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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)

(1) ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED JUNE 30, 2024
(2) APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTOR AND
(3) INTERIM DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The board (the “**Board**”) of directors (the “**Directors**”) of Haidilao International Holding Ltd. (the “**Company**”) hereby announces the unaudited consolidated results of the Company and its subsidiaries (together, the “**Group**”) for the six months ended June 30, 2024 (the “**Reporting Period**”), together with comparative figures for the same period of 2023.

In this announcement, “we”, “us”, and “our” refer to the Company and where the context otherwise requires, the Group. Certain amounts and percentage figures included in this announcement have been subject to rounding adjustments or have been rounded to one or two decimal places. Any discrepancies in any tables, charts or elsewhere between totals and sums of amounts listed therein are due to rounding.

KEY FINANCIAL HIGHLIGHTS

	For the six months ended June 30,	
	2024	2023
	(RMB'000)	(RMB'000)
Revenue	21,490,903	18,885,854
Revenue from Haidilao restaurant operation	20,413,955	17,935,372
Profit before tax	2,888,060	2,813,816
Profit for the period	2,033,103	2,258,886
Profit attributable to owners of the Company	2,038,125	2,258,052
Basic earnings per share (RMB)	0.38	0.42
Core operating profit (non-IFRS measure) ^{Note}	2,798,866	2,476,446

Note: Core operating profit (non-IFRS measure) represents the profit for the period excluding the following: interest income, additional tax deduction, share of results of associates, share of result of a joint venture, gain arising from redemption of long term bonds, net foreign exchange (loss) gain, net (loss) gain arising on financial assets at fair value through profit or loss, finance costs and income tax expense.

KEY BUSINESS HIGHLIGHTS

	As of and for the six months ended June 30,	
	2024	2023
Number of Haidilao restaurants	1,343	1,382
Average table turnover rate (times/day)	4.2	3.3
Average spending per guest (RMB)	97.4	102.9

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of HK\$0.391 (equivalent to RMB0.358) per share of the Company (“**Share**”) for the six months ended June 30, 2024 to be payable to shareholders of the Company (the “**Shareholders**”) whose names appear on the register of members of the Company on Monday, September 16, 2024. The interim dividend is expected to be paid to the Shareholders on or before Wednesday, October 2, 2024.

2024 INTERIM PERFORMANCE REVIEW

Financial and Business Review

In the first half of 2024, China's economy pursued progress while maintaining stability and achieved new advancements in high-quality development. Especially in the field of catering consumption sector, the nationwide catering revenue showed a steady growth trend with consumption trends showing new changes. Haidilao, adhering to its principle of "customer satisfaction and employee efforts," has achieved remarkable results. Meanwhile, as competition in the catering industry intensifies, we need to identify new growth points and establish differentiated advantages in this competitive landscape to achieve long-term sustainable development.

The Group achieved a dual growth in revenue and core operating profit (non-IFRS measure) in the first half of 2024, reaching record highs as compared to the same period of previous years. In the first half of 2024, the Group achieved an operating revenue of RMB21,490.9 million, representing an increase of 13.8% as compared to the same period of 2023; the overall table turnover rate of the Group's Haidilao restaurants was 4.2 times per day. The total number of customers served across all our restaurants exceeded 209.9 million. The Group's profit was RMB2,033.1 million, representing a decrease of 10.0% as compared to the same period of 2023, primarily due to the impact of changes in net foreign exchange gain and loss and the termination of the additional value-added tax ("VAT") deduction preferential policy in mainland China. The Group's core operating profit (non-IFRS measure) was RMB2,798.9 million, representing an increase of 13.0% as compared to the same period of 2023. For the definition and reconciliation of the most directly comparable International Financial Reporting Standards ("IFRS") measure and the Group's core operating profit (non-IFRS measure), please refer to "Management Discussion and Analysis – Core Operating Profit (Non-IFRS Measure)" in this announcement.

To ensure the effective operation of all Haidilao restaurants, we maintained a cautious expansion strategy, opening 11 new restaurants in the first half of 2024. At the same time, we shut down several under-performing restaurants with limited growth potential, and some restaurants ceased operations due to property issues and other commercial reasons, with a total of 43 restaurants were closed by the Company in the first half of 2024. As of June 30, 2024, we operated a total of 1,343 Haidilao restaurants⁽¹⁾, with 1,320 located in mainland China and 23 in Hong Kong, Macau and Taiwan regions. In the second half of 2024, we will continue to adopt a bottom-up opening approach, and with the further improvement of our operational and management capabilities, the number of our newly expanded restaurants is expected to increase significantly as compared to that of the first half of 2024. We will continue to strengthen regional development while steadily expanding Haidilao's restaurant network. We aim to ensure that each newly opened restaurant delivers high-quality service and achieves excellent profitability.

Note:

(1) Including Haidilao restaurants that were temporarily closed or being renovated.

To improve the overall service quality and operating efficiency of the Group, we have mainly done the following works in the first half of 2024:

Firstly, the management of the Company at all levels worked around the “Three Tables (三張表)” framework which consists of three parts: the operating table (operating results), the management table (management performances) and the basic table (management actions). The operating table reflects the restaurant’s operating results; the management table reflects the restaurant’s management performances, where we acted on “four-color cards” system focusing on four major areas: on-site service, product quality, food safety, and environmental hygiene; and the basic table is management actions including check sheet and operations manual, aiming to provide restaurant managers with good practices to help restaurants improve their management capacities. Through the “Three Tables”, the functions of the headquarters, business regions and individual restaurants are further clarified. Each segment fulfils its functions and duties. Everything is carried out around “customer satisfaction” and “employee dedication” to continuously optimize and improve the performance of restaurant management.

Secondly, we implemented a multi-restaurants management model. This model allows restaurant managers to apply for the management of multiple outlets, while ensuring the continued healthy operation of their original restaurants. These additional outlets can include, but not limited to, another Haidilao restaurant, Haidilao campus hot pot pilot restaurants or other catering brands within the Group. Employees are not only rewarded for their productivity but also gain working experience in different types of restaurants, strengthening their foundational skills and enhancing their managerial abilities, to practise our core value “Changing your future with your own hands”.

Thirdly, we launched our franchise model. Our goal is to attract excellent business partners who align with our corporate culture and values. Franchisees will be scoped to institutions and experienced enterprises, and we can forge a strong alliance and expand together reasonably, to further strengthen the Haidilao brand. Franchised restaurants will adhere to the same rules, standards, performance evaluation mechanisms, and operational procedures as directly-operated restaurants, ensuring customers experience the same level of dining experience regardless of location. We hope to expand Haidilao's reach through franchising, achieving steady growth in store numbers and penetrating lower-tier markets.

