海底捞

海底捞国际控股有限公司
Haidilao International Holding Ltd.

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 6862

GLOBAL OFFERING

(In no particular order)

Joint Sponsors, Joint Global Coordinators and Joint Bookrunners

招銀国际 CMB INTERNATIONAL

Goldman Sachs

Joint Global Coordinator and Joint Bookrunner

CICC 中金公司

Joint Bookrunners

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IMPORTANT: If you are in any doubt about any of the contents of this Prospectus, you should seek independent professional advice.

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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)

GLOBAL OFFERING

Number of Offer Shares under the Global Offering	:	**424,530,000 Shares (subject to the Over-allotment Option)**
Number of Hong Kong Offer Shares	:	**38,208,000 Shares (subject to adjustment)**
Number of International Offer Shares	:	**386,322,000 Shares (subject to adjustment and the Over-allotment Option)**
Maximum Offer Price	:	**HK$17.80 per Share, plus brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong Dollars and subject to refund)**
Nominal Value	:	**US$0.000005 per Share**
Stock Code	:	**6862**

(in no particular order)

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Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this Prospectus, make no representation as to its accuracy or completeness, and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Prospectus.

A copy of this Prospectus, having attached thereto the documents specified in "Appendix V — Documents Delivered to the Registrar of Companies and Available for Inspection" to this Prospectus, has been registered by the Registrar of Companies in Hong Kong as required by section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility for the contents of this Prospectus or any other document referred to above.

The Offer Price is expected to be determined by agreement between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and the Company on the Price Determination Date. The Price Determination Date is expected to be on or about September 18, 2018 and, in any event, not later than September 20, 2018. The Offer Price will be not more than HK$17.80 and is currently expected to be not less than HK$14.80. Applicants for Hong Kong Offer Shares are required to pay, on application, the maximum Offer Price of HK$17.80 for each Hong Kong Offer Share together with brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price is lower than HK$17.80. If, for any reason, the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and the Company are unable to reach an agreement on the Offer Price on or before September 20, 2018, the Global Offering will not proceed and will lapse.

The Joint Global Coordinators (for themselves and on behalf of the Underwriters, and with our consent) may reduce the number of Offer Shares and/or the indicative Offer Price range stated in this Prospectus at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, a notice of the reduction in the number of Offer Shares and/or the indicative Offer Price range will be published in the South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. Further details are set forth in the sections entitled "Structure and Conditions of the Global Offering — The Hong Kong Public Offering" and "How to Apply for Hong Kong Offer Shares" in this Prospectus. Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this Prospectus, including the risk factors set out in the section headed "Risk Factors" in this Prospectus.

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement to subscribe for, and to procure applicants for the subscription for, the Hong Kong Offer Shares, are subject to termination by the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) if certain grounds arise prior to 8:00 a.m. on the day that trading in the Shares commences on the Hong Kong Stock Exchange. Such grounds are set out in the section headed "Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Grounds for Termination" in this Prospectus. It is important that you refer to that section for further details.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may not be offered, sold, pledged or transferred within the United States or to, or for the account or benefit of U.S. persons (as defined in Regulation S), except in transactions exempt from, or not subject to, the registration requirements of the U.S. Securities Act. The Offer Shares are being offered and sold (1) solely to QIBs as defined in Rule 144A pursuant to an exemption from registration under the U.S. Securities Act and (2) outside the United States in offshore transactions in accordance with Regulation S.

September 12, 2018

Latest time for completing electronic applications under **White Form eIPO** service through the designated website **www.eipo.com.hk** [2]	11:30 a.m. on Monday, September 17, 2018
Application lists open[3]	11:45 a.m. on Monday, September 17, 2018
Latest time for lodging **WHITE** and **YELLOW** Application Forms	12:00 noon on Monday, September 17, 2018
Latest time for completing payment of **WHITE FORM eIPO** applications by effecting internet banking transfer(s) or PPS payment transfer(s)	12:00 noon on Monday, September 17, 2018
Latest time for giving **electronic application instructions** to HKSCC[4]	12:00 noon on Monday, September 17, 2018
Application lists close[3]	12:00 noon on Monday, September 17, 2018
Expected Price Determination Date[5]	Tuesday, September 18, 2018
(1) Announcement of the Offer Price, the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering and basis of allocation of the Hong Kong Offer Shares under the Hong Kong Public Offering to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on or before	Monday, September 24, 2018
(2) Results of allocations in the Hong Kong Public Offering (with successful applicants' identification document numbers, where appropriate) to be available through a variety of channels as described in the section headed "How to Apply for Hong Kong Offer Shares — 11. Publication of Results" in this prospectus	Monday, September 24, 2018
(3) A full announcement of the Hong Kong Public Offering containing (1) and (2) above to be published on the website of the Hong Kong Stock Exchange at **www.hkexnews.hk** and our website at **www.haidilao.com** from	Monday, September 24, 2018
Results of allocations in the Hong Kong Public Offering will be available at **www.iporesults.com.hk** (alternatively: English **https://www.eipo.com.hk/en/Allotment**; Chinese **https://www.eipo.com.hk/zh-hk/Allotment**) with a "search by ID" function from	Monday, September 24, 2018

Dispatch/collection of Share certificates in respect of wholly or partially successful applications pursuant to the Hong Kong Public Offering on or before[6]	Monday, September 24, 2018
Dispatch/collection of refund cheques and White Form e-Refund payment instructions in respect of wholly or partially successful applications (if applicable) or wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering on or before[7]	Monday, September 24, 2018
Dealings in the Shares on the Hong Kong Stock Exchange expected to commence on	Wednesday, September 26, 2018

Notes:

(1) All times refer to Hong Kong local time, except as otherwise stated.

(2) You will not be permitted to submit your application through the designated website at **www.eipo.com.hk** after 11:30 a.m. on the last day for lodging applications. If you have already submitted your application and obtained an application reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day of lodging applications, when the application lists close.

(3) If there is a tropical cyclone warning signal number 8 or above, or a "black" rainstorm warning in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Monday, September 17, 2018, the application lists will not open on that day. See "How to Apply for Hong Kong Offer Shares—Effect of Bad Weather on the Opening of the Application Lists" in this Prospectus.

(4) Applicants who apply for the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC should refer to the section headed "How to Apply for Hong Kong Offer Shares—Applying by Giving Electronic Application Instructions to HKSCC via CCASS" in this prospectus.

(5) The Price Determination Date is expected to be on or about Tuesday, September 18, 2018 and, in any event, not later than Thursday, September 20, 2018. If, for any reason, the Offer Price is not agreed by Thursday, September 20, 2018 between us and the Joint Global Coordinators (for themselves and on behalf of the Underwriters), the Global Offering will not proceed and will lapse.

(6) Share certificates for the Hong Kong Offer Shares are expected to be issued on Monday, September 24, 2018 but will only become valid certificates of title provided that the Global Offering has become unconditional in all respects, and neither of the Underwriting Agreements has been terminated in accordance with its terms, prior to 8:00 a.m. on the Listing Date, which is expected to be on or around Wednesday, September 26, 2018. Investors who trade Shares on the basis of publicly available allocation details before the receipt of share certificates or before the share certificates becoming valid certificates of title do so entirely at their own risk.

(7) e-Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessfully applications and in respect of successful applications if the Offer Price is less than the price payable on application.

The above expected timetable is a summary only. You should refer to the sections headed "Structure and Conditions of the Global Offering" and "How to Apply for Hong Kong Offer Shares" in this Prospectus for details of the structure of the Global Offering, including the conditions of the Global Offering, and the procedures for application for the Hong Kong Offer Shares.

IMPORTANT NOTICE TO INVESTORS

This Prospectus is issued by Haidilao International Holding Ltd. solely in connection with the Hong Kong Public Offering and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Hong Kong Offer Shares offered by this Prospectus pursuant to the Hong Kong Public Offering. This Prospectus may not be used for the purpose of, and does not constitute, an offer or a solicitation of an offer to subscribe for or buy, any security in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares or the distribution of this Prospectus in any jurisdiction other than Hong Kong. The distribution of this Prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

You should rely only on the information contained in this Prospectus and the Application Forms to make your investment decision. We have not authorized anyone to provide you with information that is different from what is contained in this Prospectus. Any information or representation not made in this Prospectus must not be relied on by you as having been authorized by us, the Joint Sponsors, Joint Global Coordinators and Joint Bookrunners, any of the Underwriters, any of our or their respective directors, officers or representatives, or any other person or party involved in the Global Offering. Information contained in our website, located at www.haidilao.com, does not form part of this Prospectus.

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This summary aims to give you an overview of the information contained in this Prospectus. As this is a summary, it does not contain all the information that may be important to you. You should read this Prospectus in its entirety before you decide to invest in the Offer Shares. There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section entitled "Risk Factors" in this Prospectus. You should read that section carefully before you decide to invest in the Offer Shares.

OVERVIEW

Haidilao is a globally leading and fast-growing Chinese cuisine restaurant brand focusing on hot pot cuisine. Our Haidilao brand has become, we believe, a phenomenon in Chinese cuisine that is synonymous with an unparalleled level of service and dining experience.

The catering service industry is a labor intensive industry, and its main pain point, we believe, is achieving scalability while maintaining quality consistency and ensuring food safety. We seek to address this challenge through our operating paradigm of "aligned interests and disciplined management" ("連住利益, 鎖住管理") — the interests of our employees are highly aligned to ours, motivating them to propel our dynamic, bottom-up driven growth, and our disciplined management ensures our strategic direction and controls food safety and other risks. We believe that this paradigm appeals to human nature and can transcend cultural and geographical differences, and have successfully applied it to our restaurants in the PRC as well as overseas to facilitate our global expansion.

According to the F&S Report, we ranked first in the Chinese cuisine restaurant market in the PRC and globally in terms of 2017 revenue.[(1)] We were also the fastest-growing major Chinese cuisine restaurant brand in the PRC and globally, with a revenue growth rate of 36.2% from 2016 to 2017. As of the Latest Practicable Date, we owned and operated 363 restaurants, which comprised 332 restaurants in the PRC, and 31 restaurants in Taiwan, Hong Kong and internationally in Singapore, South Korea, Japan and the United States.

We serve more than 100 million guests a year. Our pursuit of the perfect Haidilao dining experience has become, we believe, the foundation of our brand and the guiding principle of our business — it is what differentiates us and contributes to our success today. We are a pioneer in the industry to offer services that make the dining experience more attentive, personal, comfortable and fun, that deliver to our guests that extra warmth and sincere attention — services that have now become iconic to Haidilao and followed by our peers. We seek to provide a high quality, diversified, and dynamic menu, and are constantly developing new menu items, soup bases and dipping sauces, and customizing our menu to different taste preferences to enhance guest experience. Moreover, we are committed to using new technologies to improve dining experience. As a result of our efforts, according to the F&S Survey, Haidilao had the strongest brand recognition and was the most popular dine-out option among China's major restaurant brands.

We have been able to achieve industry-leading operational and financial performance, as illustrated in the following metrics:

- *Expansion*. Our global restaurant network grew from 112 as of January 1, 2015 to 273 as of December 31, 2017 and 341 as of June 30, 2018, and further to 363 as of the Latest Practicable Date. Our revenue increased at a CAGR of 35.9% from RMB5,756.7 million in 2015 to RMB10,637.2 million in 2017. Our revenue increased by 54.4% from RMB4,756.1 million for the six months ended June 30, 2017 to RMB7,342.6 million for the six months ended June 30, 2018.
- *Same store sales*. Our same store sales increased by 14.1% from 2015 to 2016, by 14.0% from 2016 to 2017 and by 6.4% from the six months ended June 30, 2017 to the six months ended June 30, 2018. Our overall table turnover rate was 4.0 times per day, 4.5 times per day, 5.0 times per day and 4.9 times per day in 2015, 2016, 2017 and the six months ended June 30, 2018, respectively, substantially higher than major Chinese cuisine brands in PRC, according to the F&S Report.
- *Breakeven and payback period*. During the Track Record Period, our restaurants generally achieved an initial monthly breakeven period within approximately one to three months. A

(1) The PRC and global Chinese cuisine market is highly fragmented. According to the F&S Report, we were the largest Chinese cuisine restaurant chain in the PRC and globally in terms of 2017 revenue, with a market share of 0.3% and 0.2% in the PRC and globally, respectively. See "Industry Overview."

majority of our restaurants in 2015 and 2016 achieved cash investment payback period in six to thirteen months. In comparison, the industry average level of monthly breakeven and cash investment payback period of major Chinese cuisine brands are generally within approximately three to six months and 15 to 20 months, respectively, according to the F&S Report.

- *New restaurant performance.* We opened 98 new restaurants in 2017, which achieved table turnover rates of 4.6 times per day in the same period. We also opened 71 new restaurants in the first half of 2018, which achieved table turnover rates of 4.2 times per day in six months ended June 30, 2018, primarily because the majority of these restaurants were opened in the second quarter of 2018 and were in a ramp-up stage. 97 of our 98 new restaurants in 2017 and 68 of our 71 new restaurants in the first half of 2018 have achieved initial monthly breakeven, of which 84 and 65 had initial monthly breakeven periods within approximately one to three months, respectively. We opened 96 new restaurants in 2018 as of the Latest Practicable Date, of which 75 had initial monthly breakeven periods within approximately one to three months, respectively. As of the Latest Practicable Date, the new restaurants opened in 2018 that have not achieved initial monthly breakeven were primarily opened in July and August of 2018.

Our commitment to food quality and safety is uncompromising. We have implemented stringent and detailed quality control measures that standardize food quality and safety in our supply chain and our restaurants. We conduct comprehensive food safety, quality and hygiene inspections, the frequency and the extensiveness of which we believe are unmatched in our industry. We devote significant staff resources to food quality and control, with over 500 designated staff directly responsible for food quality and safety. Food quality and safety is a key assessment criterion of restaurant performance.

OUR BUSINESS

During the Track Record Period, we generated substantially all of our revenue from restaurant operations. To a lesser extent, we also generated revenue from our delivery business and sales of condiment products and food ingredients. The following table sets forth the components of our revenue for the period indicated:

	For the year ended December 31,						For the six months ended June 30,			
	2015		2016		2017		2017		2018	
	(in thousands of RMB, except percentages)									
							(unaudited)			
Restaurant operation	5,653,089	98.2%	7,635,596	97.8%	10,388,097	97.6%	4,646,684	97.7%	7,152,037	97.4%
Delivery business	74,073	1.3	146,118	1.9	218,762	2.1	97,730	2.1	133,357	1.8
Sales of condiment products and food ingredients	29,520	0.5	25,972	0.3	30,311	0.3	11,651	0.2	57,250	0.8
Total revenue	**5,756,682**	**100.0%**	**7,807,686**	**100.0%**	**10,637,170**	**100.0%**	**4,756,065**	**100.0%**	**7,342,644**	**100.0%**

The Haidilao Dining Experience

We believe service is the foundation of our brand and is what differentiates Haidilao and contributes to our success today. We strive to provide services that go beyond those expected for a restaurant. We are a pioneer in the restaurant industry to offer services that have now become iconic to Haidilao and are often followed by our peers. The service level that we have achieved today is a product of the management philosophy and system focusing on the following aspects that we have implemented and are continuously evolving:

- *Autonomy/personalization.* We seek to give employees greater autonomy to provide better service than our peers. We encourage our restaurant staff to execute their own ideas on how to discover and satisfy the needs of our guests, which originates from our belief that people can be creative when given relatively high degrees of freedom.
- *Incentivization/assessment.* Guest satisfaction is the primary criteria when we evaluate our restaurant managers. We also aim to incentivize our servers to improve their efficiency by assessing them and deciding their compensation and promotion based on service quality and a piece-rate compensation system, with their wages clearly defined based on the units of specific work performed.
- *Technology.* We use technology with a view to improving guest experience. For example, we were one of the first major restaurant brands in China to introduce tablet computers, which

provides faster, more accurate and automated ordering to serve our guests, according to the F&S Report. Such an automated ordering system has also enabled us to record member ordering preferences and other data, and serves as a platform for additional personalized customer services based on guest preferences.

Our Restaurant Network

The following table sets forth the number of restaurants and breakdown of gross revenue from restaurant operations by location as of the date and for the period indicated.

	As of and for the year ended December 31,						As of and for the six months ended June 30,			
	2015		2016		2017		2017		2018	
	Number	Gross revenue/ revenue	Number	Gross revenue/ revenue	Number	Gross revenue/ revenue	Number	Gross revenue/ revenue	Number	Gross revenue/ revenue
		(in thousands of RMB)		(in thousands of RMB)		(in thousands of RMB)		(in thousands of RMB) *(unaudited)*		(in thousands of RMB)
PRC										
Tier 1 cities	50	2,316,797	55	2,713,753	65	2,959,223	57	1,427,081	78	1,800,232
Tier 2 cities	71	2,879,563	83	3,776,360	120	5,230,981	95	2,339,596	153	3,467,689
Tiers 3 and below	18	310,178	29	733,596	69	1,518,374	39	636,389	85	1,401,431
Subtotal	*139*	*5,506,538*	*167*	*7,223,709*	*254*	*9,708,578*	*191*	*4,403,066*	*316*	*6,669,352*
Outside PRC	7	277,073	9	439,145	19	703,381	12	272,664	25	532,316
Total restaurants/gross revenue from restaurant operation	**146**	**5,783,611**	**176**	**7,662,854**	**273**	**10,411,959**	**203**	**4,675,730**	**341**	**7,201,668**
Net of:										
Customer loyalty program		(130,522)		(27,258)		(23,862)		(29,046)		(49,631)
Total restaurants/revenue from restaurant operation	**146**	**5,653,089**	**176**	**7,635,596**	**273**	**10,388,097**	**203**	**4,646,684**	**341**	**7,152,037**

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 six months ended June 30,	
	2015	2016	2017	2017	2018
OVERALL					
Average spending per guest[(1)] (RMB)					
Tier 1 cities	93.2	95.3	98.3	101.2	106.0
Tier 2 cities	86.1	88.5	92.6	90.7	94.2
Tier 3 cities and below	89.8	92.8	94.5	90.5	91.8
PRC Restaurants	*89.2*	*91.4*	*94.6*	*93.8*	*96.6*
Outside PRC	215.2	215.4	179.6	211.5	196.1
Overall	**91.8**	**94.5**	**97.7**	**97.0**	**100.3**
Table turnover rate[(2)] (times/day)					
Tier 1 cities	3.9	4.3	4.8	4.7	4.9
Tier 2 cities	4.1	4.8	5.2	5.2	5.1
Tier 3 cities and below	3.5	4.3	4.7	4.7	4.6
PRC Restaurants	*4.0*	*4.5*	*5.0*	*5.0*	*5.0*
Outside PRC	4.4	4.8	4.4[(3)]	4.4[(3)]	3.7[(3)]
Overall	**4.0**	**4.5**	**5.0**	**5.0**	**4.9**
NEW AND EXISTING RESTAURANTS[(4)]					
Table turnover rate[(2)] (times/day)					
Newly-opened restaurants	4.1	4.8	4.6	4.8	4.2
Existing restaurants	4.0	4.5	5.1	5.0	5.0

(1) Calculated by dividing gross revenue generated from restaurant operation for the period by total guests served for the period. For further details on how we calculate total guests served, see notes to the first table in the section headed "Business — Our Business — Restaurant Business — Restaurant Performance."

(2) Calculated by dividing the total tables served for the period by the product of total restaurant operation days for the period and average table count during the period.

(3) The table turnover rate for restaurants outside the PRC in 2017 does not include one of our United States restaurants opened in 2017, which only provided bar-style service.

(4) We define our existing restaurants as those that commenced operations prior to the beginning of the respective period, and remained open at the end of the same period.

The following table sets forth details of our same store sales during the Track Record Period.

	For the year ended December 31,				For the six months ended June 30,	
	2015	2016	2016	2017	2017	2018
Number of same stores[1]						
Tier 1 cities	42		39		45	
Tier 2 cities	49		62		76	
Tier 3 cities and below	7		17		27	
Outside PRC	4		7		8	
Overall	**102**		**125**		**156**	
Same store sales[2] (in thousands of RMB)						
Tier 1 cities	2,046,712	2,269,970	1,931,959	2,177,010	1,161,457	1,303,609
Tier 2 cities	2,298,491	2,679,111	3,078,975	3,525,673	2,043,294	2,128,611
Tier 3 cities and below	233,768	262,376	584,778	680,148	507,721	539,920
Outside PRC	216,664	259,083	411,101	463,851	228,801	222,337
Total	**4,795,635**	**5,470,540**	**6,006,813**	**6,846,682**	**3,941,273**	**4,194,477**
Same store sales growth (%)						
Tier 1 cities	10.9%		12.7%		12.2%	
Tier 2 cities	16.6%		14.5%		4.2%	
Tier 3 cities and below	12.2%		16.3%		6.3%	
Outside PRC	19.6%		12.8%		(2.8)%	
Overall	**14.1%**		**14.0%**		**6.4%**	
Same store table turnover rate[3] (times)/day						
Tier 1 cities	3.9	4.3	4.3	4.8	4.7	5.1
Tier 2 cities	4.1	4.8	4.8	5.3	5.3	5.3
Tier 3 cities and below	3.4	3.8	4.1	4.7	4.7	5.0
Outside PRC	4.4	5.2	5.0	5.1	4.5	4.5
Overall	**4.0**	**4.5**	**4.6**	**5.1**	**5.0**	**5.2**

(1) Includes restaurants that commenced operations prior to the beginning of the periods under comparison and opened for more than 300 days in both 2015 and 2016, and in both 2016 and 2017, and more than 150 days in the six months ended June 30, 2017 and 2018.

(2) Refers to the aggregate gross revenue from restaurant operation at our same stores for the period indicated.

(3) Calculated by dividing the total tables served for the period by the product of total restaurant operation days for the period and average table count at our same stores during the period.

Our Delivery Business

We began offering delivery service in 2010 and were the first hot pot restaurant brand in the PRC to launch a delivery business, according to the F&S Report. As of the Latest Practicable Date, we operated delivery business in over 45 cities across China. We offer our delivery services through our delivery hotline, WeChat public account, our Haidilao app, as well as major online food delivery platforms in the PRC. The services offered across all platforms are the same and all of our deliveries (including sales made on third-party online food delivery platforms) are made by our own staff.

Procurement

We primarily procure (i) soup base for our hot pot, (ii) food ingredients, including meat, seafood and vegetables, and (iii) decoration materials and renovation services, decoration project management services, equipment and consumables used in our restaurants. The procurement department under our headquarters conducts centralized management of suppliers and procurement for all of our restaurants. During the Track Record Period and up to the Latest Practicable Date, Yihai Group has been our primary supplier of soup base. Currently, we procure food ingredients that do not require processing from third-party suppliers and Processed Ingredients from Shuhai Group. Four, five, five and four of our five largest suppliers in 2015, 2016, 2017 and the six months ended June 30, 2018, respectively, were our connected persons. Our purchase amount from our five largest suppliers amounted to RMB1,948.1 million, RMB2,530.5 million, RMB4,928.6 million and RMB2,288.7 million in 2015, 2016 and 2017 and the six months ended June 30, 2018, representing 63.3%, 68.2%, 81.7% and 51.7% of our total purchases in the respective periods.

We generally have more than two qualified suppliers for each type of major food ingredients to reduce reliance on a single supplier. Through our years of operations, we have identified and established stable business relationships with high quality suppliers for our major food ingredients. In addition, the connected transactions between our Group and our connected persons are entered into in the ordinary and usual course of business of our Group, and our Directors confirm that the terms of such transactions are determined at arm's length negotiations and are no less favorable to our Group than terms offered by Independent Third Parties. Therefore, our Directors believe that the continuing connected transactions between our Group and our Controlling Shareholders' associates do not indicate any undue reliance by our Group on our Controlling Shareholders and are beneficial to our Group and our Shareholders as a whole.

CONNECTED TRANSACTIONS

Our Founders recognize that there is currently a significant unmet need for certain highly specialized services, such as soup base production, food processing and logistics, decoration project management, and human resources consulting, catered to large-scale restaurant groups in China. To that end, our Founders have established Yihai Group, Shuhai Group, Shuyun Dongfang and Weihai Consulting as separate businesses to provide goods and services to us under an open market system, and our Group has been procuring relevant goods and services from these key connected persons since their establishment. This allows our management to focus on our core functions to enhance our operational efficiency and drive scalable growth. As a result, during the Track Record Period, we engaged in a number of transactions with key connected persons. Our Directors believe that the continuous procurement of the relevant goods and services from these key connected persons will be beneficial to our Group. A summary of these transactions is as follows.

		Historical amount for the year ended December 31,			Historical amount for the six months ended June 30,
Connected persons	**Description of the transactions**	**2015**	**2016**	**2017**	**2018**
		(in million of RMB)			
Shuhai Group	Providing warehousing and storage services and logistics services and supplying food ingredients	1,439.5	1,847.3	2,604.8	1,049.8
Shuyun Dongfang	Providing decoration materials and renovation services and decoration project management services	11.4	32.6	1,290.2	620.2
Yihai Group	Supplying Haidilao Customized Products, Yihai Retail Products and instant hot pot products	437.7	589.2	901.7	533.0
Jarud Qi (扎魯特旗) Haidilao	Supplying lamb products	7.1	60.5	71.0	42.4
Weihai Consulting	Providing human resource management and consulting service	1.0	22.9	36.0	21.8

For the year ended December 31, 2015, 2016, 2017 and the six months ended June 30, 2018, our total procurement amount from the above key connected persons amounted to approximately RMB1,896.7 million, RMB2,552.5 million, RMB 4,903.7 million and RMB 2,267.2 million, representing approximately 61.7%, 68.8%, 81.3% and 51.2% of our total purchases in the respective periods. The following table sets forth the respective percentage of our procurement amount from key connected persons to our total purchase of food ingredients and condiment products or other purchase during the Track Record Period.

		Year ended December 31,			Six months ended June 30,
Connected person	**Percentage of our procurement amount to**	**2015**	**2016**	**2017**	**2018**
Yihai Group	Our total purchase of food ingredients and condiment products	16.8%	18.5%	20.7%	16.0%
Shuhai Group(Note)		55.1%	58.0%	59.8%	31.5%
Jarud Qi (扎魯特旗) Haidilao		0.3%	1.9%	1.6%	1.3%
Shuyun Dongfang	Other purchase	2.5%	6.3%	77.1%	56.8%
Weihai Consulting		0.2%	4.4%	2.2%	2.0%

Note: the procurement amount from Shuhai Group includes procurement of food ingredients and warehouse storage and logistics services

For details, see "Connected Transactions."

COMPETITIVE STRENGTHS

We believe that the following strengths will help us in our future development: (i) globally leading Chinese cuisine restaurant brand well-positioned for continuing rapid growth; (ii) unique Haidilao management philosophy that enables high-quality and scalable growth; (iii) unparalleled Haidilao dining experience; (iv) uncompromising commitment to food quality and safety; (v) industry-leading operational and financial performance; and (vi) visionary Founders complemented by experienced professionals and home-grown management.

BUSINESS STRATEGY

We intend to implement a business strategy with the following key components: (i) continue to strategically expand our restaurant network; (ii) continue to enhance the Haidilao dining experience; (iii) increase same store sales growth and develop new sources of revenue; (iv) continue to invest in technology; and (v) strategically pursue acquisitions of high-quality assets.

SUMMARY OF FINANCIAL INFORMATION

The summary historical data of financial information set forth below has been derived from, and should be read in conjunction with, our consolidated audited financial statements, including the accompanying notes, set forth in the Accountants' Report set out in Appendix I to this Prospectus, as well as the information set forth in "Financial Information" of this Prospectus. Our financial information was prepared in accordance with IFRSs.

Summary Data from Consolidated Statements of Profit or Loss

The following table sets forth selected consolidated statements of profit or loss and other comprehensive income for the period indicated.

	For the year ended December 31,						For the six months ended June 30,			
	2015		2016		2017		2017		2018	
	Amount	% of revenue	Amount	% of revenue	Amount	% of revenue	Amount	% of revenue	Amount	% of revenue
	(in thousands of RMB except percentages)									
Revenue	5,756,682	100.0%	7,807,686	100.0%	10,637,170	100.0%	4,756,065	100.0%	7,342,644	100.0%
Profit before tax	560,108	9.7	1,345,877	17.2	1,625,050	15.3	757,977	15.9	900,918	12.3
Profit for the year/period	410,682	7.1%	978,191	12.5%	1,194,342	11.2%	553,149	11.6%	647,411	8.8%

Our revenue is affected by the number and pace of new restaurant openings, which may fluctuate from period to period. In particular, new restaurants opened in a year typically have a greater revenue contribution in the second half of that year, primarily because (i) our new restaurant openings are generally more concentrated in the second half of the year, in part due to Chinese New Year holidays, and (ii) new restaurants opened in the first half of the year will not contribute revenue for the full six-months, while they will contribute six months of revenue in the second half of the year.

Our profit margins are affected by pre-opening costs that we incur for our newly-opened restaurants, in combination with the period-to-period fluctuations in the number and pace of new restaurant openings. Our pre-opening costs primarily consist of staff salaries, consulting services fees, staff relocation expenses, rent and miscellaneous administrative expenses prior to the opening of a restaurant. These costs are expensed when incurred and recorded in our consolidated statements of profit or loss. During the Track Record Period, the majority of our newly-opened restaurants generally incurred pre-opening expenses ranging from approximately RMB1 million to RMB2 million. These pre-opening costs are typically incurred around and within the three months leading up to a restaurant's opening, while the restaurant has not begun to generate revenue.

We expect the pace of new restaurant openings to continue to impact our interim and annual revenue and profit margin. For details, see "Financial Information — Key Factors Affecting Our Results of Operations — Pace of New Restaurant Openings."

The following table sets forth breakdown of restaurant level operating profit(1) and restaurant level operating profit margin(2) by location for the period indicated.

	For the year ended December 31,						For the six months ended June 30,			
	2015		2016		2017		2017		2018	
	Restaurant level operating profit	Restaurant level operating profit margin	Restaurant level operating profit	Restaurant level operating profit margin	Restaurant level operating profit	Restaurant level operating profit margin	Restaurant level operating profit	Restaurant level operating profit margin	Restaurant level operating profit	Restaurant level operating profit margin
	(in thousands of RMB, except percentages)									
PRC										
Tier 1 cities	524,943	22.2%	758,223	27.2%	653,585	21.6%	342,804	23.4%	367,305	20.2%
Tier 2 cities	568,999	19.6	969,431	25.1	1,248,129	23.4	562,054	23.6	774,753	22.1
Tier 3 cities and below	44,220	14.2	154,517	20.9	308,527	20.1	130,256	20.3	276,320	19.6
Subtotal/Overall PRC operating profit margin	*1,138,162*	*20.4*	*1,882,171*	*25.5*	*2,210,241*	*22.3*	*1,035,114*	*23.0*	*1,418,378*	*21.1*
Outside PRC	51,943	18.7	100,054	22.7	128,033	17.9	46,349	17.0	54,432	10.2
Net of:										
Customer loyalty program(3)	(130,522)		(27,258)		(23,862)		(29,046)		(49,631)	
Total/Overall restaurant level operating profit margin	**1,059,583**	**18.5%**	**1,954,967**	**25.1%**	**2,314,412**	**21.9%**	**1,052,417**	**22.2%**	**1,423,179**	**19.7%**

(1) Restaurant level operating profit is calculated by deducting cost of restaurant level raw materials and consumables used, restaurant level staff costs, restaurant level property rent and related expenses, restaurant level utilities expenses, restaurant level depreciation and amortization and other restaurant level expenses from restaurant level revenue (which represents gross revenue from restaurant operation, from delivery service stations located in our restaurants and from sales of condiment products and food ingredients). Restaurant level operating profit is not a GAAP item. We have presented this non-GAAP item because we consider it important supplemental measures of our operating performance and believe it is frequently used by analysts, investors and other interested parties in the evaluation of companies in our industry. Our management uses such non-GAAP item as an additional measurement tool for purposes of business decision-making. Other companies in our industry may calculate this non-GAAP item differently than we do. This non-GAAP item is not a measure of operating performance or liquidity under IFRS and should not be considered as a substitute for, or superior to, profit before tax or cash flow from operating activities in accordance with IFRS. This non-GAAP item has limitation as an analytical tool, and you should not consider it in isolation or as a substitute for analysis of our results as reported under IFRS. Our presentation of this non-GAAP item should not be construed as an inference that our future results will be unaffected by unusual or non-recurring items.

(2) Restaurant level operating profit margin is calculated by dividing restaurant level operating profit by restaurant level revenue for the same period and multiplied by 100%.

(3) Represents the difference between the ending balance and the beginning balance of contract liabilities arising from our customer loyalty program in a year/period.

Summary Data from Consolidated Statements of Financial Position

The following table sets forth summary data from our consolidated statements of financial positions as of December 31, 2015, 2016 and 2017 and June 30, 2018.

	As of December 31,			As of June 30,
	2015	2016	2017	2018
	(in thousands of RMB)			
Non-current assets	1,222,556	1,492,848	2,274,131	3,046,071
Current assets	1,184,062	1,256,675	1,461,694	1,482,460
Current liabilities	1,244,419	1,642,318	2,618,137	3,314,515
Net current liabilities	(60,357)	(385,643)	(1,156,443)	(1,832,055)
Non-current liabilities	5,281	35,465	26,707	22,090

Although we had significant net current liabilities during the Track Record Period, our Directors believe that we have sufficient working capital to meet our present and future cash requirements for at least the next 12 months from the date of publication of this Prospectus, taking into account the following factors:

- *Cash flow generated from our business*. We had net cash flow from operating activities in the amount of RMB642.0 million, RMB1,414.1 million, RMB1,399.7 million and RMB1,002.9 million in 2015, 2016 and 2017 and six months ended June 30, 2018, respectively. We expect our cash from operating activities in 2018 to increase significantly as we opened 98 new restaurants in 2017 (as compared to 32 in 2016), a majority of which were opened in the third or fourth quarter, and we opened 71 new restaurants in the six months ended June 30, 2018;
- *Bank loans and facilities*. Historically, we have been able to refinance our short-term bank borrowings at maturity if needed, and we do not foresee any impediment in continuing to do so in the future. In addition, we have obtained (a) a loan facility of RMB850.0 million from China Merchants Bank Co., Ltd. Hong Kong Branch, which we intend to use to settle the remaining balance in the amounts due to Sichuan Haidilao as a result of our Business Restructuring, (b) a new credit facility in the amount of US$40.0 million from Citibank (China) Co., Ltd. Beijing Branch, and (c) unutilized and unrestricted bank facilities of RMB517.8 million as of June 30, 2018;
- *One-off item*. A significant portion of our current liabilities was due to non-recurring items, including the loan obtained from Sichuan Haidilao to supplement our working capital after the Business Restructuring, which we have repaid using short-term bank borrowings as of the Latest Practicable Date; and
- *Net proceeds from the Global Offering*. We expect to receive net proceeds from the Global Offering of approximately HK$6,034.1 million based on the low end of the Offer Price range set out in this Prospectus.

For further information, see "Risk Factors — Risks Relating to Our Industry and Business — We had significant net current liabilities as of December 31, 2015, 2016 and 2017 and June 30 and July 31, 2018."

Summary Data from Consolidated Cash Flow Statement

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

	As of and for the year ended December 31,			As of and for the six months ended June 30,	
	2015	2016	2017	2017	2018
	(in thousands of RMB)				
Net cash from operating activities	641,989	1,414,061	1,399,716	617,039	1,002,908
Net cash used in investing activities	(915,920)	(1,280,876)	(1,564,855)	(713,895)	(398,697)
Net cash from/(used in) financing activities	158,591	157,735	104,943	485,794	(373,971)
Net (decrease)/ increase in cash and cash equivalents	(115,340)	290,920	(60,196)	388,938	230,240

Key Financial Ratios

	As of/For the year ended December 31,			As of/For the six months ended June 30,
	2015	2016	2017	2018
Return on average equity	42.0%	87.8%	110.4%	114.4%
Return on average assets	20.7%	37.9%	36.8%	31.6%
Current ratio	0.95	0.77	0.56	0.45
Quick ratio	0.92	0.73	0.52	0.35
Gearing ratio	22.7%	17.9%	73.0%	50.7%

For details, see "Financial Information — Key Financial Ratios."

RECENT DEVELOPMENT AND NO MATERIAL AND ADVERSE CHANGE

In 2018 and up to the Latest Practicable Date, we opened a total of 96 restaurants, of which 84 are located in the PRC and 12 are located overseas and closed 6 restaurants. Our Directors confirm that there has been no material and adverse change in our financial, operational or trading positions or prospects since June 30, 2018, being the date of our consolidated financial statements as set out in "Appendix I — Accountants' Report" of this Prospectus, and up to the date of this Prospectus.

OUR CONTROLLING SHAREHOLDERS

Immediately after the completion of the Global Offering (assuming that the Over-allotment Option is not exercised), our Controlling Shareholders will be interested in an aggregate of 68.60% of the issued share capital of our Company. See "Relationship with Controlling Shareholders."

GLOBAL OFFERING STATISTICS

The statistics in the following table are based on the assumptions that the Capitalization Issue and the Global Offering are completed, 424,530,000 shares are issued in the Global Offering and the Over-allotment Option is not exercised.

	Based on an Offer price of HK$14.80 per Share	**Based on an Offer price of HK$17.80 per Share**
Market capitalization of our Shares(1)	HK$78,440,000,000	HK$94,340,000,000
Unaudited pro forma adjusted net tangible asset value per Share(2)	HK$1.39	HK$1.62

(1) The calculation of market capitalization is based on 5,300,000,000 Shares expected to be in issue immediately upon completion of the Capitalization Issue and the Global Offering, assuming the Over-allotment Option is not exercised.

(2) The unaudited pro forma adjusted net tangible asset per Share is calculated after making adjustments referred to in "Appendix II — Unaudited Pro Forma Financial Information."

USE OF PROCEEDS

We estimate that we will receive net proceeds from the Global Offering of approximately HK$6,651.8 million, after deducting underwriting commissions, fees and estimated expenses payable by us in connection with the Global Offering, and assuming an Offer Price of HK$16.30 per Share, being the mid-point of the indicative Offer Price range stated in this Prospectus, assuming the Over-allotment Option is not exercised. We currently intend to apply these net proceeds for the following purposes: (i) approximately 60.0%, or HK$3,991.1 million, will be used to finance part of our expansion plan; (ii) approximately 20.0%, or HK$1,330.4 million, will be used to develop and implement new technology; (iii) approximately 15.0%, or HK$997.8 million will be used to partially repay (a) the loan facility of RMB850.0 million from China Merchants Bank Co., Ltd. Hong Kong Branch, which has an interest rate of LIBOR plus 2.55% per annum and a term of one year from the date of drawdown, and (b) the credit facility in the amount of US$40.0 million from Citibank (China) Co., Ltd. Beijing Branch, which has a term of one year; and (iv) approximately 5.0%, or HK$332.6 million, will be used for our working capital and general corporate purposes.

LISTING EXPENSES

Listing expenses to be borne by us are estimated to be approximately HK$268.1 million (including underwriting commission) and assuming the Over-allotment Option is not exercised. As of June 30, 2018, we incurred listing expenses of RMB22.5 million (equivalent to HK$25.8 million), of which RMB20.7 million (equivalent to HK$23.7 million) were charged to our consolidated statements of profit or loss and RMB1.8 million (equivalent to HK$2.1 million) were capitalized as deferred listing expenses. After June 30, 2018, approximately HK$31.9 million is expected to be charged to our consolidated statements of profit or loss, and approximately HK$210.4 million is expected to be accounted for as a deduction from equity upon the Listing. The listing expenses above are the latest practicable estimate for reference only, and the actual amount may differ from this estimate. Our Directors do not expect such listing expenses to have a material and adverse impact on our results of operation for the year ending December 31, 2018.

DIVIDENDS

In 2015, 2016 and 2017 and six months ended June 30, 2018, we declared dividends of RMB27.0 million, RMB1,014.0 million, RMB751.8 million and US$88.8 million (equivalent to RMB584.0 million at the then-applicable exchange rate), respectively. With respect to the US$88.8 million dividends we declared, RMB455.6 million has been settled as of June 30, 2018. Our future declarations of dividends may or may not reflect our historical declarations of dividends and will be at the discretion of our Board. Our Board may declare dividends in the future after taking into account our results of operations, financial condition, cash requirements and availability and other factors as it may deem relevant at such time. Subject to the above limitations, our Directors expect that, in the future, we may pay dividends from time to time in an aggregate amount of approximately 20% of profits attributable to the equity holders of our 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.

RISK FACTORS

There are certain risks in our operations and in connection with the Global Offering, 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 experienced rapid expansion, which leads to increasing risks and uncertainties; and our continuously evolving management system may not be effective to address such risks and uncertainties; (ii) if the quality of our dining experience declines, our restaurants may not continue to be successful; (iii) we may fail to maintain or enhance brand recognition or reputation; (iv) failures of our food quality control system could have a material and adverse effect on our reputation, financial conditions and results of operations; (v) we may experience significant liability claims or complaints from guests, or adverse publicity involving our products, our service or our restaurants; and (vi) we rely on certain connected persons for supplies and services and any shortage or interruption in supply could slow our growth and reduce our profitability. These risks are not the only significant risks that may affect the value of our Shares. See "Risk Factors" of this Prospectus for details of our risk factors, which you should read carefully and in full before you decide to invest in the Offer Shares.

NON-COMPLIANCE

Except for the non-compliances disclosed below, we are advised by our PRC Legal Advisers that, during the Track Record Period and as of the Latest Practicable Date, we had complied with relevant PRC laws and regulations in all material aspects.

- *Fire safety*. As of the Latest Practicable Date, we had not obtained the relevant fire safety inspection approvals from the relevant fire safety authority for five of our restaurants and six of our standalone delivery service stations. Our PRC Legal Advisers have advised us that we may be subject to a potential penalty of up to RMB3.3 million for the five restaurants and six standalone delivery service stations, and closure of such restaurants and standalone delivery service stations. As advised by our PRC Legal Advisers, the likelihood that we would be subject to material administrative penalties by fire safety regulatory authorities is low. If we submit all of the necessary application materials in accordance with requirements of the relevant fire safety authorities, we would not be subject to any material legal impediment in obtaining the relevant fire safety inspection approval, and upon obtaining such approval, the risk that the relevant fire safety authorities would impose administrative penalties against us for operating these restaurants or standalone delivery service stations without such approval is low.
- *Social insurance and housing provident funds*. During the Track Record Period, we did not make full social insurance and housing provident fund contributions for certain employees. As advised by our PRC Legal Advisers, the likelihood that we would be required by relevant authorities to pay any shortfall for social insurance and housing provident fund contribution is low, and the likelihood that we would be subject to material administrative penalties by relevant authorities is low.

For details, see "Business — Compliance, Licenses and Permits."

In this Prospectus, unless the context otherwise requires, the following terms shall have the meanings set out below. Certain other terms are explained in the section headed "Glossary of Technical Terms" in this Prospectus.

