taking into account any Shares which may be granted under the Share Award Scheme or Shares which may be issued or repurchased by the Company pursuant to the general mandates granted to the Directors to issue or repurchase Shares.
- No adjustment has been made to the unaudited adjusted pro forma combined total tangible assets less liabilities of the Group attributable to owners of the Company as at March 31, 2022 to reflect any operating result or other transactions of the Group entered into subsequent to March 31, 2022. In particular, the above pro forma adjusted combined total tangible assets less liabilities of the Group attributable to owners of the Company shown on page II-1 have not taken into account the injection from the immediate holding company amounting to USD[REDACTED] (“Cash Injection”), loan capitalization from the immediate holding company amounting to USD[REDACTED] (“Loan Capitalization”), allotment and issue of [REDACTED] new shares at par value to Newpai and the ESOP Platform at a cash consideration of USD[REDACTED] (“Allotment”) and the cash payment for the Group Reorganization subsequent to March 31, 2022 with the amount of USD[REDACTED] (“Cash Payment for Group Reorganization”). If such Cash Injection, Loan Capitalization, Allotment and Cash Payment for Group Reorganization were also taken into account in the above unaudited pro forma financial information, the unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company as at March 31, 2022 would have been approximately USD[REDACTED] and the unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company as at March 31, 2022 per Share would have been approximately USD[REDACTED] (equivalent to HKD[REDACTED], converted at the exchange rate in Note 5).
- For the purpose of this pro forma adjusted combined total tangible assets less liabilities attributable to owners of the Company, the balances stated in USD are converted into HKD at a rate of USD1 to HKD7.8474. No representation is made that the USD amounts have been, could have been or may be converted into HKD, or vice versa at that rate or at any other rates or at all.

## SUMMARY

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### DIVIDEND

No dividend has been paid or declared by our Company during the Track Record Period. Any future declarations and payments of dividends (other than interim dividends) will be at the recommendation of our Board at its absolute discretion for approval by our shareholders at a general meeting. Interim dividends may be paid by our Board if justified by the profits of the Company. There can be no assurance that we will be able to declare or distribute any dividend in the amount set out in any plan of the Board or at all. As advised by our Cayman Islands counsel, under the Companies Act and the Memorandum and Articles, the Company may declare and pay a dividend out of either profits or share premium account, provided always that in no circumstances may a dividend be declared or paid out of share premium if such payment would result in the Company being unable to pay its debts as they fall due in the ordinary course of business. In the future, we may rely to some extent on dividends and other distributions on equity from our principal operating subsidiaries to fund offshore cash and financing requirements. In light of our accumulated losses as disclosed in this document, it is unlikely that we will be eligible to pay a dividend out of our profits in the foreseeable future. As advised by our Cayman legal advisors, we may, however, pay a dividend out of our share premium account unless the payment of such a dividend would result in our Company being unable to pay our debts as they fall due in the ordinary course of business.

### RECENT DEVELOPMENTS

Since March 31, 2022 and up to the Latest Practicable Date, we opened a total of six restaurants in Singapore, the United States, Australia, Thailand and Malaysia. We observed a strong rebound in restaurant performance as the COVID-19 pandemic gradually came under control. Our overall table turnover rate was 3.3 times per day in the second quarter of 2022, increasing from 2.7 times per day in the first quarter of 2022. In the second quarter of 2022, we recorded a total of approximately 5.5 million guest visits, increasing by 44.7% from approximately 3.8 million in the first quarter of 2022. Our Directors confirm that, there has been no material adverse change in our financial, operational or trading position or prospects since March 31, 2022 and up to the date of this listing document.

### LISTING EXPENSES

The total listing expenses for the Listing are estimated to be approximately US\$[REDACTED] million, including (i) professional fees paid and payable to the professional parties for their services rendered in relation to the Listing, including sponsor fees, fees paid and payable to legal advisors, reporting accountants, the internal control consultant, the independent industry consultant and compliance advisor of approximately US\$[REDACTED] million; and (ii) other fees and miscellaneous expenses in relation to the Listing of approximately US\$[REDACTED] million. During the Track Record Period, we had not incurred any listing expenses. There is no issue of new Shares of our Company, and we will not receive any fundraising proceeds through the Listing. Therefore, such listing expenses will be charged to our combined statement of profit or loss and other comprehensive income for the year ending December 31, 2022.



## SUMMARY

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### RISK FACTORS

There are certain risks in our operations and in connection with the Spin-off, many of which are beyond our control. We believe the most significant risks we face include but not limit to the following: (i) we have in recent years expanded our restaurant coverage internationally, which leads to increasing risks and uncertainties and our management system may not be effective to address risks and uncertainties in our international restaurant operations; (ii) we face risks related to health epidemics and outbreaks, particularly the COVID-19 outbreak, as well as the instance of any food-borne illnesses; (iii) we had significant net current liabilities and net liabilities as of December 31, 2019, 2020 and 2021 and March 31, 2022; (iv) our continued success depends on our ability to deliver and maintain our high-quality services and dining experience; (v) failure of our food quality control system could have a material and adverse effect on our reputation, financial conditions and results of operations; (vi) we are subject to risks and costs in relation to operating internationally in multiple jurisdictions; and (vii) we may fail to maintain or enhance brand recognition or reputation. For details, see “Risk Factors.”