Fourthly, we initiated the “Pomegranate plan”. Over three decades of development, Haidilao have accumulated enriched experience and resources in various aspects such as customer consumption insights, supply chain and product research and development, talent system cultivation and restaurant operation management. The Company decided to implement the “Pomegranate plan”, aiming to encourage the incubation and development of more new catering brands and promote innovation in catering services. To support the efficient implementation of the “Pomegranate plan”, the Company’s innovation and entrepreneurship committee led by the Company’s chief executive officer will integrate resources at the group level, and lead and promote the incubation and development of new brands and new businesses. Meanwhile, the Company’s senior management team has formed the “Five Tiger Generals of Operations (運營五虎將),” focusing on innovation and entrepreneurship projects as well as the overall development of the Company from the five aspects of the entrepreneurial mechanism, product innovation, supply chain assurance, operational collaboration and marketing support. In addition, according to the specific needs of different innovation and entrepreneurship projects, the Company will comprehensively employ various measures including equity incentives, to boost employees’ motivation for engagement in entrepreneurship and innovation projects, and encourage ambitious, capable, and determined employees to step out of their comfort zone and pursue business ventures. These measures aim to achieve the scale development and layout of entrepreneurial brands.

We have developed dining consumption patterns that are closer to daily life and more frequent eating habits around the core scenario of hot pot restaurants, to satisfy the more diversified and personalized consumption needs of our customers, further enriching their dining experience. Since last year, we have opened several camping hot pot restaurants, campus hot pot restaurants and corporate hot pot restaurants in China. In terms of delivery business, our single-serving business has continued to make great efforts. Through the above attempts and explorations, we have attracted many consumers and also generated additional revenue and profit for the Company.

Focusing on the incubation and innovation of additional catering brands, the Group had a total of five innovation and entrepreneurship projects in operation in the first half of 2024, such as “YEAH QING BBQ (焰請烤肉鋪子)”, “XIAOHAI HUOGUO (小嗨火鍋)”, etc., including barbecue, hot pot, Chinese fast food and other cuisines, covering a wider price segments and more consumers. Among them, “YEAH QING BBQ” is mainly situated in new first-tier cities, focusing on the field of integrated barbecue cuisine, and still carrying forward Haidilao’s tradition of innovative service. The restaurants offer a range of personalized and diverse services, not only meeting dining needs but also delivering substantial emotional value to customers.

The Group’s dual growth in revenue and core operating profit (non-IFRS measure) in the first half of 2024 primarily benefits from the implementation of above initiatives. Meanwhile, through the “Pomegranate plan”, the management of the Company believes that a high-quality development of new brands within the Group will be secured, promoting each brand to grow into a strong brand, much like a mature pomegranate filled with vibrant red seeds. These brands will be closely integrated to further support the steady expansion of Haidilao Group in the entire catering business.

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue

The revenue of our Group increased by 13.8% from RMB18,885.9 million for the six months ended June 30, 2023 to RMB21,490.9 million for the corresponding period in 2024.

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 periods indicated:

	For the six months ended June 30,			
	2024		2023	
	<i>(RMB '000 except percentages)</i>			
Haidilao restaurant operation	20,413,955	95.0%	17,935,372	95.0%
Delivery business	581,228	2.7%	471,351	2.5%
Sales of condiment products and food ingredients	299,208	1.4%	370,229	2.0%
Other restaurant operation	182,431	0.8%	104,636	0.5%
Others	14,081	0.1%	4,266	0.0%
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Total revenue	<u>21,490,903</u>	<u>100%</u>	<u>18,885,854</u>	<u>100%</u>

The revenue of our Group is mainly generated from Haidilao restaurant operation, which accounted for 95.0% of our total revenue for the six months ended June 30, 2024. The revenue of Haidilao restaurant operation increased by 13.8% from RMB17,935.4 million for the six months ended June 30, 2023 to RMB20,414.0 million for the corresponding period in 2024, mainly due to the increase in the restaurant's table turnover rate. Haidilao restaurants' average table turnover rate for the six months ended June 30, 2024 was 4.2 times per day. The average spending per guest decreased from RMB102.9 for the six months ended June 30, 2023 to RMB97.4 for the corresponding period in 2024, primarily due to the change in dishes consumption structure and the increase in price discounts.

Revenue of delivery business increased by 23.3% from RMB471.4 million for the six months ended June 30, 2023 to RMB581.2 million for the corresponding period in 2024, mainly because the Company contributed significantly to revenue growth through providing single serving high-quality fast food since the second half of 2023.

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

	For the six months ended	
	June 30,	
	2024	2023
Average spending per guest⁽¹⁾ (RMB)		
Tier 1 cities ⁽²⁾	104.1	110.3
Tier 2 cities ⁽³⁾	96.8	101.8
Tier 3 cities and below ⁽⁴⁾	91.4	96.1
<i>Mainland China restaurants</i>	95.7	100.9
Hong Kong, Macau and Taiwan regions	197.7	205.5
Overall	97.4	102.9
Table turnover rate⁽⁵⁾ (times/day)		
Tier 1 cities ⁽²⁾	4.0	3.4
Tier 2 cities ⁽³⁾	4.3	3.5
Tier 3 cities and below ⁽⁴⁾	4.1	3.2
<i>Mainland China restaurants</i>	4.2	3.3
Hong Kong, Macau and Taiwan regions	4.2	4.1
Overall	4.2	3.3
Newly-opened restaurants ⁽⁶⁾	4.6	2.9
Other restaurants	4.2	3.3
Overall	4.2	3.3

Notes:

- (1) Calculated by dividing gross revenue generated from restaurant operation for the period by total guests served for the period.
- (2) Beijing, Shanghai, Guangzhou and Shenzhen.
- (3) All municipalities and provincial capitals excluding tier 1 cities, plus Qingdao, Xiamen, Ningbo, Dalian, Zhuhai, Suzhou and Wuxi.
- (4) All the cities and regions excluding tier 1 cities and tier 2 cities.
- (5) Calculated by dividing the total tables served for the period by the product of total operation days for the period and average table count during the period.
- (6) We define our newly-opened restaurants as those that commenced operations during the Reporting Period.

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

	For the six months ended	
	June 30,	
	2024	2023
Number of same stores⁽¹⁾		
Tier 1 cities	218	
Tier 2 cities	491	
Tier 3 cities and below	527	
Hong Kong, Macau and Taiwan regions	21	
Overall	1,257	
Same store sales⁽²⁾ (in thousands of RMB)		
Tier 1 cities	3,502,065	3,147,119
Tier 2 cities	7,632,547	6,702,795
Tier 3 cities and below	7,836,184	6,533,187
Hong Kong, Macau and Taiwan regions	634,944	624,545
Overall	19,605,740	17,007,646
Average same store sales per day⁽³⁾ (in thousands of RMB)		
Tier 1 cities	88.6	80.2
Tier 2 cities	85.9	76.0
Tier 3 cities and below	82.1	68.9
Hong Kong, Macau and Taiwan regions	167.5	165.8
Overall	86.1	75.2
Average same store table turnover rate⁽⁴⁾ (times/day)		
Tier 1 cities	4.0	3.4
Tier 2 cities	4.3	3.5
Tier 3 cities and below	4.1	3.2
Hong Kong, Macau and Taiwan regions	4.2	4.1
Overall	4.2	3.4

Notes:

- (1) Includes restaurants that had commenced operations prior to the beginning of the periods under comparison and opened for more than 150 days in both the six-month periods ended June 30, 2023 and 2024.
- (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 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 total operation days for the period and average table count during the period.