"Apple Trust"	a discretionary trust set up by Mr. Zhang with UBS Trustees (B.V.I.) Limited acting as trustee, the beneficiaries of which is Mr. Zhang and Ms. Shu;
"Application Form(s)"	**WHITE** Application Form(s), **YELLOW** Application Form(s) and **GREEN** Application Form(s), or where the context so requires, any of them, relating to the Hong Kong Public Offering;
"Articles of Association" or "Articles"	articles of association of our Company conditionally adopted on September 6, 2018 to take effect on the Listing Date, a summary of which is set out in "Appendix III — Summary of the Constitution of our Company and Cayman Companies Law" to this Prospectus, as amended from time to time;
"associate(s)"	has the meaning ascribed to it under the Listing Rules;
"Board" or " Board of Directors"	the board of directors of our Company;
"Business Day"	a day on which banks in Hong Kong are generally open for business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong;
"Business Restructuring"	along with the expansion of our Group, to optimize our corporate structure for future development, our Group acquired certain subsidiaries, branches and assets from Sichuan Haidilao, New High Lao and Jingyuan Investment, the major steps of which are disclosed in the section headed "History, Reorganization and Corporate Structure — Reorganization and Corporate Structure — Principal Subsidiaries" in this Prospectus;
"BVI"	the British Virgin Islands;
"Capitalization Issue"	the issue of 1,542,130,000 Shares to be made upon capitalization of part of the sum standing to the credit of the share premium account of our Company, details of which are set out in the section headed "History, Reorganization and Corporate Structure — Capitalization Issue";
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC;

"CCASS Clearing Participant"	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant;
"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant;
"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation;
"CCASS Participant"	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant;
"Cheerful Trust"	a discretionary trust set up by Mr. Shi Yonghong and Ms. Li Haiyan with UBS Trustees (B.V.I.) Limited acting as trustee, the beneficiaries of which are Mr. Shi Yonghong and Ms. Li Haiyan;
"China", "PRC" or "State"	People's Republic of China, but for the purpose of this Prospectus and for geographical reference only and except where the context requires otherwise, references in this Prospectus to "China" and the "PRC" do not apply to Hong Kong, Macau and Taiwan;
"Commodity Ingredients"	food ingredients which do not require processing, primarily consist of meat, seafood, unwashed vegetables and condiments;
"Companies Law" or "Cayman Companies Law"	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands;
"Companies Ordinance"	the Companies Ordinance, Chapter 622 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time;
"Companies (Winding Up and Miscellaneous Provisions) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance, Chapter 32 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time;
"Company", "our Company", or "Haidilao"	Haidilao International Holding Ltd., a company incorporated under the laws of the Cayman Islands with limited liability on July 14, 2015 and, except where the context otherwise requires, all of its subsidiaries;
"connected person"	has the meaning ascribed to it under the Listing Rules;
"connected transaction"	has the meaning ascribed to it under the Listing Rules;

"Controlling Shareholder(s)"	has the meaning ascribed thereto in the Listing Rules and unless the context requires otherwise, refers to Mr. Zhang, Ms. Shu, NP United Holding Ltd, ZY NP Ltd and SP NP Ltd;
"CSRC"	China Securities Regulatory Commission (中國證券監督管理委員會);
"Deed of Non-competition"	the deed of non-competition dated September 6, 2018 and entered into by the Controlling Shareholders in favor of our Company, details of which are set out in the section headed "Relationship with our Controlling Shareholders — Deed of Non-competition" of this Prospectus;
"Deed of Indemnity"	the deed of indemnity dated September 6, 2018 and entered into by Mr. Zhang, Ms. Shu, Mr. Shi Yonghong (施永宏), Ms. Li Haiyan (李海燕), Ms. Yang Lijuan (楊利娟), Mr. Gou Yiqun (苟軼群), Mr. Yuan Huaqiang (袁華強), Mr. Chen Yong (陳勇) and Mr. Yang Bin (楊賓) in favor of our Company (for itself and as trustee for its subsidiaries), details of which are set out in the section headed "Statutory and General Information — D. Other Information — 2. Indemnity" in Appendix IV to this Prospectus;
"Director(s)" or "our Director(s)"	the director(s) of our Company;
"EIT Law"	the PRC Enterprise Income Tax Law (中華人民共和國企業所得稅法), as enacted by the NPC on March 16, 2007 and effective on January 1, 2008, as amended, supplemented or otherwise modified from time to time;
"Fire Safety Consultant"	Taitong Construction Co., Ltd. (太通建設有限公司);
"Founder(s)"	any or all of the founders of Haidilao hot pot restaurants, namely Mr. Zhang, Ms. Shu, Mr. Shi Yonghong (施永宏) and Ms. Li Haiyan (李海燕);
"Frost & Sullivan"	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., a global market research and consulting company, which is an Independent Third Party;
"F&S Report"	the independent industry report prepared by Frost & Sullivan;
"F&S Survey"	the guest survey and customer survey conducted by Frost & Sullivan;
"Global Offering"	the Hong Kong Public Offering and the International Offering;

"**GREEN** Application Form(s)"	the application form(s) to be completed by the White Form eIPO Service Provider Computershare Hong Kong Investor Services Limited;
"gross revenue"	gross revenue represents the amount generated from restaurant operation, net of business taxes and surcharges and before the adjustment of customer loyalty program;
"Group" or "our Group"	our Company and all of our subsidiaries or, where the context so requires, in respect of the period before our Company became the holding company of its present subsidiaries, the businesses operated by such subsidiaries or their predecessors (as the case may be);
"Haidilao Customized Products"	the hot pot soup flavoring and Chinese-style compound condiment products supplied by Yihai Group manufactured using formulae owned by our Group for use at our hot pot restaurants;
"Haidilao Singapore"	Hai Di Lao Holdings Pte. Ltd., a private company limited by shares incorporated in Singapore on February 28, 2013 and a wholly-owned subsidiary of our Company;
"HK$" or "Hong Kong Dollars" or "HKD"	Hong Kong dollars, the lawful currency of Hong Kong;
"HKSCC"	Hong Kong Securities Clearing Company Limited, a wholly owned subsidiary of Hong Kong Exchanges and Clearing Limited;
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC;
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC;
"Hong Kong Offer Shares"	the 38,208,000 new Shares being initially offered by our Company for subscription at the Offer Price pursuant to the Hong Kong Public Offering (subject to reallocation as described in the section headed "Structure and Conditions of the Global Offering" in this Prospectus);
"Hong Kong Public Offering"	the offer for subscription of the Hong Kong Offer Shares to the public in Hong Kong at the Offer Price, subject to and in accordance with the terms and conditions set out in this Prospectus and the Application Forms;
"Hong Kong Share Registrar"	Computershare Hong Kong Investor Services Limited;

"Hong Kong Underwriters"	the underwriters of the Hong Kong Public Offering whose names are set out in the section headed "Underwriting — Hong Kong Underwriters" in this Prospectus;
"Hong Kong Underwriting Agreement"	the underwriting agreement dated September 11, 2018 relating to the Hong Kong Public Offering entered into by, among other parties, our Company, our Controlling Shareholders, the Joint Global Coordinators, Joint Bookrunners and the Hong Kong Underwriters;
"IFRSs"	International Financial Reporting Standards;
"Independent Third Party(ies)"	an individual or a company which, to the best of our Directors' knowledge, information and belief, having made all reasonable enquiries, is not a connected person of the Company within the meaning of the Listing Rules;
"International Offer Shares"	the 386,322,000 Shares being offered for subscription under the International Offering, together, where relevant, with any additional Shares which may be issued pursuant to the exercise of the Over-allotment Option, subject to reallocation as described in the section headed "Structure and Conditions of the Global Offering" in this Prospectus;
"International Offering"	the offer of the International Offer Shares at the Offer Price, in the United States to QIBs only in reliance on Rule 144A and outside the United States in offshore transactions in accordance with Regulation S or any other available exemption from registration under the U.S. Securities Act, as further described in the section headed "Structure and Conditions of the Global Offering" in this Prospectus;
"International Underwriters"	the group of international underwriters expected to enter into the International Underwriting Agreement relating to the International Offering;
"International Underwriting Agreement"	the international underwriting agreement relating to the International Offering to be entered into by, among other parties, our Company, our Controlling Shareholders, the Joint Global Coordinators, Joint Bookrunners and the International Underwriters on or about the Price Determination Date;
"Jarud Qi Haidilao"	Jarud Qi Haidilao Food Co, Ltd. (扎魯特旗海底撈食品有限公司), a limited liability company incorporated in the PRC on January 28, 2013, a company wholly-owned by Sichuan Haidilao and is a connected person of our Company;

"Jinghai Investment"	Jianyang Jinghai Investment Co., Ltd. (簡陽市靜海投資有限公司), a limited liability company incorporated in the PRC on May 11, 2011, which is a wholly-owned subsidiary of Jingyuan Investment and a connected person of our Company;
"Jingyuan Investment"	Jianyang Jingyuan Investment Co., Ltd (簡陽市靜遠投資有限公司), a limited liability company incorporated in the PRC on March 13, 2009, which is owned as to 52% by Mr. Zhang, 16% by Ms. Li Haiyan, 16% by Ms. Shu and 16% by Mr. Shi Yonghong and is a connected person of our Company;
"Joint Bookrunners"	CMB International Capital Limited, Goldman Sachs (Asia) L.L.C., China International Capital Corporation Hong Kong Securities Limited, Citigroup Global Markets Asia Limited (in relation to the Hong Kong Public Offering only), Citigroup Global Markets Limited (in relation to the International Offering only) and UOB Kay Hian (Hong Kong) Limited (in no particular order)
"Joint Global Coordinators"	CMB International Capital Limited, Goldman Sachs (Asia) L.L.C. and China International Capital Corporation Hong Kong Securities Limited (in no particular order)
"Joint Sponsors"	CMB International Capital Limited and Goldman Sachs (Asia) L.L.C., (in no particular order);
"Latest Practicable Date"	September 3, 2018, being the latest practicable date for the purpose of ascertaining certain information contained in this Prospectus prior to its publication;
"Leda Haisheng"	Shanghai Leda Haisheng Enterprise Management Consulting Co., Ltd. (上海樂達海生企業管理諮詢有限公司), a limited liability company incorporated in the PRC on May 23, 2017, which is held as to 62.696% by Beijing Yihan Consulting Management Co., Ltd. (北京宜涵諮詢管理有限公司), a company controlled by Mr. Zhang, Ms. Shu and their children and 14.852% by Mr. Shi Yonghong (施永宏);
"Listing"	the listing of our Shares on the Main Board of the Stock Exchange;
"Listing Committee"	the listing sub-committee of the board of directors of the Stock Exchange;
"Listing Date"	the date, expected to be on or about September 26, 2018, on which dealings in our Shares first commence on the Main Board;

"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended or supplemented from time to time;
"M&A Rules"	Regulations on Mergers and Acquisitions of Domestic Companies by Foreign Investors (關於外國投資者並購境內企業的規定), which were jointly promulgated by MOFCOM, the State Assets Supervision and Administration Commission, the SAT, the SAIC, the CSRC, and the SAFE on August 8, 2006, and came into effect on September 8, 2006 and subsequently amended on June 22, 2009, as amended, supplemented or otherwise modified from time to time;
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange. For the avoidance of doubt, the Main Board excludes the Growth Enterprise Market of the Stock Exchange;
"Memorandum of Association"	memorandum of association of our Company conditionally adopted on September 6, 2018 to take effect on the Listing Date, as amended from time to time;
"MOFCOM" or "Ministry of Commerce"	the Ministry of Commerce of the PRC (中華人民共和國商務部);
"Mr. Zhang"	Mr. Zhang Yong (張勇), the Founder, chairman, executive Director and chief executive officer of our Company;
"Ms. Shu"	Ms. Shu Ping (舒萍), the Founder and non-executive Director of our Company. Ms. Shu is the spouse of Mr. Zhang;
"NDRC"	the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會);
"New High Lao"	New High Lao International Investment Ltd., an exempted company with limited liability incorporated in the Cayman Islands on January 29, 2013, which is controlled by the Controlling Shareholders;
"Offer Price"	the final offer price per Offer Share (exclusive of brokerage fee of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) of not more than HK$17.80 and expected to be not less than HK$14.80, such price to be agreed upon by our Company and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) on or before the Price Determination Date;

"Offer Shares"	the Hong Kong Offer Shares and the International Offer Shares;
"Over-allotment Option"	the option to be granted by us to and exercisable by the Joint Global Coordinators, pursuant to which we may be required to allot and issue up to an aggregate of 63,679,000 additional Shares (representing approximately 15% of our Shares initially being offered under the Global Offering) to cover over-allocations in the International Offering, details of which are described in the section headed "Structure and Conditions of the Global Offering — Over-allotment Option" in this Prospectus;
"PBOC"	the People's Bank of China (中國人民銀行), the central bank of the PRC;
"PRC Legal Advisers"	Jingtian & Gongcheng;
"Price Determination Date"	the date, expected to be on or about September 18, 2018, on which the Offer Price is to be fixed by agreement between us and the Joint Global Coordinators (for themselves and on behalf of the Underwriters);
"Principal Share Registrar"	Conyers Trust Company (Cayman) Limited;
"Processed Ingredients"	food ingredients which require processing, which primarily consist of meats that require processing and flavoring, vegetables that require washing and cutting, seafood paste (such as shrimp paste and fish balls);
"Prospectus"	this Prospectus being issued in connection with the Hong Kong Public Offering;
"QIB"	a qualified institutional buyer within the meaning of Rule 144A;
"Regulation S"	Regulation S under the U.S. Securities Act;
"Renminbi" or "RMB"	the lawful currency of the PRC;
"Reorganization"	the reorganization steps underwent by our Company to streamline our shareholding structure in preparation for the Listing, particulars of which are set out in the section headed "History, Reorganization and Corporate Structure — Reorganization and Corporate Structure — Reorganization" in this Prospectus;

"Rose Trust"	a discretionary trust set up by Ms. Shu with UBS Trustees (B.V.I.) Limited acting as trustee, the beneficiaries of which is Mr. Zhang and Ms. Shu;
"Rule 144A"	Rule 144A under the U.S. Securities Act;
"SAFE"	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局);
"SAIC"	the State Administration for Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局);
"SAT"	the State Administration of Taxation (國家稅務總局);
"SFC"	the Securities and Futures Commission of Hong Kong;
"SFO"	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time;
"SGD", "Singapore dollars" or "S$"	the lawful currency of Singapore;
"Shanghai Meike Meican"	Meikemeican Catering Management (Shanghai) Co., Ltd. (每客美餐餐飲管理(上海)有限公司), a limited liability company incorporated in the PRC on October 29, 2014 and a wholly-owned subsidiary of our Company;
"Shanghai Xinpai"	Xinpai (Shanghai) Catering Management Co., Ltd. (新派(上海)餐飲管理有限公司), a limited liability company incorporated in the PRC on May 12, 2013 and a wholly-owned subsidiary of our Company;
"Share(s)"	ordinary shares in the share capital of our Company of US$0.000005 each;
"Shareholder(s)"	holder(s) of our Share(s);
"Shuhai"	Shuhai (Beijing) Supply Chain Management Co., Ltd. (蜀海(北京) 供應鏈管理有限責任公司), a limited liability company and a connected person incorporated in the PRC on June 3, 2014, which is held as to 5% by Mr. Gou Yiqun (苟軼群), approximately 30.63% by Jinghai Investment, 5% by Beijing Shuyue Investment Center (北京蜀悅投資中心), approximately 9.38% by Yonghui Yunchuang Science Co., Ltd. (永輝雲創科技有限公司) and 50% by Leda Haisheng;
"Shuhai Group"	the group of companies comprising Shuhai and its subsidiaries;

"Shuyun Dongfang"	Beijing Shuyun Dongfang Decoration Project Co., Ltd. (北京蜀韻東方裝飾工程有限公司), a limited liability company incorporated in the PRC on May 10, 2006, which is a wholly-owned subsidiary of Leda Haisheng and a connected person of our Company;
"Sichuan Haidilao"	Sichuan Haidilao Catering Co., Ltd (四川海底撈餐飲股份有限公司), previously known as Sichuan Jianyang Haidilao Catering Co., Ltd. (四川省簡陽市海底撈餐飲有限責任公司) a limited company incorporated in the PRC on April 16, 2001 and a connected person of our Company, which is owned as to 50 % by Jingyuan Investment, 25.50% by Mr. Zhang, 8% by Ms. Li Haiyan (李海燕), 8% by Ms. Shu, 8% by Mr. Shi Yonghong (施永宏), 0.20% by Ms. Yang Lijuan (楊利娟), 0.10% by Mr. Yuan Huaqiang (袁華強), 0.10% by Mr. Gou Yiqun (苟軼群), 0.06% by Mr. Chen Yong (陳勇) and 0.04% by Mr. Yang Bin (楊賓), and its predecessor (as the case may be);
"Sichuan Xinpai"	Sichuan Xinpai Catering Management Co., Ltd. (四川新派餐飲管理有限公司), a limited liability company incorporated in the PRC on September 28, 2016 and a wholly-owned subsidiary of our Company;
"Singapore Legal Advisers"	Drew & Napier LLC;
"Stabilization Manager"	Goldman Sachs (Asia) L.L.C.;
"Stock Exchange" or "Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited;
"subsidiary(ies)"	has the meaning ascribed to it in section 15 of the Companies Ordinance;
"Substantial Shareholder(s)"	has the meaning ascribed to it under the Listing Rules;
"Taiwan Legal Advisers"	Lee and Li, Attorneys-at-Law;
"Takeovers Code"	the Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented or otherwise modified from time to time;
"Track Record Period"	the period comprising the three financial years ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2018;
"U.S." or "United States"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction;

"U.S. dollars" or "US$" or "USD"	United States dollars, the lawful currency of the United States;
"U.S. persons"	U.S. persons as defined in Regulation S;
"U.S. Securities Act"	the U.S. Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder;
"Underwriters"	the Hong Kong Underwriters and the International Underwriters;
"Underwriting Agreements"	the Hong Kong Underwriting Agreement and the International Underwriting Agreement;
"we", "us" or "our"	the Company or the Group, as the context requires;
"Weihai Consulting"	Beijing Weihai Management and Consulting Co., Ltd. (北京微海管理諮詢有限公司), a limited liability company incorporated in the PRC on March 25, 2015 and a connected person of our Company, which is held as to approximately 1.70% by Ms. Yang Lijuan (楊利娟), approximately 1.50% by Mr. Shao Zhidong (邵志東), approximately 0.03% by Mr. Chen Yong (陳勇), approximately 0.64% by Mr. Yuan Huaqiang (袁華強), approximately 45.27% by Mr. Shi Yonghong (施永宏), approximately 0.85% by Mr. Gou Yiqun (苟軼群), approximately 0.02% by Mr. Yang Bin (楊賓) and 50% by Leda Haisheng;
"**WHITE** Application Form(s)"	the application form(s) for use by the public who require(s) such Hong Kong Offer Shares to be issued in the applicant's/applicants' own name;
"**WHITE** Form eIPO"	the application for Hong Kong Offer Shares to be issued in the applicant's own name by submitting applications online through the designated website of White Form eIPO Service Provider at www.eipo.com.hk;
"White Form eIPO Service Provider"	Computershare Hong Kong Investor Services Limited;
"**YELLOW** Application Form(s)"	the application form(s) for the Hong Kong Offer Shares for use by the public who require(s) such Hong Kong Offer Shares to be deposited directly into CCASS;
"Yihai"	Yihai International Holding Ltd. (頤海國際控股有限公司), an exempted company with limited liability incorporated in the Cayman Islands on 18 October 2013 and is listed on the main board of the Hong Kong Stock Exchange (stock code: 1579), which is our connected person;

"Yihai Group"	the group of companies comprising Yihai and its subsidiaries; and
"Yihai Retail Products"	the hot pot soup flavoring, hot pot dipping sauce and Chinese-style compound condiment products supplied by Yihai Group manufactured using formulae owned by the Yihai Group for display and retail sale at our hot pot restaurants.

The English translation and/or transliteration of the names of PRC nationals, entities, enterprises, government authorities, departments, facilities, certificates, titles, laws and regulations included in this Prospectus is provided for identification purposes only. In the event of any inconsistency between the English translation and/or transliteration and the Chinese versions, the Chinese versions shall prevail.

In this Prospectus, unless the context otherwise requires, explanations and definitions of certain terms used in this Prospectus in connection with our Group and our business shall have the meanings set out below. The terms and their meanings may not always correspond to standard industry meaning or usage of these terms.

"CAGR"	compound annual growth rate;
"cash investment payback period"	the amount of time it takes for the cumulative net profit plus depreciation and amortization to cover the costs to open a restaurant;
"ERP system"	enterprise resource planning system, an integrated management system of core business processes on a real-time basis;
"food processing"	the process by which manufacturers transform raw materials including condiments into food;
"GDP per capita"	gross domestic product divided by the number of people in the same area;
"GFA"	gross floor area;
"initial monthly breakeven period"	the first month for the revenue of a newly opened restaurant to at least equal to its expenses;
"instant hot pot"	the self-serving instant small hot pot products;
"IT system"	information technology system;
"kg"	kilogram;
"KPI"	key performance indicator, a business metric used to evaluate factors that are crucial to the success of an organization;
"OA system"	office automation system, which enables to create, collect, store, manipulate and relay office information in a data storage system;
"QR code"	a machine-readable optical label that contains information about the item to which it is attached;
"restaurant chain"	a catering business model that involves opening a series of restaurants under the same brand;
"tier 1 cities" or "tier one cities"	Beijing, Shanghai, Guangzhou and Shenzhen;

"tier 2 cities" or "tier two cities"	all municipalities and provincial capitals excluding tier 1 cities, plus Qingdao, Xiamen, Ningbo, Dalian, Zhuhai, Suzhou and Wuxi; and
"tier 3 cities and below" or "tier three cities and below"	all the cities and regions excluding tier one cities and tier two cities.

This Prospectus contains certain forward-looking statements and information relating to us and our subsidiaries that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. When used in this Prospectus, the words "aim", "anticipate", "believe", "could", "expect", "going forward", "intend", "may", "might", "ought to", "plan", "potential", "predict", "project", "seek", "should", "will", "would" and the negative of these words and other similar expressions, as they relate to us or our management, are intended to identify forward-looking statements. Such statements reflect the current views of our management with respect to future events, operations, liquidity and capital resources, some of which may not materialize or may change. These statements are subject to certain risks, uncertainties and assumptions, including the other risk factors as described in this Prospectus. You are strongly cautioned that reliance on any forward-looking statements involves known and unknown risks and uncertainties. The risks and uncertainties facing our company which could affect the accuracy of forward-looking statements include, but are not limited to, the following:

- our operations and business prospects;
- future developments, trends and conditions in the industry and markets in which we operate;
- our strategies, plans, objectives and goals and our ability to successfully implement these strategies, plans, objectives and goals;
- general economic, political and business conditions in the market in which we operate;
- changes to regulatory and operating conditions in the industry and markets in which we operate;
- our ability to maintain an effective quality control system;
- our ability to continue to maintain our leadership position in the industry;
- our ability to control or reduce costs;
- our ability to identify and integrate suitable acquisition targets;
- our dividend policy;
- our capital expenditure plans;
- the amount and nature of, and potential for, future development of our business;
- capital market developments;
- our future debt levels and capital needs;
- the competitive environment of the industry and markets in which we operate;

- the actions and developments of our competitors;

- certain statements in the sections headed "Business" and "Financial Information" in this Prospectus with respect to trends in prices, operations, margins, overall market trends, and risk management; and

- change of volatility in interest rates, equity prices, volumes, operations, margins, risk management and overall market trends

- other statements in this Prospectus that are not historical facts.

By their nature, certain disclosures relating to these and other risks are only estimates and should one or more of these uncertainties or risks materialize or should underlying assumptions prove to be incorrect, our financial condition and actual results of operations may be materially and adversely affected and may vary significantly from those estimated, anticipated or projected, as well as from historical results.

Subject to the requirements of applicable laws, rules and regulations, we do not have any and undertake no obligation to update or otherwise revise the forward-looking statements in this Prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this Prospectus might not occur in the way we expect or at all. Accordingly, you should not place undue reliance on any forward-looking information. Moreover, the inclusion of forward-looking statements should not be regarded as representations by us that our plans and objectives will be achieved or realized. All forward-looking statements in this Prospectus are qualified by reference to the cautionary statements in this section.

In this Prospectus, statements of or references to our intentions or those of our Directors are made as of the date of this Prospectus. Any such information may change in light of future developments.

You should carefully consider all of the information in this Prospectus, including the risks and uncertainties described below, before making an investment in our Shares. Our business, financial condition and results of operations could be materially and adversely affected by any of these risks and uncertainties. The trading price of our Shares could decline due to any of these risks, and you may lose all or part of your investment.

RISKS RELATING TO OUR INDUSTRY AND BUSINESS

We have in recent years experienced rapid expansion, which leads to increasing risks and uncertainties; and our continuously evolving management system may not be effective to address such risks and uncertainties.

We have increased the number of our restaurants from 146 as of December 31, 2015 to 176 as of December 31, 2016 and further to 273 as of December 31, 2017 and 341 as of June 30, 2018. We currently estimate to open 180 to 220 new restaurants in 2018, and expect our rapid growth to continue in the foreseeable future. Along with our rapid growth, we face an emerging challenge of being able to continue rapid expansion while ensuring consistent outstanding quality and service. In particular, the challenge entails the following major aspects of our operations:

- *Food safety and quality consistency*. A large-scale chain restaurant generally has a large number of restaurant staff. As we rapidly expand, due to the labor-intensive nature of the restaurant business, it becomes more difficult to ensure that the dining experience across all of our restaurants are consistently of high quality, and that all of the staff comply with laws and regulations of multiple jurisdictions, especially the detailed and stringent regulations in relation to food safety.

- *Talent pool for restaurant managers*. Substantially all of our restaurant managers are home-grown. They start from non-managerial staff positions and rise through the ranks to become restaurant managers. As a result, our continuing expansion may place a strain on our pool of qualified candidates for restaurant managers.

- *Supply chain management*. The quality and the taste of hot pot depend significantly on the freshness and quality of food ingredients. As we rapidly expand, it may become increasingly difficult to procure fresh and high quality food ingredients at favorable prices from reliable suppliers and manage the inventory and logistics for food ingredients across all of its restaurants.

Our current expansion plans contemplate more rapid expansion than we have previously undergone. There is no assurance that we will be able to expand at the expected pace or effectively manage our growth. Our expansion may place substantial demands on our management and our operational, technological, financial and other resources, as well as significant demands on us to maintain consistent service and food quality and preserve our corporate culture to ensure that our brand does not suffer as a result of any deterioration, whether actual or perceived, in the quality of our service or food.

To address these issues, we have significantly refined our management system in recent years to have a flatter management system. Under such system, our restaurant managers have significant autonomy in the day-to-day operations of the restaurants they manage. Our headquarters is responsible for functions such as food safety, procurement, growth strategy as well assessing the performance of restaurants. However, we cannot assure you that our headquarters will be able to effectively manage all of our restaurants directly as we grow in business scale. In addition, our assessment system focused primarily on guest satisfaction and employees' efforts (instead of financial performance) may not always be effective in managing the quality of our restaurants.

There can be no assurance that our management system, as it evolves, will always be able to address our needs at different stages of our growth. Any significant failure or deterioration of our management system could have a material and adverse effect on our business and results of operations.

If the quality of our dining experience declines, our restaurants may not continue to be successful.

The success of our restaurants revolves primarily around guest satisfaction, which is dependent on the continued popularity of our Haidilao brand and lies in our ability to provide a superior dining experience. The success of our restaurants may be adversely impacted by a number of factors, including, among others:

- decline in the quality of service provided by our servers;
- inability to pioneer and introduce new services that gain popularity amongst guests;
- inability to meet the needs of our guests and changes in consumer tastes and preferences;
- decline in food quality, or the perception of such decline amongst guests;
- any significant liability claims or food contamination complaints from our guests;
- inability to offer quality food at affordable prices;
- declining economic conditions in the markets we operate that may adversely affect average spending per guest, which may constrain consumer budgets and affect their choice in ordering high margin items;
- decline in employee satisfaction and increase in employee attrition;
- increased competition in the restaurant industry;
- our inability to manage costs;

- opening of new restaurants owned by us or third-party(ies) competitors in the same region; and

- declines in our reputation and consumer perception of our brand in terms of quality, price, value and service.

We cannot guarantee that our dining experience will continue to be of high quality and favoured by guests, nor that our existing and new restaurants will continue to be successful.

We rely on certain connected persons for supplies and services and any shortage or interruption in supply could slow our growth and reduce our profitability.

Four, five, five and four of our five largest suppliers in 2015, 2016, 2017 and the six months ended June 30, 2018, respectively, were our connected persons. For the years ended December 31, 2015, 2016 and 2017 and six months ended 2018, purchases from our five largest suppliers amounted to RMB1,948.1 million, RMB2,530.5 million, RMB4,928.6 million and RMB2,288.7 million, accounting for 63.3%, 68.2%, 81.7% and 51.7% of our total purchases, respectively. In particular,

- We procured warehousing and storage services and logistic services and food ingredients from Shuhai Group. In 2015, 2016, 2017 and the six months ended June 30, 2018, our purchase amounts from Shuhai Group were RMB1,439.5 million, RMB1,847.3 million, RMB2,604.8 million and RMB1,049.8 million, respectively.

- We procured decoration materials, renovation services and decoration project management services from Shuyun Dongfang. In 2015, 2016, 2017 and the six months ended June 30, 2018, our purchase amounts from Shuyun Dongfang were RMB11.4 million, RMB32.6 million, RMB1,290.2 million and RMB620.2 million, respectively.

- We procured soup base and instant hot pot products from Yihai Group. In 2015, 2016, 2017 and the six months ended June 30, 2018, our purchase amounts from Yihai Group were RMB437.7 million, RMB589.2 million, RMB901.7 million and RMB533.0 million, respectively.

- We procured lamb products from Jarud Qi Haidilao. In 2015, 2016, 2017 and the six months ended June 30, 2018, our purchase amounts from Jarud Qi Haidilao were RMB7.1 million, RMB60.5 million, RMB71.0 million and RMB42.4 million, respectively.

- We procured human resources management and consulting services from Weihai Consulting. In 2015, 2016, 2017 and the six months ended June 30, 2018, our purchase amounts from Weihai Consulting were RMB1.0 million, RMB22.9 million, RMB36.0 million and RMB21.8 million, respectively.

We have entered into long-term framework agreements with these parties to secure a stable supply of goods and services. For details, see "Business" and "Connected Transactions."

During the Track Record Period, we did not experience any incidents of interruption or delay in our supply chain or failure to secure sufficient quantities of food ingredients from our suppliers, including those from our connected person that had a material and adverse effect on us. While we maintain good business relationships with these parties, we cannot assure you that these suppliers will not breach their contractual obligations to us, or that our agreements will not be suspended, terminated or otherwise expired without renewal. The operations of these parties may be subject to any natural disasters or other unanticipated catastrophic events, including adverse weather, natural disasters, fires, technical or mechanical difficulty, storms, explosions, earthquakes, strikes, acts of terrorism, wars and outbreaks of epidemics could cause a delay or suspension of operations of these parties, which may affect the quality of their products and services, cause interruptions in our operations. Moreover, we cannot guarantee that these parties will have the capacity to meet our needs as we expand rapidly, or maintain the same level of quality in their products and services. We may not be able to find alternative providers if these parties are no longer able to meet our needs at acceptable costs and in a timely manner. Failure to take adequate steps to mitigate the likelihood or potential impact of such events, or to effectively manage such events if they occur, particularly when a product or service is provided by a single source, could materially and adversely affect our business, financial condition and results of operations.

We may fail to maintain or enhance brand recognition or reputation.

We believe that maintaining and enhancing our brand is important to maintaining our competitive advantage in the catering service industry. However, our ability to maintain our brand recognition depends on a number of factors, some of which are beyond our control. We may face negative publicity, customer disputes, unauthorized use of our Haidilao brand, all of which may tarnish the appeal and reputation of our brand. Moreover, our continued success in maintaining and enhancing our brand and image depends to a large extent on our ability to maintain our distinctive combination of our services, our high-quality food ingredients at affordable prices and pleasant dining environment as well as our ability to respond to any change in the competitive landscape in the hot pot industry. If we are unable to do so, the value of our brand or image will be diminished and our business and results of operations may be materially and adversely affected. As we continue to grow in size and extend our geographic reach, maintaining quality and consistency may be more difficult and we cannot assure you that guests' confidence in our brand will not be diminished.

Failures of our food quality control system could have a material and adverse effect on our reputation, financial conditions and results of operations.

The quality and safety of the food we serve in our restaurants is critical to our success. Our quality control system primarily comprises (i) selection and management of our suppliers, and (ii) quality control at our restaurants. For details on our quality control system, see "Business — Food Safety and Quality Control." Due to the scale of our operations and rapid growth of our restaurant network, maintaining consistent food quality depends significantly on the effectiveness of our quality control system, which in turn depends on a number of factors, including but not limited to the design of our quality control system, employee trainings to ensure that our employees adhere to and implement those quality control policies and the effectiveness of monitoring any potential violation of our quality control system. There can be no assurance that our quality control system will always prove to be effective. The quality of the ingredients or service provided by our suppliers is subject to factors beyond our control, including the effectiveness and the efficiency of their quality control system, among others. There can be no assurance that our current suppliers may always be able to adopt appropriate quality control system and meet our stringent quality control requirements in respect of the supplies or services they provide. Any significant failure or deterioration of our quality control systems could have a material and adverse effect on our reputation, financial condition and results of operations.

We may experience significant liability claims or complaints from guests, or adverse publicity involving our products, our service or our restaurants.

Being in the catering service industry, we face an inherent risk of food contamination and liability claims. Our food quality substantially depends on the quality of the food ingredients provided by our suppliers and we may not be able to detect all defects in those supplies. We have implemented comprehensive food safety measures and inspection procedures for key stages in our supply chain, and we conduct periodic and spot inspections of the participants in our supply chain (i.e. suppliers, food processing service providers, inventory and logistics providers) and of our restaurants. However, as we expand our business scale, we cannot assure you that these counterparties or our restaurant employees will adhere to our internal procedures and requirements at all times. For example, on August 25, 2017, a Beijing newspaper reported that the operations of two of our branches in Beijing were found to have sanitary issues. Videos showed rats in kitchens, a dishwasher caked with oily food residue and a worker fixing a sewage blockage with a soup ladle. We issued a statement of apology and made a number of adjustments since this incident. We resumed operations at these restaurants after passing inspections by the relevant authorities. Any failure to detect defective food supplies, poor hygiene or cleanliness standards in our operations or other failure to observe our requirements, could adversely affect the quality of the food served in our restaurants, which could lead to liability claims, complaints, or related adverse publicity and could result in the imposition of penalties by competent authorities or compensation awarded by courts against us.

Based on our internal record, we received an insignificant number of guest complaints during the Track Record Period, considering the scale of our business and guest traffic. Most of the guest complaints we received were related to the taste and style of a particular dish, long waiting time, and the service quality of our staff. Some related to scalding and other accidents occurred in the dining process. We take these complaints seriously and endeavor to reduce such complaints by implementing various remedial measures. Nevertheless, we cannot assure you that we can successfully prevent all guest complaints of similar nature.

Any complaints or claims against us, even if meritless and unsuccessful, may divert management attention and other resources from our business and adversely affect our business and operations. Guests may lose confidence in us and our brand, which may adversely affect the business of our restaurants, resulting in declines in our revenue and even losses. Furthermore, negative publicity including but not limited to negative online reviews on social media and crowd sourced review platforms or media reports related to food quality, safety, public health concerns, illness, injury or government, including but not limited to negative online reviews on social media and crowd sourced review platforms or industry findings, whether or not accurate, and whether or not concerning our restaurants, can adversely affect our business, results of operations and reputation.

We may not be able to retain or secure key members of our core management team or other key personnel including coaches for our operations.

Our future success depends on the continued services and efforts of our core management team, including Mr. Zhang, our Founder, Chairman and executive Director, Mr. Shi Yonghong, our Founder and executive Director, and Ms. Yang Lijuan, our chief operating officer. In addition to our core management team, our coaches are also crucial to our operations. Losing the services of our core management team and key personnel with industry experience and know-how in areas such as restaurant operations, financial, accounting and risk management, could have a material and adverse effect on our ability to sustain and grow our business. We need to continue to attract, retain and motivate a sufficient number of qualified management and operating personnel to maintain consistency in the quality and atmosphere of our restaurants and meet our expansion plans.

Competition for experienced management and operating personnel in the restaurant industry is intense, and the pool of qualified candidates is limited. We may not be able to retain the services of our core management team and key personnel or attract and retain high-quality core management team or key personnel in the future. We invest significant amounts of time and effort to cultivate qualified restaurant managers and other key personnel. During the Track Record Period, substantially all of our restaurant managers were promoted internally within the organization from the most junior ranking positions. If one or more of our key personnel are unable or unwilling to continue in their present positions, we may not be able to replace them easily or at all, and our business may be disrupted and our results of operations may be materially and adversely affected. In addition, if any member of our core management team or any of our other key personnel joins a competitor or forms a competing business, we may lose business secrets and know-how as a result, which may have a material and adverse effect on our business and results of operations.

We had significant net current liabilities as of December 31, 2015, 2016 and 2017 and June 30 and July 31, 2018.

We had net current liabilities of RMB60.4 million, RMB385.6 million, RMB1,156.4 million and RMB1,832.1 million as of December 31, 2015, 2016 and 2017, and June 30, 2018, respectively. As of July 31, 2018, we had net current liabilities of RMB1,892.3 million. Going forward, we cannot guarantee that we will not continue to have a net current liabilities position, which would expose us to liquidity risk. Our future liquidity and ability to make additional capital investments necessary for our operations and business expansion will depend primarily on our ability to maintain sufficient cash generated from operating activities and to obtain external financing. There can be no assurance that we will be able to renew existing bank facilities or obtain other sources of financing. In the event that we continue to have net current liabilities, our working capital for business operations may be constrained. If we do not generate sufficient positive operating cash flow, renew existing bank loans or facilities, or obtain additional financing to meet our working capital needs, our business, financial condition and results of operations may be materially and adversely affected.

Our investment in technology may not generate the level of returns as expected.

We have invested and intend to continue to invest significantly in technology systems and intelligence equipment, such as our intelligent kitchen equipment to enhance guest experience and improve the efficiency of our operations. See "Business — Technologies." We cannot assure you that our investments in technology will generate sufficient returns or have the expected effects on our business operations, if at all. If our technology investments do not meet expectations for the above and other reasons, our prospects and Share price may be materially and adversely affected.

We may be unsuccessful in opening and profitably operating new restaurants.

Our continued growth depends on our ability to open and profitably operate new restaurants. For the years ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2018, we opened 36, 32, 98 and 71 new restaurants, respectively. In 2018, we currently estimate to open 180 to 220 new restaurants. For risks relating to our overseas expansion, see "— Our overseas restaurant operations may subject us to additional risks and costs." We may not be able to open new restaurants as quickly as we planned. The number and timing of new restaurants actually opened during any given period, and their associated contribution to our growth are subject to a number of risks and uncertainties, including but not limited to our ability to:

- identify quality locations and secure leases on commercially reasonable terms;
- comply with the applicable zoning, land use and environmental regulations of the relevant jurisdiction;
- obtain the required government permits and approvals;
- obtain adequate funding for development and opening costs;
- efficiently manage our time and cost in relation to the design, decoration and pre-opening processes for each of our restaurants;
- accurately estimate the consumer demand in new locations and markets;
- hire and retain skilled management and other employees, especially qualified restaurant managers through our training and promotion, on commercially reasonable terms; and
- successfully promote our new restaurants and compete in new locations and markets where our new restaurants are located.

We may not be able to open our new restaurants on a timely basis, if at all, and if opened, these restaurants may not be operated profitably. During the Track Record Period, our restaurants generally achieved an initial monthly breakeven period within approximately one to three months. A majority of our restaurants in 2015 and 2016 achieved cash investment payback period in six to thirteen months. We cannot guarantee that we will be able to maintain historical levels of table turnover rates for newly-opened restaurants. Our newly-opened restaurants in 2015, 2016, 2017 and the six months ended June 30, 2018 achieved table turnover rates of 4.1 times per day, 4.8 times per day, 4.6 times per day and 4.2 times per day in the same periods, respectively. Going forward, our overall table turnover rate and financial performance may fluctuate based on a number of factors, including the timing of our restaurant openings and mix of new and existing restaurants. We may not be able to attract sufficient guests to our new restaurants because potential guests may be unaware of or unfamiliar with the new restaurants or the menus of our restaurants might not appeal to them. We might also have difficulty in finding reliable suppliers that can meet our quality standards in new markets, especially for our new restaurants overseas. As a result, the operating results generated at the new restaurants may be less successful than our existing restaurants. Our new restaurants may even operate at a loss, which would have a material and adverse effect on our business, financial condition and results of operations.

Opening new restaurants in existing markets may adversely affect sales at our existing restaurants.

Our current growth strategy is primarily to increase our penetration in markets where we have existing restaurants. Certain of the new restaurants we plan to open in the PRC in 2018 will be located in cities where we have existing restaurants, including tier one and tier two cities in China such as Beijing, Shanghai and Xi'an. We cannot assure you that these new restaurants will not cannibalize the business of our existing restaurants, in which case our business, financial conditions and results of operations may be materially and adversely affected.

Our expansion into new markets presents increased risks.

We plan to open new restaurants in markets where we have little or no operating experience, including overseas and in tier three cities and other regions in the PRC. For risks specific to our overseas expansion, see "— Our overseas restaurant operations may subject us to additional risks and costs." We cannot be certain that tier three cities and other regions in the PRC will have sufficient demand for our restaurants. Moreover, these markets may have different competitive conditions, consumer preferences and spending patterns from our existing markets. As a result, any new restaurants we open in those markets may be less successful than restaurants in our existing markets. Consumers in the new markets may not be familiar with our brand and we may need to build brand awareness in the relevant markets through greater investments in advertising and promotional activities than we originally planned. We may find it more difficult in new markets to hire, train and retain qualified employees who share our business philosophy and culture. Restaurants opened in new markets may also have lower average sales or higher decoration, occupancy or operating costs than restaurants in existing markets. In addition, we may have difficulty in finding reliable suppliers with adequate supplies of ingredients meeting our quality standards in the new markets. Sales at restaurants opened in new markets may take longer than expected to ramp up and reach, or may never reach, expected sales and profit levels, thereby affecting our overall profitability.

Our overseas restaurant operations may subject us to additional risks and costs.

We opened our first overseas restaurant in Singapore in 2012. Since then, we have expanded to 25 restaurants as of June 30, 2018 in Hong Kong and Taiwan, and internationally in Singapore, South Korea, Japan and the United States. For the years ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2018, revenue from our overseas operations accounted for 5.3%, 5.9%, 6.8% and 7.5% of our total revenue, respectively. We intend to open new restaurants overseas, primarily targeting existing markets, as well as new markets with growth potential. Overseas operations may expose us to various risks associated with conducting business in foreign countries and territories, which may include, among others:

- failure to anticipate changes to the competitive landscape in overseas markets due to lack of familiarity with the local business environment;
- different consumer preferences and discretionary spending patterns;
- difficulty in finding reliable suppliers of food ingredients meeting our quality standards at acceptable prices and quantities;
- the infringement of our intellectual property rights in foreign jurisdiction;
- political risks, including civil unrest, acts of terrorism, acts of war, regional and global political or military tensions and strained or altered foreign relations, which may lead to interruptions in our business operations and/or loss of property;
- economic, financial and market instability and credit risks;
- difficulties and costs associated with complying with, and enforcing remedies under, a wide variety of complex domestic and international laws, treaties and regulations;
- inability to obtain or maintain the requisite licenses, permits, approvals and certificates in foreign jurisdictions;
- economic sanctions, trade restrictions, discrimination, protectionism or unfavorable policies against China-based companies;
- difficulties with staffing and managing overseas operations after localization, including with respect to compliance with local labor and immigration laws and regulations;
- exposure to litigation or third-party claims outside the PRC;
- foreign currency exchange controls and fluctuations;
- more stringent consumer protections in other jurisdictions;
- uncertainties in the interpretation and application of tax laws and regulations, more onerous tax obligations and unfavorable tax conditions; and
- cultural and language difficulties.

As a result of the above factors, restaurants opened in overseas markets may take longer than expected to ramp up and reach, or may never reach, expected sales and profit levels, thereby affecting our overall profitability.

Our business is affected by changes in consumer taste and dining preference, and we may not be able to address these changes in a timely manner, or at all.

The restaurant industry is affected by consumer taste and dining preference. We regularly update our menu and introduce new dishes from time to time to adapt to changes in dining trends, shifts in consumer taste and nutritional trends. We also seek to provide customized soup bases to provide personalized soup base flavor for each guest. However, we cannot assure you that hot pot is always preferred by guests among all cuisine styles. In addition, consumer tastes and preferences are constantly changing and our failure to anticipate, identify, interpret and react to these changes could lead to reduced guest traffic and demand for our restaurants. We cannot assure you that our hot pot will continue to be preferred by consumers, or that we will be able to adapt to local tastes and preference as we expand into new markets in the PRC and overseas.

In addition, if prevailing health or dietary preferences and perceptions cause consumers to avoid our products in favor of alternative foods, our business could suffer. Even if we do correctly anticipate, identify, interpret and react to these changes, there can be no assurance that we will be able to launch new dishes that effectively respond to consumer preferences or result in increased profits. If we are unable to respond to changes in consumer taste and preferences in a timely manner or at all, or if our competitors are able to address these concerns more effectively, our business, financial condition and results of operations may be materially and adversely affected.

Our indebtedness and the conditions and restrictive covenants imposed on us by our financing agreements could materially and adversely affect our business, financial conditions and results of operations.

As of June 30, 2018, our total indebtedness was RMB1,135.6 million, which consist of our borrowings and amounts due to related parties that were of a non-trade nature excluding payables arising from acquisition of property, plant and equipment and decoration project management services, representing approximately 25.1% of our total assets. This indebtedness is primarily used to support our daily operations and expansion plan. We intend to repay such indebtedness with bank borrowings and cash flows from operations. However, we may continue to incur debt to fund our daily operations and to pursue our expansion plans. This indebtedness could have important consequences for our business and operations including, but not limited to:

- limiting or impairing our ability to obtain financing, refinance any of our indebtedness, obtain equity or debt financing on commercially reasonable terms or at all, which could cause us to default on our obligations and materially impair our liquidity;

- restricting or impeding our ability to access capital markets at attractive rates and increasing the cost of future borrowings;

- reducing our flexibility to respond to changing business and economic conditions or to take advantage of business opportunities that may arise;

- requiring us to dedicate a substantial portion of our cash flow from operations to payments of principal and interest on our indebtedness, thereby reducing the availability of our cash flow for other purposes;

- placing us at a competitive disadvantage compared to our competitors that have lower leverage or better access to capital resources;

- limiting our ability to dispose of assets that secure our indebtedness or utilize the proceeds of such dispositions and, upon an event of default under any such secured indebtedness, allowing the lenders thereunder to foreclose upon our assets pledged as collateral; and

- increasing our vulnerability to downturns in general economic or industry conditions, or in our business.

In addition, our bank loan agreements include various conditions and covenants that require us to obtain the lending bank's prior consent for certain transactions, such as disposal of material assets, merger or consolidation, and liquidation or winding-up. We may be required to comply with similar restrictive covenants or other terms under any new loan and other financing agreements in the future.

Should market conditions deteriorate, or if our operating results were to be depressed, we may need to request amendments or waivers to the covenants and restrictions under our debt agreements. There can be no assurance that we will be able to obtain such relief should it be needed. A breach of any of these covenants or restrictions could result in a default that would permit our lenders to declare all amounts outstanding thereunder to be due and payable, together with accrued and unpaid interest, trigger cross-default provisions under other debt agreements and, as applicable, cause the termination of commitments of relevant lenders to make further extensions of credit under our financing agreements or credit facilities. If we were unable to repay our indebtedness to our lenders in such an event, the lenders could, among other things, proceed against collateral, which could include substantially all of our assets. Our future ability to comply with financial covenants and other conditions, make scheduled payments of principal and interest or refinance existing borrowings according to our business performance, which is subject to economic, financial, competitive and other factors, including the other risks described in this Prospectus. Any failure to comply with the covenants of our financing agreements or to obtain financing for our business could have a material and adverse effect on our business, financial condition, results of operations and prospects.