Revenue from Haidilao Restaurant Operation by Geographic Region

Our business was conducted in mainland China, Hong Kong, Macau and Taiwan regions. The following table sets forth our breakdown of gross revenue from Haidilao restaurant operation by geographic region for the periods indicated:

	As of and for the six months ended June 30,					
	2024			2023		
	Number of restaurants	Gross Revenue/ Revenue (RMB'000)		Number of restaurants	Gross Revenue/ Revenue (RMB'000)	
Mainland China						
Tier 1 cities	226	3,590,915	17.6%	233	3,275,220	18.2%
Tier 2 cities	530	7,998,181	39.1%	542	7,160,401	39.9%
Tier 3 cities and below	564	8,157,484	39.9%	585	6,863,174	38.2%
Subtotal	1,320	19,746,580	96.6%	1,360	17,298,795	96.3%
Hong Kong, Macau and Taiwan regions	23	699,115	3.4%	22	659,409	3.7%
Total restaurants/gross revenue generated from restaurant operation	1,343	20,445,695	100%	1,382	17,958,204	100%
Net of: Customer loyalty program		(31,740)			(22,832)	
Total restaurants/revenue generated from restaurant operation	1,343	20,413,955		1,382	17,935,372	

Raw Materials and Consumables Used

Our raw materials and consumables used increased by 9.1% from RMB7,685.0 million for the six months ended June 30, 2023 to RMB8,387.2 million for the corresponding period in 2024, generally in line with the trend of changes in revenue. As a percentage of revenue, our raw materials and consumables used decreased from 40.7% for the six months ended June 30, 2023 to 39.0% for the six months ended June 30, 2024, primarily due to the decrease in the purchase price of raw materials and consumables.

Staff Costs

Our staff costs increased by 24.0% from RMB5,769.3 million for the six months ended June 30, 2023 to RMB7,155.7 million for the corresponding period in 2024. As a percentage of revenue, our staff costs increased from 30.5% for the six months ended June 30, 2023 to 33.3% for the corresponding period in 2024, primarily due to the Company increased the comprehensive salary and benefit level of employees and supplemented some positions to better motivate employees and enhance customer experience.

Rentals and Related Expenses

Our rentals and related expenses increased by 5.3% from RMB200.4 million for the six months ended June 30, 2023 to RMB210.9 million for the corresponding period in 2024, primarily due to the increase in the variable lease payments as a result of growth of revenue. As a percentage of revenue, rentals and related expenses remained relatively stable at 1.1% and 1.0% for the six months ended June 30, 2023 and 2024, respectively.

Utilities Expenses

Our utilities expenses increased by 19.2% from RMB605.4 million for the six months ended June 30, 2023 to RMB721.7 million for the corresponding period in 2024, generally in line with the trend of changes in revenue. As a percentage of revenue, the utilities expenses remained relatively stable at 3.2% and 3.4% for the six months ended June 30, 2023 and 2024, respectively.

Travelling and Communication Expenses

Our travelling and communication expenses increased by 20.5% from RMB78.7 million for the six months ended June 30, 2023 to RMB94.8 million for the corresponding period in 2024, primarily due to the increase in the frequency of employee travel for investigation and communication. As a percentage of revenue, our travelling and communication expenses remained relatively stable, and was 0.4% and 0.4% for the six months ended June 30, 2023 and 2024, respectively.

Depreciation and Amortization

Our depreciation and amortization decreased by 11.1% from RMB1,506.4 million for the six months ended June 30, 2023 to RMB1,339.1 million for the corresponding period in 2024, primarily due to depreciation and amortization for the property, plant and equipment of certain restaurants had already been fully charged previously. As a percentage of revenue, depreciation and amortization decreased from 8.0% for the six months ended June 30, 2023 to 6.2% for the corresponding period in 2024, primarily due to the decrease in depreciation and amortization and the increase in revenue.

Other Expenses

Our other expenses increased by 28.9% from RMB683.6 million for the six months ended June 30, 2023 to RMB881.1 million for the corresponding period in 2024. As a percentage of revenue, our other expenses increased from 3.6% for the six months ended June 30, 2023 to 4.1% for the corresponding period in 2024, primarily due to (i) an increase of RMB112.2 million in business development expenses as a result of the increase in marketing activities; (ii) an increase of RMB83.6 million in human resources and other consulting services expenses, daily maintenance expenses and storage expenses as a result of the optimization of operation and management system and the increase in sales.

Share of Results of Associates and a Joint Venture

Our share of results in relation to (i) our associate Fuhai (Shanghai) Food Technology Co., Ltd. (馥海(上海)食品科技有限公司) (“**Fuhai**”), in which we held a 40% equity interest; (ii) our joint venture Ying Hai Holdings Pte. Ltd., in which we held a 51% equity interest; and (iii) other associates invested by Beijing Youdingyou Catering Co., Ltd. (北京優鼎優餐飲管理有限公司), increased from RMB15.6 million for the six months ended June 30, 2023 to RMB24.7 million for the corresponding period in 2024.

Other Gains and Losses

Our other gains and losses was RMB66.7 million of losses for the six months ended June 30, 2024 as compared to RMB227.2 million of gains for the corresponding period in 2023, primarily due to changes in foreign exchange rate resulting in a net foreign exchange loss of RMB25.9 million in the current period as compared to a net foreign exchange gain of RMB192.5 million for the corresponding period of last year.

Finance Costs

Our finance costs decreased by 23.2% from RMB183.0 million for the six months ended June 30, 2023 to RMB140.5 million for the corresponding period in 2024, primarily due to the decrease in interest on bank borrowings and lease liabilities.

Income Tax Expense

Our income tax expense increased by 54.1% from RMB554.9 million for the six months ended June 30, 2023 to RMB855.0 million for the corresponding period in 2024, primarily due to the higher tax losses utilized for the same period last year offsets certain income tax expenses.

Profit for the Period

As a result of the foregoing, our profit for the period decreased from RMB2,258.9 million for the six months ended June 30, 2023 to RMB2,033.1 million for the corresponding period in 2024.

Core Operating Profit (Non-IFRS Measure)

To supplement our consolidated financial statements that are presented in accordance with IFRS, we also use core operating profit that is not required by or presented in accordance with IFRS. The core operating profit (non-IFRS measure) represents the profit for the period excluding the following: interest income, additional tax deduction, share of results of associates, share of result of a joint venture, gain arising from redemption of long term bonds, net foreign exchange (loss) gain, net (loss) gain arising on financial assets at fair value through profit or loss, finance costs and income tax expense.

The following table sets out a reconciliation of the core operating profit (non-IFRS measure) for the period indicated to the profit for the period (the most directly comparable financial measure calculated and presented under IFRS):

	For the six months ended June 30,	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Profit for the period	2,033,103	2,258,886
<i>Net of the following gains/(losses):</i>		
Interest income	244,761	133,122
Additional tax deduction	–	158,657
Share of results of associates	24,780	19,609
Share of result of a joint venture	(41)	(4,004)
Gain arising from redemption of long term bonds	4,405	788
Net foreign exchange (loss) gain	(25,854)	192,546
Net (loss) gain arising on financial assets at fair value through profit or loss	(18,353)	19,673
Finance costs	(140,504)	(183,021)
Income tax expense	(854,957)	(554,930)
Core operating profit (non-IFRS measure)	2,798,866	2,476,446

We present the non-IFRS financial measures because they are used by our management to evaluate our operating performance and formulate business plans. These non-IFRS financial measures are not intended to be a substitute for the presentation of the Company's financial results in accordance with IFRS. Rather, the Company believes that the presentation of such non-IFRS financial measures provides investors with additional information, and removes items that the Company does not believe are indicative of its core operations, to better compare past and current results. We believe that the presentation of core operating profit (non-IFRS measure) provides additional information to further enhance the comparability of our historical results of operations with the trends in their underlying results of operations, while we utilize this metric to assess the performance of our core operations. We consider both quantitative and qualitative factors when assessing whether to adjust for the impact of items that may be material or that may affect the understanding to our ongoing financial and business performance or trends. The core operating profit (non-IFRS measure) enables our management to assess our operating results eliminating the impact of interest income, additional tax deduction, share of results of associates, share of result of a joint venture, gain arising from redemption of long term bonds, net exchange (loss) gain, net (loss) gain arising on financial assets at fair value through profit or loss, finance costs and income tax expense.

The core operating profit (non-IFRS measure) should not be considered in isolation or construed as an alternative to profit for the period or any other measure of performance. Investors are encouraged to examine our historical non-IFRS financial measures with the most directly comparable IFRS measures. The core operating profit (non-IFRS measure) presented here may not be comparable to similarly titled measures presented by other companies. Other companies may calculate similarly titled measures differently, limiting their usefulness as comparative measures to our data. We encourage investors and others to review our financial information in its entirety and not rely on a single financial measure.

Capital Liquidity and Financial Resources

For the six months ended June 30, 2024, we primarily funded our operations, expansion and capital expenditures through cash generated from our operations and bank borrowings. We monitor our cash flows and cash balance on a regular basis and strive to maintain an optimum liquidity that can meet our working capital needs while supporting continuing business expansion.

Cash and Cash Equivalents

Our cash are primarily used for procuring food ingredients and consumables, paying staff costs, renovating and decorating our restaurants and other business activities. Our cash and cash equivalents increased from RMB6,475.5 million as of December 31, 2023 to RMB8,424.9 million as of June 30, 2024, mainly due to the contribution from operating activities during the Reporting Period, partially offset by the investment in financial products and repayment of borrowings. In addition, as of June 30, 2024, the Group held time deposits with original maturity over three months of RMB3,256.8 million, and the total amount of bank balances and cash was RMB11,681.7 million.

Right-of-use Assets

Under IFRS 16 Leases (“**IFRS 16**”), we recognize right-of-use assets with respect to our property and land leases. Our right-of-use assets are depreciated over the lease term or the useful life of the underlying asset, whichever is shorter. As of June 30, 2024, we recognized right-of-use assets of RMB3,207.9 million.

Inventories

Our inventories mainly represented our food ingredients, condiment products, beverage and other materials used in our restaurant operation. Our inventories decreased from RMB1,074.6 million as of December 31, 2023 to RMB818.9 million as of June 30, 2024, primarily due to the Company increased inventories at the end of 2023 in preparation for the operation during the 2024 New Year’s holiday. The inventories turnover days decreased from 23.9 days for the year ended December 31, 2023 to 20.4 days for the six months ended June 30, 2024, primarily due to the faster consumption of our raw materials and consumables and our effective inventories control.

Trade Receivables

The majority of our trade receivables were in connection with bills settled through payment platforms such as Alipay or WeChat Pay. Receivables from these payment platforms were normally settled within a short period of time. Our trade receivables decreased from RMB412.0 million as of December 31, 2023 to RMB278.6 million as of June 30, 2024. The turnover days of trade receivables decreased from 3.2 days for the year ended December 31, 2023 to 2.9 days for the six months ended June 30, 2024.

Trade Payables

Trade payables mainly represent the balances due to the independent third party suppliers of food ingredients and consumables. Our trade payables decreased from RMB1,859.4 million as of December 31, 2023 to RMB1,470.7 million as of June 30, 2024. The turnover days of trade payables increased from 34.3 days for the year ended December 31, 2023 to 35.9 days for the six months ended June 30, 2024.

Bank Borrowings

As of June 30, 2024, we had bank borrowings of RMB294.4 million. During the six months period ended June 30, 2024, the Group obtained new bank loans amounting to RMB50.0 million and repaid bank loans amounting to RMB379.7 million.

Other Borrowing

As of June 30, 2024, all of our other borrowing had been settled.

Contingent Liabilities

As of June 30, 2024, we did not have any material contingent liabilities, guarantees or any litigations or claims of material importance, pending or threatened against any member of our Group that is likely to have a material and adverse effect on our business, financial condition or results of operations.

Charge of Assets

As of June 30, 2024, the Group's pledged/restricted bank deposits amounted to RMB8.2 million.

As of June 30, 2024, no fixed assets was charged by the Group.

Debt-to-equity Ratio

As of June 30, 2024, the Group's debt-to-equity ratio was 24.6%.

Note: Equals long-term bonds and bank borrowings divided by total equity as of the same date and multiplied by 100%.

Foreign Exchange Risk and Hedging

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

Employees and Remuneration Policy

As of June 30, 2024, the Group had a total of 143,034 employees. For the six months ended June 30, 2024, the Group has incurred a total staff costs (including salaries, wages, allowance and benefits) of RMB7,155.7 million.

Material Acquisitions and Disposals

The Company had no material acquisitions and disposals during the Reporting Period.

No Material Changes

Saved as disclosed in this announcement, during the Reporting Period, there were no material changes affecting the Group's performance that needs to be disclosed under Paragraphs 32 and 40(2) of Appendix D2 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

Future Plans for Material Investments or Capital Assets

As of June 30, 2024, the Group has no specific plans for any material investments or acquisition of capital assets.

The Group will continue to extensively identify potential strategic investment opportunities and seek to acquire potential high-quality target businesses and assets that create synergies for the Group.