We may be unable to receive compensation from suppliers for contaminated ingredients used in our dishes and indemnity provisions in our supply contracts may be insufficient.

In the event that we become subject to food safety claims caused by contaminated or otherwise defective ingredients or raw materials from our suppliers, we may attempt to seek compensation from the relevant suppliers. However, indemnities provided by suppliers may be limited and the claims against suppliers may be subject to certain conditions precedent which may not be satisfied. Further, our supply contracts usually do not have provisions to cover lost profits and indirect or consequential losses. If no claim can be asserted against a supplier, or amounts that we claim cannot be recovered from the supplier, to the extent that our insurance coverage is insufficient, we may be required to bear such losses and compensation at our own costs. This could have a material and adverse effect on our business, financial condition and results of operations.

Labor shortages or increases in labor costs may slow our growth and reduce our profitability.

Our growth depends on our ability to attract, retain and motivate a sufficient number of qualified employees for our restaurants. Although employee attrition rate in restaurant industry is generally high, during the Track Record Period, the attrition rate of our employees was relatively low in our industry. However, we cannot guarantee that we will be able to recruit and retain qualified and capable employees. Moreover, we may be subject to wage increases in the event that we have to compete for qualified employees, higher minimum wage or labor cost increase, or we open restaurants overseas where labor costs are higher. Staff costs accounted for 27.3%, 26.2%, 29.3%, 29.2% and 30.0% of our revenue for the years ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2017 and 2018, respectively. We may not be able to increase our prices enough to pass the increased labor costs on to our guest, which may have a material and adverse effect on our business and profitability.

Our operations are susceptible to increases in our purchase costs for raw materials and consumables used, which could adversely affect our margins and results of operations.

Our profitability depends significantly on our ability to anticipate and react to changes in purchase costs for raw materials and consumables used, which primarily include food ingredients, soup bases and other consumables used in our restaurants. For the years ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2017 and 2018, our raw materials and consumables used amounted to RMB2,599.7 million, RMB3,179.3 million, RMB4,313.2 million, RMB1,949.2 million and RMB3,066.3 million, respectively. We primarily rely on local, regional and national suppliers in the PRC to supply these items. Increases in distribution costs or sale prices or failure to perform by our suppliers could cause our costs to increase. We may be unwilling or unable to pass these cost increases onto our guests, and our operating margins may decrease as a result.

The availability, type, variety, quality and price of supplies are subject to factors beyond our control, including seasonal shifts, climate conditions, natural disasters, governmental regulations and availability, each of which may affect our costs or cause a disruption in our supply. Our suppliers may also be affected by higher costs to produce and transport commodities used in our restaurants, rising labor costs and other expenses that they pass through to their guests, which could result in higher costs for goods and services supplied to us. During the Track Record Period, prices of certain goods, such as lamb, have increased. We generally do not fixed prices in our supply agreements, other than for food ingredients with low price volatility, in order to retain flexibility in our procurement price. We currently do not enter into futures contracts or engage in other financial risk management strategies against potential price fluctuations in our supplies. We may not be able to anticipate and react to changes in costs through our purchasing practices and menu price adjustments in the future, and failure to do so could materially and adversely affect our business and results of operations.

We are subject to risks in relation to property rent costs, unexpected termination of leases and renewal of existing leases.

We lease the premises for all of our restaurants. As a result, our property rent and related expenses amounted to RMB269.5 million, RMB298.4 million, RMB414.9 million, RMB179.3 million and RMB272.3 million, representing 4.7%, 3.8%, 3.9%, 3.8% and 3.7% of our revenue for the years ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2017 and 2018, respectively. Our property rent costs may increase our vulnerability to adverse economic conditions, limit our ability to obtain additional financing and reduce our cash available for other purposes.

Generally, lessors may terminate our lease agreements. In addition, the PRC Government has the statutory power to acquire any land in the PRC. As a result, we may be subject to compulsory acquisition, closure or demolition of any of the properties on which our restaurants are situated. During the Track Record Period, we closed eight restaurants due to changes in government zoning plans and commercial reasons. Although we may receive liquidated damages or compensation if our leases are terminated unexpectedly, we may be forced to suspend operations of the relevant restaurant and divert management attention, time and costs to find a new site and relocate our restaurant, which will negatively affect our business and results of operations.

We generally enter into long-term leases of approximately five to 15 years with an option to renew for our restaurants. Rent under a substantial majority of our leases is in fixed amounts and subject to incremental increases every two to three years as stipulated in the lease agreement. We renegotiate the terms and conditions, such as rent, when renewing substantially all of our leases. We cannot assure you that we would be able to renew the relevant lease agreements without substantial additional cost or increase in the rental cost payable by us, if at all. If a lease agreement is renewed at a rent substantially higher than the current rate, or currently existing favorable terms granted by the lessor are not extended, our business and results of operations may be materially and adversely affected. If we are unable to renew the leases for our restaurant sites, we will have to close or relocate the restaurant, which could subject us to decoration and other costs and risks, and could have a material and adverse effect on our business and results of operations. In addition, the revenue and profit, if any, generated at a relocated restaurant may be less than the revenue and profit generated at the existing restaurant.

In addition, we have entered into long-term strategic agreements with certain real estate companies, where we can enjoy a more commercially reasonable price at given sites at our choice. We cannot assure you that these arrangements will continue to exist in the future.

The application of IFRS 16 may affect our financial position and performance due to our operating lease arrangements.

IFRS 16, which will become effective for annual periods beginning on or after January 1, 2019, provides new provisions for the accounting treatment of leases. Its application in the future means that all non-current leases must be recognized in the form of right-of-use assets and financial liability for payment obligations. For further details, see the Accountants' Report as set out in Appendix I to this Prospectus. As of June 30, 2018, we had non-cancellable minimum operating lease commitments of

RMB3,637.7 million, which are not reflected in the consolidated statements of financial position. Given that the total non-cancellable operating lease commitments account for 109% of our total liabilities as of June 30, 2018, the adoption of IFRS 16 as compared with the current accounting policy would result in a significant impact on our right-of-use assets and related lease liability.

Sites of our existing restaurants may become unattractive, and our new restaurants may not be able to obtain quality sites at commercially reasonable prices, if at all.

We consider location to be critical in the success of our restaurants and carefully evaluate our restaurant sites. See "Business — Expansion Plan, Site Selection and Development — Expansion Management — Site Selection." There can be no assurance that the sites of our existing restaurants will continue to be attractive as the areas in which they are located may deteriorate or otherwise change in the future, resulting in reduced sales at these sites. For example, construction or renovation works at the local areas or activities centers where our restaurants are located may adversely affect the accessibility of our relevant restaurant sites, which in turn may result in a decrease in the pedestrian or vehicle flow and ultimately the guest traffic at our relevant restaurants.

We compete with other retailers and restaurants for quality sites in the highly competitive market for retail premises. Some of our competitors may have the ability to negotiate more favorable lease terms than we can and some lessors and developers may offer priority or grant exclusivity to some of our competitors for desirable locations. If we cannot obtain desirable restaurant locations at commercially reasonable prices and terms, our ability to implement our growth strategy will be adversely affected.

Our information technology systems are subject to risks.

Our information technology systems may be vulnerable to damage or interruption from circumstances beyond our control, including power outages, fire, natural disasters, systems failures, security breaches and viruses. Any significant failure of our information technology systems, or loss or leakage of confidential information could have a material and adverse effect on our business and result in transaction errors, processing inefficiencies and loss of sales and guests. Any security breach caused by hackings to gain unauthorized access to our information or systems, or to cause intentional malfunctions, loss or corruption of data, software, hardware or other computer equipment, or any intentional or inadvertent transmission of computer viruses and similar events or third-party actions could have a material and adverse effect on our business. We also receive and maintain certain personal information about our guests through our membership system and Haidilao app, and by making credit or debit cards sales, which may be breached due to the actions of outside parties, employee error, malfeasance, or a combination of these or otherwise. If any actual or perceived breach of our security occurs, our guests' confidence in the effectiveness of our security measures could be harmed and we may lose guests and suffer financial losses due to such events or in connection with remediation efforts, investigation costs and system protection measures, any of which could harm our reputation and materially and adversely affect our business and results of operations.

We may not be able to adequately protect our proprietary know-how or intellectual property, including our recipes, which, in turn, could harm the value of our brand and adversely affect our business.

Our proprietary know-how, recipes, trade secrets and other intellectual property, including our names and logos are important to our business. We own the recipes for all of our hot pot soup bases.

We use confidentiality and non-compete agreements with key management and operating personnel and other parties that may have access to our proprietary know-how, recipes and trade secrets, including Yihai Group and Shuhai Group, among others. We also take other precautionary measures to protect our intellectual properties. However, we cannot assure you that these measures are adequate and effective in preventing others from independently developing or otherwise obtaining access to our proprietary know-how, recipes and trade secrets. As a result, the appeal of our restaurants could be reduced and our business and results of operations could be adversely affected.

We cannot assure you that we can prevent third-parties from infringing upon our intellectual property rights. We may, from time to time, be required to institute litigation, arbitration or other proceedings to enforce our intellectual property rights, which would likely be time-consuming and expensive to resolve and would divert our management's time and attention regardless of its outcome, materially and adversely affecting our business, financial conditions and results of operations.

On the other hand, we may face claims of infringement that could interfere with the use of our proprietary know-how, recipes or trade secrets. Defending against such claims may be costly and, if we are unsuccessful, we may be prohibited from continuing to use such proprietary information in the future or be forced to pay damages, royalties or other fees for using such proprietary information, any of which could negatively affect our sales, profitability and prospects.

We do not own the "Haidilao (海底撈)" and related trademarks used in our business, and our business will be adversely affected if we cannot continue to use such trademarks.

On May 8, 2018, we entered into a trademark licensing agreement with Sichuan Haidilao, our connected person, pursuant to which Sichuan Haidilao granted us a perpetual, royalty-free and exclusive license to use trademarks as set forth in "Appendix IV — Statutory and General Information — B. Further Information about Our Business — 2. Intellectual Property Rights." For details, see "Connected Transactions — Exempt Continuing Connected Transactions." We cannot guarantee that Sichuan Haidilao will not breach the trademark licensing agreement, or that the trademark licensing agreement will not be terminated for other reasons. We believe that our brand and trademarks are important to our business. If a third-party successfully challenges Sichuan Haidilao's ownership of, or our right to use, the "Haidilao (海底撈)" and related trademarks, our business, financial conditions and results of operations will be materially and adversely affected.

We may fail to be in compliance with regulatory requirements or obtain related licenses required by relevant authorities.

In accordance with the relevant laws and regulations in jurisdictions in which we operate, we are required to maintain various approvals, licenses and permits to operate our restaurant business, including food operation license, environmental protection assessment, fire safety verification and fire safety inspection. These approvals, licenses and permits are obtained upon satisfactory compliance with, amongst other things, the applicable food hygiene and safety, environmental protection, fire safety and liquor licensing laws and regulations.

As of the Latest Practicable Date, we had not obtained the relevant fire safety approvals and filings from the relevant fire safety authority for five of our restaurants and six of our standalone delivery service stations. Our PRC Legal Advisers have advised us that we may be subject to a potential penalty up to RMB3.3 million for the five restaurants and six standalone delivery service stations, and closure of such restaurants and standalone delivery service stations. Our business and restaurant operations may be adversely impacted as a result. See "Business — Compliance, Licenses and Permits." In addition, those of our delivery stations that are standalone stations (i.e. not located within our restaurants) may also be subject to new PRC local regulations, and we cannot assure you that we will not be subject to penalties as a result.

Going forward, if we fail to obtain all of the necessary licenses, permits and approvals, we may be subject to fines, confiscation of the gains derived from the related restaurants or the suspension of operations of the restaurants, which could materially and adversely affect our business and results of operations. We may also experience adverse publicity arising from such non-compliance with government regulations that negatively impacts our brand. We may experience difficulties or failures in obtaining the necessary approvals, licenses and permits for new restaurants. If we fail to obtain the material licenses, our restaurant opening and expansion plan may be delayed. In addition, there can be no assurance that we will be able to obtain, renew and/or convert all of the approvals, licenses and permits required for our existing business operations upon expiration in a timely manner or at all. If we cannot obtain and/or maintain all licenses required by us, our ongoing business could be interrupted. We may also be subject to fines and penalties.

We may be subject to additional contributions of social insurance and housing provident funds and late payments and fines imposed by relevant governmental authorities.

According to the Social Insurance Law of the PRC (中華人民共和國社會保險法) and the Administrative Regulations on the Housing Provident Fund of the PRC (住房公積金管理條例), we are required to make social insurance and housing provident funds for our employees. Our PRC subsidiaries have in the past failed to make full contribution to the social insurance and housing provident funds in a timely manner. For details, see "Business — Compliance, Licenses and Permits — Social Insurance and Housing Provident Funds." We have made provisions of RMB23.6 million, RMB36.2 million, RMB28.2 million and RMB21.9 million for the social insurance and housing provident fund contribution shortfall in 2015, 2016 and 2017 and the six months ended June 30, 2018, respectively. As advised by our PRC Legal Advisers, the relevant PRC authorities may require us to pay the outstanding social insurance contributions within a stipulated deadline and pay an overdue charge equal to 0.05% of the outstanding amount for each day of delay. If we fail to pay the outstanding social insurance contributions within the prescribed period, we may be liable to a fine of one to three times the amount of the overdue payment. In case we fail to make payments of outstanding housing fund contributions within the specified timeframe, we may be subject to an order from the relevant people's courts to make such payment.

On July 20, 2018, the General Office of the Communist Party of China and the General Office of the State Council of the PRC issued the *Reform Plan of the State Tax and Local Tax Collection Administration System* (國稅地稅征管體制改革方案) (the "Reform Plan"). Under the Reform Plan, beginning January 1, 2019, tax authorities will be responsible for the collection of social insurance contributions in the PRC. The effect of the Reform Plan is uncertain. We cannot guarantee that the amount of social insurance contributions we would be required to pay will not increase, nor that we would not be required to pay any shortfalls or be subject to any penalties or fines, any of which may have a material and adverse effect on our business and results of operations.

Some of our leased properties have title defects and did not complete registration procedures at relevant authorities.

We lease all of the properties for our restaurant operations. As of the Latest Practicable Date, with respect to 60 out of 600 of our leased properties in the PRC, the lessor have not provided valid title certificates or relevant authorization documents evidencing their rights to lease the properties. With respect to 67 out of 540 of our leased properties that have valid title certificates or relevant authorization documents evidencing lessor's rights to lease such properties in the PRC, the actual usage was inconsistent with the usage set out in such title certificates or relevant authorization documents. For details, see "Business — Properties." For the years ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2018, the gross revenue generated from restaurants and standalone delivery stations located on such premises accounted for approximately 10.7%, 9.9%, 9.5% and 8.0% of our gross revenue in the same periods, respectively. As a result, we cannot assure you that we will not be subject to any challenges, lawsuits or other actions taken against us with respect to the properties leased by us for which the relevant lessors do not hold valid title certificates. If any of such properties were successfully challenged, we may be forced to relocate our operations on the affected properties and may be forced to cease these activities in the event we face challenges in relation to our properties. If we fail to find suitable replacement properties on terms acceptable to us for the affected operations, or if we are subject to any material liability resulting from third-party challenges for our lease of properties for which we or our lessors do not hold valid titles, our business, financial condition and results of operations may be materially and adversely affected.

In addition, under the relevant PRC law, all lease agreements are required to be registered with the relevant land and real estate administration bureaus. However, as of the Latest Practicable Date, the lease agreements with respect to 570 of our leased properties had not been registered and filed with the relevant land and real estate administration bureaus in the PRC because the relevant lessors failed to provide necessary documents for us to register the leases with the local government authorities. As advised by our PRC Legal Advisers, failure to complete the registration and filing of lease agreements will not affect the validity of the lease agreements or result in us being required to vacate the leased properties. However, the relevant PRC authorities may impose a fine ranging from RMB1,000 to RMB10,000 for each of such lease agreements. See "Business — Properties."

If we fail to obtain sufficient funding, our growth may be adversely affected.

During the Track Record Period, we primarily funded our operations, expansion and capital expenditures through cash generated from our operations, bank borrowings and related parties advances. As our business scale grows and at a faster pace, we may require additional cash resources to finance our continued growth or other future developments, including any investments we may decide to pursue. The amount and timing of such additional financing needs will vary depending on the timing of our new restaurant openings, investments in new restaurants and the amount of cash flow from our operations. The incurrence of indebtedness would result in increased debt service obligations and finance costs, and could result in operating and financing covenants that may, among other things, restrict our operations or our ability to pay dividends. Servicing such debt obligations could also be burdensome to our operations. If we fail to service the debt obligations or are unable to comply with such debt covenants, we could be in default under the relevant debt obligations and our liquidity and financial conditions may be materially and adversely affected.

Our ability to obtain additional capital on acceptable terms is subject to a variety of uncertainties, some of which are beyond our control, including general economic and capital market conditions, credit availability from banks or other lenders, receipt of necessary approvals from competent government authorities, investors' confidence in us, the performance of the restaurant industry in general, and our operating and financial performance in particular. We cannot assure you that future financing will be available in amounts or on terms acceptable to us, if at all. In the event that financing is not available or is not available on terms acceptable to us, our business, results of operations and growth prospects may be adversely affected.

Our historical financial and operating results may not be indicative of future performance, and we may not be able to achieve and sustain the historical level of revenue and profitability.

Our historical results and growth may not be indicative of our future performance. Our financial and operating results may not meet the expectations of public market analysts or investors, which could cause the future price of our Shares to decline. As we rapidly expand and open new restaurants, our historical financial and operating results may not be indicative of the performance of our new restaurants. See "— We may be unsuccessful in opening and profitably operating new restaurants." Our revenue, expenses and operating results may vary from period to period in response to a variety of factors beyond our control, including general economic conditions, special events, government regulations or policies affecting our restaurants and our ability to control costs and operating expenses. You should not rely on our historical results to predict the future performance of our Shares.

We may not be able to continue to obtain government grants, which are non-recurring in nature.

For the years ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2018, we recorded government grants of RMB22.1 million, RMB49.4 million, RMB74.9 million and RMB17.1 million, respectively. These government grants primarily represent subsidies received from local PRC governments to support our business development and are generally non-recurring in nature. We cannot guarantee that we will be able to continue to obtain government grants, which may have a material and adverse effect on our results of operations and profitability.

Fair value changes for our financial assets at fair value through profit or loss may adversely affect our financial condition and results of operations.

As of December 31, 2015, 2016 and 2017, and June 30, 2018, our financial assets at fair value through profit or loss amounted to RMB59.4 million, RMB14.3 million, RMB78.9 million and RMB25.3 million, respectively. According to the accounting policies applicable to us, financial assets at fair value through profit or loss are measured at fair value primarily using discounted future cash flows. Future cash flows are estimated based on the expected returns on the underlying assets of the financial assets at fair value through profit or loss, which include listed shares, bonds, debentures and other financial assets. The expected returns on the underlying assets may fluctuate due to changing market conditions, thereby affected the fair value of our financial assets at fair value through profit or loss. Changes in fair value are recognized in profit or loss and such treatment of gain or loss may cause volatility in or adversely affect our period-to-period earnings, financial condition and results of operations.

Our business strategy of growth through acquisitions may not succeed.

As part of our business strategy we may from time to time pursue acquisitions that we believe would benefit our business. Our ability to grow through such means depends upon our ability to identify, negotiate, complete and integrate suitable opportunities as well as to obtain the necessary financing and required governmental or third-party consents, approvals and permits in a timely manner. Even if we engage in such acquisitions, we may have limited experience and we may be exposed to the following risks, among others:

- difficulties in integrating any acquired businesses, technologies or personnel into our existing business, particularly integrating different quality control procedures and measures, business, operations, financial and risk management, information technology systems and other business functions; and

- difficulties in implementing and enforcing our management and internal control mechanisms as well as quality assurance program and safety measures that timely and adequately respond to our expanded scope of operations.

We may not be able to adequately manage our inventory.

As a restaurant operator, our raw materials mainly include food ingredients that have limited shelf lives. For instance, our hand-cut lamb typically has a shelf life of three days. The shorter the shelf life and the longer we hold such inventories, our risk of inventory obsolescence increases. We monitor our inventory levels at each restaurant through a just-in-time inventory management system. However, consumption of our food ingredients is subject to various factors beyond our control, including fluctuations in guest traffic, and in the long term, changes in consumer taste and dining preference. We cannot guarantee that our inventory levels will be able to meet the demands of guests, which may adversely affect our sales. We also cannot guarantee that all of our food inventory can be consumed within its shelf life. Excess inventory may increase our inventory holding costs and subject us to the risk of inventory obsolescence or write-offs, which could have a material adverse effect on our business, financial condition and results of operations.

We face intense competition in the catering service industry.

The catering service industry is intensely competitive with respect to, among other things, service, food quality, taste, value, ambiance and location. We face significant competition at each of our locations from a variety of restaurants in various market segments, including locally-owned restaurants and regional and international chains. There are a number of well-established competitors with greater financial, marketing, personnel and other resources than ours, and many of our competitors are well-established in the markets where we have restaurants, or in which we intend to open new restaurants. Additionally, other companies may develop new restaurants that operate with similar concepts and target our guests resulting in increased competition.

Any inability to successfully compete with other restaurants in our markets may prevent us from increasing or sustaining our revenues and profitability and lose market share, which could have a material and adverse effect on our business, financial condition, results of operations or cash flows. We may also need to modify or refine elements of our restaurant network to evolve our concepts in order to compete with popular new restaurant menu dishes or concepts that develop from time to time. We cannot assure you that we will be successful in implementing these modifications or that these modifications will not reduce our profitability.

We may be unable to detect, deter and prevent all instances of fraud or other misconduct committed by our employees, suppliers or other third parties.

We may be exposed to fraud, bribery or other misconduct committed by our employees, suppliers or third parties that could subject us to financial losses and sanctions imposed by governmental authorities, which may adversely affect our reputation. In particular, being in the restaurant industry, we usually receive and handle relatively large amounts of cash in our daily operations. We implement internal procedures and policies to monitor our operations and ensure overall compliance, specifically in relation to employee conduct and cash management. See "Business — Settlement and Cash Management" for details. During the Track Record Period and up to the Latest Practicable Date, we were not aware of any instances of fraud, bribery, and other misconduct involving employees, suppliers and other third parties that had any material and adverse impact on our business and results of operations. However, we cannot assure you that there will not be any such instances in future. Although we consider our internal control policies and procedures to be adequate, we may be unable to prevent, detect or deter all such instances of misconduct. Any such misconduct committed against our interests, which may include past acts that have gone undetected or future acts, may have a material and adverse effect on our business and results of operations.

Our Controlling Shareholders have substantial influence over our Company and their interests may not be aligned with the interests of our other Shareholders.

Our Controlling Shareholders have substantial influence over our business, including matters relating to our management, policies and decisions regarding acquisitions, mergers, expansion plans, consolidations and sales of all or substantially all of our assets, election of Directors and other significant corporate actions. Immediately after completion of the Capitalization Issue and the Global

Offering, assuming the Over-allotment Option is not exercised, our Controlling Shareholders will hold (including direct and indirect shareholdings) approximately 68.60% of the issued share capital in our Company. This concentration of ownership may discourage, delay or prevent a change in control of our Company, which could deprive other Shareholders of an opportunity to receive a premium for their Shares as part of a sale of our Company and might reduce the price of our Shares. These events may occur even if they are opposed by our other Shareholders. In addition, the interests of our Controlling Shareholders may differ from the interests of our other Shareholders. It is possible that our Controlling Shareholders may exercise substantial influence over us and cause us to enter into transactions or take, or fail to take, actions or make decisions that conflict with the best interests of our other Shareholders.

We face risks related to instances of food-borne illnesses, health epidemics and other outbreaks.

Our business is susceptible to food-borne illnesses, health epidemics and other outbreaks. We cannot guarantee that our internal controls and training will be fully effective in preventing all food-borne illnesses. Furthermore, our reliance on third-party food suppliers increases the risk that food-borne illness incidents could be caused by third-party food suppliers outside of our control and the risk of multiple locations instead of a single restaurant being affected. Drug resistant illnesses may develop in the future, or diseases with long incubation periods could arise, such as mad-cow disease, that could give rise to claims or allegations on a retroactive basis. Reports in the media of instances of food-borne illnesses could, if highly publicized, negatively affect our industry overall, and our operations could suffer as a result, regardless of whether we were directly involved in the spread of the illness. Furthermore, other illnesses, such as hand, foot and mouth disease or avian influenza, could adversely affect the supply of some of our ingredients and significantly increase our costs, thereby impacting our restaurant sales and conceivably having significant adverse effect on our results of operations.

We also face risks related to health epidemics. Past occurrences of epidemics or pandemics, depending on their scale of occurrence, have caused different degrees of damage to the national and local economies in China. In April 2013, there were outbreaks of highly pathogenic avian flu, caused by the H7N9 virus, in certain parts of China. Since early 2013, there have been several reports of reoccurrences of H7N9 which caused several confirmed deaths. In June 2009, the World Health Organization declared the outbreak of H1N1 influenza to be a pandemic. An outbreak of any epidemics or pandemics in China, especially in the areas where we have restaurants, may result in quarantines, temporary closures of our restaurants, travel restrictions or the sickness or death of key personnel and our guests. Any of the above may cause material disruptions to our operations, which in turn may materially and adversely affect our financial condition and results of operations.

Macro-economic factors may have a material and adverse effect on our business, financial conditions and results of operations.

The restaurant industry is affected by macro-economic factors, including changes in international, national, regional and local economic conditions, employment levels and consumer spending patterns. In particular, most of our restaurants are located in China and accordingly, our results of operations are affected by the macro-economic conditions in China. Any deterioration of the

PRC economy, decrease in disposable consumer income, fear of a recession and decrease in consumer confidence may lead to a reduction of guest traffic and average spending per guest at our restaurants, which could materially and adversely affect our business, financial conditions and results of operations. Moreover, the occurrence of a financial crisis, sovereign debt crisis, banking crisis or other disruptions in the global financial markets may have a material and adverse impact on our operating results.

We may be subject to natural disasters, acts of war or terrorism or other factors beyond our control.

Natural disasters, acts of war or terrorism or other factors beyond our control may adversely affect the economy, infrastructure and livelihood of the people in the regions where we conduct our business. Our operations may be under the threat of floods, earthquakes, sandstorms, snowstorms, fire or drought, power, water or fuel shortages, failures, malfunction and breakdown of information management systems, unexpected maintenance or technical problems, or are susceptible to potential wars or terrorist attacks. Serious natural disasters may result in loss of lives, injury, destruction of assets and disruption of our business and operations. Acts of war or terrorism may also injure our employees, cause loss of lives, disrupt our business network and destroy our markets. Any of these factors and other factors beyond our control could have an adverse effect on the overall business sentiment and environment, cause uncertainties in the regions where we conduct business, cause our business to suffer in ways that we cannot predict and materially and adversely impact our business, financial conditions and results of operations.

Our insurance policies may not provide adequate coverage for all claims associated with our business operations.

We purchase and maintain insurance policies that we believe are customary for businesses of our size and type and as required under the relevant laws and regulations. See “Business — Insurance.” However, we cannot guarantee that our insurance policies will provide adequate coverage for all the risks in connection with our business operations. Consistent with customary practice in China, we do not carry any business interruption or litigation insurance. If we were to incur substantial losses and liabilities that are not covered by our insurance policies, we could suffer significant costs and diversion of our resources, which could have a material and adverse effect on our financial conditions and results of operations. We may be required to bear our losses to the extent that our insurance coverage is insufficient.

We cannot guarantee that we will not be involved in claims, disputes and legal proceedings in our ordinary course of business.

From time to time, we may be involved in claims, disputes and legal proceedings in our ordinary course of business. These may concern issues relating to, among others, food safety and quality incidents, environmental matters, breach of contract, employment or labor disputes and infringement of intellectual property rights. For details related to our liabilities in relation to food safety, see “— We may experience significant liability claims or complaints from guests, or adverse publicity involving our products, our service or our restaurants." As of the Latest Practicable Date, we were not involved in any litigations or legal proceedings that may materially affect our business and results of operations. Any claims, disputes or legal proceedings initiated by us or brought against us, with or without merit, may result in substantial costs and diversion of resources, and if we are unsuccessful, could materially harm our reputation. Furthermore, claims, disputes or legal proceedings against us may be due to defective supplies sold to us by our suppliers, who may not be able to indemnify us in full and in a timely manner, or at all, for any costs that we incur as a result of such claims, disputes and legal proceedings.

RISKS RELATING TO DOING BUSINESS IN CHINA

PRC economic, political, social conditions as well as government policies could adversely affect our business, financial condition, results of operations and prospects.

During the Track Record Period, most of the restaurants we owned and operated were located in China. Most of our assets were located in China, and most of our revenue was derived from our business in China during the same period. The PRC economy differs from the economies of most developed countries in many respects, including but not limited to structure, government involvement, level of development, growth rate, control of foreign exchange, capital reinvestment, allocation of resources, rate of inflation and trade balance position. Before the adoption of its reform and opening up policies in 1978, China was primarily a planned economy. In recent years, the PRC Government has been reforming the PRC economic system and government structure. It has implemented measures emphasizing the utilization of market forces, the reduction of state ownership of productive assets and the establishment of sound corporate governance practices in business enterprises. However, the PRC Government continues to play a significant role in regulating industrial development, allocation of natural and other resources, production, pricing and management of currency, and there can be no assurance that the PRC Government will continue to pursue a policy of economic reform or that the direction of reform will continue to be market friendly.

The economic growth over the past few decades in China was rapid; however, its continued growth has faced downward pressure since 2008 and its annual GDP growth rate has declined from 9.5% in 2011 to 6.9% in 2017, according to the National Bureau of Statistics of China (中華人民共和國國家統計局). There is no assurance that the future growth will be sustained at similar rates or at all. The PRC Government's economic, political and social policies, including those related to our industry may materially and adversely affect our business, financial position, results of operations and prospects.

The PRC legal system has inherent uncertainties that could limit the legal protection available to you.

Our business is mainly conducted in mainland China and is governed by PRC laws and regulations. The PRC legal system is based on written statutes and prior court decisions can only be cited as reference. Additionally, written statutes in the PRC are often principle-oriented and require detailed interpretations by the enforcement bodies to further apply and enforce such laws. Since 1979, the PRC Government has developed a comprehensive system of laws, rules and regulations in relation to economic matters, such as foreign investment, corporate organization and governance, commerce, taxation and trade. However, the interpretation and enforcement of these laws, rules and regulations involve uncertainties and may not be as consistent or predictable as in other more developed jurisdictions. As these laws and regulations are continually evolving in response to changing economic and other conditions, and because of the limited volume of published cases and their non-binding nature, any particular interpretation of PRC laws and regulations may not be definitive. Moreover, we cannot predict the effect of future developments in the PRC legal system. Such unpredictability towards our contractual, property and procedural rights could adversely affect our business and impede our ability to continue our operations. In addition, the PRC legal system is based in part on government policies and internal rules (some of which are not published on a timely basis, if at all) that some rules may have a retroactive effect. Hence, we may not be aware of violation of these policies and rules until after such violation has occurred. Furthermore, the legal protections available to us and our investors under these laws, rules and regulations may be limited.

Fluctuations in exchange rates of the Renminbi could result in foreign currency exchange losses.

The exchange rate of the Renminbi against the U.S. dollar and other foreign currencies fluctuates and is affected by, among other things, the policies of the PRC Government and changes in China's and international political and economic conditions, as well as supply and demand in the local market. It is difficult to predict how market forces or government policies may impact the exchange rate between the Renminbi and the Hong Kong dollar, the U.S. dollar or other currencies in the future. In addition, the PBOC regularly intervenes in the foreign exchange market to limit fluctuations in Renminbi exchange rates and achieve policies goals.

There remains significant international pressure on the PRC Government to adopt a more flexible currency policy, which, together with domestic policy considerations, could result in a significant appreciation of Renminbi against the U.S. dollar, the Hong Kong dollar or other foreign currencies.

The proceeds from the Global Offering will be received in Hong Kong Dollars. As a result, any appreciation of the Renminbi against the U.S. dollar, the Hong Kong dollar or any other foreign currencies may result in the decrease in the value of our proceeds from the Global Offering. Conversely, any depreciation of the Renminbi may adversely affect the value of, and any dividends payable on, our Shares in foreign currency. In addition, there are limited instruments available for us to reduce our foreign currency risk exposure at reasonable costs. Any of these factors could materially and adversely affect our business, financial condition, results of operations and prospects, and could reduce the value of, and dividends payable on, our Shares in foreign currency terms.

More stringent restrictions on the remittance of Renminbi into and out of the PRC and governmental control over currency conversion may limit our ability to pay dividends and other obligations, and affect the value of your investment.

The Renminbi is not currently a freely convertible currency, as the PRC Government imposes controls on the convertibility of Renminbi into foreign currencies and in certain cases, the remittance of currency out of China. A substantial majority of our revenue is denominated in Renminbi and will need to convert Renminbi into foreign currencies for the payment of dividends, if any, to holders of our Shares, and to fund our business activities outside China. Shortages in the availability of foreign currency may restrict the ability of our PRC subsidiaries to remit sufficient foreign currency to pay dividends or other payments to us, or otherwise satisfy their foreign currency denominated obligations.

Under China's current foreign exchange control system, foreign exchange transactions under the current account conducted by us, including the payment of dividends, do not require advance approval from SAFE, but we are required to present relevant documentary evidence of such transactions and conduct such transactions at designated foreign exchange banks within China that have the licenses to carry out foreign exchange business. Approval from appropriate government authorities is required where Renminbi is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of loans denominated in foreign currencies. The PRC Government may also at its discretion restrict access in the future to foreign currencies for current account transactions. Since 2015, in response to China's declining foreign currency reserves, the PRC Government has placed increasingly stringent restrictions on the convertibility of the Renminbi into foreign currencies. If the foreign exchange control system prevents us from obtaining sufficient foreign currencies to satisfy our foreign currency demands, we may not be able to pay dividends in foreign currencies to our shareholders. Further, there is no assurance that new regulations will not be promulgated in the future that would have the effect of further restricting the remittance of Renminbi into or out of China. Any existing and future restrictions on currency exchange may limit our ability to operate our overseas restaurants or otherwise fund any future business activities that are conducted in foreign currencies.

We may be deemed to be a PRC tax resident under the EIT Law and our global income may be subject to a 25% PRC enterprise income tax.

We are a company incorporated under the laws of Cayman Islands. The EIT Law provides that enterprises established outside the PRC whose "de facto management bodies" are located in China are considered "resident enterprises" and are generally subject to the uniform 25% enterprise income tax rate on their global income. "De facto management body" is defined as the body that has the significant and overall management and control over the business, personnel, accounts and properties of an enterprise. In April 2009 and July 2011, SAT issued several circulars to clarify certain criteria for the determination of the "de facto management bodies" for foreign enterprises controlled by PRC enterprises, however, no official implementation rules have been issued regarding the determination of the "de facto management body" for foreign enterprises that are not controlled by PRC enterprises. Thus, it is unclear how PRC tax authorities will treat our case. Being regarded as a PRC resident enterprise may materially and adversely affect our profit and hence our retained profit available for distribution to our Shareholders.

Dividends payable by us to our foreign investors and gains on the sale of our Shares may become subject to withholding taxes under PRC tax laws.

Under the EIT Law, PRC withholding tax at a rate of 10% is normally applicable to dividends from a PRC source paid to investors that are "non-resident enterprises", which do not have an establishment or place of business in China, or which have such establishment or place of business but whose relevant income is not effectively connected with the establishment or place of business. Any gain realized on the transfer of shares by such is generally subject to a 10% PRC income tax if such gain is regarded as income derived from sources within China.

Under PRC Individual Income Tax law and its implementation rules, dividends from sources within China paid to foreign individual investors who are not PRC residents are generally subject to a PRC withholding tax at a rate of 20% and gains from PRC sources realized by such investors on the transfer of shares are generally subject to PRC income tax at a rate of 20% for individuals. Any PRC tax may be reduced or exempted under applicable tax treaties or similar arrangements.

If we are treated as a PRC resident enterprise as described under the risk factor headed "— We may be deemed to be a PRC tax resident under the EIT Law and our global income may be subject to a 25% PRC enterprise income tax" dividends we pay with respect to our Shares, or the gain realized from the transfer of our Shares, may be treated as income derived from sources within China and as a result be subject to the PRC income taxes described above. However, shareholders who are not PRC tax residents and seek to enjoy preferential tax rates under relevant tax treaties may apply to the PRC tax authorities to be recognized as eligible for such benefits in accordance with the Announcement of the SAT on Promulgating the Administrative Measures for Tax Convention Treatment for Non-resident Taxpayers (《國家稅務總局關於發佈〈非居民納稅人享受稅收協議待遇管理辦法〉的公告》) (the "**Circular 60**"), which was issued on August 27, 2015. According to the Circular 60, the preferential tax rate does not automatically apply. With respect to dividends, the "beneficial owner" tests under the Circular on Interpretation and Determination of Beneficial Owner under Tax Treaties (《關於如何理解和認定稅收協議中"受益所有人"的通知》) (the "**Circular 601**") will also apply. If determined to be ineligible for the foregoing tax treaty benefits, gains obtained from sales of our Shares and dividends on our Shares paid to such Shareholders would subject to higher PRC tax rates. In such cases, the value of your investment in our Shares may be materially and adversely affected.

We rely principally on dividends paid by our subsidiaries to fund any cash and financing requirements we may have, and any limitation on the ability of our PRC subsidiaries to pay dividends to us could have a material and adverse effect on our ability to conduct our business.

We are a holding company incorporated in the Cayman Islands and operate our core businesses through our operating subsidiaries in China. Therefore, the availability of funds to pay dividends to our Shareholders depends upon dividends received from these subsidiaries. If our subsidiaries incur debts or losses, such indebtedness or loss may impair their ability to pay dividends or other distributions to us. As a result, our ability to pay dividends will be restricted. The PRC laws and regulations require that dividends be paid only out of the net profit calculated according to the PRC accounting principles, which differ in many aspects from generally accepted accounting principles in other jurisdictions, including IFRSs. The PRC laws and regulations also require foreign-invested enterprises to set aside part of their net profit as statutory reserves. These statutory reserves are not available for distribution as cash dividends. In addition, restrictive covenants in bank credit facilities or other agreements that we or our subsidiaries may enter into in the future may also restrict the ability of our subsidiaries to provide capital or declare dividends to us and our ability to receive distributions. Therefore, these restrictions on the availability and usage of our major source of funding may impact our ability to pay dividends to our Shareholders.

Our dividend income from our foreign-invested PRC subsidiaries may be subject to a higher rate of withholding tax than that which we currently anticipate.

Under the EIT Law, if a foreign entity is deemed to be a "non-resident enterprise" as defined under the EIT Law, a withholding tax at the rate of 10% will be applicable to any dividends for earnings accumulated since January 1, 2008 payable to the foreign entity, unless it is entitled to reduction or elimination of such tax, including by tax treaties or agreements. According to the Interpretation of the Articles of the Agreement between the Government of the People's Republic of China and the Government of the Republic of Singapore for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income and the Protocol Thereof (《<中華人民共和國政府和新加坡共和國政府關於對所得避免雙重徵税和防止偷漏税的協定>及議定書條文解釋》), dividends paid by a PRC foreign-invested enterprise to its shareholder(s) incorporated in Singapore will be subject to withholding tax at a rate of 5% if the Singapore company directly holds 25% or more interests in the PRC foreign-invested enterprises. The SAT promulgated the Circular 601 on October 27, 2009, which addresses the methods to determine them "beneficial owners" under the treaty articles on dividends, interest and royalties. According to the Circular 601, the PRC tax authorities must evaluate whether an applicant qualifies as a "beneficial owner" on a case-by-case basis based on the "substance over form" principle.

It is possible, based on the abovementioned principles, that the PRC tax authorities would not consider our Singapore subsidiary as the "beneficial owner" of any dividends paid from our PRC subsidiaries and would deny the claim for the reduced rate of withholding tax. Under the current PRC tax law, this would result in dividends from our PRC subsidiaries to our Singapore subsidiary being subject to PRC withholding tax at a 10% rate instead of a 5% rate. This would negatively impact us and it would impact our ability to pay dividends.

You may experience difficulty in effecting service of legal process, enforcing foreign judgments or bringing original actions in China or Hong Kong based on foreign laws against us, our Directors and senior management.

We are incorporated in the Cayman Islands. Substantially all of our assets, and a significant portion of the assets of our Directors are located in China. Therefore, it may not be possible for investors to effect service of process upon us or those persons inside China. China has not entered into treaties or arrangements providing for the recognition and enforcement of judgments made by courts of most other jurisdictions. On July 14, 2006, Hong Kong and China entered into the *Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts* *of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements Between Parties Concerned* (《關於內地與香港特別行政區法院相互認可和執行當事人協議 管轄的民商事案件判決的安排》) (the "**Arrangement**"), pursuant to which a party with a final court judgment rendered by a Hong Kong court requiring payment of money in a civil and commercial case according to a choice of court agreement in writing may apply for recognition and enforcement of the judgment in China. Similarly, a party with a final judgment rendered by a PRC court requiring payment of money in a civil and commercial case pursuant to a choice of court agreement in writing may apply for recognition and enforcement of such judgment in Hong Kong. A choice of court agreement in writing is defined as any agreement in writing entered into between parties after the effective date of the Arrangement in which a Hong Kong court or a PRC court is expressly designated as the court having sole jurisdiction for the dispute. Therefore, it may not be possible to enforce a judgment rendered by a Hong Kong court in China if the parties in the dispute do not agree to enter into a choice of court agreement in writing. As a result, it may be difficult or impossible for investors to effect service of process against our assets or Directors in China in order to seek recognition and enforcement of foreign judgments in China.

The heightened scrutiny over acquisitions from the PRC tax authorities may has an adverse impact on our business, acquisitions or restructuring strategies.

On February 3, 2015, the SAT promulgated Circular 7, which provides comprehensive guidelines relating to, and heightened the PRC tax authorities' scrutiny on indirect transfers, by a non-resident enterprise, of assets (including equity interests) of a PRC resident enterprise.

There are uncertainties as to the application of the Circular 7. The Circular 7 may be determined by the tax authorities to be applicable to our offshore restructuring transactions or sale of the shares of our offshore subsidiaries, where non-resident enterprises being transferors were involved. Furthermore, we, our non-resident enterprises and PRC subsidiaries may be required to spend valuable resources to comply with the Circular 7 or to establish that we and our non-resident enterprises should not be taxed under the Circular 7 for our previous and future restructuring or disposal of shares of our offshore subsidiaries, which may have a material and adverse effect on our financial conditions and results of operations.

PRC regulations relating to the establishment of offshore special purpose vehicles by PRC residents may subject our PRC resident Shareholders to personal liability, limit our PRC subsidiaries' ability to distribute profits to us, or otherwise adversely affect our financial position.

The SAFE promulgated Circular 37 on July 4, 2014 to replace the *Circular of the SAFE on Relevant Issues Concerning Foreign Exchange Administration for Financing and Return Investments by Domestic Residents through Special-Purpose Overseas Companies* (《國家外匯管理局關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知》)(the "**Circular 75**"). According to Circular 37, PRC residents (including PRC citizens and PRC enterprises) shall apply to the SAFE or its local bureau to register foreign exchange for overseas investments before contributing to special purpose vehicles (the "**SPVs**") with legitimate domestic and overseas assets or rights and interests. In the event of any alteration in the basic information of the registered SPVs, such as the change of a PRC citizen shareholder, name and operating duration; or in the event of any alternation in key information, such as increases or decreases in the share capital held by PRC citizens, or equity transfers, swaps, consolidations, or splits, the registered PRC residents shall timely submit a change in the registration of the foreign exchange for overseas investments with the foreign exchange bureaus.

We may not at all times be fully aware or informed of the identities of all our beneficiaries who are PRC nationals, and may not always be able to compel our beneficiaries to comply with the requirements of the Circular 37. As a result, we cannot assure you that all of our Shareholders or beneficiaries who are PRC nationals will at all times comply with, or in the future make or obtain any applicable registrations or approvals required by the Circular 37 or other related regulations. Under the relevant rules, failure to comply with the registration procedures set forth in the Circular 37 may result in restrictions on the foreign exchange activities of the relevant PRC enterprise and may also subject the relevant PRC resident to penalties under the PRC foreign exchange administration regulations.

PRC regulations of loans and direct investment by offshore holding companies to PRC entities may delay or prevent us from using the proceeds of the Global Offering to make loans or additional capital contributions to our PRC subsidiaries.

Any loans provided by us to our PRC subsidiaries are subject to PRC regulations and such loans must be registered with the local branch of SAFE. Additionally, our capital contributions must be filed with or approved by the MOFCOM or its local counterpart and registered with the SAIC or its local branch. We cannot assure you that we will be able to obtain these government registrations or approvals or to complete filing and registration procedures on a timely basis, if at all, with respect to future loans or capital contributions by us to our subsidiaries or any of their respective subsidiaries. If we fail to obtain such approvals or registrations, our ability to make equity contributions or provide loans to our PRC subsidiaries or to fund their operations may be materially and adversely affected. This may materially and adversely affect our PRC subsidiaries' liquidity, their ability to fund their working capital and expansion projects, and their ability to meet their obligations and commitments. As a result, this may have a material and adverse effect on our business, financial conditions and results of operations.

Inflation in the PRC could materially and adversely affect our profitability and growth.