FUTURE PROSPECT

Going forward, our development initiatives mainly include:

- continuing to refine the management of Haidilao restaurants, including the continuous refinement of our service capabilities and offering more value-added services to our customers;
- continuing to explore a diversified business strategy, such as start-up brands sourcing in the catering industry and the exploration of restaurant franchise models, etc.; and
- strategically pursuing acquisitions of high-quality assets to further diversify our catering business patterns and customer base.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	For the six months ended	
		June 30,	
		2024	2023
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Revenue	3	21,490,903	18,885,854
Other income	4	370,129	396,979
Raw materials and consumables used		(8,387,212)	(7,685,020)
Staff costs		(7,155,747)	(5,769,263)
Rentals and related expenses		(210,936)	(200,385)
Utilities expenses		(721,714)	(605,366)
Depreciation and amortization		(1,339,057)	(1,506,422)
Travelling and communication expenses		(94,792)	(78,688)
Other expenses		(881,088)	(683,637)
Share of results of associates		24,780	19,609
Share of result of a joint venture		(41)	(4,004)
Other gains and losses	5	(66,661)	227,180
Finance costs	6	(140,504)	(183,021)
Profit before tax		2,888,060	2,813,816
Income tax expense	7	(854,957)	(554,930)
Profit for the period	8	2,033,103	2,258,886
Other comprehensive income			
<i>Item that will not be reclassified to profit or loss:</i>			
Fair value gain on investments in equity instruments at fair value through other comprehensive income		61,440	175,291
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		(11,275)	(52,579)
Share of other comprehensive income of an associate, net of related income tax		(39)	–
		(11,314)	(52,579)
Other comprehensive income for the period, net of income tax		50,126	122,712
Total comprehensive income for the period		2,083,229	2,381,598

	For the six months ended		
	June 30,		
<i>Notes</i>	2024	2023	
	<i>RMB'000</i>	<i>RMB'000</i>	
	(Unaudited)	(Unaudited)	
Profit (loss) for the period attributable to:			
Owners of the Company	2,038,125	2,258,052	
Non-controlling interests	(5,022)	834	
	<u>2,033,103</u>	<u>2,258,886</u>	
Total comprehensive income (expense) attributable to:			
Owners of the Company	2,088,251	2,380,764	
Non-controlling interests	(5,022)	834	
	<u>2,083,229</u>	<u>2,381,598</u>	
EARNINGS PER SHARE			
Basic (RMB)	<i>10</i>	0.38	0.42
Diluted (RMB)	<i>10</i>	0.38	0.42

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Notes</i>	As at June 30, 2024 <i>RMB'000</i> (Unaudited)	As at December 31, 2023 <i>RMB'000</i> (Audited)
Non-current Assets			
Property, plant and equipment	<i>11</i>	3,255,452	3,921,154
Right-of-use assets	<i>11</i>	3,207,886	3,461,284
Goodwill		84,845	84,845
Other intangible assets		56,795	73,690
Interests in associates		211,925	295,184
Interest in a joint venture		8,295	8,336
Deferred tax assets		533,146	617,029
Other financial assets		894,380	947,489
Financial assets at fair value through profit or loss		13,516	13,433
Financial assets at fair value through other comprehensive income		211,293	149,853
Rental deposits		203,070	195,539
Pledged/restricted bank deposits		2,133	2,123
		<hr/> 8,682,736	<hr/> 9,769,959
Current Assets			
Inventories		818,867	1,074,627
Trade and other receivables and prepayments	<i>12</i>	1,480,897	2,028,657
Amounts due from related parties		266,667	397,632
Other financial assets		1,247,792	1,255,082
Financial assets at fair value through profit or loss		1,162,901	778,745
Rental deposits		25,062	25,848
Security deposits for other borrowing		–	5,060
Pledged/restricted bank deposits		6,055	11,373
Bank balances and cash		11,681,692	9,330,015
		<hr/> 16,689,933	<hr/> 14,907,039

	<i>Notes</i>	As at June 30, 2024 <i>RMB'000</i> (Unaudited)	As at December 31, 2023 <i>RMB'000</i> (Audited)
Current Liabilities			
Trade payables	<i>13</i>	1,470,691	1,859,438
Other payables	<i>14</i>	1,998,738	2,134,231
Amounts due to related parties		285,686	360,721
Long term bonds		43,790	44,266
Dividend payable		4,076,147	3,805
Tax payable		360,988	379,016
Lease liabilities		966,901	933,093
Bank borrowings		294,396	618,898
Other borrowing		–	17,014
Contract liabilities		899,567	859,066
Provisions		21,084	32,264
		10,417,988	7,241,812
Net Current Assets		6,271,945	7,665,227
Total Assets less Current Liabilities		14,954,681	17,435,186
Non-current Liabilities			
Long term bonds		2,009,289	2,076,067
Deferred tax liabilities		119,383	210,282
Lease liabilities		3,270,029	3,614,744
Provisions		16,817	17,153
		5,415,518	5,918,246
Net Assets		9,539,163	11,516,940
Capital and Reserves			
Share capital		183	183
Reserves		9,553,244	11,526,447
Equity attributable to owners of the Company		9,553,427	11,526,630
Non-controlling interests		(14,264)	(9,690)
Total Equity		9,539,163	11,516,940

NOTES:

1. GENERAL INFORMATION AND BASIS OF PREPARATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on July 14, 2015 under the Companies Act, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of the Company's registered office is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111 in Cayman Islands, and the address of the principal place of business is 7th Floor, No. 1 Building, No. 398 Yard, Zhongdong Road, Dongxiaokou Town, Changping District in Beijing, the PRC. The ultimate controlling parties are Mr. Zhang Yong and his spouse, namely Ms. Shu Ping (collectively the "Controlling Shareholders").

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

The Company is an investment holding company. Its subsidiaries are engaged in restaurants operation, delivery business, sales of condiment products and food ingredients and others mainly located in mainland China and Hong Kong, Macau and Taiwan regions.

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"). These condensed consolidated financial statements are presented in RMB, which is also the functional currency of the Company and its subsidiaries in mainland China.

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") issued by the International Accounting Standards Board ("IASB") as well as the applicable disclosure requirements of the Listing Rules.

2. PRINCIPAL ACCOUNTING POLICIES

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

Other than application of certain accounting policies which became relevant to the Group in the current interim period, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended June 30, 2024 are the same as those presented in the Group's annual consolidated financial statements for the year ended December 31, 2023.

Application of amendments to IFRSs

In the current interim period, the Group has applied the following amendments to IFRSs issued by the IASB, for the first time, which are mandatorily effective for the Group's annual period beginning on January 1, 2024 for the preparation of the Group's condensed consolidated financial statements:

Amendments to IFRS 16	Lease Liability in a Sale and Leaseback
Amendments to IAS 1	Classification of Liabilities as Current or Non-current
Amendments to IAS 1	Non-current Liabilities with Covenants
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements

The application of the amendments to IFRSs in the current interim period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

3. REVENUE AND SEGMENT INFORMATION

During the six months ended June 30, 2024 and 2023, the Group's revenue which represents the amount received and receivable, net of discounts and sales related taxes, from the restaurant operation, delivery business, sales of condiment products and food ingredients and others, are as follows:

	For the six months ended June 30,	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Types of services or goods:		
Restaurant operation	20,596,386	18,040,008
Delivery business	581,228	471,351
Sales of condiment products and food ingredients	299,208	370,229
Others	14,081	4,266
	<u>21,490,903</u>	<u>18,885,854</u>
Total	<u>21,490,903</u>	<u>18,885,854</u>
Timing of revenue recognition:		
At a point in time	<u>21,490,903</u>	<u>18,885,854</u>

Information reported to the chief executive officer of the Company, 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 contributes over 10% of total revenue of the Group during the six months ended June 30, 2024 (six months ended June 30, 2023: Nil).

The following table set forth the breakdown of the Group's revenue during the six months ended June 30, 2024 and 2023, and the breakdown of the Group's non-current assets as at June 30, 2024 and December 31, 2023 based on the location of operation:

	Revenue		Non-current assets (Note)	
	For the six months		As at	
	June 30,		June 30,	December 31,
	2024	2023	2024	2023
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
Mainland China	20,760,551	18,182,298	6,149,952	7,113,534
Outside mainland China	730,352	703,556	675,246	730,959
	<u>21,490,903</u>	<u>18,885,854</u>	<u>6,825,198</u>	<u>7,844,493</u>
Total	<u>21,490,903</u>	<u>18,885,854</u>	<u>6,825,198</u>	<u>7,844,493</u>

Note:

Non-current assets have excluded financial assets at fair value through profit or loss ("FVTPL"), financial assets at fair value through other comprehensive income ("FVTOCI"), other financial assets, rental deposits, pledged/restricted bank deposits and deferred tax assets.

4. OTHER INCOME

	For the six months ended June 30,	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest income on:		
– bank deposits	217,959	125,208
– rental deposits	4,334	4,485
– other financial assets	22,468	3,429
	<u>244,761</u>	<u>133,122</u>
Government grants (<i>Note i</i>)	22,959	33,578
Additional tax deduction (<i>Note ii</i>)	–	158,657
Compensation claim income	23,312	8,448
Others	79,097	63,174
	<u>370,129</u>	<u>396,979</u>

Notes:

- i. The amounts represent the subsidies received from the local governments for the Group's business development. There were no unfulfilled conditions or contingencies relating to these government grants in the periods that the relevant other income was recognized.
- ii. The amounts represent the additional input VAT deduction, pursuant to the announcement of the Ministry of Finance, the State Administration of Taxation and the General Administration of Customs of the PRC, which came into effect from April 1, 2019 onwards and was terminated as at December 31, 2023.

5. OTHER GAINS AND LOSSES

	For the six months ended June 30,	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Net impairment loss (recognized) reversed in respect of:		
– property, plant and equipment (<i>Note 11</i>)	(14,341)	6,795
– right-of-use assets (<i>Note 11</i>)	(16,234)	14,115
– interest in a joint venture	–	(11,515)
	<u>(30,575)</u>	<u>9,395</u>
Expected credit loss on rental deposits	(2,637)	(1,633)
(Loss) gain on disposal of property, plant and equipment and other intangible assets and termination of leases, net	(1,373)	1,987
Gain arising from redemption of long term bonds	4,405	788
Net foreign exchange (loss) gain	(25,854)	192,546
Net (loss) gain arising on financial assets at FVTPL	(18,353)	19,673
Others	7,726	4,424
	<u>(66,661)</u>	<u>227,180</u>

6. FINANCE COSTS

	For the six months ended June 30,	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Interests on lease liabilities	105,479	123,714
Interests on bank borrowings	10,336	33,890
Interests on long term bonds	24,086	24,320
Interests on other borrowing	260	756
Interests charge on provisions	343	341
	<u>140,504</u>	<u>183,021</u>

7. INCOME TAX EXPENSE

	For the six months ended June 30,	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Current tax:		
– current period		
– PRC Enterprise Income Tax (“EIT”)	656,228	420,437
– withholding tax	175,068	72,634
– other jurisdictions	27,682	23,388
	<u>858,978</u>	<u>516,459</u>
– Under (over) provision in prior period		
– PRC EIT	926	(8,349)
– other jurisdictions	2,069	–
	<u>2,995</u>	<u>(8,349)</u>
	<u>861,973</u>	<u>508,110</u>
Deferred tax	<u>(7,016)</u>	<u>46,820</u>
	<u>854,957</u>	<u>554,930</u>

Under the Law of the EIT, withholding tax is imposed on dividends declared and paid to non-PRC resident in respect of profits earned by the PRC subsidiaries from January 1, 2008 onwards. As at June 30, 2024, a deferred tax liability of RMB105,000,000 (December 31, 2023: RMB190,000,000) has been recognized in respect of the undistributed earnings expected to be distributed in the foreseeable future with the tax rate of 5%.

8. PROFIT FOR THE PERIOD

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

	For the six months ended June 30,	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Depreciation of property, plant and equipment	961,723	1,125,318
Depreciation of right-of-use assets	364,492	362,147
Amortization of other intangible assets	12,842	18,957
	<u>1,339,057</u>	<u>1,506,422</u>
Cost of inventories recognized as an expense	8,387,212	7,685,020
Property and equipment rentals		
– office premises and equipment (short-term leases)	3,007	2,183
– restaurants (variable lease payments)	58,164	41,297
	<u>61,171</u>	<u>43,480</u>
Other rental related expenses	149,765	156,905
	<u>210,936</u>	<u>200,385</u>
Directors' emoluments	67,065	44,458
Other staff costs:		
Salaries and other allowance	5,876,296	4,752,725
Retirement benefit scheme contributions	657,605	534,974
Employee welfare	554,163	437,106
Share-based payment expense	618	–
	<u>7,155,747</u>	<u>5,769,263</u>

9. DIVIDENDS

	For the six months ended June 30,	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Dividends recognized as distributions during the period	<u>4,061,454</u>	<u>570,479</u>

On June 5, 2024, as approved by the Shareholders at the annual general meeting, a final dividend of Hong Kong Dollar (“HKD”) 0.824 (equivalent to RMB0.750) per share with a total amount of HKD4,461,960,000 (equivalent to RMB4,061,454,000) was declared to be distributed to the Shareholders for the year ended December 31, 2023 by the Company out of share premium. The dividend was paid in July, 2024.

Subsequent to the end of the current interim period, the directors of the Company have resolved to declare that an interim dividend of HKD0.391 (equivalent to RMB0.358) per share amounting to HKD2,117,265,000 (equivalent to RMB1,938,570,000) in aggregate (six months ended 30 June 2023: Nil) will be paid to the Shareholders whose names appear on the register of members of the Company on September 16, 2024.

10. EARNINGS PER SHARE

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

	For the six months ended June 30,	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Earnings for the purpose of basic earnings per share	<u>2,038,125</u>	<u>2,258,052</u>
	For the six months ended June 30,	
	2024	2023
	'000	'000
Weighted average number of ordinary shares for the purpose of calculating earnings per share	<u>5,415,000</u>	<u>5,415,000</u>

No diluted earnings per share for the six months ended June 30, 2024 and 2023 were calculated as there were no potential ordinary shares in issue for the six months ended June 30, 2024 and 2023.

11. PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

During the current interim period, the Group purchased property, plant and equipment amounting to RMB400,465,000 (six months ended June 30, 2023: RMB91,044,000), consisting of leasehold improvement, machinery, transportation equipment, furniture and fixtures and construction in progress.

During the current interim period, the Group entered into several new lease agreements for the use of restaurant operation and offices with lease terms ranged from 1 to 10 years. The Group is required to make fixed-term payments with predetermined annual incremental rental adjustments. On lease commencement, the Group recognized right-of-use assets of RMB147,945,000 (six months ended June 30, 2023: RMB145,693,000) and lease liabilities of RMB145,691,000 (six months ended June 30, 2023: RMB144,600,000).