While the PRC economy as a whole has experienced rapid growth, such growth has become uneven among various sectors of the economy and in different geographical areas of the country. Rapid economic growth may lead to growth in the money supply and accordingly inflation. If the amounts we charge our guests in our PRC restaurants go up at a rate that is insufficient to compensate for the rise in our costs, our business may be materially and adversely affected.

RISKS RELATING TO THE GLOBAL OFFERING

There has been no prior public market for our Shares and there can be no assurance that an active market would develop.

Prior to the Global Offering, there has been no public market for our Shares. The initial Offer Price for our Shares was the result of negotiations among us and the Joint Global Coordinators (for itself and on behalf of the Underwriters) and the Offer Price may differ significantly from the market price for our Shares following the Global Offering. We have applied for listing of and permission to deal in our Shares on the Stock Exchange. There is no assurance that the Global Offering will result in the development of an active, liquid public trading market for our Shares. In particular, we are issuing Shares representing only approximately 8% of our share capital in the Global Offering assuming the Over-allotment Option is not exercised. This factor, as well as factors such as variations in our revenue, earnings and cash flows or any other developments of us may affect the volume and price at which our Shares will be traded.

Furthermore, the price and trading volume of our Shares may be volatile. The following factors, among others, may cause the market price of our Shares after the Global Offering to vary significantly from the Offer Price:

- our financial results;
- unexpected business interruptions resulting from natural disasters or power shortages;
- major changes in our key personnel or senior management;
- changes in laws and regulations in China;
- our inability to compete effectively in the market;
- our inability to obtain or maintain regulatory approval for our operations;
- fluctuations in stock market prices and volume;
- changes in analysts' estimates of our financial performance;
- political, economic, financial and social developments in China and Hong Kong and in the global economy; and
- involvement in material litigation.

In addition, shares of other companies listed on the Stock Exchange with operations and assets in China have experienced significant price volatility in the past. As a result, it is possible that our Shares may be subject to changes in price not directly related to our performance and as a result, investors in our Shares may suffer substantial losses.

Since there will be a gap of several days between pricing and trading of our Shares, holders of our Shares are subject to the risk that the price of our Shares could fall during the period before trading of our Shares begins.

The Offer Price of our Offer Shares is expected to be determined on the Price Determination Date. However, our Shares will not commence trading on the Stock Exchange until they are delivered, which is expected to be several Business Days after the pricing date. As a result, investors may not be able to sell or deal in our Shares during that period. Accordingly, holders of our Shares are subject to the risk that the price of our Shares could fall before trading begins as a result of adverse market conditions or other adverse developments, that could occur between the time of sale and the time trading begins.

Substantial future sales or the expectation of substantial sales of our Shares in the public market could cause the price of our Shares to decline.

Sales of substantial amounts of Shares in the public market after the completion of the Global Offering, or the perception that these sales could occur, could adversely affect the market price of our Shares. Although our Controlling Shareholders are subject to restrictions on its sales of Shares within 12 months from the Listing Date as described in "Underwriting" in this Prospectus, future sales of a significant number of our Shares by our Controlling Shareholders in the public market after the Global Offering, or the perception that these sales could occur, could cause the market price of our Shares to decline and could materially impair our future ability to raise capital through offerings of our Shares. We cannot assure you that our Controlling Shareholders will not dispose of Shares held by them or that we will not issue Shares pursuant to the general mandate to issue shares granted to our Directors as described in "Appendix IV — Statutory and General Information" or otherwise, upon the expiration of restrictions set out above. We cannot predict the effect, if any, that any future sales of Shares by our Controlling Shareholders, or the availability of Shares for sale by our Controlling Shareholders, or the issuance of Shares by the Company may have on the market price of the Shares. Sale or issuance of a substantial amount of Shares by our Controlling Shareholders or us, or the market perception that such sale or issuance may occur, could materially and adversely affect the prevailing market price of the Shares.

There may be difficulties in protecting your interests under the laws of the Cayman Islands.

Our corporate affairs are governed by, among other things, our Memorandum of Association, Articles of Association, the Companies Law and common law of the Cayman Islands. The rights of Shareholders to take action against our Directors, actions by minority shareholders and the fiduciary responsibilities of our Directors to us under Cayman Islands law are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as from English common law, which has persuasive, but not binding, authority on a court in the Cayman Islands. The laws of the Cayman Islands relating to the protection of the interests of minority shareholders differ in some respects from those in other jurisdictions. Such differences may mean that the remedies available to the minority shareholders may be different from those they would have under the laws of other jurisdictions.

There may be dilution because of issuance of new Shares or equity securities.

In spite of our current cash and cash equivalents and the net proceeds from the Global Offering, we may require additional funds due to changes in business conditions or other future developments relating to, inter alia, our existing operations or any future expansions. The amount and timing of such additional financing needs will vary depending on the timing investments in and/or acquisitions of new businesses from third-parties, and the amount of cash flow from our operations. If our resources are insufficient to satisfy our cash requirements, we may seek additional financing through selling additional equity or debt securities or obtaining a credit facility. The sale of additional equity securities could result in additional dilution to our Shareholders. If additional funds are raised by way of issuance of new Shares or equity linked securities other than on a pro rata basis to existing shareholders, the percentage of ownership of our existing Shareholders in our Company, the earnings per Share and the net asset value per Share may be reduced.

Because the initial public Offer Price per Share is higher than the net tangible book value per Share, purchasers of our Shares in the Global Offering will experience immediate dilution.

The Offer Price of our Offer Shares is higher than the net tangible book value per Share immediately prior to the Global Offering. Therefore, purchasers of our Shares in the Global Offering will experience an immediate dilution. Existing Shareholders will receive an increase in the pro forma adjusted consolidated net tangible asset value per share of their shares. If we issue additional Shares in the future, purchasers of our Offer Shares may experience further dilution.

Whether and when the dividends will be declared and paid cannot be assured.

As a holding company, our ability to declare future dividends will depend on the availability of dividends, if any, received from our operating subsidiaries. Under applicable laws and the constitutional documents of our operating subsidiaries, the payment of dividends may be subject to certain limitations. The calculation of certain of our operating subsidiaries' profit under applicable accounting standards differs in certain respects from the calculation under IFRSs. As a result, our operating subsidiaries may not be able to pay a dividend in a given year even if they have profit as determined under IFRSs. Accordingly, since our Company derives all of our earnings and cash flows from dividends paid to us by our operating subsidiaries, we may not have sufficient distributable profit to pay dividends to our Shareholders. In addition, any future dividend declaration and distribution by our Company will be at the discretion of our Directors and will depend on our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors that our Directors deem relevant. Any declaration and payment as well as the amount of dividends will also be subject to our Articles of Association and PRC laws, including (where required) the approvals from our shareholders and our Directors. Our shareholders at a general meeting must approve any declaration of dividends, which must not exceed the amount recommended by our Board. Moreover, our Directors may from time to time pay such interim dividends as our Board considers to be justified by our profits and overall financial requirements, or special dividends of such amounts and on such dates as they think appropriate. As a result, we cannot assure you that we will make any dividend payments on our Shares in the future. For further details of the dividends of our Company, see "Financial Information — Dividends."

Certain statistics contained in this Prospectus are derived from a third-party report and publicly available official sources and they may not be reliable.

Certain statistics contained in this Prospectus relating to China, the PRC economy and the industry in which we operate have been derived from various official government publications or other third-party reports. We have taken reasonable care in the reproduction or extraction of the official government publications or other third-party reports for the purpose of disclosure in this Prospectus, however, we cannot guarantee the quality or reliability of such source materials. They have not been prepared or independently verified by us, the Underwriters or any of their respective affiliates or advisors and, therefore, we make no representation as to the accuracy of such statistics, which may not be consistent with other information compiled within or outside the PRC. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice, such statistics in this Prospectus may be inaccurate or may not be comparable to statistics produced with respect to other economies. Further, there is no assurance that they are stated or compiled on the same basis or with the same degree of accuracy as the case may be in other jurisdictions. In all cases, investors should give consideration as to how much weight or importance they should attach to or place on such facts.

Investors should read the entire Prospectus carefully and should not consider any particular statements in this Prospectus or in published media reports without carefully considering the risks and other information contained in this Prospectus.

Prior to the publication of this Prospectus, there has been coverage in the media regarding us and the Global Offering, which contained among other things, certain financial information, projections, valuations and other forward-looking information about us and the Global Offering. We have not authorized the disclosure of any such information in the press or media and do not accept any responsibility for the accuracy or completeness of such media coverage or forward-looking statements. We make no representation as to the appropriateness, accuracy, completeness or reliability of any information disseminated in the media. We disclaim any information in the media to the extent that such information is inconsistent or conflicts with the information contained in this Prospectus. Accordingly, prospective investors are cautioned to make their investment decisions on the basis of the information contained in this Prospectus only.

In preparation for the Global Offering, our Company has sought and has been granted the following waivers from strict compliance with the relevant provisions of the Listing Rules:

MANAGEMENT PRESENCE

According to Rules 8.12 of the Listing Rules, the Company must have sufficient management presence in Hong Kong. This normally means that at least two of our executive Directors must be ordinarily resident in Hong Kong. Since our headquarters and major business operations are principally located, managed and conducted in the PRC, our Company does not, and for the foreseeable future, will not, have executive Directors who are ordinarily resident in Hong Kong for the purpose of satisfying the requirements under Rules 8.12 of the Listing Rules. Currently, none of the executive Directors of our Company reside in Hong Kong.

Accordingly, our Company has applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted our Company a waiver from strict compliance with Rules 8.12 of the Listing Rules. Our Company has made the following arrangements to maintain effective communication between the Hong Kong Stock Exchange and us:

(i) both of the Company's authorized representatives, Mr. Tong Xiaofeng (佟曉峰), a Director, and Ms. Qu Cong (瞿驄), a joint company secretary, will act as the Company's principal channel of communication with the Hong Kong Stock Exchange. Accordingly, the authorized representatives of the Company will be able to meet with the relevant members of the Stock Exchange on reasonable notice;

(ii) both of the authorized representatives of the Company have means of contacting all Directors (including our independent non-executive Directors) promptly at all times as and when the Stock Exchange proposes to contact a Director with respect to any matter;

(iii) each Director has provided his/her mobile phone number, office phone number, fax number and e-mail address to the authorized representatives of the Company and the Hong Kong Stock Exchange, and in the event that any Director expects to travel or otherwise be out of the office, s/he will provide the phone number of the place of his/her accommodation to the authorized representatives;

(iv) each of the Directors of the Company not ordinarily residing in Hong Kong possesses or can apply for valid travel documents to visit Hong Kong and will be able to meet with the relevant members of the Stock Exchange within a reasonable period;

(v) our Company has appointed Somerley Capital Limited as the compliance adviser of the Company, who will also act as an additional channel of communication with the Hong Kong Stock Exchange from the Listing Date to the date when our Company dispatches the annual reports to the Shareholders for the first full financial year immediately after the Listing of the Shares of the Company. Somerley Capital Limited will maintain constant contact with the authorized representatives, Directors and senior management through various means, including regular meetings and telephone discussions whenever necessary.

JOINT COMPANY SECRETARIES

Pursuant to Rules 3.28 and 8.17 of the Listing Rules, the Company must appoint a company secretary who possesses the necessary academic or professional qualifications or relevant experience, and is therefore capable to discharge the functions of the company secretary. Note 1 to Rule 3.28 of the Listing Rules provides that the Hong Kong Stock Exchange considers the following academic or professional qualifications to be acceptable:

(a) a member of the Hong Kong Institute of Chartered Secretaries;

(b) a solicitor or a barrister as defined in the Legal Practitioners Ordinance (Chapter 159 of the Laws of Hong Kong); and

(c) a certified public accountant as defined in the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong).

Note 2 to Rule 3.28 of the Listing Rules further sets out the factors that the Hong Kong Stock Exchange will consider in assessing an individual's "relevant experience":

(a) length of employment with the issuer and other issuers and the roles he/she played;

(b) familiarity with the Listing Rules and other relevant laws and regulations including the SFO, the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Takeovers Code;

(c) relevant training taken and/or to be taken in addition to the minimum requirement under Rule 3.29 of the Listing Rules; and

(d) professional qualifications in other jurisdictions.

The Company has appointed Ms. Qu Cong (瞿驄) ("Ms. Qu") as one of the joint company secretaries of the Company. She has extensive experience with international capital market, corporate governance, communication with regulatory authorities and investor relationship and is currently the secretary to the Board, mainly responsible for the Board related matters, information disclosure and investor relations management of our Group. However, Ms. Qu does not possess the qualifications under Rule 3.28 of the Listing Rules, and may not be able to fulfill the requirements of the Listing Rules on her own. Therefore, the Company has appointed Ms. So Shuk Yi Betty (蘇淑儀) ("Ms. So"), a fellow member of both The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators in the United Kingdom, who is qualified under Rule 3.28 of the Listing Rules to act as a joint company secretary and to work closely with and provide assistance to Ms. Qu. The term of the appointment of Ms. Qu and Ms. So as the joint company secretaries is three years commencing from the Listing Date.

The following arrangements have been, or will be, put in place to assist Ms. Qu in acquiring the qualifications and experience as the company secretary of the Company required under Rule 3.28 of the Listing Rules:

(i) In the course of the preparation of the application for the Listing, Ms. Qu has been provided with a memorandum and has attended a training seminar on the respective obligations of the Directors and senior management and the Company under the relevant Hong Kong laws and the Listing Rules provided by the Company's Hong Kong legal advisor.

(ii) In addition to the minimum training requirements under Rule 3.29 of the Listing Rules, the Company will ensure that Ms. Qu continues to have access to relevant training and support to familiarize herself with the Listing Rules and the duties of a company secretary of a company listed on the Hong Kong Stock Exchange, and to receive updates on the latest changes to the applicable Hong Kong laws, regulations and the Listing Rules. Furthermore, the Company will ensure that both Ms. Qu and Ms. So will seek and have access to the advice from the Company's Hong Kong legal advisor and other professional advisors as and when required.

(iii) Ms. So will assist Ms. Qu to acquire the "relevant experience" as required under Note 2 to Rule 3.28 of the Listing Rules and to discharge her functions as a joint company secretary. Ms. Qu will be assisted by Ms. So for an initial period of three years commencing from the Listing Date. As part of the arrangement, Ms. So will act as one of the joint company secretaries of the Company and communicate regularly with Ms. Qu on matters relating to corporate governance, the Listing Rules as well as other laws and regulations which are relevant to the Company. Ms. So will also assist Ms. Qu in organizing Board meetings and shareholders' meetings of the Company as well as other matters of the Company which are incidental to the duties of a company secretary.

(iv) The Company has appointed Somerley Capital Limited as its compliance adviser for the purpose of Rule 3A.19 of the Listing Rules. The compliance adviser will act as the Company's additional channel of communication with the Hong Kong Stock Exchange, and provide professional guidance and advice to the Company and its joint company secretaries as to the compliance with the Listing Rules and all other applicable laws and regulations.

We have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted us, a waiver from strict compliance with the requirements of Rules 3.28 and 8.17 of the Listing Rules. Prior to the expiry of the initial three-year period, the qualifications of Ms. Qu will be re-evaluated to determine whether the requirements as stipulated in Note 2 to Rule 3.28 of the Listing Rules can be satisfied.

CONTINUING CONNECTED TRANSACTIONS

We have entered into, and are expected to continue, transaction(s) which will constitute non-exempt continuing connected transaction(s) of our Company under the Listing Rules upon the Listing. Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver in relation to such continuing connected transaction(s) between us and certain connected persons under Chapter 14A of the Listing Rules. Please see the section headed "Connected Transactions" in this Prospectus for further details of these transaction(s).

WAIVER IN RELATION TO THE PUBLICATION OF INTERIM REPORT

Rule 13.48(1) of the Hong Kong Listing Rules requires an issuer to send an interim report or a summary interim report in respect of the first six months of the financial year within three months after the end of that period. Practice Note 10 of the Listing Rules requires newly listed issuers to prepare and publish interim reports in respect of the first six month period where the deadline for publishing the reports falls after the date on which dealings in the securities of the issuer commenced.

As the Company has included in this Prospectus the audited financial information in respect of the six months ended June 30, 2018, our Directors believe that strict compliance with the requirements of Rule 13.48(1) and Practice Note 10 of the Listing Rules would not provide our Shareholders and potential investors with further material information of the Company and would incur unnecessary administrative cost and be unduly burdensome for the Company. In addition, as confirmed by Conyers Dill & Pearman, the Company's legal counsel on Cayman Islands law, the Company has no obligation under its Articles or the laws or regulations of Cayman Islands or any other regulatory requirements in the Cayman Islands to publish interim report. Thus, the Company will not be in breach of the Articles or the laws and regulations of Cayman Islands or other regulatory requirements regarding its obligation to publish interim report.

Accordingly, we have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted us, a waiver from strict compliance with the requirement of Rule 13.48(1) and Practice Note 10 of the Hong Kong Listing Rules in respect of the issue of an interim report for the six months ended June 30, 2018.

In addition, the Company has included in this Prospectus a statement as to whether we intend to comply with the provisions in the Corporate Governance Code and Corporate Governance Report set out in Appendix 14 to the Hong Kong Listing Rules (except for Code provision A.2.1) and the Model Code for Securities Transactions by the Directors of Listed Issuers set out in Appendix 10 to the Listing Rules upon the Listing. Please see "Directors and Senior Management — Compliance with Corporate Governance Code".

WAIVER IN RELATION TO PUBLIC FLOAT REQUIREMENTS

The Company has applied to the Stock Exchange to request the Stock Exchange to exercise its discretion under 8.08(1)(d), and the Stock Exchange has granted the Company a waiver from strict compliance with the requirements of Rule 8.08(1)(a) of the Listing Rules.

Rule 8.08(1)(a) of the Listing Rules requires that there shall be an open market for the securities for which listing is sought, and that a sufficient public float of an issuer's listed securities shall be maintained. This normally means that at least 25% of the issuer's total issued share capital must at all times be held by the public. Pursuant to Rule 8.08(1)(d) of the Listing Rules, the Stock Exchange may, subject to certain conditions and at its discretion, accept a lower percentage of between 15% and 25% in the case of issuers with an expected market capitalization at the time of listing of over HK$10 billion.

Based on the minimum Offer Price of HK$14.80 and assuming no exercise of the Over-allotment Option, we expect that our market capitalization will be no less than approximately HK$78.44 billion at the time of Listing.

Accordingly, our minimum public float shall be the highest of:

(i) 15% of the Company's total issued share capital;

(ii) such percentage of Shares to be held by the public immediately after the completion of the Global Offering (assuming that the Over-allotment Option is not exercised); and

(iii) such percentage of Shares to be held by the public immediately after the completion of the Global Offering (as increased by the Shares to be issued upon any exercise of the Over-allotment Option) provided that the highest of (i), (ii) and (iii) above is below the minimum public requirement of 25% under Rule 8.08(1) of the Listing Rules.

In order to support the application of this waiver, we have confirmed to the Stock Exchange that:

(i) we will have an expected market capitalization at the time of Listing of over HK$10 billion;

(ii) the quantity and scale of the Shares would enable the market to operate properly with a lower percentage of public float;

(iii) we will make appropriate disclosure of the lower percentage of public float as approved by the Stock Exchange in this Prospectus; and

(iv) we will confirm sufficiency of public float in our successive annual reports after the Listing.

WAIVER IN RESPECT OF THE CLAWBACK MECHANISM UNDER PARAGRAPH 4.2 OF PRACTICE NOTE 18 OF THE LISTING RULES

We have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with Paragraph 4.2 of Practice Note 18 of the Listing Rules such that, in the event of over-applications in the Hong Kong Public Offering, the Joint Global Coordinators will apply an alternative clawback mechanism following the closing of the application lists. For further information, please refer to the section headed "Structure of the Global Offering — The Hong Kong Public Offering — Reallocation and Clawback" in this Prospectus.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This Prospectus and the related Application Forms, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Hong Kong Companies (Winding Up and Miscellaneous Provisions) Ordinance, the SFO, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Hong Kong Listing Rules for the purpose of giving information to the public with regard to our Group. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this Prospectus are accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this Prospectus misleading.

FULLY UNDERWRITTEN

This Prospectus is published solely in connection with the Hong Kong Public Offering, which forms part of the Global Offering. The Global Offering comprises the International Offering of initially 386,322,000 Offer Shares and the Hong Kong Public Offering of initially 38,208,000 Offer Shares, each subject to the reallocation on the basis as described in the section headed "Structure and Conditions of the Global Offering" in this Prospectus and without taking into account the Over-allotment Option.

The Listing is sponsored by the Joint Sponsors and the Global Offering is managed by the Joint Global Coordinators. Subject to the terms of the Underwriting Agreements, the Hong Kong Offer Shares are fully underwritten by the Hong Kong Underwriters and the International Offer Shares are fully underwritten by the International Underwriters. Further information regarding the Underwriters and the underwriting arrangements are set out in the section headed "Underwriting" in this Prospectus.

INFORMATION ON THE GLOBAL OFFERING

The Hong Kong Offer Shares are offered solely on the basis of the information contained and representations made in this Prospectus and the Application Forms and on the terms and subject to the conditions set out herein and therein. No person is authorized to give any information in connection with the Global Offering or to make any representation not contained in this Prospectus and the relevant Application Forms, and any information or representation not contained herein and therein must not be relied upon as having been authorized by our Company, the Joint Sponsors, Joint Global Coordinators, Joint Bookrunners and any of the Underwriters, any of their respective directors, senior management, authorized representatives, agents, employees or advisers or any other party involved in the Global Offering.

Neither the delivery of this Prospectus nor any subscription or acquisition made under it shall, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in our affairs since the date of this Prospectus or imply that the information contained in this Prospectus is correct as of any date subsequent to the date of this Prospectus.

Details of the structure of the Global Offering, including its conditions, are set out in the section headed "Structure and Conditions of the Global Offering" in this Prospectus, and the procedures for applying for Hong Kong Offer Shares are set out in "How to Apply for Hong Kong Offer Shares" in this Prospectus and the relevant Application Forms.

DETERMINATION OF THE OFFER PRICE

The Offer Shares are being offered at the Offer Price which will be determined by the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company on or around September 18, 2018 and in any event no later than September 20, 2018.

If the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and the Company are unable to reach an agreement on the Offer Price on or before September 20, 2018 or such later date or time as may be agreed between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and the Company, the Global Offering will not proceed and will lapse.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

We have applied to the Listing Committee for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Capitalization Issue and the Global Offering.

Dealings in the Shares on the Stock Exchange are expected to commence on September 26, 2018. No part of Shares or loan capital is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought. All the Offer Shares will be registered on the Hong Kong Share Registrar of our Company in order to enable them to be traded on the Stock Exchange.

Under section 44B(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, any allotment made in respect of any application will be invalid if the listing of, and permission to deal in, the Shares on the Stock Exchange is refused before the expiration of three weeks from the date of the closing of the application lists, or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to our Company by the Stock Exchange.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Global Offering are recommended to consult their professional advisers as to the taxation implications of subscribing for, purchasing, holding or disposing of, and/or dealing in the Shares or exercising any rights attached to them. Our Company, the Joint Sponsors, Joint Global Coordinators, Joint Bookrunners, the Underwriters, any of our/their respective affiliates, respective directors, officers, employees, agents or representatives or advisors or any other person or party involved in the Global Offering do not accept responsibility for any tax effects on, or liabilities of, any person resulting from the subscription, purchase, holding, disposal of, or dealing in, the Shares or exercising any rights attached to them.

OVER-ALLOTMENT OPTION AND STABILIZATION

Details of the arrangements relating to the Over-allotment Option and Stabilization are set out in the section headed "Structure and Conditions of the Global Offering" in this Prospectus.

PROCEDURES FOR APPLICATION FOR HONG KONG OFFER SHARES

The application procedures for the Hong Kong Offer Shares are set forth in the section headed "How to Apply for Hong Kong Offer Shares" in this Prospectus and on the related Application Forms.

SHARE REGISTER AND HONG KONG STAMP DUTY

Our principal register of members will be maintained in the Cayman Islands. All of the Shares allocated pursuant to the Global Offering will be registered on the Company's register of members to be maintained in Hong Kong by our Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited. Dealings in the Shares registered in our Company's Hong Kong Share Registrar will be subject to Hong Kong stamp duty.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of the listing of, and permission to deal in, the Shares on the Stock Exchange and compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or on any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

All necessary arrangements have been made for the Shares to be admitted into CCASS. Investors should seek the advice of their stockbroker or other professional adviser for details of those settlement arrangements and how such arrangements will affect their rights and interests.

COMMENCEMENT OF DEALINGS IN SHARES

Dealings in the Shares on the Hong Kong Stock Exchange are expected to commence on September 26, 2018. Shares will be traded in board lots of 1,000 Shares each.

EXCHANGE RATE CONVERSION

Solely for your convenience, this Prospectus contains translations of certain Renminbi amounts into U.S. dollars and Hong Kong Dollars as well as Singapore dollars into U.S. dollars at specified rates. No representation is made that the amounts denominated in one currency could actually be converted into another currency at the rates indicated or at all. Unless we indicate otherwise, (i) the translation of Renminbi into U.S. dollars was made at the rate of RMB6.8300 to US$1.00, the noon buying rate in effect on August 31, 2018 as set forth in the H.10 weekly statistical release of the Federal Reserve Board dated September 4, 2018; (ii) the translation of Hong Kong Dollars into

U.S. dollars was made at the rate of HK$7.8486 to US$1.00; (iii) the translation of Singapore dollars into U.S. dollars was made at the rate of SGD1.3722 to US$1.00, the noon buying rate in effect on August 31, 2018 as set forth in the H.10 weekly statistical release of the Federal Reserve Board dated September 4, 2018; and (iv) the translation of Renminbi into Hong Kong Dollars was made at the rate of RMB0.87079 to HK$1.00, the median rate set by the PBOC for foreign exchange transactions prevailing on September 3, 2018. Any discrepancies in any table between totals and sums of amounts listed therein are due to rounding.

TRANSLATION

If there is any inconsistency between this Prospectus and the Chinese translation of this Prospectus, this Prospectus shall prevail. Translated English names of Chinese laws and regulations, governmental authorities, departments, entities (including certain of our subsidiaries), institutions, natural persons, facilities, certificates, titles and the like included in this Prospectus and for which no official English translation exists are unofficial translations for identification purposes only. In the event of any inconsistency, the Chinese name prevails.

ROUNDING

In this prospectus, where information is presented in hundreds, thousands, ten thousands, millions or hundred millions, certain amounts of less than one hundred, one thousand, ten thousand, one million or a hundred million, as the case may be, have been rounded to the nearest hundred, thousand, ten thousand, million or hundred million, respectively. Amounts presented as percentages have, in certain cases, been rounded to the nearest tenth or hundredth of a percent. Any discrepancies in any table or chart between totals and sums of amounts listed therein are due to rounding.

DIRECTORS

Name	Address	Nationality
Executive Directors and non-executive Directors		
Mr. Zhang Yong (張勇)	21 Gallop Road Singapore 258984	Singapore
Ms. Shu Ping (舒萍)	21 Gallop Road Singapore 258984	Singapore
Mr. Shi Yonghong (施永宏)	No. 4, Building 10 No. 1 Hebin Road Jinjiang District Chengdu City, Sichuan Province PRC	PRC
Mr. Shao Zhidong (邵志東)	No. 19, XinJie Kou Wai Street Haidian District Beijing PRC	PRC
Mr. Tong Xiaofeng (佟曉峰)	No. 1, Unit 6, Building 429 Yongding Road 85 Haidian District Beijing PRC	PRC
Independent non-executive Directors		
Dr. Chua Sin Bin (蔡新民)	19 Oxley Road #12-01 Orchard Court Singapore 238619	Singapore
Mr. Hee Theng Fong (許廷芳)	16 Greenleaf Grove Singapore 1027	Singapore
Mr. Qi Daqing (齊大慶)	No. 63 Seabee Lane Headland Village Discovery Bay Lantau New Territories Hong Kong	Hong Kong

Please see the section headed "Directors and Senior Management" in this Prospectus for further details of our Directors.

PARTIES INVOLVED IN THE GLOBAL OFFERING

Joint Sponsors *(in no particular order)*	**CMB International Capital Limited** 45/F, Champion Tower 3 Garden Road Central Hong Kong
	Goldman Sachs (Asia) L.L.C. 68/F, Cheung Kong Centre 2 Queen's Road Central Hong Kong
Joint Global Coordinators and Joint Bookrunners *(in no particular order)*	**CMB International Capital Limited** 45/F, Champion Tower 3 Garden Road Central Hong Kong
	Goldman Sachs (Asia) L.L.C. 68/F, Cheung Kong Centre 2 Queen's Road Central Central Hong Kong
	China International Capital Corporation Hong Kong Securities Limited 29th Floor, One International Finance Centre 1 Harbour View Street Central Hong Kong
Joint Bookrunners *(in no particular order)*	**Citigroup Global Markets Asia Limited** (in relation to the Hong Kong Public Offering only) 50/F Champion Tower 3 Garden Road Central Hong Kong
	Citigroup Global Markets Limited (in relation to the International Offering only) Citigroup Centre 33 Canada Square Canary Wharf London E14 5LB United Kingdom

	UOB Kay Hian (Hong Kong) Limited 15/F China Building 29 Queen's Road Central Hong Kong
Legal Advisers to the Company	*As to Hong Kong and U.S. laws:* **Sidley Austin** 39th Floor, Two International Finance Centre 8 Finance Street Central Hong Kong
	As to PRC law: **Jingtian & Gongcheng** 34/F, Tower 3, China Central Place 77 Jianguo Road Beijing, PRC
	As to Cayman Islands law: **Conyers Dill & Pearman** Cricket Square Hutchins Drive PO Box 2681 Grand Cayman KY1-1111 Cayman Islands
	As to Taiwan law: **Lee and Li, Attorneys-at-Law** 9F, 201 Tun Hua N. Road Taipei, Taiwan
	As to Singapore law: **Drew & Napier LLC** 10 Collyer Quay #10-01 Ocean Financial Centre Singapore 049315
Legal Advisers to the Joint Sponsors, Joint Global Coordinators and the Underwriters	*As to Hong Kong and U.S. laws:* **Clifford Chance** 27/F Jardine House One Connaught Place Central Hong Kong

	As to PRC law: **Grandall Law Firm (Shanghai)** 23-25/F, Garden Square 968 West Beijing Road Shanghai, PRC
Auditor and Reporting Accountant	**Deloitte Touche Tohmatsu** *Certified Public Accountants* 35/F One Pacific Place 88 Queensway Hong Kong
Industry Consultant	**Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.** Room 1018, Tower B No. 500 Yunjin Road Xuhui District Shanghai, 200232 PRC
Receiving Banks	**Bank of China (Hong Kong) Limited** 1 Garden Road Hong Kong **Wing Lung Bank Limited** 16th Floor, Wing Lung Bank Building, 45 Des Voeux Road Central Hong Kong

Registered Office	Cricket Square Hutchins Drive PO Box 2681 Grand Cayman KY1-1111 Cayman Islands
Head Office and Principal Place of Business in the PRC	7th Floor, No.1 Building No. 398 Yard, Zhongdong Road Dongxiaokou Town, Changping District Beijing, PRC
Principal Place of Business in Hong Kong	40/F, Sunlight Tower 248 Queen's Road East Wanchai Hong Kong
Company's Website	www.haidilao.com (The information on the website does not form part of this Prospectus)
Joint Company Secretaries	Ms. Qu Cong (瞿驄) Room 3141 Huoxing Yard Taiyang Xingcheng, Xibahe Road Chaoyang District Beijing PRC Ms. So Shuk Yi Betty 40/F, Sunlight Tower 248 Queen's Road East Wanchai Hong Kong *(a fellow member of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators in the United Kingdom)*
Authorized Representatives	Mr. Tong Xiaofeng (佟曉峰) No. 1, Unit 6, Building 429 Yongding Road 85 Haidian District Beijing PRC

	Ms. Qu Cong (瞿聰) Room 3141 Huoxing Yard Taiyang Xingcheng, Xibahe Road Chaoyang District Beijing PRC
Audit Committee	Mr. Qi Daqing (齊大慶) (Chairman) Ms. Shu Ping (舒萍) Mr. Hee Theng Fong (許廷芳)
Nomination Committee	Mr. Zhang Yong (張勇) (Chairman) Mr. Hee Theng Fong (許廷芳) Mr. Qi Daqing (齊大慶)
Remuneration Committee	Mr. Hee Theng Fong (許廷芳) (Chairman) Mr. Zhang Yong (張勇) Dr. Chua Sin Bin (蔡新民)
Compliance Adviser	**Somerley Capital Limited** 20/F, China Building 29 Queen's Road Central Hong Kong
Hong Kong Share Registrar	**Computershare Hong Kong Investor Services Limited** Shops 1712-1716 17th Floor, Hopewell Centre 183 Queen's Road East Wan Chai Hong Kong
Principal Share Registrar and Transfer Office	**Conyers Trust Company (Cayman) Limited** Cricket Square, Hutchins Drive PO Box 2681 Grand Cayman, KY1-1111 Cayman Islands
Principal Banks	**China Merchants Bank, Beijing North Third Ring Branch** First Floor, Block D Global Trade Center No. 36, North Third Ring Road East Dongcheng District, Beijing PRC

Certain information and statistics set out in this section and elsewhere in this Prospectus relating to the industry in which we operate are derived from the F&S Report prepared by Frost & Sullivan, an independent industry consultant which was commissioned by us. As part of the preparation of the F&S Report, we commissioned Frost & Sullivan to conduct a guest survey and employee survey ("F&S Survey"). The information extracted from the F&S Report should not be considered as a basis for investments in the Offer Shares or as an opinion of Frost & Sullivan as to the value of any securities or the advisability of investing in our Company. We believe that the sources of such information and statistics are appropriate for such information and statistics and have taken reasonable care in extracting and reproducing such information and statistics. We have no reason to believe that such information and statistics are false or misleading or that any fact has been omitted that would render such information and statistics false or misleading in any material respect. Our Directors have confirmed, after making reasonable enquiries and exercising reasonable care, that there is no adverse change in the market information since the date of publication of the F&S Report or any of the other reports which may qualify, contradict or have an impact on the information in this section. No independent verification has been carried out on such information and statistics by us, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters or any other parties involved in the Global Offering or their respective directors, officers, employees, advisers, or agents, and no representation is given as to the accuracy or completeness of such information and statistics. Accordingly, you should not place undue reliance on such information and statistics. Unless and except for otherwise specified, the market and industry information and data presented in this section is derived from the F&S Report.[(1)]

PRC CATERING SERVICE MARKET — CHINESE CUISINE DOMINATING AND SELF-OPERATED CHAINS INCREASINGLY POPULAR

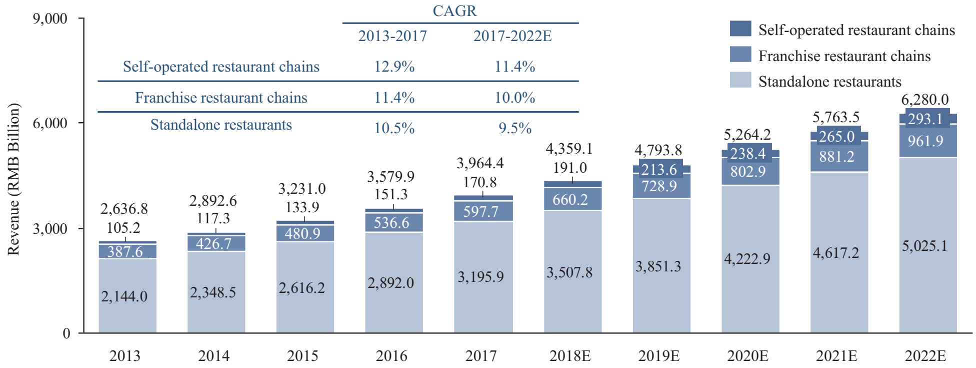
The PRC catering service market has grown steadily and rapidly in recent years from a total revenue of RMB2,636.8 billion in 2013 to RMB3,964.4 billion in 2017, representing a CAGR of 10.7% during this period. The growth of the PRC catering service market is primarily driven by the country's increasing urbanization and consumption upgrades of the PRC population. The PRC catering service market is expected to continue its steady and fast-paced growth at a CAGR of 9.6% from 2017 to 2022, reaching a total revenue of RMB6,280.0 billion by 2022.

The PRC catering service market has traditionally been fragmented and dominated by standalone restaurants. Due to difficulties in developing and managing scalable and standardized operations, developing reliable supply chains and ensuring high quality, safe and fresh food ingredients, self-operated restaurant chains accounted for only 4.3% of the PRC catering service market in 2017. However, with the increasing consumer focus on brand reputation, food safety, and food and service quality, growth of self-operated restaurant chains is expected to outpace standalone restaurants and franchised restaurant chains at a CAGR of 11.4% from 2017 to 2022, primarily because chain restaurant brands generally have stronger capital platforms, higher brand awareness and reputation, better control over food safety, and offer high quality food and services.

(1) The contract sum to Frost & Sullivan is RMB680,000 for the preparation and use of the F&S Report, and we believe that such fees are consistent with the market rate. Frost & Sullivan is an independent global consulting firm, which was founded in 1961 in New York. In compiling and preparing the F&S Report, Frost & Sullivan has adopted the following assumptions: (i) China's economy is likely to maintain steady growth in the next decade; (ii) China's social, economic and political environment is likely to remain stable in the forecast period; and (iii) market drivers like the growing per capita disposable income, increasing urbanization rate, continuous innovation, development of technology and government support are likely to drive the catering service market.

Frost & Sullivan has conducted detailed primary research which involved discussing the status of the industry with leading industry participants and industry experts. Frost & Sullivan has also conducted secondary research which involved reviewing company reports, independent research reports and data based on its own research database. Frost & Sullivan has obtained the figures for the projected total market size from historical data analysis plotted against macroeconomic data as well as specific related industry drivers.

Numbers marked with "~" are approximates.

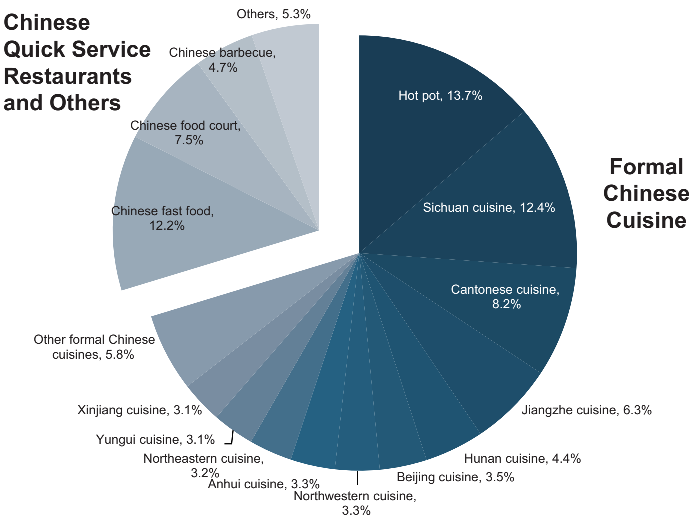


Source: Frost & Sullivan Analysis

The PRC catering service market comprises three segments, namely, Chinese cuisine, Western cuisine and other cuisines. The Chinese cuisine segment accounted for a significant portion of the overall PRC catering service market, with a 80.5% market share in 2017. The Chinese cuisine segment grew from a total revenue of RMB2,184.6 billion in 2013 to RMB3,192.0 billion in 2017, representing a CAGR of 9.9% during this period. Going forward, this segment is expected to continue its growth at a CAGR of 8.9% from 2017 to 2022, reaching a total revenue of RMB4,888.7 billion by 2022.

The Chinese cuisine market in the PRC can be further categorized into formal Chinese restaurants (such as hot pot, Sichuan cuisine and Cantonese cuisine) and Chinese quick service restaurants and others (such as Chinese barbecue and street food). Formal Chinese restaurants refer to Chinese cuisine restaurants that provide table service. Hot pot restaurants are one type of formal Chinese restaurants. Chinese quick service restaurants and others refer to restaurants that provide a simple dining ambiance and a limited number of dishes with limited or no table service.

Among all Chinese cuisine styles, hot pot had the largest market share in the Chinese cuisine market in the PRC, with a 13.7% market share in terms of 2017 revenue. The following chart sets forth a breakdown by Chinese cuisine market by cuisine style in terms of 2017 revenue.



Source: Frost & Sullivan Analysis

PRC HOT POT SEGMENT — FAST GROWING AND MOST POPULAR CHINESE CUISINE STYLE

Overview

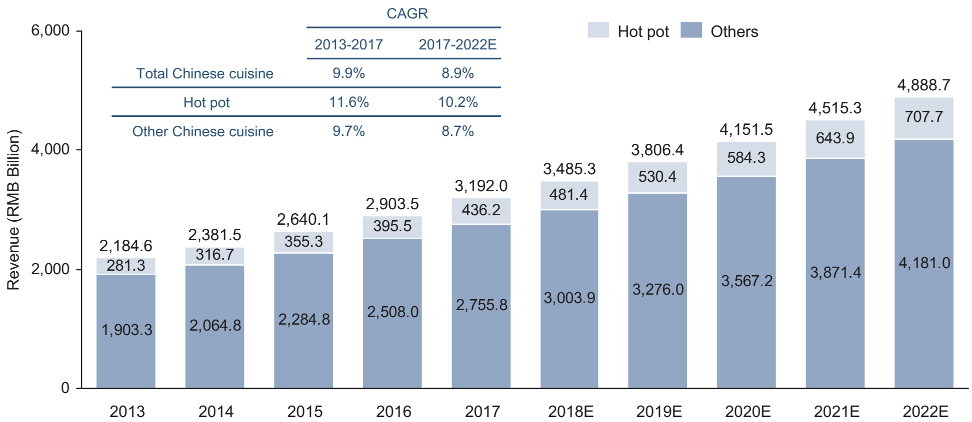
Hot pot is one of the most representative Chinese cuisine styles, with a history of over 1,700 years. Hot pot is prepared with a simmering pot of soup stock at the dining table, containing a variety of East Asian food ingredients. While the hot pot is kept simmering, ingredients are placed into the pot and are cooked at the table. Typical hot pot dishes include thinly sliced meat, leafy vegetables, root vegetables and mushrooms, meatballs, tofu and seafood. The cooked food ingredients are usually eaten with a dipping sauce.

Hot pot is the most popular dine-out option in the PRC within the Chinese cuisine segment. The warm and comforting nature of hot pot has made it a popular cuisine enjoyed in social gatherings by friends and family. In addition, the popularity of hot pot is attributable to the diverse food ingredients available, the ability to personalize to taste preferences, the fresh and healthy cooking method and the social element of the cuisine. Diners are able to choose from a wide range of food ingredients to add to their hot pot. Because diners can usually choose the soup base and personalize their own dipping sauce, the hot pot meal can be easily tailored to suit different taste preferences. As food ingredients are freshly cooked at the diners' tables, hot pot is a healthy option among Chinese cuisines, and often preferred as PRC consumers increasingly value food quality and nutrition.

There are three major styles of hot pot in the PRC, namely Sichuan style, Cantonese style and Mongolian style. Sichuan style hot pot, which is known for its spicy and numbing flavor, accounted for approximately 64.2% of the PRC hot pot restaurant market in terms of revenue in 2017 and is the most popular hot pot style in the PRC, according to the F&S Survey.

Market Size

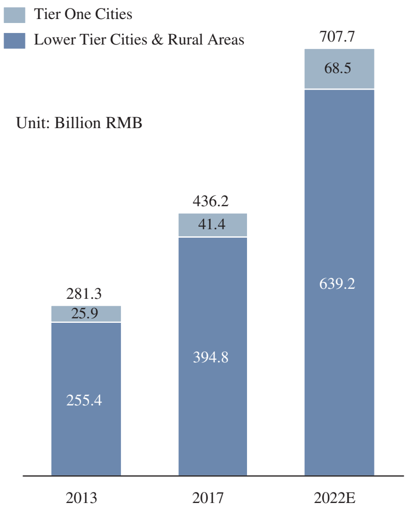
Owing to its popularity and the overall growth of the PRC catering service market, the hot pot restaurant market grew from a total revenue of RMB281.3 billion in 2013 to RMB436.2 billion in 2017 representing a CAGR of 11.6% during this period. Going forward, the hot pot restaurant market is expected to continue growing at a CAGR of 10.2% from 2017 to 2022, representing one of the fastest-growing segments among the different types of Chinese cuisine, reaching a total revenue of RMB707.7 billion by 2022. The following chart sets forth PRC's hot pot restaurant market, as a part of the Chinese cuisine segment, in terms of revenue from 2013 to 2022.



Source: National Bureau of Statistics, Frost & Sullivan Analysis

The number of hot pot restaurants in the PRC increased from approximately 406,000 in 2013 to 601,000 in 2017. Frost & Sullivan believes that, compared to other types of Chinese cuisines, hot pot restaurant chains have significant growth potential, supported by the popularity of hot pot cuisine as well as the unique business model of a hot pot chain restaurant with a relatively high degree of scalability and standardization. The number of hot pot restaurants in the PRC is expected to increase to 896,000 in 2022.

The hot pot restaurant market in tier one and lower-tier and rural areas has and is expected to grow at a steady pace. The following diagram shows the growth of the hot pot restaurant market and its market share in the Chinese cuisine market in the PRC in terms of revenue.