Impairment assessment

The management of the Group noticed that some restaurants have achieved significant improvement in their operations as a result of the optimization of the internal management on products and services and the steady improvement of consumer and catering business, while the performance of certain restaurants was worse than expected or affected by certain unfavorable external factors. Accordingly, the management of the Group concluded that there were indications for impairment/reversal of impairment on certain property, plant and equipment and right-of-use assets. The Group estimated the recoverable amounts of the restaurants (cash generating units (“CGUs”)) to which the asset belongs when it is not possible to estimate the recoverable amounts individually, including allocation of corporate assets when reasonable and consistent basis can be established.

The recoverable amounts of CGUs have been determined based on value in use calculation. That calculation used discounted cash flow projections based on financial budgets approved by the management of the Group covering the following 1 to 5 years with pre-tax discount rates ranging from 11.4% to 29.6% as at June 30, 2024 (June 30, 2023: 9.3% to 28.1%), which varies among restaurants operated in different regions. For those CGUs with remaining lease terms more than 5 years, cash flows beyond the 5-year period (June 30, 2023: 5-year) are extrapolated using a 0% growth rate (June 30, 2023: 0% to 3%). Other key assumptions for the value in use calculations related to the estimation of cash inflows/outflows included revenue growth rate and average percentage of costs and operating expenses of revenue for the forecast periods, which are based on the CGUs' past performance and the management's expectations for the market development.

Based on the results of the assessments, the management of the Group determined that: (1) the recoverable amounts of certain CGUs are lower than the carrying amounts. The impairment loss has been allocated to each category of property, plant and equipment and right-of-use assets, such that the carrying amount of each category of asset is not reduced below the highest of its fair value less cost of disposal, its value in use and zero; and (2) the recoverable amounts of certain CGUs are higher than their carrying amounts. The reversal of impairment loss for the CGUs has been allocated to each category of property, plant and equipment and right-of-use assets, such that the carrying amount of each category of asset is not increased above its recoverable amount (if determinable) and the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior periods. Based on the value in use calculation and the allocation, impairment loss of RMB18,618,000 (June 30, 2023: RMB24,048,000) and RMB20,094,000 (June 30, 2023: RMB7,267,000) before netting off the reversal of impairment loss of RMB4,277,000 (June 30, 2023: RMB30,843,000) and RMB3,860,000 (June 30, 2023: RMB21,382,000), respectively, have been recognized against the carrying amount of property, plant and equipment and right-of-use assets during the six months ended June 30, 2024.

12. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	As at June 30, 2024 RMB'000 (Unaudited)	As at December 31, 2023 RMB'000 (Audited)
Trade receivables (<i>Note</i>)	<u>278,608</u>	<u>411,995</u>
Other receivables and prepayments:		
Prepayment to suppliers	364,256	507,097
Input VAT recoverable	371,259	567,114
Prepaid operating expenses	260,878	334,670
Loans to employees	25,603	39,469
Others	<u>180,293</u>	<u>168,312</u>
Subtotal	<u>1,202,289</u>	<u>1,616,662</u>
Total trade and other receivables and prepayments	<u><u>1,480,897</u></u>	<u><u>2,028,657</u></u>

Note:

Majority of trade receivables are due from payment platforms and are normally settled within 30 days. Trade receivables are aged within 30 days based on the date of rendering of services. There were no past due trade receivables.

13. TRADE PAYABLES

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

	As at June 30, 2024 <i>RMB'000</i> (Unaudited)	As at December 31, 2023 <i>RMB'000</i> (Audited)
Within 60 days	1,384,470	1,784,199
61 to 180 days	52,493	49,292
More than 181 days	33,728	25,947
	<u>1,470,691</u>	<u>1,859,438</u>

14. OTHER PAYABLES

	As at June 30, 2024 <i>RMB'000</i> (Unaudited)	As at December 31, 2023 <i>RMB'000</i> (Audited)
Staff costs payable	1,689,900	1,749,831
Other taxes payables	140,991	205,765
Renovation fee payables	69,719	83,905
Deposits from suppliers	44,444	25,761
Others	53,684	68,969
	<u>1,998,738</u>	<u>2,134,231</u>

CORPORATE GOVERNANCE AND OTHER INFORMATION

Compliance with the Corporate Governance Code

The Company had adopted and applied the principles and code provisions as set out in the Corporate Governance Code contained in Appendix C1 to the Listing Rules. During the six months ended June 30, 2024, the Company has complied with the code provisions in the Corporate Governance Code.

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 C3 to the Listing Rules. Specific enquiries have been made to all the Directors and the Directors have confirmed that they have complied with the Model Code during the six months ended June 30, 2024.

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 for securities transactions. No incident of non-compliance of the Model Code by the Company’s employees was noted by the Company during the six months ended June 30, 2024.

Purchase, Sale or Redemption of Listed Securities

With respect to the US\$600 million 2.150% 2026 Senior Notes, the Company made an on-market repurchase of the 2026 Senior Notes in the principal amount of US\$11,500,000 for a consideration of US\$10,795,120 in April 2024.

Upon cancellation of such repurchased 2026 Senior Notes, a total of US\$285,480,000 principal amount of the 2026 Senior Notes remained outstanding.

As at June 30, 2024 and December 31, 2023, the Company’s share capital issued included 159,000,000 ordinary shares issued to the trust for the share award scheme of the Company (“**Share Award Scheme**”), which was established by the Company to hold the shares for the benefit of the participants of the Share Award Scheme. As the trust for the Share Award Scheme acts solely a warehouse for the Company’s shares, the shares held by the trust for the Share Award Scheme were presented as treasury shares in the consolidated financial statements of the Group. Save as the above, as at June 30, 2024, the Company did not hold any treasury shares.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company’s listed securities (including sale of treasury shares) during the Reporting Period.

Audit Committee

The audit committee of the Board (the “**Audit Committee**”) has three members, namely, the independent non-executive Directors Mr. Qi Daqing (being the chairman of the Audit Committee), Mr. Hee Theng Fong and Dr. Chua Sin Bin, with terms of reference in compliance with the Listing Rules.

The Audit Committee has considered and reviewed the Group’s interim results for the six months ended June 30, 2024, the accounting principles and practices adopted by the Company and the Group. The Audit Committee considers that the interim financial results for the six months ended June 30, 2024 are in compliance with the relevant accounting standards, rules and regulations and appropriate disclosures have been duly made.

Use of Proceeds from the Global Offering

The Company's shares were listed on the Stock Exchange on September 26, 2018 (the "Global Offering"). The net proceeds from the Global Offering amounted to approximately HK\$7,299.3 million. For the six months ended June 30, 2024, the net proceeds have been applied in the manner as set out in the section headed "Future Plans and Use of Proceeds" of the prospectus of our Company dated September 12, 2018. As of June 30, 2024, the Company cumulatively used HK\$7,072.9 million, accounting for approximately 96.9% of the proceeds from the Global Offering. The company expects to utilize the balance of net proceeds of approximately HK\$226.4 million by the end of 2025.