	CAGR	
	2013-2017	2017-2022E
Total Hot Pot Market	11.6%	10.2%
Tier One Cites	12.4%	10.6%
Lower Tier Cities & Rural Areas	11.5%	10.1%

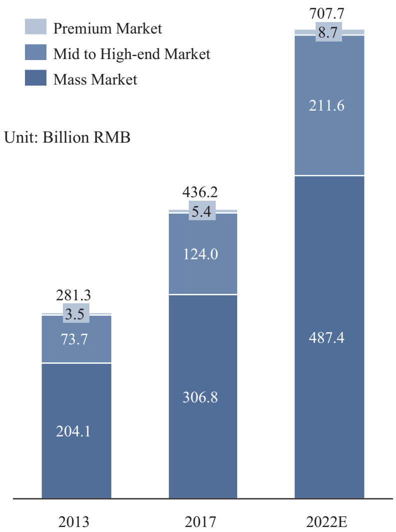
	Proportion of Hot Pot Segment in Chinese Cuisine Market		
	2013	2017	2022E
Total Hot Pot Market	12.9%	13.7%	14.5%
Tier One Cities	12.8%	13.6%	14.4%
Lower Tier Cities & Rural Areas	12.9%	13.7%	14.5%

Source: Frost & Sullivan Analysis

With rising income and increasingly fast-paced life, people in tier one cities have increasing demand for dining out, especially for the restaurants providing high-quality food with good atmosphere. This is expected to continue to drive the development of hot pot restaurants market in tier one cities.

In addition, although the hot pot restaurant market in lower-tier cities and rural areas grew at a slightly slower pace with a CAGR of 11.5% from 2013 to 2017, the hot pot restaurant market in these regions has significant growth potential as lower-tier cities and rural areas become wealthier and increasingly urbanized. The market will also be driven by the increasingly popular dining-out culture in lower-tier cities. Moreover, the market size of lower-tier cities and rural areas has and is expected to continue to account for approximately 90% of the overall hot pot restaurant market in the PRC, which in turn provides significant room for growth.

The following chart sets forth the hot pot restaurant market breakdown by average spending per guest level in terms of revenue.



	Average spending per guest	CAGR 2013-2017	CAGR 2017-2022E
Premium Market	Over RMB200	11.4%	10.0%
Mid to High-end Market	RMB60 to RMB200	13.9%	11.3%
Mass Market	Below RMB60	10.7%	9.7%

Source: Frost & Sullivan Analysis

The growth of the mid- to high-end hot pot restaurant market has been the fastest from 2013 to 2017 as compared to the premium market and mass market, with a CAGR of 13.9% during this period. Urbanization and consumption upgrades have been the main drivers for the growth of the mid- to high-end hot pot restaurant market in China, as consumers have more spending power and increasingly value higher-quality food ingredients and restaurants with a comfortable atmosphere and better service quality. In addition, as Chinese society becomes increasingly fast-paced, more and more people prefer to dine out as they have little time to cook at home. Driven by these factors, the mid- to high-end hot pot restaurant market is expected to continue to display the fastest growth from 2017 to 2022 at a CAGR of 11.3%, reaching a total revenue of RMB211.6 billion by 2022.

RAPIDLY EXPANDING FOOD DELIVERY SERVICE MARKET

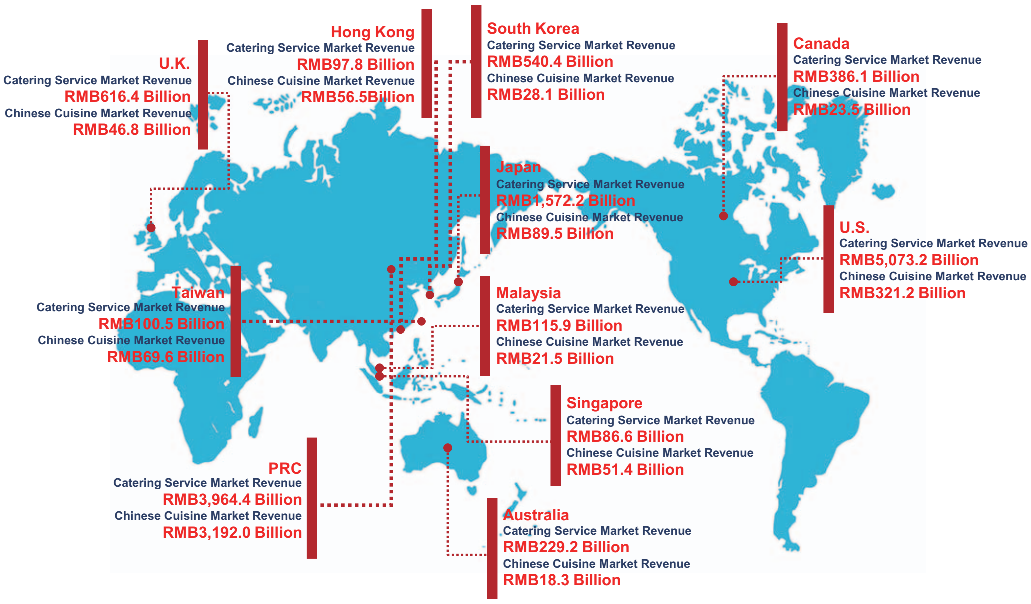
The food delivery service market in China witnessed rapid growth during the past several years, primarily driven by the increased popularity of online food delivery platforms and apps, as well as changes in lifestyles and dining preferences in younger population. Food delivery service generally has higher profit margins compared with traditional restaurants due to the relatively lower capital investments and fixed costs. As a result, an increasing number of restaurants have begun to offer food delivery services. The total revenue generated from the food delivery service market increased from RMB46.5 billion in 2013 to RMB209.1 billion in 2017, representing a CAGR of 45.6% and accounting for 5.3% of the overall PRC catering service market in 2017. It is expected that total revenue generated from the food delivery service market will increase to RMB477.0 billion in 2022, accounting for 7.6% of the overall PRC catering service market, which represents a CAGR of 17.9% from 2017 to 2022.

Due to the nature of hot pot, hot pot delivery business imposes higher requirements on freshness, quality control and standardization. As a result, only a limited number of the hot pot restaurants in China have the capability of providing hot pot delivery service. Haidilao is the first restaurant brand in the PRC to introduce self-operated hot pot delivery service.

INCREASING POPULARITY OF CHINESE CUISINE IN OVERSEAS MARKETS

The popularity of Chinese cuisine has grown steadily worldwide primarily due to the increasing influence of Chinese culture and growing acceptance of Chinese food globally. The global Chinese cuisine market increased from a total revenue of RMB3,536.1 billion in 2012 to RMB5,022.1 billion in 2017, representing a CAGR of 9.2% during this period, and is expected to continue its growth at a CAGR of 8.3% to reach RMB7,480.3 billion in 2022. Because hot pot can be easily adapted to local tastes and preferences, hot pot is expected to increase in popularity globally in the future.

Historically, Chinese cuisine had a larger market share in East Asia and Southeast Asia as well as in countries and regions with large Chinese populations. Going forward, Chinese cuisine is expected to continue to grow in market share as Chinese culture becomes more popular, and as Chinese cuisine adapts to local taste preferences to be more accepted by non-Chinese communities. The chart below sets forth the market size in terms of 2017 revenue and market share of the Chinese cuisine market in 2017 in major countries or regions.



Source: National Bureau of Statistics, Frost & Sullivan Analysis

COMPETITIVE LANDSCAPE

Competitive Landscape in the PRC

Chinese Cuisine Market - Haidilao Leading in a Highly Fragmented Market

The Chinese cuisine market in the PRC is highly fragmented, with the five largest players holding only 0.8% of the total market share in 2017. Haidilao ranked first in the Chinese cuisine market in the PRC in 2015, 2016 and 2017 in terms of revenue. Haidilao also had the highest annual guest traffic at approximately 103.2 million guests in 2017. In 2017, Haidilao was one of the fastest growing restaurant groups among major Chinese restaurant groups. In addition, Haidilao ranked first among major Chinese cuisine brands in terms of certain key performance indices, including but not limited to table turnover rate, annual sales per restaurant and annual guest traffic.

The table below sets forth the five largest Chinese cuisine companies in the PRC in terms of gross revenue.

Ranking	Restaurant Group	Background Information	2015 Revenue	2016 Revenue	2017 Revenue	16/17 Growth	Market Share in 2017	Total Number of Restaurants in 2017	Annual Sales Per Restaurant in 2017	Table Turnover Rate in 2017	Annual Guest Traffic in 2017	Average Spending per Guest in 2017
			RMB billion	*RMB billion*	*RMB billion*	%	%		*RMB million*		*Million people*	*RMB*
1	**OUR GROUP**	—	5.5	7.2	9.7	34.4%	0.3%	254	38.2	5.0	102.6	94.6
2	**Company A**	A Chinese cuisine company in the PRC mainly focusing on Jiangzhe cuisine. Company A was founded in 1998.	3.0	3.7	4.7	27.0%	0.1%	~270	~17	~4	~70	~65
3	**Company B**	A Chinese cuisine company in the PRC mainly focusing on Northwestern cuisine. Company B was founded in 1988.	2.0	3.5	4.3	22.9%	0.1%	~230	~19	~4	~50	~90
4	**Company C**	A Chinese cuisine company in the PRC mainly focusing on hot pot. Company C was founded in 2000.	3.2	3.3	3.9	18.2%	0.1%	~440	~9	~3	~70	~60
5	**Company D**	A Chinese cuisine company in the PRC mainly focusing on Sichuan cuisine. Company D was founded in 2001.	2.8	3.2	3.7	15.6%	0.1%	~460	~8	~3	~60	~60

Source: Frost & Sullivan Analysis

Hot Pot Restaurant Market — Haidilao the Clear Leader

Similar to the Chinese cuisine market in the PRC, the hot pot restaurant market is also highly fragmented. Players in the hot pot restaurant market are intensely competitive with respect to food quality and consistency, value of money, ambiance, service, location, supply chain and availability of trained employees. The five largest players in the hot pot restaurant market in the PRC only held an aggregate market share of 5.5% in terms of 2017 revenue. Haidilao ranked first in the hot pot restaurant market in the PRC in 2015, 2016 and 2017, with a 2.2% market share in terms of 2017 revenue. The table below sets forth the five largest hot pot restaurant groups in the PRC in terms of gross revenue.

Ranking	Restaurant Group	Background Information	2015 Revenue	2016 Revenue	2017 Revenue	16/17 Growth	Market Share in 2017	Total Number of Restaurants in 2017	Annual Sales Per Restaurant in 2017	Table Turnover Rate in 2017	Annual Guest Traffic in 2017	Average Spending per Guest in 2017
			RMB billion	*RMB billion*	*RMB billion*	%	%		*RMB million*		*Million people*	*RMB*
1	**OUR GROUP**	—	5.5	7.2	9.7	34.4%	2.2%	254	38.2	5.0	102.6	94.6
2	**Company C**	A Chinese cuisine company in the PRC mainly focusing on hot pot. Company C was founded in 2000.	3.2	3.3	3.9	18.2%	0.9%	~440	~9	~3	~70	~60
3	**Company E**	A Chinese cuisine company in the PRC mainly focusing on hot pot. Company E was founded in 1998.	2.4	2.8	3.6	28.6%	0.8%	~760	~5	~4	~74	~50
4	**Company F**	A Chinese cuisine company in the PRC mainly focusing on hot pot. Company F was founded in 2007.	3.0	3.0	3.4	13.3%	0.8%	~550	~6	~3	~41	~80
5	**Company G**	A Chinese cuisine company in the PRC mainly focusing on hot pot. Company G was founded in 1999.	2.6	2.6	3.3	26.9%	0.8%	~560	~6	~2	~37	~90

Source: Frost & Sullivan Analysis

Global Chinese Cuisine Market - Haidilao the Clear Leader in Overseas Expansion

The global Chinese cuisine market is highly fragmented, as there are numerous Chinese cuisine restaurants and brands all over the world. As a result, the five largest players only held a 0.6% share of the global market in terms of 2017 revenue. Haidilao was the largest Chinese cuisine company globally in 2015, 2016, and 2017 in terms of revenue. The table below sets forth the five largest Chinese cuisine companies in terms of global gross revenue.

Ranking	Restaurant Group	Background Information	2015 Revenue	2016 Revenue	2017 Revenue	16/17 Growth	Market Share in 2017	Total Number of Restaurants in 2017	Annual Sales Per Restaurant in 2017	Table Turnover Rate in 2017	Annual Guest Traffic in 2017	Average Spending per Guest in 2017
			RMB billion	*RMB billion*	*RMB billion*	*%*	*%*		*RMB million*		*Million people*	*RMB*
1	OUR GROUP	—	5.8	7.7	10.4	35.9%	0.2%	273	38.1	5.0	106.6	97.7
2	Company A	A Chinese cuisine company in the PRC mainly focusing on Jiangzhe cuisine. Company A was founded in 1998.	3.0	3.7	4.7	27.0%	0.1%	~270	~17	~4	~70	~65
3	Company B	A Chinese cuisine company in the PRC mainly focusing on Northwestern cuisine. Company B was founded in 1988.	2.0	3.5	4.3	22.9%	0.1%	~230	~19	~4	~50	~90
4	Company H	A Chinese cuisine company originated from Taiwan mainly focusing on Jiangzhe cuisine. Company H was founded in 1972.	3.2	3.7	4.2	13.5%	0.1%	~150	~29	~4	~30	~135
5	Company C	A Chinese cuisine company in the PRC mainly focusing on hot pot. Company C was founded in 2000.	3.3	3.4	4.1	20.6%	0.1%	~460	~9	~3	~70	~60

Source: Frost & Sullivan Analysis

In order to take advantage of the growth of global Chinese cuisine market, a number of China-based restaurant groups have expanded overseas in the past few years. The table below sets forth the five largest China-based restaurants in terms of overseas gross revenue in 2017.

Ranking	Restaurant Group	Background Information	2017 Overseas Revenue (RMB Million)
1	OUR GROUP	-	703
2	Company C	A Chinese cuisine company in the PRC mainly focusing on hot pot. Company C was founded in 2000.	~184
3	Company I	A Chinese cuisine company in the PRC mainly focusing on hot pot. Company I was founded in 2003.	~180
4	Company J	A Chinese cuisine company in the PRC mainly focusing on hot pot. Company J was founded in 2012.	~145
5	Company K	A Chinese cuisine company in the PRC mainly focusing on hot pot. Company K was founded in 1993.	~58

Source: Frost & Sullivan Analysis

MARKET DRIVERS AND TRENDS

The following are the key market drivers and trends of the Chinese cuisine and hot pot restaurant markets in the PRC.

- *Brand recognition and reputation.* Brand recognition and reputation is expected to become increasingly important to a restaurant group. Brand recognition and reputation is closely tied to the food taste, safety and quality, service and environment of a restaurant. Moreover, as social media, online reviews and crowd sourced review platforms become increasingly popular, these platforms will have a significant influence on the brand reputation and image of a restaurant, and on the consumption behavior of consumers.

- *Food safety, quality and nutrition.* As Chinese consumers experience consumption upgrades, it is expected that they will increasingly value higher-quality food ingredients, better restaurant atmosphere and nutritious and healthy dining options. Mid- to high-end hot pot restaurants are expected to benefit from this trend.

- *New technology.* Technology has increasingly played a role in restaurant management and has enabled restaurant to develop more guests and accelerate their growth. New technologies such as automatic ordering and automatic queue taking, enable restaurants to provide a better dining experience to guests. In addition, new technologies such as the use of big data and analytics, automated and intelligent equipment and advanced ERP systems, enable restaurants to improve management and operational efficiency.

- *Growing food delivery service market.* With society becoming increasingly fast-paced, people have less time to cook at home and may instead choose to order food delivery at home or at work. Moreover, the increasing popularity of food delivery applications has supported the growth of the food delivery services market. As a result, it is expected that the food delivery service market will grow rapidly in the future.

- *Growing dining out culture.* As the per capita annual disposable income of urban households in the PRC increase, consumers are expected to enhance their lifestyle and upgrade consumption, which will promote dining-out culture and increase demand for mid- to high-end restaurants with better services. In line with consumption upgrades, PRC consumers are increasingly seeking innovative, personalized food and services.

ENTRY BARRIERS AND CHALLENGES

Although there may not be significant entry barriers in operating and managing a single restaurant, there are significant entry barriers in becoming a large-scale chain restaurant group with multiple restaurant locations. Principal entry barriers include the following:

- *Ability to manage growth.* A large-scale chain restaurant generally has a large number of restaurant staff. Despite comprehensive internal policies, due to the labor-intensive nature of the restaurant business, it is more difficult to ensure that all of the staff comply with laws and regulations of multiple jurisdictions, especially the detailed and stringent regulations in relation to food safety.

- *Supply chain management.* The quality and the taste of hot pot depend significantly on the freshness and quality of food ingredients. For a large-scale chain restaurant group, it is crucial to have the ability to procure fresh and high quality food ingredients at favorable prices from reliable suppliers and manage the inventory and logistics for food ingredients across all of its restaurants. It is also important to ensure high quality food ingredients are available at restaurants located in different regions and countries. New entrants with less supply chain management experience may not be able to manage their supply chain effectively, which may result in higher costs as well as have an adverse effect on the guest's dining experience.

- *Initial set-up capital expenditure.* Operating a large-scale chain restaurant group requires a large amount of initial investment for rental costs, decoration costs, equipment costs and staff costs, among others. For new entrants with less capital and less bargaining power, the initial set-up capital expenditure required for large-scale operations may be too significant and insufficient revenue generated from newly operating restaurants may create cash flow problems.

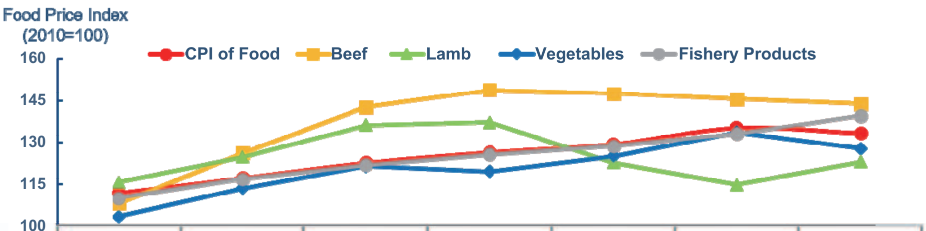
- *Increasing labor costs and high employee attrition*. Employee attrition is a pain point of the catering industry at large. Like other restaurants, hot pot restaurants require a large number of service personnel. Low attrition rates allow restaurants to maintain their service quality and continued growth. As a result, restaurants may need to offer higher salaries in order to retain experienced personnel.

INCREASING COST OF RAW MATERIALS AND LABOR

The cost of raw materials represented a major cost item for a typical hot pot restaurant in China, representing on average 55.0% of total costs in 2017. From 2010 to 2017, the 2010 based consumer price index ("**CPI**") increased from 111.8 in 2011 to 135.4 in 2016. In 2017, the overall CPI of food dropped 1.4% compared with the CPI of 2016, which is primarily due to the drop of the prices of pork and vegetables in 2017.

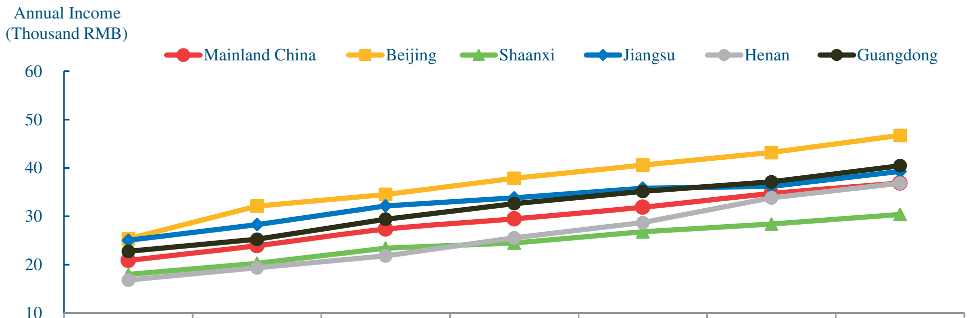
As one of the major raw material for hot pot restaurants, the price of lamb decreased sharply in 2015 and 2016 due to the sheep and goat plague and the growing amount of imported lamb. The decrease of price of lamb caused heavy losses for shepherds and led to a drop of livestock. The supply of lamb fell short of demand and prompted the recovery of lamb price in 2017. In addition, in the wholesale market, the price of beef, especially for the high-quality beef, has been increasing gradually in the past few years, along with the rise of the CPI.

The chart below sets forth the CPI of food including major food ingredients of hot pot in the PRC.



	2011	2012	2013	2014	2015	2016	2017
CPI of Food	111.8	117.2	122.7	126.5	129.4	135.4	133.5
Beef	108.1	126.2	142.7	149.0	147.6	145.7	144.0
Lamb	115.7	124.8	136.2	137.4	122.8	114.9	123.1
Vegetables	103.4	113.6	121.4	119.6	125.0	133.8	127.9
Fishery Products	110.0	116.8	121.9	125.7	128.7	133.1	139.6

In line with rapid growth of the PRC economy, labor cost in the catering service industry in major provinces and municipalities in China increased from 2011 to 2017. Labor cost is expected to grow in the future primarily due to the development of the PRC economy, increasing urbanization and consumption upgrade and inflation. The chart below sets forth the historical annual income of labor in the catering service and hospitality industry in the PRC.



	2011	2012	2013	2014	2015	2016	2017
PRC	20.9	23.9	27.4	29.5	31.9	34.7	36.9
Beijing	25.3	32.1	34.5	37.9	40.6	43.2	46.7
Shaanxi	18.0	20.3	23.4	24.5	26.8	28.4	30.4
Jiangsu	25.0	28.3	32.1	33.8	35.8	36.2	39.3
Henan	16.8	19.4	21.8	25.6	28.7	33.8	36.8
Guangdong	22.7	25.2	29.4	32.6	35.1	37.1	40.5

Source: National Bureau of Statistics, Frost & Sullivan Analysis

F&S SURVEY

From March 2018 to April 2018, we commissioned Frost & Sullivan to conduct street interceptions and digital questionnaire and face to face interviews with 1,810 participants across 15 cities in the PRC where we operate to better understand the culinary preferences and hot pot market from a consumer's perspective. Sets forth below the details of the guest survey conducted by Frost & Sullivan.[1]

- *Popularity of hot pot.* Hot pot is the most popular type of Chinese cuisine and the most popular dine-out option;
- *Brand recognition.* Haidilao had the strongest brand recognition and was the most popular dine-out option among Chinese cuisine brands;
- *Dining experience.* Haidilao ranked first in terms of dining experience among Chinese cuisine restaurant brands. Approximately 99.3% of participants who have dined at Haidilao left satisfied, among which over 50% of participants were very satisfied with the dining experience;
- *Service.* Haidilao was considered to have the best service attitude among major Chinese cuisine brands;
- *Differentiating factors.* Participants considered Haidilao's enthusiastic and intimate service, tasty dishes, hygiene and healthiness of the food and menu variety to be the key factors when choosing Haidilao. In particular, participants considered enthusiastic and intimate service to be the most differentiating factor in Haidilao's dining experience; and
- *Repeat guests.* 68.3% of the participants who have dined at Haidilao visit at least once every month and 98.2% of the participants who have dined at Haidilao would visit again.

1 The survey questions in relation to each guest survey result are set out as follows:

- *Popularity of hot pot.* (i) What kind of restaurants do you most frequently visit? (ii) Which three of the following cuisines do you prefer the most? (iii) Among the three chosen cuisines, which one do you prefer the most?
- *Brand recognition.* (i) What is the first Chinese cuisine brand that comes to your mind? (ii) What cuisine brand do you most frequently visit?
- *Dining experience.* (i) Which brand do you think offers the best dining experience? (ii) How do you like Haidilao?
- *Service.* Which brand do you think have the best service?
- *Differentiating factors.* (i) Which of the following reasons prompted you to eat at Haidilao? (ii) Compared to other Chinese cuisine restaurants, what do you think are Haidilao's advantages?
- *Repeat guests.* (i) How often do you dine at Haidilao? (ii) Will you visit Haidilao again?

HISTORY AND DEVELOPMENT

Overview

Our Company was incorporated in the Cayman Islands on July 14, 2015 and is the holding company of our Group. Our Group has, since its establishment, principally conducted the hot pot restaurant business. The history of our Group can be traced back to 1994, when our first hot pot restaurant was established under the "Haidilao" (海底撈) brand in Jianyang, Sichuan province. Our Founders, Mr. Zhang, Ms. Shu (the spouse of Mr. Zhang), Mr. Shi Yonghong and Ms. Li Haiyan (the spouse of Mr. Shi Yonghong), funded our first restaurant with their personal savings. See "Directors and Senior Management" section in this Prospectus for the relevant industry experience of Mr. Zhang, Ms. Shu and Mr. Shi Yonghong. Ms. Li Haiyan has been serving as a supervisor of Sichuan Haidilao since 2009. As of the Latest Practicable Date, we operated 363 hot pot restaurants in the PRC, Hong Kong, Taiwan and internationally in South Korea, Japan, Singapore and the United States.

Milestones

The following table sets forth the key milestones and achievements in our history and development:

Year	Milestone
1994	We opened our first hot pot restaurant in Jianyang, Sichuan Province
1999	We expanded our restaurant network outside Sichuan Province to Xi'an, Shaan'xi Province
2002	We expanded our restaurant network to Zhengzhou, Henan Province
2004	We expanded our restaurant network to Beijing
2006	We expanded our restaurant network to Shanghai
2007	We received the HACCP quality management system certification issued by China Quality Certification Centre (中國質量認証中心)
2008	We were awarded the title of "Chinese Famous Hot Pot" (中國名火鍋) by the China Cuisine Association (中國烹飪協會)
2010	We introduced self-operated hot pot delivery service, being the first restaurant brand in the PRC to introduce such service
2011	"海底撈" (Haidilao) was recognized as a well-known trademark of China (中國馳名商標) by the State Administration for Industry & Commerce (國家工商行政管理總局) (currently known as State Administration for Market Regulation (國家市場監督管理總局))
2012	We opened our first overseas restaurant in Singapore
2013	We opened our first restaurant in the United States
2014	We opened our first restaurant in South Korea

Year	Milestone
2014	We opened our 100th hot pot restaurant
2015	We opened our first restaurants in Japan and Taiwan
2017	We opened our first restaurant in Hong Kong
2017	We had our record annual guest traffic at approximately 106.6 million guests
2018	We opened our 300th hot pot restaurant

REORGANIZATION AND CORPORATE STRUCTURE

In anticipation of our Listing, we underwent certain Reorganization to streamline the shareholding structure of our Company.

Reorganization

In preparation for our Listing, our Group underwent the Reorganization to streamline its shareholding structure. See "— Our Shareholding and Corporate Structure — Our Shareholding Structure Immediately before the Reorganization" for the shareholding structure of our Group immediately prior to the Reorganization.

Transfer of NP Management shares to the minority BVI companies

Immediately prior to the Reorganization, certain of our then ultimate shareholders, namely Ms. Yang Lijuan (楊利娟), Mr. Gou Yiqun (苟軼群), Mr. Yuan Huaqiang (袁華強), Mr. Chen Yong (陳勇) and Mr. Yang Bin (楊賓) (the "**Minority Shareholders**"), held their interest in the Company indirectly as beneficiaries of the Newpai Forever Trust. The trustee of Newpai Forever Trust was TMF (Cayman) Ltd. TMF (Cayman) Ltd. was incorporated in Cayman Islands and was the sole shareholder of Newpai Forever Limited. Newpai Forever Limited was an investment holding company incorporated in BVI and is the sole shareholder of NP Management Ltd. ("**NP Management**"). NP Management was an investment holding company incorporated in BVI, which directly held approximately 4.56% of the equity interest of the Company and approximately 7.6% of the equity interest in NP United Holding Ltd. (the "**NP United**"). NP United was an investment holding company incorporated in BVI, which in turn directly held approximately 40% of the equity interest in our Company.

In order to streamline their shareholding in our Company, the Minority Shareholders restructured each of their respective interest in our Company into equity shareholding as opposed to remaining as beneficiaries of the Newpai Forever Trust. TMF (Cayman) Ltd. was instructed by Mr. Zhang, the settlor of the Newpai Forever Trust, to distribute all shares in NP Management held by the Newpai Forever Trust, to five BVI incorporated companies (the "**minority BVI companies**"), namely YLJ Yihai Ltd. (wholly-owned by Ms. Yang Lijuan (楊利娟)), GYQ Yihai Ltd. (wholly-owned by Mr. Gou Yiqun (苟軼群)), YHQ Yihai Ltd. (wholly-owned by Mr. Yuan Huaqiang (袁華強)), CY Yihai Ltd. (wholly-owned by Mr. Chen Yong (陳勇)) and YB Yihai Ltd. (wholly-owned by Mr. Yang Bin (楊賓)), pro rata to each of their beneficial interest in the Newpai Forever Trust, being approximately 52.6%, 26.3%, 19.7%, 0.8% and 0.5%, respectively.

Upon such instructions, on January 12, 2018, Newpai Forever Limited transferred the 50,000 shares of NP Management directly held by it to the minority BVI companies at nil consideration. Upon completion of these transfers, the minority BVI companies became shareholders of NP Management.

Transfer of Shares by NP Management to the minority BVI companies

On January 15, 2018, NP Management transferred 7,600 Shares held by it to the minority BVI companies at nil consideration in proportion to their respective interest in NP Management as follows:

YLJ Yihai Ltd.	4,000 Shares
GYQ Yihai Ltd.	2,000 Shares
YHQ Yihai Ltd.	1,500 Shares
CY Yihai Ltd..	60 Shares
YB Yihai Ltd..	40 Shares
Total	**7,600 Shares**

Repurchase by NP United

NP United was a limited company incorporated in BVI on October 18, 2016. Immediately prior to the Reorganization, NP United was directly interested in approximately 40% of the equity interest in our Company and NP United was held as to approximately 7.6% by NP Management. On January 15, 2018, NP United repurchased the 7.6% issued capital held by NP Management, being 3,800 shares, at a consideration of US$3,800, being equivalent to the total par value of the shares repurchased. Upon instructions by NP Management, such consideration due to NP Management was settled by the transfer of 5,067 Shares held by NP United to the then shareholders of NP Management, namely the minority BVI companies.

Upon completion of the above steps and as of the Latest Practicable Date, each of YLJ Yihai Ltd., GYQ Yihai Ltd., YHQ Yihai Ltd., CY Yihai Ltd. and YB Yihai Ltd. was interested in approximately 4%, 2%, 1.5%, 0.06% and 0.04% of the issued share capital of our Company, respectively. See "— Our Shareholding and Corporate Structure — After the Reorganization and Immediately before the Capitalization Issue and the Global Offering" for the shareholding Structure of our Group upon completion of the Reorganization.

Principal Subsidiaries

As of the Latest Practicable Date, our Group comprised our Company, 64 subsidiaries and a total of 494 branches. Each of our hot pot restaurants is operated by a subsidiary or branch, and each branch is managed and supervised by one of our subsidiaries. We believe that this corporate structure can optimize the operation and management efficiency of our hot pot restaurants. For information on our shareholding and corporate structure, please see "— Our Shareholding and Corporate Structure" in this Prospectus.

Prior to the Business Restructuring, the business of our Group was operated by Sichuan Haidilao, New High Lao and Jingyuan Investment through their wholly-owned subsidiaries or branches. Along with the expansion of our Group, to optimize our corporate structure for future development, our Group acquired certain subsidiaries, branches and assets from Sichuan Haidilao, New High Lao and Jingyuan Investment. Upon completion of the Business Restructuring, Sichuan Haidilao, New High Lao and Jingyuan Investment no longer conduct hot pot restaurant management business, and mainly function as investment holding platforms.

Haidilao Singapore

Haidilao Singapore was incorporated in Singapore by New High Lao on February 28, 2013. On June 17, 2016, all the shares in the capital of Haidilao Singapore were transferred by New High Lao to Newpai Ltd., an investment holding company incorporated by the Company as a wholly-owned subsidiary in BVI on July 15, 2015, at a consideration of SGD3,000,000, which was determined with reference to its issued and paid up share capital. Upon the completion of the transfer, Haidilao Singapore became a direct wholly-owned subsidiary of Newpai Ltd. Haidilao Singapore is the holding company of all of the operating subsidiaries of our Group.

Sichuan Xinpai

Sichuan Xinpai was established by Haidilao Singapore on September 28, 2016 as a wholly foreign owned enterprise in the PRC with a registered capital of SGD67,000,000. Sichuan Xinpai has been a wholly-owned subsidiary of Haidilao Singapore since its establishment. Sichuan Xinpai principally conducts restaurant management business, and was the immediate holding company of eight branches as of the Latest Practicable Date.

On August 15, 2017, Sichuan Xinpai entered into a series of share transfer agreements with Sichuan Haidilao to acquire the equity interest of the subsidiaries set out in the table below. The consideration for the transfers was determined with reference to an independent valuation report, the valuation date of which was June 30, 2017, and with the declared and undistributed dividends of the target subsidiary for June and July 2017 deducted. Upon completion of the share transfers, Sichuan Xinpai became the immediate holding company of Haihongda (Beijing) Catering Management Co., Ltd., Jianyang Hailao Catering Management Co., Ltd., Jiaozuo Qingfeng Haidilao Catering Co., Ltd. and Tianjin Haidilao Catering Management Co., Ltd..

No.	Subsidiary acquired	Amount of Consideration	Settlement method and settlement date of consideration	Number of branches held as of the Latest Practicable Date	Number of restaurants operated as of the Latest Practicable Date
1.	100% equity interest in Haihongda (Beijing) Catering Management Co., Ltd.	RMB149,076,791.02	By cash, August 25, 2017	73	61
2.	100% equity interest in Jianyang Hailao Catering Management Co., Ltd.	RMB10,000,000.00	By cash, August 25, 2017	49	19
3.	51% equity interest in Jiaozuo Qingfeng Haidilao Catering Co., Ltd.	RMB836,282.60	By cash, August 25, 2017	0	1
4.	100% equity interest in Tianjin Haidilao Catering Management Co., Ltd.	RMB112,988,772.64	By cash, August 25, 2017	9	8

Shanghai Meike Meican

Shanghai Meike Meican was established by Jingyuan Investment on October 29, 2014 as a limited liability company in the PRC, with a registered capital of RMB1,000,000.

On December 7, 2017, Sichuan Xinpai entered into a share transfer agreement with Jingyuan Investment, pursuant to which Sichuan Xinpai acquired 100% of the equity interest in Shanghai Meike Meican from Jingyuan Investment at a consideration of RMB2,344,500. The consideration was determined with reference to an independent valuation report, the valuation date of which was September 30, 2017. The consideration was fully settled by cash on December 29, 2017. Upon completion of this transaction, Sichuan Xinpai became the immediate holding company of Shanghai Meike Meican. Shanghai Meike Meican and its subsidiaries principally conduct the hot pot delivery business.

Shanghai Xinpai

Shanghai Xinpai was established by Haidilao Singapore on May 12, 2013 as a wholly foreign owned enterprise in the PRC with a registered capital of SGD18,000,000. Shanghai Xinpai has been a wholly-owned subsidiary of Haidilao Singapore since its establishment. Shanghai Xinpai principally conducts restaurant management business, and is the immediate holding company of 124 branches as of the Latest Practicable Date.

On March 16, 2015, Shanghai Xinpai entered into a share transfer agreement with Sichuan Haidilao, pursuant to which, Shanghai Xinpai agrees to acquire the 100% equity interest in Xiamen Haidilao Catering Management Co., Ltd. (廈門海底撈餐飲管理有限公司) (the "**Xiamen Haidilao**") at a consideration of RMB13,088,143.97. The consideration of the transaction was determined with reference to the net asset value of Xiamen Haidilao as of February 28, 2017, with the declared and undistributed dividends of the target subsidiary for March 2017 deducted and was fully paid by cash on April 13, 2015. As of the Latest Practicable Date, Xiamen Haidilao held 13 branches and operated 12 restaurants.

On August 15, 2017, Shanghai Xinpai entered into a series of share transfer agreements with Sichuan Haidilao to acquire the equity interest in the subsidiaries set out in the table below. The considerations of the transactions were determined with reference to an independent valuation report, the valuation date of which was June 30, 2017, with the declared and undistributed dividends of the target subsidiary for June and July, 2017 deducted. Upon the completion of the share transfers, Shanghai Xinpai became the immediate holding company of Xiamen Haidilao, Hangzhou Laopai Catering Co., Ltd., Jiangsu Haidilao Catering Management Co., Ltd., Ningbo Haidilao Catering Management Co., Ltd., Shanghai Laopai Catering Management Co., Ltd., Shenzhen Haidilao Catering Co., Ltd., Suzhou Laopai Catering Co., Ltd. and Wuhan Laopai Catering Management Co., Ltd.

No.	Business acquired	Amount of Consideration	Settlement method and settlement date of consideration	Number of branches held as of the Latest Practicable Date	Number of restaurants operated as of the Latest Practicable Date
1.	100% equity interest in Hangzhou Laopai Catering Co., Ltd.	RMB5,910,197.13	By cash, August 25, 2017	19	17
2.	100% equity interest in Jiangsu Haidilao Catering Management Co., Ltd.	RMB20,209,719.36	By cash, August 25, 2017	29	23
3.	100% equity interest in Ningbo Haidilao Catering Management Co., Ltd.	RMB7,487,349.90	By cash, August 25, 2017	1	2

No.	Business acquired	Amount of Consideration	Settlement method and settlement date of consideration	Number of branches held as of the Latest Practicable Date	Number of restaurants operated as of the Latest Practicable Date
4.	100% equity interest in Shanghai Laopai Catering Management Co., Ltd.	RMB20,081,779.36	By cash, August 25, 2017	18	12
5.	100% equity interest in Shenzhen Haidilao Catering Co., Ltd.	RMB5,271,680.25	By cash, August 25, 2017	22	13
6.	100% equity interest in Suzhou Laopai Catering Co., Ltd.	RMB8,673,142.70	By cash, August 25, 2017	13	6
7.	100% equity interest in Wuhan Laopai Catering Management Co., Ltd.	RMB14,036,246.42	By cash, August 25, 2017	9	7

Zhengzhou Xinlaopai

Zhengzhou Xinlaopai Catering Management Co., Ltd. (鄭州新撈派餐飲管理有限公司) (the "**Zhengzhou Xinlaopai**") was established by Shanghai Xinpai on January 4, 2016 as a limited liability company in the PRC, with a registered capital of RMB1,000,000. Zhengzhou Xinlaopai has been a wholly-owned subsidiary of Shanghai Xinpai since its establishment. Zhengzhou Xinlaopai is principally engaged in restaurant management business, and is the immediate holding company of 27 branches as of the Latest Practicable Date.

On February 1, 2017, Zhengzhou Xinlaopai entered into three asset transfer agreements with Sichuan Haidilao, pursuant to which Zhengzhou Xinlaopai acquired all assets and business of the following branches owned by Sichuan Haidilao. The consideration was determined with reference to the book value of the net assets of the branches.

No.	Assets acquired	Amount of Consideration	Settlement method and settlement date of consideration
1.	All assets and business of Zhengzhou branch of Sichuan Haidilao and the third branch in Zhengzhou of Sichuan Haidilao	RMB2,011,409.04	By cash, December 31, 2017
2.	All assets and business of Zhengzhou Longhai Road branch of Sichuan Haidilao and the fourth branch in Zhengzhou of Sichuan Haidilao	RMB10,584,206.41	By cash, December 31, 2017
3.	All assets and business of the fifth branch in Zhengzhou of Sichuan Haidilao and the sixth branch in Zhengzhou of Sichuan Haidilao	RMB1,110,102.26	By cash, December 31, 2017

Juhai Xiangshun

Juhai Xiangshun (Shanghai) Industrial Co., Ltd. (聚海祥順(上海)實業有限公司) (the "**Juhai Xiangshun**") was established by Haidilao Singapore on January 18, 2017 as a wholly foreign owned enterprise in the PRC with a registered capital of SGD100,000. Juhai Xiangshun is principally engaged in the management of the supply chain of our Group.

Haiyan Trading

Shanghai Haiyan Trading Co., Ltd. (上海海雁貿易有限公司) (the "**Haiyan Trading**") was established by Haidilao Singapore on December 1, 2017 as a wholly foreign owned enterprise with a registered capital of SGD2,000,000. Haiyan Trading was establishment as the procurement platform of our Group.

As confirmed by our PRC Legal Advisers, the relevant approvals, registration and fillings for each of the above acquisitions under the PRC Laws have been properly and legally completed.

Subsidiaries Incorporated in Hong Kong, Macau, Taiwan and Other Jurisdictions

As of the Latest Practicable Date, we have established the following operating subsidiaries which principally conduct restaurant management business, in Hong Kong, Macau, Taiwan and internationally in South Korea, Japan, Singapore, Malaysia, Vietnam, the United States, Canada, Australia and the United Kingdom. The following subsidiaries are directly wholly-owned by Haidilao Singapore.

Name	**Date and place of incorporation**	**Amount of registered capital/ issued share capital**	**Restaurants managed as of the Latest Practicable Date**
Hai Di Lao Hongkong Company Limited (香港海底撈有限公司) .	August 6, 2015, Hong Kong	HKD1,000,000	Two restaurants located in Hong Kong
Macau Haidilao Restaurant Limited (澳門海底撈餐飲一人有限公司)	April 10, 2018, Macau	MOP100,000	Expect to open one restaurant in Macau by the end of 2019
Haidilao Hotpot Corporation. (海底撈火鍋股份有限公司)	March 13, 2015, Taiwan	TWD115,000,000	Three restaurants located in Taiwan
Taiwan Haidilao Hotpot Corporation (台灣海底撈餐飲股份有限公司).	July 18, 2017, Taiwan	TWD115,000,000	One restaurant located in Taiwan
Haidilao Korea Co., Ltd..	May 1, 2014, South Korea	KRW6,285,740,000	Six restaurants located in South Korea
Haidilao Japan Co., Ltd.	September 3, 2014, Japan	JPY50,000,000	Three restaurants located in Japan
Singapore Hai Di Lao Catering Pte. Ltd.	April 6, 2017, Singapore	SGD3,000,000	Two restaurants located in Taiwan
Singapore Hai Di Lao Dining Pte. Ltd..	January 17, 2012, Singapore	SGD3,000,000	Ten restaurants located in Singapore
Haidilao Catering (U.S.A.) Inc. (note 1).	March 2, 2011, California, the United States	USD100	One restaurant located in California, the United States
Haidilao Restaurant California Inc.	May 4, 2016, California, the United States	USD2,000,000	One restaurant located in California, the United States
Haidilao Restaurant Group Inc.. . . .	June 18, 2016, California, the United States	USD100	One restaurant located in California, the United States
Hai Di Lao Fushion Shabu Restaurant Group Inc..	June 11, 2015, California, the United States	USD1,000,000	One restaurant located in California, the United States
Haute Hotpots Corporation	January 2, 2018, New York, the United States	N/A	Expect to open one restaurant by the end of 2019
Haidilao Hot Pot Industry Inc. . . .	May 11, 2018, California, the United States	N/A	Expect to open one restaurant by the end of 2019
Haidilao Hot Pot Fremont Inc. . . .	June 1, 2018, California, the United States	N/A	Expect to open one restaurant by the end of 2019
Haidilao Hot Pot Century City Inc..	August 3, 2018, California, the United States	N/A	Expect to open one restaurant by the end of 2019
Hai Di Lao Canada Restaurants Group Ltd.	August 7, 2015, Canada	CAD100	Expect to open one restaurant in Canada by the end of 2018

Name	Date and place of incorporation	Amount of registered capital/ issued share capital	Restaurants managed as of the Latest Practicable Date
Hai Di Lao Sydney Proprietary Limited	August 15, 2017, Australia	AUD1	Expect to open one restaurant in Australia by the first half of 2019
Hai Di Lao Melbourne Proprietary Limited	August 15, 2017, Australia	AUD1	Expect to open one restaurant in Australia by the end of 2019
UK Haidilao Pte. Ltd.	August 24, 2017, the United Kingdom	GPB500,000	Expect to open one restaurant in the United Kingdom by the first half of 2019
Hai Di Lao Malaysia Sdn. Bhd. . .	May 14, 2018, Malaysia	MYR1	Expect to open one restaurant in Malaysia by the end of 2019
Hai Di Lao Viet Nam Co., Ltd . . .	August 6, 2018, Vietnam	VND22,290,000,000	Expect to open one restaurant in Vietnam by the end of 2019

Note 1: On October 18, 2016, Haidilao Singapore entered into a stock purchase agreement, pursuant to which, Haidilao Singapore purchased the entire equity interest in Haidilao Catering (U.S.A.) Inc. from Sichuan Haidilao at a consideration of US$10,000. The consideration was determined after arm's length negotiations and was fully settled by cash on June 20, 2017.

ESTABLISHMENT OF FAMILY TRUST

On August 22, 2018, Mr. Zhang, as the settlor and protector, established the Apple Trust with UBS Trustees (B.V.I.) Limited acting as the trustee. On August 24, 2018, Mr. Zhang transferred the entire equity interest in ZY NP Ltd. by way of gift to UBS Nominees Limited as nominee for UBS Trustees (B.V.I.) Limited. Pursuant to the Apple Trust, UBS Trustees (B.V.I.) Limited holds the equity interest in ZY NP Ltd. on trust for the benefit of Mr. Zhang and Ms. Shu.

On August 22, 2018, Ms. Shu, as the settlor and protector, established the Rose Trust with UBS Trustees (B.V.I.) Limited acting as the trustee. On August 24, 2018, Ms. Shu transferred the entire equity interest in SP NP Ltd. by way of gift to UBS Nominees Limited as nominee for UBS Trustees (B.V.I.) Limited. Pursuant to the Rose Trust, UBS Trustees (B.V.I.) Limited holds the equity interest in SP NP Ltd. on trust for the benefit of Ms. Shu and Mr. Zhang.

On August 22, 2018, Mr. Shi Yonghong and Ms. Li Haiyan, as the settlors and protectors, established the Cheerful Trust with UBS Trustees (B.V.I.) Limited acting as the trustee. On August 24, 2018, Mr. Shi Yonghong and Ms. Li Haiyan transferred the entire equity interest in SYH NP Ltd. and LHY NP Ltd. by way of gift to UBS Nominees Limited as nominee for UBS Trustees (B.V.I.) Limited. Pursuant to the Cheerful Trust, UBS Trustees (B.V.I.) Limited holds the equity interest in SYH NP Ltd. and LHY NP Ltd. on trust for the benefit of Mr. Shi Yonghong and Ms. Li Haiyan.

CAPITALIZATION ISSUE

Our Company will allot and issue a total of 1,542,130,000 Shares as fully paid at par to the holders of Shares whose names appear on the register of members of our Company on September 6, 2018 when the Global Offering has become unconditional in proportion to their existing shareholdings in our Company by capitalising the sum of US$7,710.65 from the share premium account of our Company. The Shares allotted and issued pursuant to the above Capitalization Issue will rank pari passu in all respects with the existing issued Shares.

PUBLIC FLOAT

The Shares held by Ms. Yang Lijuan, Mr. Gou Yiqun, Mr. Yuan Huaqiang, Mr. Chen Yong and Mr. Yang Bin will be considered as part of the public float because none of them is a core connected person of the Company as defined under the Listing Rules or is accustomed to take instructions from a core connected person of the Company in relation to the acquisition, disposal, voting or other disposition of securities of the Company held by him/her. None of Ms. Yang Lijuan, Mr. Gou Yiqun, Mr. Yuan Huaqiang, Mr. Chen Yong and Mr. Yang Bin hold any directorship or chief executive position in the Group. Ms. Yang Lijuan, being the chief operating officer of the Company, has been and will be responsible under the immediate authority of Mr. Zhang, the chief executive officer of the Company, instead of the Board of Directors. Thus, Ms. Yang Lijuan is not a chief executive of the Company as defined under the Listing Rules.

M&A PROVISIONS

The M&A Rules was jointly promulgated on 8 August 2006 by six ministries and commissions, including MOFCOM, CSRC and SAFE, implemented on September 8, 2006 and amended on June 22, 2009 by MOFCOM.

According to Article 2 of the M&A Rules, "merger and acquisition of domestic enterprises by foreign investors" referred to in the M&A Rules shall mean any of the following where a foreign investor: (i) purchases the equity interest of a shareholder in a domestic non-foreign-invested enterprise ("**domestic company**"); (ii) subscribes for increased capital of a domestic company so as to convert such domestic company into a foreign-invested enterprise; (iii) establishes a foreign-invested enterprise through which it purchases and operates the assets of a domestic enterprise by agreement; or (iv) a foreign investor purchases the assets of a domestic enterprise by agreement and then invests such assets to establish a foreign-invested enterprise and operates the assets. According to Article 11 of the M&A Rules, the merger and acquisition of a domestic company with or by a domestic company, enterprise or individual, that has a related party relationship with the target company, in the name of an overseas company legitimately incorporated or controlled by the domestic company, enterprise or individual, shall be subject to examination and approval by MOFCOM. The parties involved shall not use domestic investment by foreign invested enterprises or other methods to circumvent the aforesaid requirements.

Our PRC Legal Advisers advised that, considering: (i) the incorporation of Shanghai Xinpai, Sichuan Xinpai, Juhai Xiangshun (Shanghai) Industrial Co., Ltd. and Shanghai Haiyan Trading Co., Ltd. was directly funded by Haidilao Singapore, (ii) the controlling shareholders of Haidilao Singapore have all been foreign natural persons or foreign institutions since Haidilao Singapore establishment, and (iii) both Mr. Zhang and Ms. Shu, controlling shareholders of Haidilao Singapore, are of Singaporean nationality, Shanghai Xinpai and Sichuan Xinpai's acquisition of our PRC subsidiaries is not subject to Article 2 and Article 11 of the M&A Rules.

According to the M&A Rules, where a PRC domestic company or PRC domestic individual, for the purpose of obtaining an overseas listing of interests it actually owns in a domestic company, enters into an arrangement to obtain the listing of an overseas special purpose vehicle it directly or indirectly controls, the party shall obtain approval from the CSRC.

Our PRC Legal Advisers have further advised that neither Mr. Zhang nor Ms. Shu is regarded as a PRC domestic natural person under the M&A Rules since they are both of Singaporean nationality, therefore we do not require approval from CSRC for the Listing.

Our PRC Legal Advisers have further confirmed that all we have complied with applicable PRC laws and regulations and have obtained necessary approvals from and/or registrations with PRC government authorities for the acquisition mentioned above.

SAFE REGISTRATION

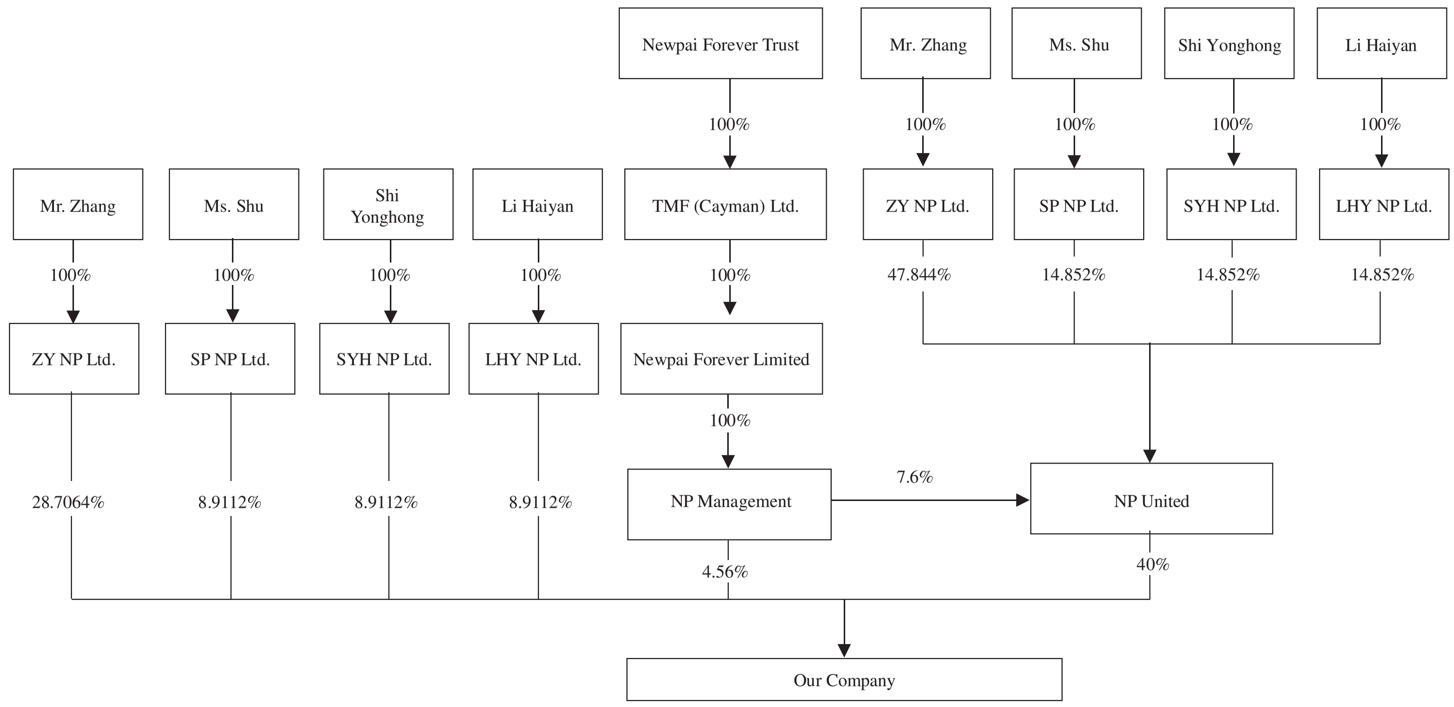
Pursuant to the Circular 37 promulgated by SAFE and which became effective on July 14, 2014, (a) a PRC resident must register with the local SAFE branch before he or she contributes assets or equity interests in an overseas special purpose vehicle (the "**Overseas SPV**") that is directly established or indirectly controlled by the PRC resident for the purpose of conducting investment or financing, and (b) following the initial registration, the PRC resident is also required to register with the local SAFE branch for any major change, in respect of the Overseas SPV, including, among other things, a change of Overseas SPV's PRC resident shareholder(s), the name of the Overseas SPV, terms of operation, or any increase or reduction of the Overseas SPV's capital, share transfer or swap, and merger or division.

Pursuant to the Circular of SAFE on Further Simplification and Improvement in Foreign Exchange Administration on Direct Investment (《關於進一步簡化和改進直接投資外匯管理政策的通知》) (the "**SAFE Circular No. 13**"), promulgated by SAFE and which became effective on June 1, 2015, the power to accept SAFE registration was delegated from local SAFE to local banks where the assets or interest in the domestic entity was located.

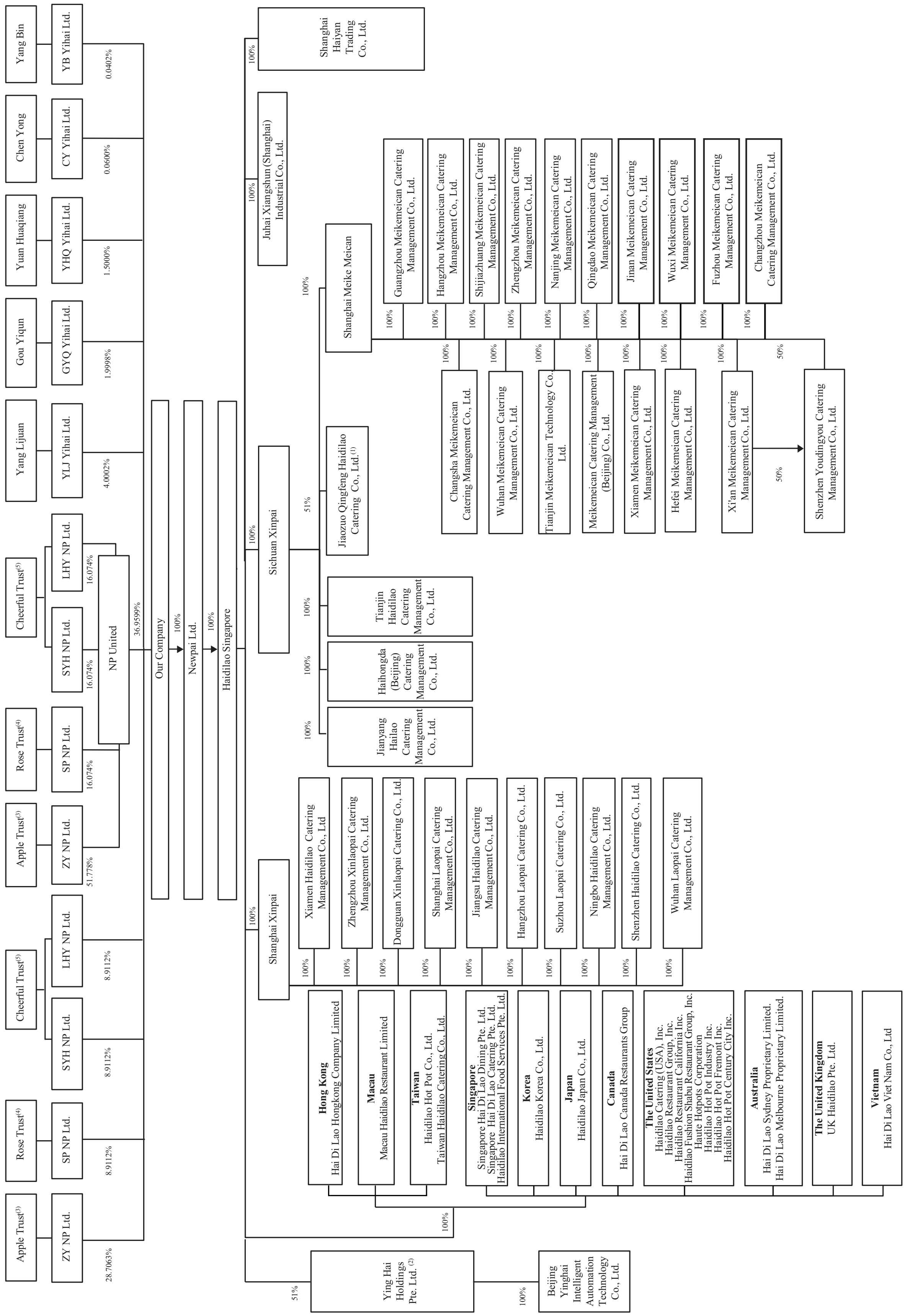
On November 5, 2014, Ms. Yang Lijuan, Mr. Gou Yiqun, Mr. Yuan Huaqiang, Mr. Chen Yong and Mr. Yang Bin completed the registration as required by Circular 37. On April 21, 2016, Mr. Shi Yonghong and Ms. Li Haiyan completed the registration as required by Circular 37. Our PRC Legal Advisers have advised that all of the ultimate beneficial owners of our Company (except Mr. Zhang and Ms. Shu, who are not PRC residents) have completed the registration as required by Circular 37.

OUR SHAREHOLDING AND CORPORATE STRUCTURE

Our Shareholding Structure Immediately Before the Reorganization

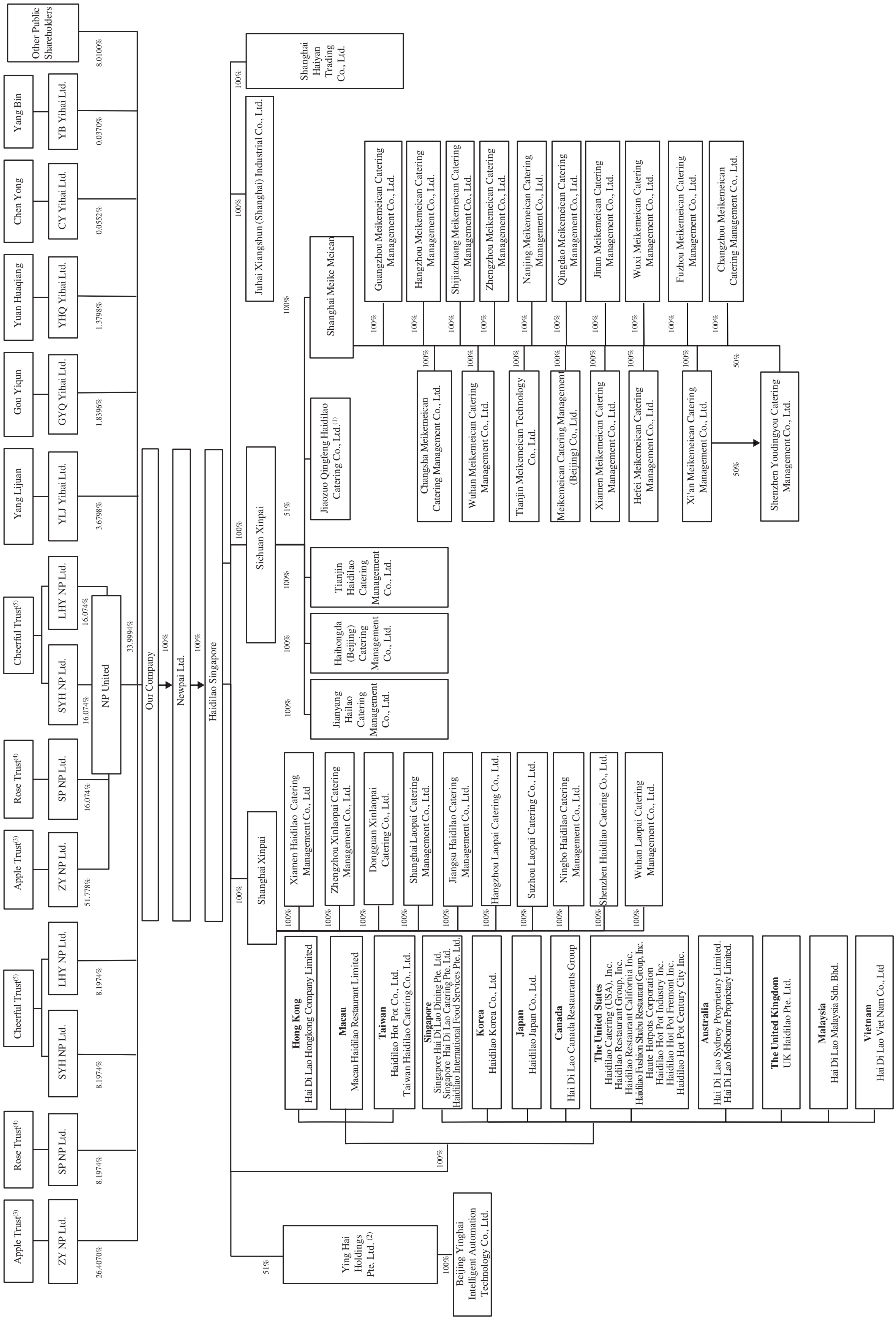


After the Reorganization and Establishment of Family Trust and Immediately Before the Capitalization Issue and the Global Offering



1. Jiaozuo Qingfeng Haidilao Catering Co., Ltd (焦作市清風海底撈餐飲有限責任公司) is a limited liability company incorporated in the PRC on September 25, 2008, and was held as to 51% by Sichuan Xinpai and 49% by an individual, namely Li Tao (李濤) as of the Latest Practicable Date. Li Tao is an Independent Third Party.
2. Ying Hai Holdings Pte. Ltd. is a private company limited by shares incorporated in Singapore on March 5, 2018, the issued shares of which are held in the proportion of 51% by Haidilao Singapore and 49% by Panasonic Asia Pacific Pte. Ltd. as of the Latest Practicable Date. Panasonic Asia Pacific Pte. Ltd. is an Independent Third Party.
3. Apple Trust is a discretionary trust set up by Mr. Zhang as the settlor and protector for the benefit of himself and Ms. Shu with UBS Trustees (B.V.I.) Limited acting as the trustee.
4. Rose Trust is a discretionary trust set up by Ms. Shu as the settlor and protector for the benefit of herself and Mr. Zhang with UBS Trustees (B.V.I.) Limited acting as the trustee.
5. Cheerful Trust is a discretionary trust set up by Mr. Shi Yonghong and Ms. Li Haiyan as the settlors and protectors for their own benefit with UBS Trustees (B.V.I.) Limited acting as the trustee.

Immediately upon Completion of the Capitalization Issue and Global Offering



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PRC

Regulations on Foreign Investment in Food Services Industry

According to the Catalog for the Guidance of Foreign Investment Industries (《外商投資產業指導目錄》), as amended, consumer food and beverage services and general food production and sales are classified as industries where foreign investments are allowed.

Laws and Regulations on Food Safety and Licensing Requirement for Consumer Food Services

Before June 1, 2009, the provision of consumer food service in the PRC was subject to the Food Hygiene Law of the PRC (the "**Food Hygiene Law**", 《中華人民共和國食品衛生法》), which was promulgated on October 30, 1995 by the Standing Committee of the National People's Congress (the "**SCNPC**") and came into force on the same date. Pursuant to the Food Hygiene Law, any entity or individual engaged in the provision of consumer food and beverage services shall obtain in advance a food hygiene license issued by the competent health administration authority. No consumer food services shall be provided without a duly-obtained food hygiene license.

In accordance with the Food Safety Law of the PRC (《中華人民共和國食品安全法》), as effective on June 1, 2009 and amended on April 24, 2015, the State implements a licensing system for the food production and trading. A person who engages in food production, food selling or catering services shall obtain the license in accordance with the law.

According to the Food Safety Law, the State Council shall establish a food safety committee whose duties shall be defined by the State Council. The food and drug administration under the State Council shall exercise supervision and administration over food production and trading activities according to the duties defined by the Law and the State Council. The health administrative department under the State Council shall organize the implementation of risk monitoring and risk assessment of food safety according to the duties defined by the Law and the State Council, and shall formulate and issue national food safety standards together with the food and drug administration under the State Council. Other relevant departments under the State Council shall carry out relevant food safety work according to the duties defined by the Law and the State Council.

The Food Safety Law sets out, as penalties for violation, various legal liabilities in the form of warnings, orders to rectify, confiscations of illegal gains, confiscations of utensils, equipment, raw materials and other articles used for illegal production and operation, fines, recalls and destructions of food in violation of laws and regulations, orders to suspend production and/or operation, revocations of production and/or operation license, and even criminal punishment. Any restaurant which does not have the food service license may be subject to confiscation of gains and other restaurant assets, or fines ranging from RMB50,000 to 20 times the value of food sold at the restaurant.

The Implementation Rules of the Food Safety Law (《中華人民共和國食品安全法實施條例》), as effective on July 20, 2009 and amended on February 6, 2016, further specify the detailed measures to be taken and conformed to by food producers and business operators in order to ensure food safety as well as the penalties that shall be imposed should these required measures not be implemented.

On March 4, 2010, the Ministry of Health promulgated the Administrative Measures on Food and Beverage Service Licensing (the **"Measures on Food and Beverage Service Licensing"**《餐飲服務許可管理辦法》) and Administrative Measures on Food Safety Supervision in Food and Beverage Services (the "**Measures on Food Safety Supervision**" 《餐飲服務食品安全監督管理辦法》). Pursuant to the Measures on Food and Beverage Service Licensing, the local food and drug administrations at various levels are responsible for the administration of food and beverage service licensing. Catering service providers are required to obtain a food service license and are responsible for safety in catering services in accordance with the law. A service provider, providing catering services at different locations or venues must obtain separate food service licenses for each venue. In the event of any change in the operation locations, a new application for food service license is required.

On August 31, 2015, China Food and Drug Administration promulgated the Administrative Measures for Food Operation Licensing (《食品經營許可管理辦法》), which was amended on November 17, 2017. According to the Administrative Measures for Food Operation Licensing, a food operation license shall be obtained in accordance with the law to engage in food selling and catering services within the territory of the People's Republic of China. The principle of one license for one site shall apply to the licensing for food operation, that is, a food operator shall obtain a food operation license to engage in food operation activities in one operation site. Food and drug administrative authorities shall implement classified licensing for food operation according to food operators' types of operation and the degree of risk of their operation projects.

The issuance date of a food operation license is the date when the decision on granting the license is made, and the license is valid for five years. Food operators shall hang or place their food operation license originals in prominent places of their operation sites. Where the licensing items which are indicated on a food operation license change, the food operator shall, within ten working days after the changes take place, apply to the food and drug administrative authority which originally issued the license for alteration of the operation license. Those who fail to obtain a food operation license and engage in food operation activities shall be punished by the local food and drug administrative authorities at or above the county level according to Article 122 of the Food Safety Law. Where food operators fail to hang or place their food operation license in a prominent place of their operation sites in violation of Paragraph 2 of Article 26, the food and drug administrative authorities at or above the county level shall order such food operators to make corrections; where such food operators refuse to make corrections, a warning shall be issued. Where licensing matters indicated in a food operation license change, and the food operator fails to apply for the alteration of the operation license as prescribed in violation of Paragraph 1 of Article 27, the food and drug administrative authority which originally issued the license shall order such food operator to make corrections, and issue a warning; where such food operator refuses to make corrections, a fine of between RMB2,000 and RMB10,000 shall be imposed.

Pursuant to Measures for the Supervision and Administration of the Safety of Food Offered through Online Catering Services (《網路餐飲服務食品安全監督管理辦法》) effective on January 1, 2018, Online catering service providers shall have their own physical stores and have obtained the food business licenses according to the law, and shall carry out business activities pursuant to the business forms and business items specified on their own food business licenses, and they shall not do business beyond the business scope. A catering service provider that runs its own website shall file the record with the food and drug administration at the county level at its locality, within 30 working days after it has filed for record with the competent authority of communications.

Regulations on the Sanitation of the Public Assembly Venue

The Regulation for the Administration of Sanitation of the Public Assembly Venue (《公共場所衛生管理條例》) effective on April 1, 1987 and as amended on February 6, 2016, and the Implementation Rules for the Regulation for the Administration of Sanitation of the Public Assembly Venue (《公共場所衛生管理條例實施細則》) effective on May 1, 2011 and as amended on January 19, 2016, were promulgated by the State Council and the Ministry of Health(later known as the General Office of the National Health Commission) respectively. The said regulations were adopted for the purpose of creating favorable and sanitary conditions for the public assembly venues, preventing disease transmission and safeguarding people's health. Depending on the requirements of the local health and family planning administrations, a restaurant is required to obtain a public assembly venue hygiene license from the local health authority after it applies for a business license to operate its business.

According to Decision of the State Council on the Integration of Health permits and Food Business licenses in Public places for Restaurant Services (《國務院關於整合調整餐飲服務場所的公共場所衛生許可證和食品經營許可證的決定》), which was promulgated by the State Council on February 3, 2016, Cancel the hygiene permits issued by the local health authorities to four kinds of public places, such as restaurants, cafes, bars and teahouses, and integrate the contents of the food safety permits into the food business licenses issued by the food and drug regulatory authorities.

Regulations on Liquor Circulation

In accordance with Measures for the Administration of Liquor Circulation (《酒類流通管理辦法》) effective on January 1, 2006, which was issued by the Ministry of Commerce, a system of archival filing of operators as well as a traceability system shall be established for liquor circulation. Any entity or individual engaged in the wholesale or retail of liquor (herein after referred to in general as "liquor operator") shall, within 60 days of acquiring a business license, make the archival filing and registration formalities in the competent department of commerce at the same level as the administrative department for industry and commerce where the registration is handled according to the principle of territorial administration. The liquor operator shall, when purchasing any liquor, claim the duplicates of the business license, sanitation license, production license (limited to producers), registration form, power of attorney of liquor distribution (limited to producers) of a supplier that supplies goods for the first time. The liquor operator shall establish an account for purchase and sales in the liquor business operation which he or she shall keep for 3 years. The competent departments of commerce may impose a fine up to RMB5,000 on any violation of the aforementioned rules. However, it is abolished by Ministry of Commerce on November 13, 2016.

Pursuant to Guidance of Ministry of Commerce on promoting healthy development of liquor circulation in the "13th Five-Year" period (《商務部關於"十三五"時期促進酒類流通健康發展的指導意見》) promulgated by Ministry of Commerce on February 13 2017, it stipulates to eliminate the regional blockade of alcohol, to clean up and abolish the relevant regulations and practices that hinder the free circulation of alcohol, and to promote the formation of a large market and the pattern of development of large circulation of alcohol.

Regulations on Fire Prevention

The Fire Prevention Law of the PRC (the "**Fire Prevention Law**", 《中華人民共和國消防法》) was adopted on April 29, 1998 and amended on October 28, 2008. According to the Fire Prevention Law and other relevant laws and regulations of the PRC, the Ministry of Public Security and its local counterparts at or above county level shall monitor and administer the fire prevention affairs. The fire prevention units of such public security departments are responsible for implementation. The Fire Prevention Law provides that the fire prevention design or construction of a construction project must conform to the national fire prevention technical standards. For a construction project that needs a fire prevention design under the national fire protection technical standards for project construction, the construction entity must submit the fire prevention design documents to the fire prevention department of the public security authority for approval or filing purposes (as the case may be).

Upon completion of a construction project to which a fire prevention design has been applied, according to the requirements of the Fire Prevention Law, such project must go through an acceptance check on fire prevention by, or filed with, the relevant fire prevention departments of public security authorities. For each public assembly venue, such as Karaoke clubs, dancing halls, cinemas, hotels, restaurants, shopping malls, trade markets and etc., the construction entity or entity using such venue shall, prior to use and operation of any business thereof, apply for a safety inspection on fire prevention with the relevant fire prevention department under the public security authority at or above the county level where the venue is located, and such place cannot be put into use and operation if it fails to pass the safety inspection on fire prevention or fails to conform to the safety requirements for fire prevention after such inspection.

Laws and Regulations on Environmental Protection

Environmental Protection Law

The Environmental Protection Law of the PRC (the "**Environmental Protection Law**", 《中華人民共和國環境保護法》) was promulgated and effective on December 26, 1989, and amended on April 24, 2014. This Legislation has been formulated for the purpose of protecting and improving both the living environment and the ecological environment, preventing and controlling pollution, other public hazards and safeguarding people's health.

According to the provisions of the Environmental Protection Law, in addition to other relevant laws and regulations of the PRC, the Ministry of Environmental Protection and its local counterparts take charge of administering and supervising said environmental protection matters. According to the provisions of the Environmental Protection Law, the environmental impact statement on any such construction project must assess the pollution that the project is likely to produce and its impact on the environment, and stipulate preventive and curative measures; the statement shall be submitted to the competent administrative department of environmental protection for approval. Installations for the prevention and control of pollution in construction projects must be designed, built and commissioned together with the principal part of the project.

Permission to commence production at or utilize any construction project shall not be granted until its installations for the prevention and control of pollution have been examined and confirmed to meet applicable standards by the appropriate administrative department of environmental protection that examined and approved the environmental impact statement. Installations for the prevention and control of pollution shall not be dismantled or left idle without authorization. Where it is absolutely necessary to dismantle any such installation or leave it idle, prior approval shall be obtained from the competent local administrative department of environmental protection.

The Environmental Protection Law makes it clear that the legal liabilities of any violation of said law include warning, fine, rectification within a time limit, compulsory cease operation, compulsory reinstallation of dismantled installations of the prevention and control of pollution or compulsory reinstallation of those left idle, compulsory shutout or closedown, or even criminal punishment.

Law on Environment Impact Assessment

Pursuant to Law of the People's Republic of China on Environment Impact Assessment (《中華人民共和國環境影響評價法》), which was issued on October 28, 2012 and amended on July 2, 2016, the State implements a classification-based management on the environmental impact assessment ("**EIA**") of construction projects according to the impact of the construction projects on the environment. Construction units shall prepare Environmental Impact Report ("**EIR**") or Environmental Impact Statement ("**EIS**") or fill out the Environmental Impact Registration Form ("**EIRF**") (hereinafter collectively referred to as the "**EIA documents**") according to the following rules:

1. For projects with potentially serious environmental impacts, an EIR shall be prepared to provide a comprehensive assessment of their environmental impacts;

2. For projects with potentially mild environmental impacts, an EIS shall be prepared to provide an analysis or specialized assessment of their environmental impacts; and

3. For projects with very small environmental impacts so that an EIA is not required, an Environmental Impact Registration Form shall be filled out.

The EIR or EIS of a construction project shall be submitted by the construction unit in accordance with the regulations of the State Council to the administrative department for environmental protection with powers to approve the project for review and approval. The State shall implement a record-filing-based management on EIRF.

Law on the Environmental Protection of Construction Projects

According to the Administrative Regulations on the Environmental Protection of Construction Projects (建設項目環境保護管理條例) effective as of November 29, 1998 and as amended on July 16,2017, after the construction of a construction project for which an environmental impact report or environmental impact statement is prepared is completed, the construction unit shall make an acceptance check of the matching environmental protection facilities and prepare an acceptance report according to the standards and procedures stipulated by the competent administrative department of environmental protection under the State Council.

A construction unit shall be punished in accordance with the Law of the People's Republic of China on Environmental Impact Assessment if it: 1. starts construction without authorization before submitting the environmental impact report or environmental impact statement of the construction project for approval or re-examination in accordance with the law; 2. starts construction without authorization before the environmental impact report or environmental impact statement of the construction projects is approved or approved after re-examination; or 3. fails to file the environmental impact registration form of the construction project for record in accordance with the law.

Law on Prevention and Control of Water Pollution

The Law on Prevention and Control of Water Pollution of the PRC (the "**Water Pollution Prevention and Control Law**", 《中華人民共和國水污染防治法》) first came into effect as of November 1, 1984 and was subsequently amended on May 15, 1996, February 28, 2008, and June 27, 2017, respectively. The law applies to the prevention and control of pollution of rivers, lakes, canals, irrigation channels, reservoirs and other surface water bodies and groundwater within the PRC. According to the provisions of the Water Pollution Prevention Law and other relevant laws and regulations of the PRC, the Ministry of Environmental Protection and its local counterparts at or above county level shall take charge of the administration and supervision on the matters of prevention and control of water pollution.

According to the Regulations on Urban Drainage and Sewage Disposal (《城鎮排水與污水處理條例》) effective as of January 1, 2014, any enterprise, institution or individually-owned business (hereinafter referred to as "**sewerage user**") that engages in the activities of industry, construction, catering, and medical treatment, etc. that discharges sewage into urban drainage facilities shall apply to the relevant competent urban drainage department for collecting the permit for discharging sewage into drainage pipelines. The competent urban drainage department shall, according to the relevant standards of the State, focus on the examination of the matters that affect the safe operation of urban drainage and sewage disposal facilities. A sewerage user shall discharge sewage according to the requirements of its permit for discharging sewage into drainage pipelines.

According to the Administrative Measures for the Licensing of Discharge of Urban Sewage into the Drainage Network (《城鎮污水排入排水管網許可管理辦法》) effective as of March 1, 2015, the application for the licensing for the discharge of sewage into the drainage network within the territory of the People's Republic of China (hereinafter referred to as the "**drainage licensing**") and the supervision and administration of the discharge of sewage into urban drainage facilities by enterprises, public institutions and individual industrial and commercial households engaging in industry, construction, catering, medical services and other activities (hereinafter referred to as "**drainage entities**") shall be governed by these Measures.

Drainage entities covered by urban drainage facilities shall discharge sewage into urban drainage facilities in accordance with the relevant provisions of the state. Where a drainage entity needs to discharge sewage into urban drainage facilities, it shall apply for a drainage license in accordance with the provisions of these Measures. The drainage entity that has not obtained the drainage license shall not discharge sewage into urban drainage facilities. Urban residents that discharge domestic sewage are not required to apply for the drainage license.

Laws and Regulations on Labor and Production Safety

Labor Contract Law

As of January 1, 2008 and as amended on December 28, 2012, labor contracts shall be concluded in writing if labor relationships are to be or have been established between enterprises or institutions and the laborers under the Labor Contract Law of the PRC (the "**Labor Contract Law**", 《中華人民共和國勞動合同法》). Enterprises and institutions are forbidden to force the laborers to work beyond the time limit and the employers shall pay laborers overtime working compensation in accordance with national regulations. In addition, the labor wages shall not be lower than local standards on minimum wages and shall be paid to the laborers timely. According to the Labor Law of the PRC (《中華人民共和國勞動法》) effective as of January 1, 1995, and as amended on August 27, 2009, enterprises and institutions shall establish and perfect its system of work place safety and sanitation, strictly abide by state rules and standards on work place safety and sanitation, educate laborers of work place safety and sanitation. Work place safety and sanitation facilities shall comply with state-fixed standards.

Regulations on Social Insurance and Housing Fund

According to the Social Insurance Law of the PRC (《中華人民共和國社會保險法》) effective as of July 1, 2011, the Regulations on Occupational Injury Insurance (《工傷保險條例》) effective as of January 1, 2004 and as amended on December 20, 2010, the Interim Measures concerning the Maternity Insurance for Enterprise Employees (《企業職工生育保險試行辦法》) effective as of January 1, 1995, the Interim Regulations concerning the Levy of Social Insurance (《社會保險費徵繳暫行條例》) effective as of January 22, 1999, the Interim Measures concerning the Administration of the Registration of Social Insurance (《社會保險登記管理暫行辦法》) effective as of March 19, 1999 and the Regulations concerning the Administration of Housing Fund (《住房公積金管理條例》)

effective as of April 3, 1999 and amended on March 24, 2002, enterprises and institutions in the PRC shall provide their employees with welfare schemes covering pension insurance, unemployment insurance, maternity insurance, occupational injury insurance and medical insurance, as well as housing fund and other welfare plans.

Regulations on Foreign Exchange

Pursuant to the Foreign Exchange Administration Regulations (《外匯管理條例》), as amended in August 2008, the RMB is freely convertible for current account items, including the distribution of dividends, interest payments, trade and service-related foreign exchange transactions, but not for capital account items, such as direct investments, loans, repatriation of investments and investments in securities outside the PRC, unless SAFE's prior approval is obtained and prior registration with SAFE is made. In May 2013 SAFE promulgated the Circular of the SAFE on Printing and Distributing the Administrative Provision on Foreign Exchange in Domestic Direct Investment by Foreign Investors and Relevant Supporting Documents (《國家外滙管理局關於印發(外國投資者境內直接投資外滙管理規定)及配套文件的通知》) which provides for and simplifies the operational steps and regulations on foreign exchange matters related to direct investment by foreign investors, including foreign exchange registration, account opening and use, receipt and payment of funds, and settlement and sales of foreign exchange.

Pursuant to the Circular on Relevant Issues concerning Foreign Exchange Administration of Overseas Investment and Financing and Return Investments Conducted by Domestic Residents through Overseas Special Purpose Vehicles (the "**SAFE Circular No. 37**"《關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》), promulgated by SAFE and which became effective on July 4, 2014, (a) a PRC resident ("**PRC Resident**") shall register with the local SAFE branch before he or she contributes assets or equity interests in an overseas special purpose vehicle ("**Overseas SPV**"), that is directly established or controlled by the PRC Resident for the purpose of conducting investment or financing; and (b) following the initial registration, the PRC Resident is also required to register with the local SAFE branch for any major change, in respect of the Overseas SPV, including, among other things, a change of the Overseas SPV's PRC Resident shareholder(s), name of the Overseas SPV, term of operation, or any increase or reduction of the Overseas SPV's registered capital, share transfer or swap, and merger or division. Pursuant to SAFE Circular No. 37, failure to comply with these registration procedures may result in penalties.

Pursuant to the Circular of the State Administration of Foreign Exchange on Further Simplifying and Improving the Direct Investment-related Foreign Exchange Administration Policies (the "**Circular 13**"《關於進一步簡化和改進直接投資外匯管理政策的通知》), which was promulgated on February 13, 2015 and with effect from June 1, 2015, the foreign exchange registration under domestic direct investment and the foreign exchange registration under overseas direct investment is directly reviewed and handled by banks in accordance with the Circular 13, and the SAFE and its branches shall perform indirect regulation over the foreign exchange registration via banks.

Taxes

Corporate Income Tax and Individual Income Tax

Pursuant to the EIT Law, which was promulgated on March 16, 2007 and last amended on February 24, 2017, and the Regulation on the Implementation of the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法實施條例》) which was promulgated on December 6, 2007 and with effect from January 1, 2008, the income tax for both domestic and foreign-invested enterprises is at the same rate of 25%. Furthermore, resident enterprises, which refer to enterprises that are set up in accordance with the PRC law, or that are set up in accordance with the law of the foreign country (region) but with its actual administration institution in the PRC, shall pay enterprise income tax originating both within and outside the PRC. While non-resident enterprises that have set up institutions or premises in the PRC shall pay enterprise income tax in relation to the income originating from the PRC and obtained by their institutions or establishments, and the income incurred outside the PRC but there is an actual relationship with the institutions or establishments set up by such enterprises. Where non-resident enterprises that have not set up institutions or establishments in the PRC, or where institutions or establishments are set up but there is no actual relationship with the income obtained by the institutions or establishments set up by such enterprises, they shall pay enterprise income tax in relation to the income originating from the PRC. Pursuant to the Individual Income Tax Law of the People's Republic of China ("**IIT Law**") promulgated by the SCNPC, which was subsequently amended in 2011, individuals shall pay individual income tax according to the IIT Law. On August 31, 2018, the SCNPC amended the IIT Law, which will come into force on January 1, 2019, to adjust the taxable model, tax rate and relevant issues.

Value-added Tax

Pursuant to the Provisional Regulations on Value-added Tax of the PRC (《中華人民共和國增值稅暫行條例》) promulgated on December 13, 1993 and last amended on February 6, 2016 and its implementation rules, all entities or individuals in the PRC engaging in the sale of goods, the provision of processing services, repairs and replacement services, and the importation of goods are required to pay value-added tax. Pursuant to the Circular on Comprehensively Promoting the Pilot Program of the Collection of Value-added Tax in Lieu of Business Tax (《關於全面推開營業稅改征增值稅試點的通知》) promulgated on March 23, 2016 and as amended on July 11, 2017 and December 25, 2017 respectively, upon approval of the State Council, the pilot program of the collection of value-added tax in lieu of business tax shall be promoted nationwide in a comprehensive manner as of May 1, 2016, and all taxpayers of business tax engaged in the building industry, the real estate industry, the financial industry and the life service industry shall be included in the scope of the pilot program with regard to payment of value-added tax instead of business tax.

Pursuant to the Circular of the Ministry of Finance and the State Administration of Taxation on Adjusting Value-added Tax Rates (《財政部、稅務總局關於調整增值稅稅率的通知》) promulgated on April 4, 2018 and come to effect on May 1, 2018, by Ministry of Finance and State Administration of Taxation, Where a taxpayer engages in a taxable sales activity for the value-added tax purpose or imports goods, the previous applicable 17-percent and 11-percent tax rates are adjusted to be 16 percent and 10 percent respectively.

SINGAPORE

The following is a summary of the main laws and regulations of Singapore that are material to the Group's business and operations in Singapore as at the Latest Practicable Date.

Food Safety and Environmental Matters

Environmental Public Health Act (Chapter 95 of Singapore)

The Environmental Public Health Act (Chapter 95 of Singapore) (the "**EPHA**") requires any person who operates or uses a food establishment to obtain a licence from the Director-General of Public Health ("**Licence to Operate a Foodshop**").

Under the First Schedule to the EPHA, "food establishment" includes any retail food establishments where food is sold wholly by retail (whether or not the food sold is also prepared, stored or packed for sale or consumed at such premises), such as restaurants and supermarkets, and any catering establishments providing a catering service whereby food is prepared, packed and thereafter delivered to a consumer for his consumption or use. Any retail food establishments or catering establishments that are part of a non-retail food business within the meaning of the Sale of Food Act (Chapter 283 of Singapore) ("**Sale of Food Act**") are exempted from obtaining a licence under the EPHA.

The Licence to Operate a Foodshop is usually granted for a period of one year and is renewable at the discretion of the Director-General of Public Health and subject to such restrictions and conditions as the Director-General of Public Health may think fit.

The National Environment Agency of Singapore ("**NEA**") has implemented a points demerit system ("**PDS**"), which is a systematic approach in dealing with the suspension or revocation of licences, for operators of food and beverage establishments. Under the PDS, demerit points are given for each public health offence that is convicted in court or compounded. The offences are categorised as follows:

- Minor offences — zero demerit points
- Major offences — four demerit points
- Serious offences — six demerit points

If a licensee accumulates 12 demerit points or more within 12 months, his licence will either be suspended for two weeks or four weeks, or be revoked, depending on past suspension records.

The Environmental Public Health (Food Hygiene) Regulations (the "**EPHR**") require a licensee holding a Licence to Operate a Foodshop to exhibit such licence in a conspicuous and accessible position within the licensed premises. The EPHR also provides that a licensee holding a Licence to Operate a Foodshop must adhere to certain requirements in relation to, among other things:

- registration of any employees who are engaged in the sale or preparation for sale of any food with the Director-General of Public Health;
- storage and refrigeration, packaging, transportation, sale and preparation of food;
- cleanliness of equipment used in the licensed premises;
- upkeep of the licensed premises; and
- personal cleanliness of any persons who are engaged in the sale or preparation for sale of food.

Sale of Food Act (Chapter 283 of Singapore)

The Sale of Food Act requires any person who carries out a non-retail food business to obtain a licence ("**Licence to Operate a Food Establishment**") from the Director-General of the Agri-Food and Veterinary Services (the "**AVS Director-General**").

Under the Sale of Food Act, "non-retail food business" means a food business that is not carried out for a purpose specified in the First Schedule to the EPHA and not a primary food production business, but includes a food business a component of which is a business, an undertaking or activity carried out for a purpose specified in the First Schedule to the EPHA. Without limiting the generality of the foregoing, a "non-retail food business" within the meaning of the Sale of Food Act includes (but is not limited to) central kitchens supplying food prepared, cooked and packed for the purpose of distribution to retail food businesses.

Licensees holding a Licence to Operate a Food Establishment must also comply with the requirements set out in the relevant subsidiary legislation of the Sale of Food Act.

Wholesome Meat and Fish Act (Chapter 349A of Singapore)

The Wholesome Meat and Fish Act (Chapter 349A of Singapore) requires any person who imports any meat product or fish product into Singapore to apply for a licence from the AVS Director-General. In addition, any licensee who imports any meat products or fish products for sale, supply or distribution in Singapore must, among other things, obtain a permit from the AVS Director-General for each consignment of meat products or fish products to be imported by him and the import of each consignment must be carried out in accordance with the conditions of the permit.

Import of Processed Food Products and Food Appliances

The import of processed food products and food appliances is regulated by the Agri-Food & Veterinary Authority of Singapore ("**AVA**"). Processed food products refer generally to all food products and supplements of food nature that are not grouped as meat products, fish products, or fresh fruits and fresh vegetables. Any person who imports processed food products and food appliances is required to register with AVA to obtain a registration number.

Liquor Control (Supply and Consumption) Act 2015 of Singapore

The Liquor Control (Supply and Consumption) Act 2015 of Singapore (the "**LCA**") requires any person who supplies any liquor to obtain a liquor licence ("**Liquor Licence**").

The LCA also requires any licensee holding a Liquor Licence to adhere to further requirements, such as not supplying any liquor or allowing any liquor to be consumed within the licensed premises outside of the trading hours specified in the Liquor Licence.

Public Entertainments Act (Chapter 257 of Singapore)

The Public Entertainments Act (Chapter 257 of Singapore) prohibits the provision of public entertainment, which includes, among other things, any reproduction or transmission otherwise than in association with a film, by any means other than telephony or radio telephony, of any music, song or speech, unless a licence is issued by the Singapore Police Licensing and Regulatory Department.