	Percentage %	Net Proceeds HK\$ million	Utilized amount during the Reporting Period HK\$ million	As of June 30, 2024	
				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	172.1	1,233.5	226.4
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>172.1</u>	<u>7,072.9</u>	<u>226.4</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\$2,337.0 million. As of June 30, 2024, the net proceeds had been applied in the manner as set out in the announcements dated November 12, 2021 and November 22, 2021. As of June 30, 2024, the Company cumulatively used HK\$1,545.6 million, accounting for approximately 66.1% of the proceeds from the 2021 placing in accordance with the intended uses, details of which are set forth as follows:

	Percentage %	Net Proceeds HK\$ million	Utilized amount during the Reporting Period HK\$ million	As of June 30, 2024	
				Utilized amount HK\$ million	Unutilized amount HK\$ million
For supply chain management and product development	30.0	701.1	107.7	701.1	–
For payment of credit facilities	30.0	701.1	–	701.1	–
For working capital and general corporate purposes	40.0	934.8	143.4	143.4	791.4
Total	<u>100.0</u>	<u>2,337.0</u>	<u>251.1</u>	<u>1,545.6</u>	<u>791.4</u>

The Company expects to utilize the balance of net proceeds of approximately HK\$791.4 million in accordance with the intended uses previously disclosed by end of 2026. 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. For further details of the 2021 Placing, please refer to the announcements of the Company dated November 12, 2021 and November 22, 2021.

New Development - Events after the End of the June 30, 2024

With effect from July 1, 2024, (i) Ms. June Yang Lijuan (楊利娟) resigned as an executive Director and the chief executive officer of the Company and (ii) Mr. Gou Yiqun (苟軼群) was appointed as executive Director and the chief executive officer of the Company. For further details, please refer to the Company's announcement dated June 21, 2024.

With effect from August 27, 2024, Mr. ZHANG Junjie (張俊傑) was appointed as an independent non-executive Director. For further details, please refer to the section headed "Appointment of Independent Non-executive Director" below.

Save as disclosed above, the Directors are not aware of any significant event requiring disclosure that has taken place subsequent to June 30, 2024 and up to the date of this announcement.

Interim Dividend

The Board has resolved to declare an interim dividend of HK\$0.391 (equivalent to RMB0.358) per Share for the six months ended June 30, 2024 to be payable to the Shareholders whose names appear on the register of members of the Company at the close of business on Monday, September 16, 2024. The interim dividend will be distributed in HK\$ and is calculated based on the average benchmark exchange rate of RMB against HK\$ announced by the People's Bank of China in the five working days prior to but excluding the date of the Board meeting held on Tuesday, August 27, 2024. The interim dividend is expected to be paid to the Shareholders on or before Wednesday, October 2, 2024.

Closure of Register of Members for Interim Dividend

The register of members of the Company will be closed from Wednesday, September 11, 2024 to Monday, September 16, 2024, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the entitlement of the interim dividend, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office 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 Tuesday, September 10, 2024.

Publication of Interim Results Announcement and Interim Report

This announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.haidilao.com). The interim report for the six months ended June 30, 2024 containing all the information required by Appendix D2 to the Listing Rules will be despatched to the Shareholders (if applicable) and published on the websites of the Stock Exchange and the Company in due course.

APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTOR

The Board is pleased to announce the appointment of Mr. ZHANG Junjie (張俊傑) as an independent non-executive Director, with effect from August 27, 2024. The biographical details of Mr. Zhang are set out below:

Mr. ZHANG Junjie (former name: ZHANG Jun (張軍)), aged 29, was appointed as an independent non-executive Director on August 27, 2024 mainly responsible for supervising and providing independent judgement to our Board.

Mr. Zhang Junjie founded Chagee (霸王茶姬) in June 2017 and is currently serving as the chairman of the board of directors and chief executive officer of Chagee Holdings Limited. Mr. Zhang has more than 13 years of operational and managerial experience in the food and beverage industry. Prior to founding Chagee, Mr. Zhang worked at Shanghai Muye Robotics Co., Ltd. (上海木爺機器人技術有限公司) (currently known as Shanghai Nuoya Mumu Robotics Technology Co., Ltd. (上海諾亞木木機器人技術有限公司)) from July 2015 to March 2017 and last served as the deputy head of cooperation department in charge of Asia Pacific businesses. Previously, Mr. Zhang served as a regional deputy manager and subsequently, a franchise partner of Yunnan David's Beverage Co., Ltd.(雲南大維飲品有限公司).

As at the date of this announcement, Mr. Zhang does not have any interests and short positions in the shares or underlying shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)).

Mr. Zhang has entered into a letter of appointment with the Company for a term of three years commencing from August 27, 2024, and is subject to retirement by rotation and re-election in accordance with the articles of association of the Company. Mr. Zhang shall hold office until the next annual general meeting of the Company and will be eligible for re-election at such meeting.

According to the terms of Mr. Zhang's appointment, he is entitled to receive an annual remuneration of RMB1,200,000. The remuneration of Mr. Zhang will be subject to annual review by the remuneration committee of the Board and the Board from time to time with reference to the prevailing market level and his responsibilities and performance. Mr. Zhang has confirmed (a) his independence as regards each of the factors referred to in Rules 3.13(1) to 3.13 (8) of the Listing Rules; (b) that he has no past or present financial or other interest in the business of the Company or its subsidiaries or any connection with any core connected persons (as defined under the Listing Rules) of the Company; and (c) that there are no other factors that may affect his independence as at the date of his appointment.

Save as disclosed herein, (i) Mr. Zhang does not hold any directorship in other listed companies, the securities of which are listed on any securities market in Hong Kong or overseas in the last three years; (ii) Mr. Zhang has not previously held any position with any member of the Group and does not hold any other positions with the Company or other members of the Group; (iii) Mr. Zhang does not have any relationship with any Directors, senior management or substantial or controlling shareholders (as defined under the Listing Rules) of the Company; and (iv) there is no other information that is required to be disclosed pursuant to Rules 13.51(2)(h) to 13.51(2) (v) of the Listing Rules and there are no other matters in relation to his appointment that need to be brought to the attention of the Shareholders.

The Board would like to extend its warm welcome to Mr. Zhang for joining the Board.

APPRECIATION

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

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

Hong Kong, August 27, 2024

As of the date of this announcement (subsequent to the appointment of Mr. ZHANG Junjie becoming effective), the Board of Directors of the Company comprises Mr. Zhang Yong as the Chairman and Executive Director; Mr. Zhou Zhaocheng as the Vice Chairman and Executive Director; Mr. Gou Yiqun, Mr. Li Peng, Ms. Song Qing and Ms. Gao Jie as Executive Directors, and Dr. Chua Sin Bin, Mr. Hee Theng Fong, Mr. Qi Daqing, Dr. Ma Weihua, Mr. Wu Xiaoguang and Mr. Zhang Junjie as Independent Non-executive Directors.