Labor and Employment

Workplace Safety and Health Act (Chapter 354A of Singapore)

Under the Workplace Safety and Health Act (Chapter 354A of Singapore), every employer has the duty to take, so far as is reasonably practicable, such measures as are necessary to ensure the safety and health of his employees at work. These measures include:

- providing and maintaining for the employees a work environment which is safe, without risk to health, and adequate as regards facilities and arrangements for their welfare at work;

- ensuring that adequate safety measures are taken in respect of any machinery, equipment, plant, article or process used by the employees;

- ensuring that the employees are not exposed to hazards arising out of the arrangement, disposal, manipulation, organisation, processing, storage, transport, working or use of things in their workplace or near their workplace and under the control of the employer;

- developing and implementing procedures for dealing with emergencies that may arise while the employees are at work; and

- ensuring that the employees at work have adequate instruction, information, training and supervision as is necessary for them to perform their work.

Work Injury Compensation

Work injury compensation is governed by the Work Injury Compensation Act (Chapter 354 of Singapore) (the "**WICA**"), and is regulated by the Ministry of Manpower of Singapore ("**MOM**"). In general, the WICA applies to employees in all industries engaged under a contract of service in respect of injuries suffered by them in the course of their employment and sets out, amongst others, the amount of compensation they are entitled to and the method(s) of calculating such compensation.

Pursuant to the WICA, an employer is liable to compensate an employee if personal injury by accident arising out of and in the course of the employment is caused to such employee. Employers are required to maintain work injury compensation insurance for all employees engaged in manual work regardless of salary level and employees who do not engage in manual work but earn S$1,600 or less a month and who are engaged under contracts of service (unless exempted).

Employment Act (Chapter 91 of Singapore)

The Employment Act (Chapter 91 of Singapore) (the "**EA**") is administered by MOM and sets out the basic terms and conditions of employment and the rights and responsibilities of employers as well as employees who are covered under the EA.

In particular, Part IV of the EA sets out requirements for rest days, hours of work and other conditions of service for workmen who receive salaries not exceeding S$4,500 a month and employees (other than workmen) who receive salaries not exceeding S$2,500 a month. For example, Section 38(8) of the EA provides generally that such employees are not allowed to work for more than 12 hours in any one day except in specified circumstances, such as where the work is essential to the life of the community, defence or security. In addition, Section 38(5) of the EA limits the extent of overtime work that such employees can perform to 72 hours a month.

Employment of Foreign Workers

The employment of foreign workers in Singapore is governed by the Employment of Foreign Manpower Act (Chapter 91A of Singapore) (the "**EFMA**"), and regulated by MOM. The EFMA provides generally that no person shall employ a foreign employee unless he has obtained in respect of the foreign employee a valid work pass from MOM, which allows the foreign employee to work for him. Such employment must be in accordance with the conditions of the foreign employee's work pass.

In relation to the employment of semi-skilled or unskilled foreign workers, employers must ensure that such persons apply for a work permit. In relation to the employment of foreign mid-level skilled workers, employers must ensure that such persons apply for an S Pass. The S Pass is intended for mid-level skilled foreigners who earn a monthly fixed salary of at least S$2,200, who hold a degree or diploma and who have relevant work experience. Older, more experienced applicants would require higher salaries to qualify.

In relation to the employment of foreign professionals, employers must ensure that such persons apply for an Employment Pass. The Employment Pass is intended for professionals who earn a monthly fixed salary of at least S$3,600, depending on their qualifications and experience. Older, more experienced candidates would require higher salaries to qualify. Besides the salary requirement, such foreign professionals must have a job offer in Singapore, work in a managerial, executive or specialised job, and have acceptable qualifications (usually a good university degree, professional qualifications or specialist skills) to be eligible for an Employment Pass.

The Employment of Foreign Manpower (Work Passes) Regulations 2012 (the "**EFMR**") requires employers of work permit holders to, among other things:

- be responsible for and bear the costs of the upkeep and maintenance of the foreign employee in Singapore;
- bear any medical expenses incurred by the foreign employee for any medical examination required by the Controller of Work Passes;
- provide acceptable accommodation consistent with any law or governmental regulations; and
- provide and maintain medical insurance for inpatient care and day surgery, with coverage of at least S$15,000 per every 12-month period of the foreign worker's employment.

The EFMR also requires employers of S Pass holders to, among other things:

- bear any medical expenses incurred by the foreign employee for any medical examination required by the Controller of Work Passes; and
- provide and maintain medical insurance for inpatient care and day surgery, with coverage of at least S$15,000 per every 12-month period of the foreign worker's employment.

An employer of foreign workers is also subject to, among other things, the EA, the EFMA and the Immigration Act (Chapter 133 of Singapore).

Taxation

The summary below of certain taxes in Singapore is of a general nature and based on current tax laws in Singapore and regulations and decisions now in effect, all of which are subject to change (possibly with retroactive effect). These laws and regulations are also subject to various interpretations and the relevant tax authorities or the courts of Singapore could later disagree with the explanations or conclusions set out below. This summary is not intended to constitute a complete analysis of the taxes mentioned. It is not intended to be and does not constitute legal or tax advice. Prospective investors should consult their own tax advisers concerning the application of Singapore tax laws to their particular situation.

Corporate Income Tax

A company is regarded as a tax resident in Singapore if the control and management of the company's business is exercised in Singapore.

Corporate taxpayers (both Singapore tax residents and non-residents) are subject to Singapore income tax on income accruing in or derived from Singapore and income received in Singapore from outside Singapore, unless specifically exempt from income tax.

Tax exemption will be granted to a Singapore tax resident corporate taxpayer on its foreign-sourced dividends, foreign branch profits and foreign-sourced service income received or deemed to be received in Singapore on or after June 1, 2003 provided that the following qualifying conditions are met:

(a) the income is subject to tax of a similar character to income tax (by whatever name called) under the law of the territory from which the income is received;

(b) at the time the income is received in Singapore, the highest rate of tax of a similar character to income tax (by whatever name called) levied under the law of the territory from which the income is received on any gains or profits from any trade or business carried on by any company in that territory at that time is not less than 15.0%; and

(c) the Comptroller of Income Tax is satisfied that the tax exemption would be beneficial to the corporate taxpayer.

The prevailing corporate income tax rate in Singapore is 17.0%. The first S$300,000 of a company's normal chargeable income on or before year of assessment ("**YA**") 2019 is partially exempted from tax as follows:

(a) 75.0% of the first S$10,000 of normal chargeable income; and

(b) 50.0% of the next S$290,000 of normal chargeable income.

In the Singapore government's 2018 budget statement, the Minister for Finance had announced that companies will enjoy a 40.0% corporate income tax rebate, capped at S$15,000 for YA2018. This tax rebate will be extended for another year to YA2019 but at a reduced rate of 20.0% of tax payable and capped at S$10,000. This tax rebate will not apply to income of a non-resident company that is subject to final withholding tax.

Dividend Distributions

Singapore has adopted a one-tier corporate tax system pursuant to which the tax paid by a Singapore resident company on its corporate profits is a final tax. Dividends payable by the Singapore resident company to its shareholders are exempt from Singapore income tax in the hands of the shareholders.

There is no withholding tax on the dividend payments to both resident and non-resident shareholders.

TAIWAN

The following is a summary of the most significant aspects of Taiwan laws and regulations relating to our business operations in Taiwan.

License, Registrations and Permits

Food Business Registration

In Taiwan, a restaurant shall complete the food business registration in accordance with the Act Governing Food Safety and Sanitation and the Regulations Governing the Registration of Food Businesses. Failure to complete the food business registration may result in an administrative fine of no less than NT$30,000 but no more than NT$3,000,000 by the competent authority.

PRC Investments, Corporate Registration and Importer and Exporter Registrations

The investment of a PRC person is governed by the Regulations Governing Investments by Nationals in Mainland Area and relevant regulations. A PRC person may only operate the businesses on the Positive List as promulgated by the Executive Yuan in Taiwan. The major procedures for a PRC person to set up a subsidiary or a branch in Taiwan are as follows: (i) obtaining the investment approval from the Investment Commission of the Ministry of Economic Affairs ("**MOEA**"); (ii) remitting the capital and obtaining the capital verification approval from the MOEA; (iii) completing the recognition of the home office of the Taiwan branch (not applicable to the incorporation of a subsidiary); (iv) completing the corporate/branch registration with the MOEA or the government authority designated by the MOEA; (v) completing the business registration with local tax office; and (vi) if applicable, completing the importer/exporter registration with the Bureau of Foreign Trade of the MOEA.

Health and Food Safety Regulations

In Taiwan, any food business operator (e.g. a restaurant) should comply with requirements under the Act Governing Food Safety and Sanitation and its relevant regulations. A food business operator in Taiwan shall, among the requirements regarding food safety, ensure that its personnel, food premises, sanitation management of facilities and quality assurance system are in compliance with the Standards of Good Hygiene Practice. Failure to comply may result in a fine of no less than NT$30,000 but no more than NT$3,000,000, and the food business operator may be ordered to cease business, suspend business for a certain period of time, or cancel all or part of the business items listed in the company registration, business registration or factory registration, or registration of the food businesses. If registration of the food businesses is revoked, re-application for new registration shall not be permitted within one year.

As at the Latest Practicable Date, our restaurants in Taiwan have not been imposed any fine under any health and food safety regulations.

Labor and Working Safety

Labor Standards Act

The Labor Standards Act ("**LSA**") set forth the local minimum, compulsory and restrictive requirements and is the basis of major labor laws and regulations in Taiwan. Employment terms and conditions agreed to by an employer and an employee should be no less favorable than the minimum/mandatory requirements set forth under the LSA, otherwise they are null and void and will be superseded by the corresponding provisions prescribed under the LSA.

The requirements for employment conditions under the LSA include "employment contract and its termination", "salary", "days off", "work hours and overtime", "break, public holidays, annual leave and statutory leave", "labor insurance", "retirement and statutory pension schemes", "compensation for occupational hazards" and "establishment of work rules". For employment terms and conditions not stated in an employment contract or the employer's work rules/policies, the legal minimum/mandatory requirements under the LSA shall apply. For employment terms and conditions provided in an employment contract or the employer's work rules/policies which are more favorable than the LSA requirements, such favorable terms and conditions shall prevail.

Labor Pension Act

According to the Labor Pension Act, for employees who are hired on or after July 1, 2005, an employer is required to contribute each month an amount equivalent to at least 6% of each employee's monthly wage into the employee's personal pension fund account at the Bureau of Labor Insurance.

Employee Welfare Fund Act

According to Articles 1 and 5 of the Employee Welfare Fund Act (the "**EWFA**") and relevant rulings, a company hiring no less than 50 workers shall establish an employee welfare committee and appropriate 1%~5% of the total amount of capital at the time of its establishment, appropriate 0.1%~0.15% of total monthly business revenue, and shall deduct 0.5% from the monthly wage and allowances of each employee as employee welfare fund. According to Article 10 of the EWFA, if an employer fails to appropriate the employee welfare fund or fails to appropriate sufficient funds, the labor competent authority may not only ask such employer to appropriate the employee welfare fund, but also impose an administrative fine of no more than NT$1,000 on the responsible person (i.e. for a company incorporated in Taiwan, the chairman of the board of directors of such company; for a branch established in Taiwan, the branch manager of such branch).

Occupational Safety and Health Act and Regulations Governing the Occupational Safety and Health

According to Article 23 of the Occupational Safety and Health Act (the "**OSH Act**") and Paragraph 1 of Article 12-1 of the Regulations Governing the Occupational Safety and Health (the "**OSH Regulations**"), an employer shall stipulate an occupational safety and health management plan based on the scale and characteristics of each business unit. According to Paragraph 2 of Article 12-1 of the OSH Regulations, an employer having more than 100 employees should stipulate the occupational safety and health management programme. If such employer fails to do so and fails to make any improvement within the given period set by the regulator, pursuant to Article 45 of the OSH Act, it should be subject to an administrative fine of no less than NT$30,000 and no more than NT$150,000.

According to Article 34 of the OSH Act, an employer should prepare, in consultation with labor representatives, appropriate safety and health work rules which suit their needs. These rules shall be posted and implemented after a copy has been submitted to a labor inspection agency for record. If such employer fails to do so and fails to make any improvement within the given period set by the regulator, pursuant to Article 45 of the OSH Act, it should be subject to an administrative fine of no less than NT$30,000 and no more than NT$150,000.

Act of Gender Equality in Employment

According to Article 13 of the Act of Gender Equality in Employment, where an employer hires no less than 30 workers, it shall establish its own measures for prevention of, compliant handling of and punishment for sexual harassment and post such measures in the working place. According to Article 38-1 of this Act, an employer failing to do so should be subject to an administrative fine of NT$100,000 to NT$500,000. The name or title of the responsible person of such employer shall be put on public notice, and shall be ordered to make improvements within a specified period. In the event improvements are not made within the specified period, the violating employer will be punished consecutively for each violation after said period expires.

National Health Insurance Act and Labor Insurance Act

Under the National Health Insurance Act and Labor Insurance Act, an employer should enroll all employees in the statutory insurance (i.e., national health insurance and labor insurance) from the first day of their employment.

During the Track Record Period, none of our restaurants in Taiwan has been punished by Taiwan regulators pursuant to any labor law, regulation or rule.

Taxes

The statutory corporate income tax rate applicable to us in Taiwan is 20%.

"ALIGNED INTERESTS AND DISCIPLINED MANAGEMENT" ("連住利益, 鎖住管理") — THE KEY TO HAIDILAO'S HIGH-QUALITY GROWTH

The catering service industry is a labor intensive industry, and its main pain point, we believe, is achieving scalability while maintaining quality consistency and ensuring food safety. We seek to address this challenge through our operating paradigm of "aligned interests and disciplined management" ("連住利益, 鎖住管理") — the interests of the employees are highly aligned to ours, motivating them to drive our dynamic growth, and our disciplined management systematically ensures our strategic direction and controls operational risks. We believe that this paradigm appeals to human nature and can transcend cultural and geographical differences, and have successfully applied it to our restaurants in the PRC as well as overseas to facilitate our global expansion. Under this paradigm, we believe that the ability to balance and manage the following four relationships are the most critical.

Relationship between our Employees and Restaurants

We believe that successfully managing the relationship between our employees and restaurants will drive our bottom-up expansion, and entails the following key aspects:

- *"Change your future with your own hands" ("用雙手改變命運")*. This is our core value. We have implemented a compensation and promotion system designed to be transparent and impartial, including a piece-rate compensation structure based on the actual amount and quality of work performed, hence effectively incentivizing hard work. Once these employees rise to the rank of restaurant managers, they also have profit-sharing opportunities.

- *The apprenticeship (師徒制)*. Our apprentice system aligns the interests of our restaurant managers with ours. Restaurant managers share not only in the profits of their own restaurants, but an even larger share in that of first- and second-generation mentee's restaurants, hence directly linking a restaurant manager's compensation with the level of success of the mentees' restaurants. Accordingly, restaurant managers are incentivized not only to manage their restaurants well, but also to select and train mentees to become managers with strong management skills, high ethical standards and who treat their restaurant employees fairly, and to develop a large and talented future restaurant managers and guide them in opening, managing and operating new restaurants. This apprentice system forms the core of our bottom-up driven expansion strategy that enables continuous replicative growth.

- *"Treat people with kindness" ("與人為善")*. This is our corporate culture and the guiding principle in treating our employees. We encourage our restaurant managers to care for their restaurant employees and foster strong bonds amongst our employees, with our restaurants and with Haidilao, which we believe creates unity and loyalty.

Because of our bottom-up driven expansion approach, our headquarters do not have a fixed target for new restaurant openings, but provide overall guidance on expansion based on the scale of our managerial candidate pool and other factors.

Relationship among our Restaurants

We believe that an effective system of mutual support among restaurants will enhance overall operational efficiency by having restaurants shoulder certain regional support functions, thereby helping us avoid a bloated management structure at the headquarters level as our restaurant network rapidly expands. This is achieved in part through our apprentice system, under which the highly aligned interests of our restaurant managers with their mentees creates a natural bond and supportive culture.

In addition, we generally require restaurants within a region to form a "group" with neighboring restaurants. These groups typically consist of five to 18 restaurants, which are generally formed through mentor-mentee relationships, and a qualified restaurant manager, generally the mentor, will serve as the "group leader." Restaurants within each group provide mutual support on opening and operating new restaurants as well as on improving low-performing restaurants. By leveraging their proximity to one another, group members share information and resources and work together in problem solving at a local level, thereby providing a regional support functions from bottom up through self-regulation, which in turn increases our overall management efficiency and transparency.

As of the Latest Practicable Date, we had 41 groups covering over 350 restaurants. A recent initiative has been implemented to require group leaders to prepare long-term development plans for their group, including plans for expansion, talent development and formation of new groups. The initiative is designed to encourage group leaders to better define their business objectives, which will help us form the basis for our company-wide long-term strategy.

Relationship between our Headquarters and Restaurants

We delegate substantial restaurant level management responsibilities and decisions—employee hiring, termination and promotion, promotional discounts, personalized guest services—to our restaurant managers. Our headquarters, however, maintain control and provide support services (both mandatory and optional) in the following, which defines our "disciplined management" philosophy:

- *Restaurant assessment and food safety risk management.* We believe that providing high quality service is our way to gain our guests' trust, which is the cornerstone of our brand. Our headquarters closely assess key aspects of our restaurant operations, including evaluation of restaurant manager candidates and approval of new restaurant applications. Performance assessments are conducted on a quarterly basis, with guest satisfaction and employee efforts as the only KPIs instead of operating or financial metrics. Although there have been challenges in applying these subjective measures, we believe that our track record demonstrates that financial results can be delivered through effective incentivization. Our restaurants are rated A, B or C based on assessment results, representing outstanding, satisfactory or substandard restaurants, respectively. The consequences of being rated C are severe — C-rated restaurant managers lose the ability to open new restaurants in the next quarter; and restaurants that experience serious food safety incidents are automatically rated C. Our stringent performance assessment policies and procedures, we believe, have been critical in our efforts to continue rapid expansion while maintaining effective risk management.

- *Control over core management functions.* Our headquarters effectively maintain control over core aspects of restaurant management, such as expansion strategy, food safety, technology and supply chain management, to support our standardized and scalable growth. In terms of expansion strategy, we plan to continue to increase our restaurant density in existing markets, making it mandatory for each market to open new locations until 10% of our restaurants in that city or region reach a certain low level of table turnover rate or are even loss-making[(1)]. This expansion strategy will be developed and implemented only through our headquarters. We will remain steadfast in our strategy's implementation even though the interests of our restaurant managers may conflict with those of our company as a whole; and our headquarters will compensate the affected managers. Through implementation of this strategy to increase restaurant density, we believe that we will be able to not only increase market share and reduce guest waiting time, but also create more opportunities for new business models, thereby maximizing value of our company as a whole. In terms of technology, we have recently applied automation, artificial intelligence and cloud computing in our restaurant operations to provide more personalized and high-quality services that better meet guest needs.

- *Optional guidance and support.* Our restaurants are provided with guidance and support from our headquarters' coach teams of their choice to ensure quality consistency in their day-to-day operations, including in respect of commercial negotiations during new restaurant development, menu development, decoration and design. To increase efficiency, we allow restaurants to choose which coach teams to provide such guidance. Compensation of our coaches is tied to the incremental growth of our overall profits, hence incentivizing them to provide the necessary guidance and support.

Haidilao and Third-party Service Providers

Our Founders recognize that there is currently a significant unmet need for certain highly specialized services, such as soup base production, food processing and logistics, decoration project management, and human resources consulting, catered to large-scale restaurant groups in China. To that end, our Founders have established Yihai Group, Shuhai Group, Shuyun Dongfang and Weihai Consulting as separate businesses to provide services to us under an open market system. This allows our management to focus on our core functions to enhance our operational efficiency and drive scalable growth.

(1) We generally consider a restaurant with table turnover rates that are consistently and significantly lower than our overall historical table turnover rates of 4.0, 4.5, 5.0 and 4.9 times per day in 2015, 2016 and 2017 and the six months ended June 30, 2018, respectively, to have a low level table turnover rate. That being said, table turnover rate is one of the many performance indicators we consider when formulating and assessing our expansion strategy. For example, we will accept lower table turnover rates if we achieve strong performance in new sources of revenue (such as our recently-launched Haidilao beer) and average spending per guest.

BUSINESS OVERVIEW

Haidilao is a globally leading and fast-growing Chinese cuisine restaurant brand focusing on hot pot cuisine. Our Haidilao brand has become, we believe, a cultural phenomenon in Chinese cuisine that is synonymous with an unparalleled level of service and dining experience. The theoretical underpinning of our success is our management philosophy of "aligned interests and disciplined management" ("連住利益, 鎖住管理"). Under this philosophy, the interests of our employees are highly aligned to ours, motivating them to drive our dynamic, bottom-up growth, and our disciplined management systematically ensures our strategic direction and controls food safety and other risks. We have applied this philosophy to our restaurants in China as well as overseas, which facilitates our global expansion.

According to the F&S Report, we ranked first in the Chinese cuisine restaurant market in the PRC and globally in terms of 2017 revenue. We were also the fastest-growing major Chinese cuisine restaurant brand in the PRC and globally, with a revenue growth rate of 36.2% from 2016 to 2017. As of the Latest Practicable Date, we owned and operated 363 restaurants, which comprised 332 restaurants in the PRC, and 31 restaurants in Taiwan, Hong Kong and internationally in Singapore, South Korea, Japan and the United States.

We serve more than 100 million guests a year. Our pursuit of the perfect Haidilao dining experience has become, we believe, the foundation of our brand and the guiding principle of our business — it is what differentiates us and contributes to our success today. We are a pioneer in the industry to offer services that make the dining experience more attentive, personal, comfortable and fun, that deliver to our guests that extra warmth and sincere attention—services that have now become iconic to Haidilao and followed by our peers. We seek to provide a high quality, diversified, and dynamic menu, and are constantly developing new menu items, soup bases and dipping sauces, and customizing our menu to different taste preferences to enhance guest experience. Moreover, we are committed to using new technologies to improve dining experience. As a result of our efforts, according to the F&S Survey, Haidilao had the strongest brand recognition and was the most popular dine-out option among China's major restaurant brands.

Our commitment to food quality and safety is uncompromising, and we have developed and implemented a comprehensive and stringent quality control management system. We believe stringent quality control measures have been critical to our success. We conduct comprehensive food safety, quality and hygiene inspections covering our restaurants and our supply chain, and we believe the frequency and the extensiveness of our inspections are unmatched in our industry. We devote significant staff resources to food quality and control, with over 500 designated staff directly responsible for food quality and safety as of the Latest Practicable Date at our headquarters and restaurants. Food quality and safety is a key assessment criteria of restaurant performance, and we hold our restaurant managers and staff accountable for any food quality and safety incidents.

Our global restaurant network grew rapidly from 146 in 2015 to 273 in 2017, to 341 as of June 30, 2018, and further to 363 as of the Latest Practicable Date. Our revenue increased at a CAGR of 35.9% from RMB5,756.7 million in 2015 to RMB7,807.7 million in 2016 and further to RMB10,637.2 million in 2017. Our revenue increased by 54.4% from RMB4,756.1 million for the six months ended

June 30, 2017 to RMB7,342.6 million for the six months ended June 30, 2018. Our overall table turnover rate increased steadily from 4.0 times per day in 2015 to 4.5 times per day in 2016 and 5.0 times per day in 2017. Our overall table turnover rate was 4.9 times per day for the six months ended June 30, 2018.

COMPETITIVE STRENGTHS

Globally leading Chinese cuisine restaurant brand well-positioned for continuing rapid growth

Haidilao is a globally leading and fast-growing Chinese cuisine restaurant brand focusing on hot pot cuisine. Our Haidilao brand, we believe, has become a cultural phenomenon in Chinese cuisine that is synonymous with an unparalleled level of service and dining experience.

According to the F&S Report, we ranked first in the Chinese cuisine restaurant market in the PRC and globally in terms of 2017 revenue. We were also the fastest-growing major Chinese cuisine restaurant brand in the PRC and globally, with a revenue growth rate of 36.2% from 2016 to 2017. As of the Latest Practicable Date, we owned and operated 363 restaurants, which comprised 332 restaurants in 26 provinces in the PRC, and 31 restaurants in Taiwan, Hong Kong and internationally in Singapore, South Korea, Japan and the United States.

With the Chinese cuisine restaurant market generating RMB3,192.0 billion in revenue in the PRC during 2017, hot pot is the largest segment with a market share of 13.7% reaching 436.2 billion in terms of 2017 revenue. According to the F&S Report, hot pot is the most popular dine-out option due to factors such as the social element of the cuisine, the diverse food ingredients available, the ability to personalize based on taste preferences and the self-cooking experience. In addition to its strong mass-market appeal, hot pot is more scalable and can be more easily standardized compared to other types of Chinese cuisine. According to the same source, the hot pot segment in the PRC is expected to extend its above-market growth with a CAGR of 10.2% from 2017 to 2022, and reach a market size of RMB707.7 billion.

These industry factors, combined with our leading market position and operating paradigm will position us well to continue to take market share and achieve continued and above-market rapid growth in a fast-growing market.

Unique Haidilao management philosophy that enables high-quality and scalable growth

Our management philosophy of “aligned interests and disciplined management” (“連住利益, 鎖住管理”), has been, we believe, the key to our rapid growth. Under this philosophy, the interests of our employees are highly aligned to ours, motivating them to propel our dynamic, bottom-up driven growth, and our disciplined management systematically ensures our strategic direction and controls operational risks. We have applied this philosophy to our restaurants in China as well as overseas, which facilitates our efforts in our global expansion.

Owing to our unique management philosophy, we believe we have been able to satisfy the needs of two critical groups of people — our guests and our employees.

- *Guests*. Our management philosophy encourages our employees to provide highly attentive, thoughtful and personalized services to our guests at every stage of the Haidilao dining experience. Although there is no one-size-fits-all formula to guest satisfaction, we motivate our employees to provide services that make our guests feel that extra warmth and their sincere attention by providing substantial autonomy to our restaurant managers and waiting staff. At the same time, we conduct stringent restaurant performance assessment of each restaurant, with guest satisfaction being the most important factor in our assessment criteria. As a result of our efforts, approximately 99.3% of participants who have dined at Haidilao left satisfied and 98.2% of the participants who have dined at Haidilao would visit again, according to the F&S Survey.

- *Employees*. Our corporate culture is "treat people with kindness" ("與人為善"), and we believe in respecting and empowering our employees. We reward hard work by offering a highly mobile promotion system and a piece-rate compensation system, with wages clearly defined based on the units of specific work performed. According to the F&S Survey, our employees enjoy industry-leading compensation among all Chinese cuisine restaurants in the PRC. We also seek to care for our employees in other ways, such as providing subsidies for our employees' children's education and visiting our employees' elderly parents. According to the F&S Survey, 90.1% of the employee participants were satisfied with our corporate culture and 83.4% of the employee participants were satisfied with the opportunities provided by Haidilao for them to accumulate working experience and skills.

In addition, our management philosophy has enabled us to cultivate approximately 400 restaurant manager candidates in our candidate pool as of Latest Practicable Date. Our robust candidate pool, together with our guest and employee satisfaction, form the foundation for our rapid bottom-up driven expansion. Of the 98 and 71 newly-opened restaurants in 2017 and the first half of 2018, 58 and 34 were proposed by existing restaurant managers, respectively. As of the Latest Practicable Date, our headquarters have received approximately 493 new restaurant applications from existing restaurant managers in 2018. As of the same date, we have 175 new restaurants with lease signed but not opened, a majority of which were submitted by our restaurant managers. Leveraging our unique management philosophy, we believe we are well-positioned for high-quality and scalable growth.

Unparalleled Haidilao dining experience

Our pursuit of the perfect dining experience has become, we believe, the foundation of our brand and the guiding principle of our business — it is what differentiates us and contributes to our success today. Our Haidilao dining experience focuses on the following major aspects:

- *Service*. We are a pioneer in the industry to offer services that make the dining experience more attentive, personal, comfortable and fun, that deliver to our guests that extra warmth and sincere attention—services that have now become iconic to our brand and followed by our peers. We encourage our restaurant staff to execute their own ideas on how to discover and satisfy the needs of our guests, which originates from our belief that people can be creative when given relatively high degrees of freedom. As a result, according to the F&S Survey, we were ranked first among China's major Chinese cuisine restaurant brands in terms of service attitude and our guests considered our enthusiastic and intimate service to be the most unique and differentiating factor in our Haidilao dining experience.

- *Atmosphere and food*. We seek to provide a high quality, diversified, and dynamic menu and a memorable restaurant atmosphere. In order to provide a more personalized and fun dining experience, we were one of the first major hot pot restaurant brands in China to introduce self-serve sauce and condiment bars, according to the F&S Report. One of our more popular dishes, the hand-pulled noodles, are prepared at guest tables along with a noodle dance, allowing guests to enjoy Chinese food culture in a fun atmosphere. We are constantly developing new menu items, soup bases and dipping sauces, and customizing our menu to different taste preferences to enhance guest experience. Our commitment to food quality is uncompromising as we seek to source the best food ingredients around the world, and we seek to offer our guests exceptional value with accessible pricing.

- *Use of technology*. We are committed to using new technologies to improve dining experience. For example, we were one of first major restaurant brands in China to introduce tablet computers, which provides faster, more accurate and automated ordering to serve our guests, according to the F&S Report. Such an automated ordering system has also enabled us to record member ordering preferences and other data, and serves as a platform for additional personalized guest services based on guest preferences. We have also invested significant resources in the design and installation of customized ventilation systems in our restaurants to eliminate the smell of hot pot.

As a result of our efforts, according to the F&S Survey, Haidilao had the strongest brand recognition and was the most popular dine-out option among China's major restaurant brands. Haidilao ranked first in terms of dining experience among Chinese cuisine restaurant brands, and in particular, our service was considered to be the key differentiating factor in Haidilao's superior dining experience. Over 68% of our guests visit our restaurants at least once a month according to the same source.

Uncompromising commitment to food quality and safety

Our commitment to food quality and safety is uncompromising. We have developed and implemented a comprehensive and stringent quality control management system that focuses on the following aspects:

- *Detailed and standardized quality control measures*. We believe stringent quality control measures have been critical to our success. We have developed over 50 standard procedures at the headquarters level governing our restaurant operations and our supply chain, from procurement to food processing, inventory and logistics. Through our years of operations, we have established stable business relationships with high-quality suppliers to source food ingredients of the highest quality. We have formulated specific inspection standards for each type of food we procure to ensure freshness.

- *Frequent and extensive inspections.* We believe the frequency and the extensiveness of food safety, quality and hygiene inspections we conduct are unmatched in our industry. At the restaurant level, our inspections are conducted daily based on over 60 food safety, hygiene and quality control policies and procedures that set out guidelines detailed down to different methods of cleaning different types of kitchenware, the inspection criteria for each type of food ingredient before being served, and even the cleaning schedule for restrooms. With respect to our supply chain, we conduct frequent and unannounced inspections of the suppliers' operations. We engage in extensive testing of food ingredients in-house and work with third parties to conduct complex tests. For certain food ingredients, we may even require our suppliers to procure from select sources and conduct inspections directly at the source.

- *Clear accountability*. We hold our restaurant managers and staff accountable for food quality and safety. Food quality and safety is a key assessment criteria of restaurant performance. Those with food safety incidents are automatically rated C. Restaurant managers that are C-rated cannot open new restaurants. Moreover, C-rated restaurant managers that were rated C at least once in the past year and that have already received training from our coaches may be removed from their positions. Mentors who vouched for these restaurant managers are also penalized. For the rest of our restaurant staff, we have implemented a point system that deducts points when staff do not comply with our food safety procedures, which could affect their compensation and career development. Restaurants that had food quality or safety incidents are publicly listed on our website on a monthly basis.

- *Enhanced restaurant design and technologies.* We believe that investing in restaurant design and technology allows us to enhance quality control and reduce the risk of human error. To increase transparency, we have renovated our restaurants to have either an open kitchen or to have video surveillance in our kitchens, such that guests can monitor the activities in our kitchen through our tablet computers in real-time. In addition, we are developing intelligent kitchens with automated and smart equipment, which we believe will allow us to achieve more consistency in the process of handling food and maintaining hygiene in the kitchen area. We are also working on functions in our supplier relationship management system that allow us to trace our food ingredients to their source.

- *Staff dedication*. We had over 500 designated staff directly responsible for food quality and safety as of the Latest Practicable Date, including an over 70-person food safety department, as well as designated food safety personnel at each of our restaurants. We have a food safety management committee at the board level to give focus specifically to food safety issues.

Industry-leading operational and financial performance

Benefiting from our business philosophy, effective management systems, motivated employees and high level of guest satisfaction, we have been able to achieve industry-leading operational and financial performance, attractive restaurant-level profitability and high rate of returns on invested capital, as illustrated in the following metrics:

- *Expansion.* Our global restaurant network grew from 112 as of January 1, 2015 to 273 as of December 31, 2017 and 341 as of June 30, 2018, and further to 363 as of the Latest Practicable Date. Our revenue increased at a CAGR of 35.9% from RMB5,756.7 million in 2015 to RMB10,637.2 million in 2017. Our revenue increased by 54.4% from RMB4,756.1 million for the six months ended June 30, 2017 to RMB7,342.6 million for the six months ended June 30, 2018.

- *Same store sales*. Our same store sales increased by 14.1% from 2015 to 2016, by 14.0% from 2016 to 2017 and by 6.4% from the six months ended June 30, 2017 to the six months ended June 30, 2018. Our overall table turnover rate was 4.0 times per day, 4.5 times per day, 5.0 times per day and 4.9 times per day in 2015, 2016, 2017 and the six months ended June 30, 2018, respectively, substantially higher than major Chinese cuisine brands in PRC, according to the F&S Report.

- *Breakeven and payback period.* During the Track Record Period, our restaurants generally achieved an initial monthly breakeven period within approximately one to three months. A majority of our restaurants in 2015 and 2016 achieved cash investment payback period in six to thirteen months. In comparison, the industry average level of initial monthly breakeven and cash investment payback period of major Chinese cuisine brands are generally within approximately three to six months and 15 to 20 months, respectively. according to the F&S Report.

- *New restaurant performance*. We opened 98 new restaurants in 2017, which achieved table turnover rates of 4.6 times per day in the same period. We also opened 71 new restaurants in the first half of 2018, which achieved 4.2 times per day in six months ended June 30, 2018, primarily because the majority of these restaurants were opened in the second quarter of 2018 and were in a ramp-up stage. 97 of our 98 new restaurants in 2017 and 68 of our 71 new restaurants in the first half of 2018 have achieved initial monthly breakeven, of which 84 and 65 had initial monthly breakeven periods within approximately one to three months, respectively. We opened 96 new restaurants in 2018 as of the Latest Practicable Date, of which 75 had initial monthly breakeven periods within approximately one to three months, respectively. As of the Latest Practicable Date, the new restaurants opened in 2018 that have not achieved initial monthly breakeven were primarily opened in July and August of 2018.

Visionary Founders complemented by experienced professionals and home-grown management

Since opening our first hot pot restaurant in Jianyang, Sichuan province in 1994, our Founder Mr. Zhang has led the strategic direction of our operations. His fundamental values of treating employees with respect and pursuit of service quality have been the guiding principles of our business. Mr. Zhang, Mr. Shi Yonghong, Founder and Executive Director, and Ms. Yang Lijuan, our chief operating officer, have all been with Haidilao since our early days, and form a core senior management team that embodies the values that define Haidilao and develops our business strategy to spearhead our growth. This core team is complemented by a professional management team with in-depth experience and insights in modern management. In addition, substantially all of our coaches and restaurant managers are home grown and have served in various roles within our restaurants, which we believe cultivates talents that have a deep understanding of our business and share our core values.

BUSINESS STRATEGY

Continue to strategically expand our restaurant network

We plan to increase our market share and achieve continued revenue growth by opening new restaurants. Details of our domestic expansion plan are as follows:

- *Increase restaurant density*. We believe that there is significant potential to increase our penetration and solidify our market presence in Beijing, Shanghai and Xi'an as well as other tier one and tier two cities where restaurants are currently located. To that end, we plan to concentrate our efforts in metropolitan areas where our existing restaurants have high table turnover rates or long waiting time in order to divert guest traffic to new restaurants in the vicinity and enhance guest experience.

- *Further expand geographical coverage*. Increased urbanization and consumption upgrades in the PRC presents opportunities for the hot pot restaurant business in tier three cities and below. Using our existing restaurants in major cities as hubs, we will formulate growth strategies to expand coverage into neighboring areas based on the performance of existing restaurants. We will also explore opening of restaurants in new regional markets.

We also plan to open new restaurants overseas that primarily targeting existing markets such as Singapore, South Korea, Japan and the United States, as well as new markets with growth potential. Details of our overseas expansion plan are as follows:

- *Increase coverage in regions with large Chinese communities*. We plan to focus our overseas expansion efforts on countries and cities with large Chinese communities, such as the United Kingdom, Canada, Australia and Malaysia. We will assess the potential of local markets and determine our growth strategy based on the performance of new restaurants in these regions and our existing overseas restaurants.

- *Localize our restaurants*. To drive our long-term growth in the overseas market, we plan to tailor our menu through developing new dishes and customized soup bases to better meet local taste preferences. Through our localization efforts, we seek to increase the patronage of our restaurants by local communities and promote hot pot cuisine in overseas markets. Moreover, by developing new dishes we plan to increase same store sales and gradually open new restaurants without reliance on local Chinese communities.

We currently estimate to open 180 to 220 new restaurants in 2018, approximately 15 to 25 of which are expected to be located overseas, and the remaining in the PRC. As of the Latest Practicable Date, 96 were already opened and 175 have signed leases but were not opened. As of the same date, we had a qualified restaurant manager candidate pool of approximately 400 persons. Most of our new restaurants are located in or near regions where we have existing restaurants as our restaurant managers generally submit proposals for new restaurants in the same and nearby regions of their restaurants. In addition to our bottom-up growth, we strategically expand our restaurant network in new regions and countries. In 2018, we have opened or plan to open restaurants in new regions such as Harbin, Sanya in the PRC and London in the United Kingdom.

The capital expenditure for each new PRC restaurant in 2018 is expected to remain relatively stable at RMB8 million to RMB10 million. We expect to open a majority of the restaurants in our annual expansion plan during the second half of the year. We expect the initial monthly breakeven and cash investment payment periods of our newly-opened restaurants in 2018 to be generally similar historical levels. We expect to apply 60% of our net proceeds from the Global Offering to finance part of our expansion plan, with the remaining to be funded by net cash generated from operating activities. See "Future Plans and Use of Proceeds" for details.

Continue to enhance the Haidilao dining experience

Already the cornerstone of our brand, high quality service, as a key component of our dining experience, is the focus of our tremendous efforts made to achieve greater guest satisfaction and brand loyalty through the following measures:

- *Personalized dining experience*. We seek to provide a personalized dining experience to each guest by further customizing our menu and service. For example, we are in the process of developing automated equipment that can customize soup bases so that guests can adjust the depth of flavor, level of spiciness and amount of certain ingredients, such as spring onions and mushrooms, based on personal preferences. Once this technology is implemented, every guest would be able to create his/her own personalized soup base. The unique choices of each guest are stored in our membership system and can be automatically ordered the next time he/she visits. Investment in such technology will be primarily funded by a combination of net cash generated from operating activities and the net proceeds from the Global Offering. See "Future Plans and Use of Proceeds". Moreover, we will continue to develop new dishes based on regional food and taste preferences in order to grow our guest base. In addition, we are exploring the possibility of incorporating artificial intelligence technology which would enable us to offer a variety of personalized value-added services, such as dish recommendations based on ordering history.

- *Enrich guest experience through new technologies*. We plan to open flagship restaurants that provide guests with a full-sensory immersive dining experience through the use of technologies such as projection mapping and digital sensors. We plan to implement architectural lighting, audio and visual technologies in our dining areas to create unique dining experiences with various landscapes, eras and themes. We believe that the immersive dining experience will allow us to increase the enjoyability of our restaurants and improve customer satisfaction. As of the Latest Practicable Date, we were in the process of formulating the execution plan for development of such technology. Investment in such technology will be primarily funded by the net proceeds from the Global Offering. See "Future Plans and Use of Proceeds" for details. We have been incorporating virtual reality-based entertainment to enhance the experience at our waiting areas, where guests can enjoy games with discounts and complimentary items as rewards, thereby improving their overall dining experience.

Increase same store sales growth and develop new sources of revenue

We plan to pursue the following new sources of revenue:

- *Enrich our service offering*. We plan to enrich our guest dining experience by offering new products and service that we can offer at the waiting area, as well as during and after the meal. At our waiting areas, we plan to install vending machines that charge directly to guests' membership account or table. We are also developing breakfast and afternoon tea menu items in order to increase occupancy and table turnover rate of our restaurants during off-peak hours. We introduced Haidilao-brand beer recently, which we are currently launching throughout our restaurant network, and intend to develop other Haidilao-brand products in the future.

- *O2O*. We plan to leverage the data we hold through our registered membership base of 18.7 million and our guest traffic of 100 million a year to offer a multi-dimensional online and offline guest experience. We aim to develop a brand new mobile app, enabling our guests to purchase the same food and products that they enjoyed in our restaurants. Our restaurants will serve as "showrooms" for guests to sample our products, which they can purchase in-store by scanning product-specific Quick Response (QR) codes or through our mobile app. We expect to launch the mobile app in the second half of 2018. Investment in such technology will be primarily funded by net cash generated from operating activities.

Continue to invest in technology

We seek to continue to remain at the forefront of the PRC's restaurant industry in applying the latest technologies, with a focus on enhancing guest experience and improving operational efficiency. A few of our technology projects are set out below.

- *Business intelligence*. We have developed an artificial intelligence platform with Alibaba Cloud to more efficiently conduct suitable restaurant site selection and improve the quality of our site selections. We also seek to develop systems to analyze our extensive operational and financial data, and will continue to explore collaboration opportunities with major IT companies on the potential applications.

- *Food safety*. We are in the process of developing intelligent kitchens, which include automated equipment with food preparation and busser functions. Improvements in technologies used in our kitchens will, we believe, enhance our operational efficiency, better manage food safety at our restaurants, shorten the waiting time for our restaurants and enhance guest experience. Investment in such technology will be primarily funded by the net proceeds from the Global Offering. See "Future Plans and Use of Proceeds" for details.

- *Intelligent inventory and supply management*. We are collaborating with third parties to develop a centralized inventory management system that automatically orders and replenishes inventories based on the historical consumption rate at each restaurant and adjusts order volumes based on deep learning of table turnover rate patterns and consumer trends. We are working to enhance traceability of our food ingredients to their source by upgrading our supplier relationship management system so that it can keep record of every batch of supplies as well as the result of every inspection conducted by us or other third party. Investment in such technology will be primarily funded by our net cash generated from operating activities. We expect to launch such systems in the second half of 2018.

- *Restaurant staff management*. We have collaborated with third parties to develop a system to automatically schedule shifts and vacation leave of our restaurant staff, as well as automatically complete resignation and handover procedures. Moreover, we are collaborating with third parties to develop an employee information platform to record in real time employee interview, training, assessment and promotion information. Investment in such systems will be primarily funded by net cash generated from operating activities.

See "— Continue to enhance the Haidilao dining experience" for intelligent and automation technologies that we are developing to improve guest dining experience.

Strategically pursue acquisitions of high-quality assets

As part of our overall growth strategy, we plan to pursue horizontal integration opportunities in acquisitions of high-quality assets to strengthen our market position and enhance our competitiveness. We intend to focus on restaurant businesses that are reputable, highly standardized and well-managed, and that have established supply chains that we can share or complement our business. We will select targets for acquisition based on each candidate's business scale, financial performance, guest base and restaurant network. In general, we prefer targets in the restaurant business that are scalable and operated through chain-restaurant management, with annual revenues of US$50 million or more and a focus on the PRC and other Asian markets. As of the Latest Practicable Date, we did not have any specific acquisition targets and were not in negotiations with any specific acquisition targets.

OUR BUSINESS

During the Track Record Period, we generated substantially all of our revenue from restaurant operations. To a lesser extent, we also generated revenue from our delivery business and sales of condiment products and food ingredients at our restaurants. The following table sets forth the components of our revenue for the period indicated.

	For the year ended December 31,						For the six months ended June 30,			
	2015		2016		2017		2017		2018	
	(in thousands of RMB, except percentages)									
							(unaudited)			
Restaurant operation	5,653,089	98.2%	7,635,596	97.8%	10,388,097	97.6%	4,646,684	97.7%	7,152,037	97.4%
Delivery business	74,073	1.3	146,118	1.9	218,762	2.1	97,730	2.1	133,357	1.8
Sales of condiment products and food ingredients	29,520	0.5	25,972	0.3	30,311	0.3	11,651	0.2	57,250	0.8
Total revenue	**5,756,682**	**100.0%**	**7,807,686**	**100.0%**	**10,637,170**	**100.0%**	**4,756,065**	**100.0%**	**7,342,644**	**100.0%**

The Haidilao Dining Experience

Our Founders' vision and beliefs have created a guest-oriented culture that, we believe, delivers a unique and superior dining experience. We are an industry pioneer in providing outstanding service, food and restaurant atmosphere. The Haidilao service aims to be highly attentive, thoughtful and personalized at every stage of the dining experience. The personalized aspects of our service are also reflected in our food (for example, customization of soup base to suit local taste) and our restaurant ambiance (for example, installation of ground ventilation to eliminate the hot pot smell). The Haidilao dining experience is also reflected in our traditional core menu which is enhanced by dynamic new dishes as well as our quality ingredients. As a result of our efforts, according to the F&S Survey, Haidilao has developed the strongest brand recognition among Chinese cuisine brands.

Service

Service is the foundation of our brand — it is what differentiates Haidilao and contributes to our success today. The service quality we aim for is above and beyond the basics of cleanliness, taste and speed of service. We strive to provide services that go beyond those expected for a restaurant, which make our guests feel taken care of. We are a pioneer in the industry to offer services that have now become iconic to Haidilao and followed by our peers. For example, many Haidilao restaurants are equipped with a seated waiting area with free board games, fruit, snacks and tea or other beverages. We also offer complimentary manicures and shoe polish at the waiting area. After guests are seated, our servers pay special attention to our guests' individual needs, and offer them services to make them feel being taken care of, such as handing out aprons and cell phone covers, hairbands for guests with long hair and eyeglass cleaning cloths for those wearing glasses. According to the F&S Survey, Haidilao ranked first in terms of dining experience among Chinese cuisine restaurant brands, and in particular, our outstanding service was considered to be the most important differentiating factor in Haidilao's dining experience.

We do not prescribe rigid formulas on the steps our servers are required to apply. In fact, they are encouraged to use their own initiative and judgment on how to serve our guests best. The service level that we have achieved today is a product of the management philosophy and systems that we have implemented and are continuously evolving — systems that focus on these aspects:

- *Autonomy/personalization*. We believe that people can be creative when given reasonable degrees of freedom. In a service industry like ours, where our guests are from all walks of life, there is no single formula that can ensure that our guests feel that extra warmth. We seek to give employees greater autonomy to provide better service than our peers. For example, we encourage our servers to be attentive to our guests' needs (no matter how small and specific) and the occasion for the gathering (so we can offer something extra to be a part of that occasion). Our servers are allowed to use their reasonable discretion to give discounts, free dishes or even complimentary meals.

- *Incentivization/assessment*. We believe that service quality begins with having a proper incentivization system in place. Guest satisfaction is the primary criteria when evaluating our restaurant managers. The results of their assessments determine how their restaurants are ranked internally and whether their mentees will be selected to manage other restaurants, which will contain significant financial incentives for the mentor managers. See "— Assessment, Compensation and Training — Performance Assessment" for details. Our servers are primarily assessed based on service quality and number of tables served, which are the deciding factors in their compensation and promotion. To enhance efficiency, we compensate kitchen staff and bussers primarily following a piece-rate compensation system, with their wages clearly defined based on the units of specific work performed. See "— Assessment, Compensation and Training — Performance Assessment — Restaurant Staff" for details.

- *Technologies*. We use technologies with a view to improving guest experience. We were one of the first restaurants in the PRC to introduce tablet computers for ordering, according to the F&S Report. Not only is it faster and more accurate, an automated ordering system also allows us to record member ordering preferences and other data, and serves as a platform to provide additional personalized services based on guest preferences. For example, our guests may view our kitchens through video monitors in real time on our tablet computers, which gives our guests confidence in our food safety and hygiene while acting as an additional motivator for each restaurant to maintain high food safety and quality standards. We launched a Haidilao app in August 2012 where guests can make online reservations, delivery orders and queue in our dine-in waiting list. See "— Technologies."

Below are some examples of our creative service ideas.

Dining solo doesn't have to mean eating alone.

"Welcome home! Dinner is served!"

Crib service for our youngest guests

Winter Solstice Party — let's make some dumplings!

Menu and Ingredients

In addition to our signature services, Haidilao is also well-recognized for our soup bases and high-quality dishes. Our hot pot offering has three major components — the soup base, the sauces and condiments, and the food ingredients to be cooked in the soup base. We have five signature soup bases, namely, our spicy beef oil Sichuan-style soup base, spicy vegetable oil Sichuan-style soup base, tomato soup base, mushroom soup base and savory bone soup base. Guests can order one soup base, or a combination of two or four soup bases for their meal. We modify our soup bases across key regions based on local preferences. Moreover, the flavors and ingredients of our soup base can be adjusted based on individual preference. In addition, we offer seasonal and regional soup bases, such as pork knuckle soup base and coconut chicken soup base, from time to time based on market preferences. We own the recipes for all of our soup bases. All of our signature soups bases and most of our other soup bases are produced by and procured from Yihai Group, which prepares the soup base according to our recipes. For details, see "— Procurement" and "Connected Transactions."

All of our restaurants feature a self-serve sauce and condiment bar where guests can mix and match different dipping sauces and garnishes to their own preferences and have fun in the process. We were one of the first hot pot restaurant brands in the PRC to introduce self-serve sauce and condiment bars, according to the F&S Report. Our sauce and condiment bars typically include over 20 ingredients, such as sesame sauce, satay sauce, hoisin sauce, chili oil, chopped cilantro, chopped garlic and dried chili pepper flakes. In addition, our sauce and condiment bars feature cold dishes, fruit and soup or porridge. We own the recipes of substantially all of the hot pot sauce base such as sesame sauce and satay sauce served at our sauce and condiment bars.

Guests order food ingredients to be cooked in the soup base from our menu. Our restaurant managers choose which food ingredients to offer on their menu from a list of approximately 400 food ingredients maintained by our headquarters. Typically, each of our restaurants offers 60 to 80 types of food ingredients under eight categories: namely signature dishes, seafood, classic hot pot dishes (such as sliced lamb), meatballs, leafy vegetables, root vegetables and mushrooms, snacks, and alcohol and beverages. The menu at our restaurants may differ from one another based on food preferences of the region, the size of our restaurants and the availability of food ingredients in the region considering our high standards for freshness, quality and food safety. We regularly update our menu and introduce new dishes.

Our menu is highlighted by seven to ten signature Laopai (捞派) dishes, including classic Sichuan-style hot pot ingredients, such as beef tripe (毛肚), pig aorta (黄喉) and shrimp paste (虾滑), as well as marinated beef (滑牛) and hand-pulled noodles (捞麵). These signature dishes are unique to Haidilao in terms of their recipe, processing method or presentation. In addition to our own innovative dishes, our popularity has helped us amass a large group of Haidilao fans who spontaneously create and share creative food hacks using our menu items on social media platforms, which go viral and set new trends in hot pot dining. Some of these food hacks (such as the recent internet sensation Doudou gluten balls (抖抖麵筋球)) became so popular that we have introduced them as regular items on our menu.

Set forth below are pictures of some of our menu items.

Our four-in-one hot pot where guests can sample up to four soup bases in one sitting

Hand-pulled noodles made at guest tables

Sliced lamb

Beef tripe

Shrimp paste

Sauce and condiment bar

Doudou gluten balls

Restaurant Atmosphere and Design

Hot pot is a cuisine usually enjoyed with family and friends, and we design our restaurants to make our guests feel relaxed, comfortable and fun. Historically, the majority of our restaurants were designed with a black and red theme, with the lighting and color scheme designed to focus on the hot pot. As part of our efforts to upgrade our restaurant atmosphere and facilities, in 2016, we rolled out in some of our restaurants a new modern and fresh theme featuring a light green and yellow color scheme, redesigned furniture and more advanced restaurant appliances. Going forward, we intend to continue to experiment with different designs and themes to enhance our restaurant environment.

The following images show the typical interior of our restaurants.

Black and red theme

Light green and yellow theme

Our restaurants have a main dining hall and a substantial majority of our restaurants also have private dining rooms for larger parties. Due to our popularity and the services we provide to waiting guests, we generally have a large waiting area where we offer complimentary manicures, games, snacks and drinks to our guests. Given the nature of hot pot, we do not need to maintain large kitchens and approximately 75% to 80% of our restaurant space is the dining area. The dining area of our restaurants in the PRC during the Track Record Period generally ranged from 600 to 1,000 square meters per restaurant and can accommodate approximately 300 to 500 guests at the same time per restaurant. Generally, our PRC restaurants are spaced with approximately 65 to 90 tables that can seat two to eight people each. The total dining area of our overseas restaurants generally ranged from 375 to 750 square meters per restaurant and can accommodate approximately 200 to 500 guests at the same time per restaurant. Generally, our overseas restaurants are spaced with approximately 40 to 75 tables per restaurant that can seat two to eight people each. In 2015, 2016, 2017 and the six months ended June 30, 2018, our restaurants were equipped with 88, 85, 82, and 79 tables per restaurant on average. We seek to design our restaurant layout to optimize our table to chair ratio and use of space. Moreover, we adjust our restaurant layout and the mix of tables for two, four or larger groups based on guest base, which enables us to maximize seating capacity and table turnover, reduce waiting time and improve guest experience.

We typically conduct complete renovations for each of our restaurants every ten years and smaller-scale renovations in between. The total capital expenditure for each new PRC restaurant typically ranged from RMB8 million to RMB10 million during the Track Record Period.

Restaurant Business

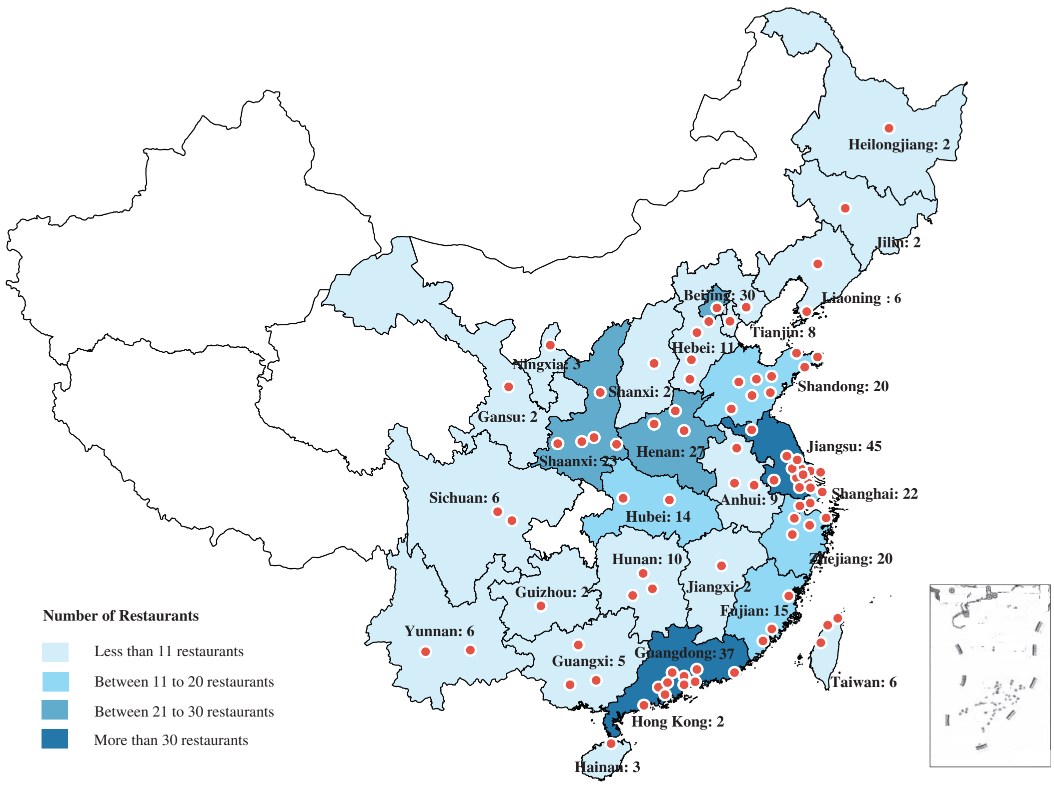
Restaurant Network

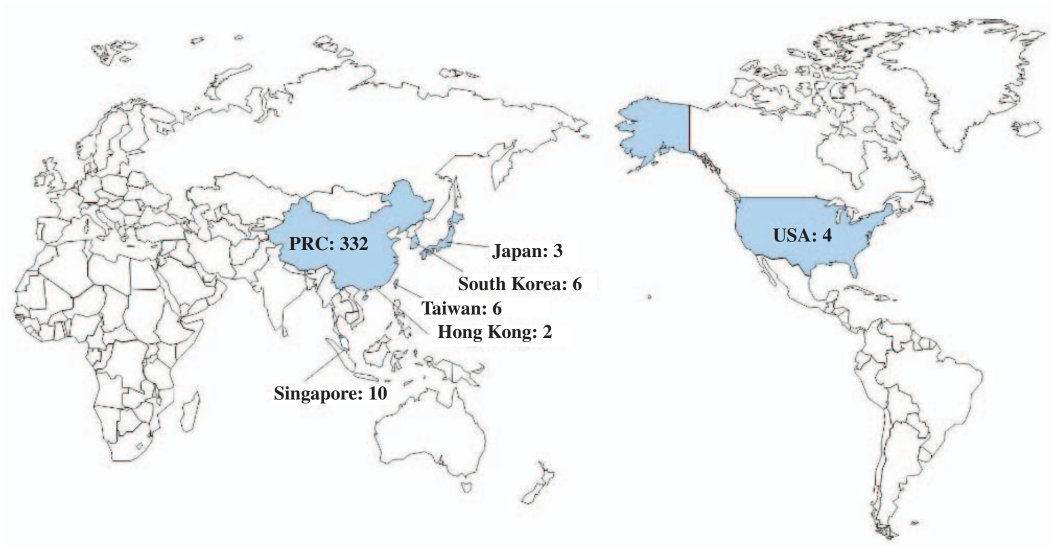
We owned and operated the largest hot pot restaurant chain globally in terms of 2017 revenue, according to the F&S Report. We opened our first restaurant in 1994 in Jianyang, Sichuan province, and have gradually expanded our restaurants to 26 provinces in the PRC. As of the Latest Practicable Date, our Haidilao restaurant network covers all tier one cities and substantially all of the tier two cities in the PRC. In addition, we have also established presence in Taiwan and Hong Kong and internationally in Singapore, South Korea, Japan and the United States, as of the Latest Practicable Date. We own and operate all of our Haidilao restaurants and lease all of the premises on which our restaurants operate.

As of December 31, 2015, 2016 and 2017, June 30, 2018 and the Latest Practicable Date, we owned and operated 146, 176, 273, 341 and 363 Haidilao restaurants, respectively, of which 139, 167, 254, 316 and 332 are located in the PRC, respectively. As a reflection of our popularity with guests, outstanding guest service and effective restaurant management systems, we consistently achieve one of the highest table turnover rates in the industry, according to the F&S Report. For the years ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2018, our overall table turnover rate was 4.0 times per day, 4.5 times per day, 5.0 times per day and 4.9 times per day, respectively. In particular, our newly-opened restaurants in 2015, 2016, 2017 and the six months ended June 30, 2018 achieved table turnover rates of 4.1 times per day, 4.8 times per day, 4.6 times per day and 4.2

times per day in the same periods, respectively. In 2015, 2016 and 2017 and the six months ended June 30, 2018, the overall seat turnover rate[(1)] of our restaurants was 3.8 times per day, 4.1 times per day, 4.4 times per day and 4.2 times per day, respectively, which was generally in line with our table turnover rates.

The following maps set forth our restaurant network as of the Latest Practicable Date.





Note (1): Overall seat turnover rate is calculated by dividing total guests served by the product of average table count for the period, total restaurant operation days for the period and average number of seats per table. During the Track Record Period, the majority of our tables seat four guests per table.

The following table sets forth the number of restaurants and breakdown of gross revenue from restaurant operation by location as of the date and for the period indicated.

	As of and for the year ended December 31,						As of and for the six months ended June 30,			
	2015		2016		2017		2017		2018	
	Number	Gross revenue/ revenue	Number	Gross revenue/ revenue	Number	Gross revenue/ revenue	Number	Gross revenue/ revenue	Number	Gross revenue/ revenue
		(in thousands of RMB)		(in thousands of RMB)		(in thousands of RMB)		(in thousands of RMB) (unaudited)		(in thousands of RMB)
PRC										
Tier 1 cities	50	2,316,797	55	2,713,753	65	2,959,223	57	1,427,081	78	1,800,232
Tier 2 cities	71	2,879,563	83	3,776,360	120	5,230,981	95	2,339,596	153	3,467,689
Tier 3 cities and below	18	310,178	29	733,596	69	1,518,374	39	636,389	85	1,401,431
Subtotal	*139*	*5,506,538*	*167*	*7,223,709*	*254*	*9,708,578*	*191*	*4,403,066*	*316*	*6,669,352*
Outside PRC										
Singapore	3	193,553	4	258,685	6	353,993	4	156,145	8	228,988
Taiwan	1	13,736	1	57,599	5	158,449	2	41,080	6	108,601
South Korea	1	26,452	2	46,402	3	72,503	3	29,703	4	48,367
Japan	1	13,327	1	38,056	2	55,488	1	23,363	2	50,734
United States	1	30,005	1	38,403	2	46,737	2	22,373	4	61,167
Hong Kong	—	—	—	—	1	16,211	0	—	1	34,459
Subtotal	*7*	*277,073*	*9*	*439,145*	*19*	*703,381*	*12*	*272,664*	*25*	*532,316*
Total restaurants/gross revenue from restaurant operations	**146**	**5,783,611**	**176**	**7,662,854**	**273**	**10,411,959**	**203**	**4,675,730**	**341**	**7,201,668**
Net of:										
Customer loyalty program		(130,522)		(27,258)		(23,862)		(29,046)		(49,631)
Total restaurants/revenue from restaurant operation	**146**	**5,653,089**	**176**	**7,635,596**	**273**	**10,388,097**	**203**	**4,646,684**	**341**	**7,152,037**

The following table sets forth breakdown of restaurant level operating profit(1) and restaurant level operating profit margin(2) by location for the period indicated.

	For the year ended December 31,						For the six months ended June 30,			
	2015		2016		2017		2017		2018	
	Restaurant level operating profit	Restaurant level operating profit margin	Restaurant level operating profit	Restaurant level operating profit margin	Restaurant level operating profit	Restaurant level operating profit margin	Restaurant level operating profit	Restaurant level operating profit margin	Restaurant level operating profit	Restaurant level operating profit margin
	(in thousands of RMB, except percentages)									
PRC										
Tier 1 cities . . .	524,943	22.2%	758,223	27.2%	653,585	21.6%	342,804	23.4%	367,305	20.2%
Tier 2 cities . . .	568,999	19.6	969,431	25.1	1,248,129	23.4	562,054	23.6	774,753	22.1
Tier 3 cities and below . .	44,220	14.2	154,517	20.9	308,527	20.1	130,256	20.3	276,320	19.6
Subtotal/Overall PRC operating profit margin. . .	*1,138,162*	*20.4*	*1,882,171*	*25.5*	*2,210,241*	*22.3*	*1,035,114*	*23.0*	*1,418,378*	*21.1*
Outside PRC	51,943	18.7	100,054	22.7	128,033	17.9	46,349	17.0	54,432	10.2
Net of:										
Customer loyalty program(3) . .	(130,522)		(27,258)		(23,862)		(29,046)		(49,631)	
Total/Overall restaurant level operating profit margin.	**1,059,583**	**18.5%**	**1,954,967**	**25.1%**	**2,314,412**	**21.9%**	**1,052,417**	**22.2%**	**1,423,179**	**19.7%**

(1) Restaurant level operating profit is calculated by deducting cost of restaurant level raw materials and consumables used, restaurant level staff costs, restaurant level property rent and related expenses, restaurant level utilities expenses, restaurant level depreciation and amortization and other restaurant level expenses from restaurant level revenue (which represents gross revenue from restaurant operation, from delivery service stations located in our restaurants and from sales of condiment products and food ingredients). Restaurant level operating profit is not a GAAP item. We have presented this non-GAAP item because we consider it important supplemental measures of our operating performance and believe it is frequently used by analysts, investors and other interested parties in the evaluation of companies in our industry. Our management uses such non-GAAP item as an additional measurement tool for purposes of business decision-making. Other companies in our industry may calculate this non-GAAP item differently than we do. This non-GAAP item is not a measure of operating performance or liquidity under IFRS and should not be considered as a substitute for, or superior to, profit before tax or cash flow from operating activities in accordance with IFRS. This non-GAAP item has limitation as an analytical tool, and you should not consider it in isolation or as a substitute for analysis of our results as reported under IFRS. Our presentation of this non-GAAP item should not be construed as an inference that our future results will be unaffected by unusual or non-recurring items.

(2) Restaurant level operating profit margin is calculated by dividing restaurant level operating profit by restaurant level revenue for the same period and multiplied by 100%.

(3) Represents the difference between the ending balance and the beginning balance of contract liabilities arising from our customer loyalty program in a year/period.

Restaurant Network Expansion

In 2015, 2016 and 2017 and the six months ended June 30, 2018, we opened 36, 32, 98 and 71 new restaurants, respectively. The following table sets out the total number of our restaurants and their movement during the Track Record Period.

	For the year ended December 31,			For the six months ended June 30,
	2015	**2016**	**2017**	**2018**
Number of restaurants at the beginning of the period	112	146	176	273
Number of new restaurants opened during the period	36	32	98	71
Number of restaurants closed during the period	2	2	1	3
Number of restaurants at the end of the period	146	176	273	341

The number of new restaurants we opened in 2017 and the first half of 2018 increased significantly to 98 and 71, respectively, as we reorganized our internal management structure in mid-2016 to drive our bottom-up project identification process. For details, see "— Organizational Structure." During the Track Record Period, our restaurants generally achieved an initial monthly breakeven period within approximately one to three months. During the Track Record Period and as of the Latest Practicable Date, substantially all of our restaurants were profitable, other than newly-opened restaurants that had not achieved initial monthly breakeven and a few overseas restaurants.

We closed a total of two, two, one and three restaurants in 2015, 2016 and 2017 and the six months ended June 30, 2018, respectively. The eight restaurants that we closed during the Track Record Period were due to changes in government zoning plans and commercial reasons.

Restaurant Performance

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

	For the year ended December 31,			For the six months ended June 30,	
	2015	**2016**	**2017**	**2017**	**2018**
Average spending per guest[1] (RMB)					
Tier 1 cities	93.2	95.3	98.3	101.2	106.0
Tier 2 cities	86.1	88.5	92.6	90.7	94.2
Tier 3 cities and below	89.8	92.8	94.5	90.5	91.8
PRC Restaurants	*89.2*	*91.4*	*94.6*	*93.8*	*96.6*
Outside PRC	215.2	215.4	179.6	211.5	196.1
Overall	**91.8**	**94.5**	**97.7**	**97.0**	**100.3**

	For the year ended December 31,			For the six months ended June 30,	
	2015	2016	2017	2017	2018
Total guests served[2] (million)					
Tier 1 cities	24.9	28.5	30.1	14.1	17.0
Tier 2 cities	33.4	42.7	56.5	25.8	36.8
Tier 3 cities and below	3.5	7.9	16.1	7.0	15.3
PRC Restaurants	*61.7*	*79.0*	*102.6*	*46.9*	*69.1*
Outside PRC	1.3	2.0	3.9	1.3	2.7
Total	**63.0**	**81.1**	**106.6**	**48.2**	**71.8**
Table turnover rate[3] (times/day)					
Tier 1 cities	3.9	4.3	4.8	4.7	4.9
Tier 2 cities	4.1	4.8	5.2	5.2	5.1
Tier 3 cities and below	3.5	4.3	4.7	4.7	4.6
PRC Restaurants	*4.0*	*4.5*	*5.0*	*5.0*	*5.0*
Outside PRC	4.4	4.8	4.4[6]	4.4[6]	3.7[6]
Overall	**4.0**	**4.5**	**5.0**	**5.0**	**4.9**
Average guests per day per restaurant[4]					
Tier 1 cities	1,412	1,472	1,546	1,469	1,418
Tier 2 cities	1,471	1,559	1,589	1,642	1,485
Tier 3 cities and below	962	1,027	1,112	1,133	1,139
PRC Restaurants	*1,405*	*1,453*	*1,478*	*1,489*	*1,377*
Outside PRC	651	713	869	722	666
Overall	**1,373**	**1,416**	**1,441**	**1,448**	**1,323**
Average daily restaurant sales[5] (in thousands of RMB)					
Tier 1 cities	131.5	140.3	152.1	148.7	150.3
Tier 2 cities	126.7	138.0	147.1	148.9	139.9
Tier 3 cities and below	86.4	95.2	105.2	102.5	104.5
PRC Restaurants	*125.3*	*132.8*	*139.8*	*139.7*	*132.9*
Outside PRC	140.0	153.6	156.1	152.7	130.5
Overall	**125.5**	**133.7**	**140.8**	**140.4**	**132.8**

(1) Calculated by dividing gross revenue generated from restaurant operation for the period by total guests served for the period in the same region. For further details on how we calculate total guests, see note (2).

(2) We use the number of dipping sauce orders as a key KPI in our piece-rate compensation structure and, before 2017, a proxy for the number of guests served. While most of our guests do order dipping sauce, some, including small children, did not. In 2016, we rolled out an upgraded system to directly record the number of guests served. Accordingly, the amounts presented for our total guests served in 2017 and 2018 in the table above and elsewhere in the Prospectus are based on the number of guests recorded in our IT system. The amounts presented for total guests served for 2015 and 2016 in the table above and elsewhere in the Prospectus, however, have been derived based on the ratio of the number of guests served to the number of dipping sauce orders in 2017. In 2015, 2016, 2017 and the six months ended June 30, 2017 and 2018, the number of dipping sauce orders at our restaurants totaled 55.3 million, 71.0 million, 92.8 million, 41.8 million and 61.6 million, respectively.

(3) Calculated by dividing the total tables served for the period by the product of total restaurant operation days for the period and average table count during the period in the same region.

(4) Calculated by dividing the total guest served for the period by the total restaurant operation days for the period in the same region. For further details on how we calculate total guests served, see note (2).

(5) Calculated by dividing the gross revenue from restaurant operation for the period by the total restaurant operation days for the period in the same region.

(6) The table turnover rate for overseas restaurants in 2017 and 2018 does not include one of our United States restaurants opened in 2017, which only provided bar-style service.

The following table sets forth certain key performance indicators[(1)] of our restaurants by year of open for the period indicated.

	For the year ended December 31			For the six months ended June 30,	
	2015	**2016**	**2017**	**2017**	**2018**
Average spending per guest (RMB)					
Restaurants opened before 2015	91.2	93.7	97.1	97.3	101.6
Restaurants opened in 2015	97.5	99.4	101.9	99.9	104.9
Restaurants opened in 2016	—	91.7	97.7	95.2	98.9
Restaurants opened in 2017	—	—	95.9	89.3	97.8
Restaurants opened in the six months ended June 30, 2018	—	—	—	—	98.6
Overall	**91.8**	**94.5**	**97.7**	**97.0**	**100.3**
Total guests served (million)					
Restaurants opened before 2015	57.5	62.2	63.1	31.3	30.4[(2)]
Restaurants opened in 2015	5.5	13.6	15.8	7.7	7.6[(2)]
Restaurants opened in 2016	—	5.4	13.3	6.5	6.8
Restaurants opened in 2017	—	—	14.4	2.7	20.5
Restaurants opened in the six months ended June 30, 2018	—	—	—	—	6.5
Total	**63.0**	**81.1**	**106.6**	**48.2**	**71.8**
Table turnover rate (times/day)					
Restaurants opened before 2015	4.0	4.5	5.0	4.9	5.1
Restaurants opened in 2015	4.1	4.6	5.3	5.2	5.4
Restaurants opened in 2016	—	4.8	5.2	5.1	5.3
Restaurants opened in 2017	—	—	4.6	4.8	4.6
Restaurants opened in the six months ended June 30, 2018	—	—	—	—	4.2
Overall	**4.0**	**4.5**	**5.0**	**5.0**	**4.9**
Average guests per day per restaurant					
Restaurants opened before 2015	1,434	1,584	1,703	1,644	1,682
Restaurants opened in 2015	953	1,032	1,204	1,185	1,222
Restaurants opened in 2016	—	1,097	1,141	1,132	1,176
Restaurants opened in 2017	—	—	1,183	1,208	1,160
Restaurants opened in the six months ended June 30, 2018	—	—	—	—	997
Overall	**1,373**	**1,416**	**1,441**	**1,448**	**1,323**

	For the year ended December 31			For the six months ended June 30,	
	2015	2016	2017	2017	2018
Average daily restaurant sales (in thousands of RMB)					
Restaurants opened before 2015	130.8	148.4	165.4	161.9	170.8
Restaurants opened in 2015	92.9	102.6	122.7	118.4	128.2
Restaurants opened in 2016	—	100.6	111.5	107.7	116.3
Restaurants opened in 2017	—	—	113.4	107.9	113.5
Restaurants opened in the six months ended June 30, 2018	—	—	—	—	98.2
Overall	**125.5**	**133.7**	**140.8**	**140.4**	**132.8**

(1) For details of how we calculate such key performance indicators, see " — Our Business — Restaurant Business — Restaurant Performance".

(2) Our total guests served at our restaurants opened before 2015 and in 2015 decreased slightly in the six months ended June 30, 2018 compared to that in the six months ended June 30, 2017 primarily because we closed three restaurants in the six months ended June 30, 2018, two of which were opened before 2015 and one of which was opened in 2015. To a lesser extent, certain of our restaurants opened before 2015 and in 2015 were undergoing renovations during the six months ended June 30, 2018.

In 2015, 2016, 2017 and the six months ended June 30, 2018, the top quartile of our restaurants in terms of table turnover rate achieved average daily restaurant sales of RMB152,800, RMB169,900, RMB172,000 and RMB164,300, respectively. For the same periods, the bottom quartile of our restaurants by table turnover rate achieved an average daily restaurant sales of RMB91,600, RMB103,700, RMB99,600 and RMB99,700, respectively. The lower table turnover rate and average daily restaurant sales of the bottom quartile primarily reflects the ramp-up stage and promotional efforts of newly-opened restaurants.

The following table sets forth details of our same store sales during the Track Record Period.

	For the year ended December 31,				For the six months ended June 30,	
	2015	2016	2016	2017	2017	2018
Number of same stores[(1)]						
Tier 1 cities	42		39		45	
Tier 2 cities	49		62		76	
Tier 3 cities and below	7		17		27	
Outside PRC	4		7		8	
Overall	**102**		**125**		**156**	
Same store sales[(2)] (in thousands of RMB)						
Tier 1 cities	2,046,712	2,269,970	1,931,959	2,177,010	1,161,457	1,303,609
Tier 2 cities	2,298,491	2,679,111	3,078,975	3,525,673	2,043,294	2,128,611
Tier 3 cities and below	233,768	262,376	584,778	680,148	507,721	539,920
Outside PRC	216,664	259,083	411,101	463,851	228,801	222,337
Total	**4,795,635**	**5,470,540**	**6,006,813**	**6,846,682**	**3,941,273**	**4,194,477**
Same store sales growth (%)						
Tier 1 cities	10.9%		12.7%		12.2%	
Tier 2 cities	16.6%		14.5%		4.2%	
Tier 3 cities and below	12.2%		16.3%		6.3%	
Outside PRC	19.6%		12.8%		(2.8)%[(5)]	
Overall	**14.1%**		**14.0%**		**6.4%**	
Average same store sales per day[(3)] (in thousands of RMB)						
Tier 1 cities	134.2	148.2	135.7	154.4	144.0	160.9
Tier 2 cities	129.3	150.4	136.5	156.2	149.3	155.4
Tier 3 cities and below	91.9	102.6	94.2	109.8	104.1	111.3
Outside PRC	148.4	177.5	161.0	182.3	159.5	155.4
Overall	**129.5**	**147.2**	**131.8**	**150.8**	**140.4**	**149.4**
Same store table turnover rate[(4)] (times/day)						
Tier 1 cities	3.9	4.3	4.3	4.8	4.7	5.1
Tier 2 cities	4.1	4.8	4.8	5.3	5.3	5.3
Tier 3 cities and below	3.4	3.8	4.1	4.7	4.7	5.0
Outside PRC	4.4	5.2	5.0	5.1	4.5	4.5
Overall	**4.0**	**4.5**	**4.6**	**5.1**	**5.0**	**5.2**

(1) Includes restaurants that commenced operations prior to the beginning of the periods under comparison and opened for more than 300 days in both 2015 and 2016, and in both 2016 and 2017, and more than 150 days in the six months ended June 30, 2017 and 2018.

(2) Refers to the aggregate gross revenue from restaurant operation at our same stores for the period indicated.

(3) Calculated by dividing the gross revenue from restaurant operation for the period by the total restaurant operation days at our same stores for the period.

(4) Calculated by dividing the total tables served for the period by the product of total restaurant operation days for the period and average table count at our same stores during the period.

(5) Our same store sales for overseas restaurants decreased by 2.8% from six months ended June 30, 2017 to the six months ended June 30, 2018 primarily due to our strategy to lower pricing of certain menu items at our overseas restaurants to increase guests served, which resulted in lower spending per guest.

For details, see “Financial Information — Key Factors Affecting Our Results of Operations.”

Delivery Business

We began offering delivery service in 2010 and were the first hot pot restaurant brand in the PRC to introduce self-operated hot pot delivery service, according to the F&S Report. As of the Latest Practicable Date, we operated delivery business in over 45 cities across China. According to the F&S Report, the food delivery sector in the PRC has expanded rapidly from RMB46.5 billion to RMB209.1 billion from 2013 to 2017, and is expected to grow at a CAGR of 17.9% from 2017 to 2022.

Our delivery stations are designed to primarily serve guests within the vicinity and typically within 30 to 40 minutes. We offer our delivery services through our delivery hotline, WeChat public account, our Haidilao app, as well as major online food delivery platforms in the PRC. In 2017, approximately 60% of sales from delivery services were derived from third-party online food delivery platforms. The services offered across all platforms are the same and all of our deliveries (including sales made on third-party online food delivery platforms) are made by our own staff. According to our agreements with these third-party online food delivery platforms, we have agreed to pay a low single digit percentage of the revenue generated through their platforms as commission fee. We are responsible for costs and expenses incurred during food preparation and delivery. Because we conduct all food preparation and deliveries for orders made on these platforms, we will be responsible for any liabilities related to these orders.

We seek to provide our delivery guests with the same Haidilao dining experience as our dine-in guests. More than delivery of food, our delivery staff also prepare the table for our guests on arrival. Similar to our restaurant service, we include in every delivery order, free of charge, side dishes and a package containing gum and hairbands for the guests to improve their hot pot dining experience. In addition, our guests may elect (at an additional charge) to have a pot and electric stove as well as restaurant plates and utensils (rather than paper and plastic plates and utensils) delivered and served by our delivery staff. If this service is selected, our delivery staff will also pick up these items after the meal is finished. Our delivery staff are incentivized and assessed by the same management system as our restaurant staff, based on guest satisfaction and amount of work done. In 2015, 2016 and 2017 and the six months ended June 30, 2017 and 2018, revenue from delivery business totaled RMB74.1 million, RMB146.1 million, RMB218.8 million, RMB97.7 million and RMB133.4 million, respectively.

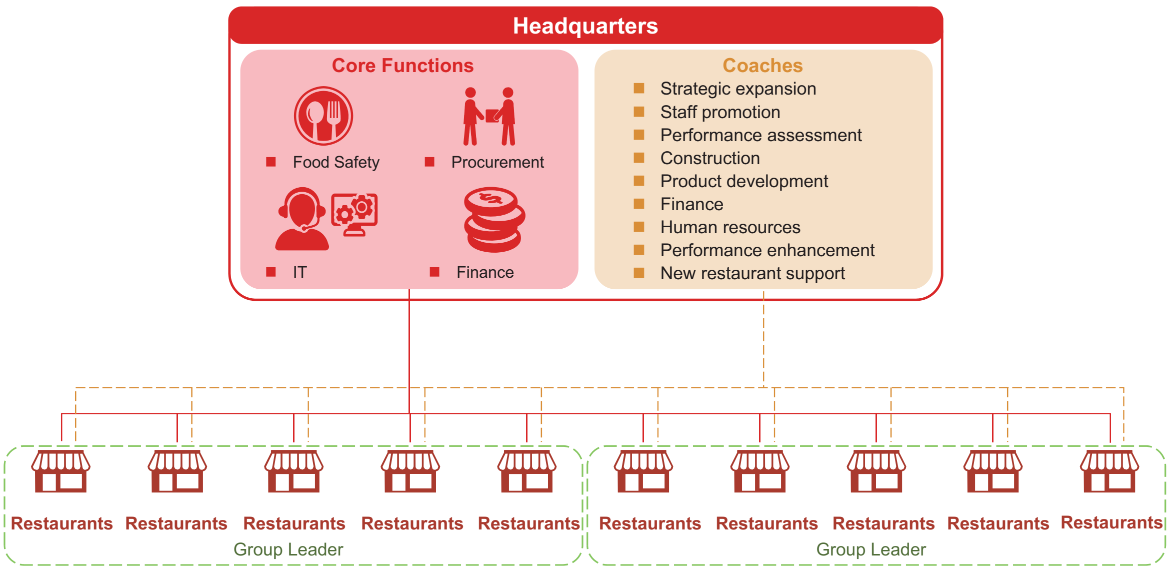
Sales of Condiment Products and Food Ingredients

During the Track Record Period, we also sold retail condiment products and food ingredients. These products are generally the same in flavor as condiments and food ingredients used in the dine-in hot pot offered at our restaurants, allowing guests to make their own Haidilao-style hot pot at home. Revenue generated from these sales amounted to RMB29.5 million, RMB26.0 million, RMB30.3 million, RMB11.7 million and RMB57.3 million in 2015, 2016, 2017 and the six months ended June 30, 2017 and 2018, respectively, accounting for 0.5%, 0.3%, 0.3%, 0.2% and 0.8% of our total revenue, respectively.

ORGANIZATIONAL STRUCTURE

To achieve continued rapid growth while maintaining consistently high quality standards, our Founders and management sought to create a unique management model by combining the best features of both the traditional franchise model and the self-owned and operated model. We have continually refined our management system to find the optimal balance between standardization and flexibility, and between control and autonomy, to allow restaurant managers to have sufficient freedom and flexibility while maintaining control over critical aspects of restaurant management.

As a result of our efforts, in mid-2016, we have restructured our internal organization to have four components, namely, our headquarters, coaches, groups and restaurants. Our organizational structure is a flat management system in which our restaurants report directly to our senior management. To support our headquarters, restaurants in the vicinity form a group to provide mutual support and share information and resources. We believe that such a flat management system has afforded us great transparency and immediate and effective implementation of corporate objectives. The management of our restaurants is supported by coach teams that provide guidance, advice and evaluation to restaurant managers. The diagram below sets forth our organizational structure:



Headquarters

Our headquarters effectively maintain control over critical aspects of restaurant management, including food safety, supplier selection and management, legal, IT, finance, and restaurant expansion strategy. We believe that these aspects of our operations require standardized management to ensure the overall quality and order of our business. Moreover, we believe that standardized operations in these aspects enable our scalable expansion. While we grant significant autonomy to restaurant managers in day-to-day operations, we are able to manage and ensure the quality and success of each restaurant through effective control over these key aspects.

Coaches and Coaching Teams

Our restaurant managers have significant autonomy and flexibility in managing its day-to-day operations of our restaurants, and we provide them with guidance and support from coach teams of their choice. Many of our coaches have worked as our restaurant managers or have experience working at our restaurants. Some of these coaches are full-time coaches while others may also hold positions as a department head in our headquarters. As of the Latest Practicable Date, we had a total of 12 coaches. Our coach teams report directly to Ms. Yang Lijuan, our chief operating officer. These coach teams provide supporting services to our restaurants in the following respects:

- *Strategic expansion*. Guidance with respect to site selection and lease negotiation.

- *Staff development and promotion*. Responsible for running the Haidilao University training program for floor manager and restaurant manager candidates. See "— Assessment, Compensation and Training — Training and Promotion — Restaurant Management" for details.

- *Performance assessment*. Responsible for conducting performance assessments on our restaurants.

- *Construction*. Responsible for coordinating the decoration and renovation of our restaurants.

- *Product development*. Responsible for developing new menu items and improving existing menu items.

- *Finance*. Responsible for planning, organizing and accounting for and controlling our restaurants' finances.

- *Performance enhancement*. Responsible for providing guidance to restaurants that were C-rated.

- *New restaurant support*. Responsible for supervising and planning new restaurant opening, as well as training restaurant staff and providing general guidance to restaurant managers in respect of new restaurant opening.

- *Human resources*. Responsible for interviewing candidates, providing staff training and liaising with Weihai Consulting for our human resources needs.

Groups

We generally require restaurants within a region to form a "group" with neighboring restaurants. These groups, which typically consist of five to 18 restaurants, which are generally formed through mentor-mentee relationships, and a qualified restaurant manager, generally the mentor, will serve as the "group leader." Restaurants within each group provide mutual support on opening and operating new restaurants, as well as on improving low-performing restaurants. By leveraging their proximity to one another, group members share information and resources and work together in problem solving at a local level, thereby providing a regional support function from bottom up through self-regulation, which in turn increases our overall management efficiency and transparency.

As of the Latest Practicable Date, we had 41 groups covering over 350 restaurants. A recent initiative has been implemented to require group leaders to prepare long-term development plans for their group, including plans for expansion, talent development and formation of new groups. The initiative is designed to encourage group leaders to better define their business objectives, which will help us form the basis for our company-wide long-term strategy.

Restaurant Level

The day-to-day operations of our restaurants are managed by restaurant managers. More importantly, our restaurant managers are responsible for staff assessment and promotion, and are encouraged to develop talented mentees to become restaurant managers that support our bottom-up driven expansion. Our restaurant managers are responsible for inspecting the operations of our restaurants on a daily basis, handling guest complaints and emergency situations, holding weekly staff meetings and reviewing financial and performance metrics. Restaurant managers are required to implement a set of rules set out in our operations manual, which primarily relate to human resource management, food safety, cash management and new restaurant development. Other than these rules, we generally provide restaurant managers with significant autonomy and decision-making power in operating their restaurants. We incentivize restaurant managers to ensure the quality of Haidilao restaurants by aligning their compensation with the success of their restaurant. See "— Assessment, Compensation and Training— Compensation."

Typically, each of our restaurants is equipped with approximately 100 to 150 restaurant staff. We divide the positions in our restaurants into beginner, intermediate and advanced-level roles. Generally, new joiners will start from beginner roles and move up to more difficult roles as they gain experience and undergo additional training. Our beginner roles include bussers and janitors. Intermediate roles include dishwashing staff and food preparation staff. Advanced-level roles consist of servers and food safety personnel. Our floor managers are assigned shifts and cover specific zones in our restaurants, and are responsible for overseeing the operations of our restaurants on a day-to-day basis. Due to our performance assessment, compensation and promotion systems, the attrition rate of our employees was relatively low in our industry, according to the F&S Report.

EXPANSION PLAN, SITE SELECTION AND DEVELOPMENT

We believe that the continued expansion of our restaurant network is crucial to our growth and future success. In mid-2016, we reorganized our internal management system to encourage bottom-up driven growth. Under this model, we align the financial interests of our restaurant managers with their ability to cultivate new restaurant managers and open new restaurants, which has become a significant driver in our expansion. Based on recommendations of existing restaurant managers, we identify and cultivate future restaurant managers through leadership training programs, which provides solid support for our rapid expansion.

Our restaurant managers are encouraged to submit new restaurant proposals to our headquarters, which include restaurant manager candidates, proposed restaurant staff team and potential restaurant sites. Restaurant managers generally submit these new restaurant proposals upon internal discussion and planning with his/her group. Together with our strategic expansion coach team, our headquarters evaluate new restaurant proposals from restaurant managers and manage our overall strategic growth. We require restaurant managers to open a new restaurant every two years. Of the 98 and 71 newly-opened restaurants in 2017 and the first half of 2018, 58 and 34 were proposed by existing restaurant managers, respectively. In addition, we will also proactively seek to open new restaurants by considering factors such as (i) the availability of qualified manager candidates to operate new restaurants (most of whom we cultivate internally), (ii) the potential of new markets, and (iii) the number of existing restaurants in the vicinity that have a higher-than-average table turnover rate, which indicate that these regions have room for new restaurants.

We believe that, by encouraging bottom-up growth from restaurant managers and aligning the interests of restaurant managers of existing restaurants with the performance of new restaurants of their mentees, we are able to effectively deter cannibalization between restaurants within a geographical region. Moreover, we conduct in-depth research and analyses when determining the location of new restaurants. We have developed an artificial intelligence platform with Alibaba Cloud, which consists of an algorithm that screens suitable locations based on criteria we specify. Generally, we require restaurants to be located at least three kilometers apart. See "—Expansion Management — Site Selection." In light of the popularity of hot pot, the overall growth potential of the Chinese cuisine market in the PRC and the fragmented market for hot pot, it is expected that leading hot pot restaurant chains like ours will have significant growth potential in coming years. During the Track Record Period, our newly-opened restaurants achieved comparable table turnover rates as our existing restaurants, which are above industry average, according to the F&S Report.

The annual targets of our planned expansion are not fixed and the actual number, location and timing of new restaurant openings in any period will be affected by a number of factors and subject to a number of uncertainties. We may make necessary adjustments to our new restaurant opening plan depending on existing market conditions, the availability of restaurant manager candidates and the status of pre-opening development and preparation for the relevant restaurants.

Expansion Management

We have standardized our restaurant expansion to ensure high quality and rapid growth. Our headquarters centralize management of critical aspects of restaurant management, such as food safety and quality control, procurement of raw materials, supplier management and compliance with relevant laws and regulations. These aspects have been standardized and are scalable to meet our expansion needs. In addition, we outsource certain functions, such as food processing and logistics, to third-party service providers. To support our expansion, our headquarters will closely monitor the availability and sufficiency of resources and formulate specific work plans to execute our expansion. Moreover, we will continue to assess the requirements for our expansion plan and expand our internal resources or secure additional third-party service providers as necessary.

For each new restaurant project, our headquarters and strategic expansion coach team are responsible for selecting new restaurant managers based on recommendations from mentors, and conducting site selection and lease negotiations. The new restaurant manager and his or her mentor are responsible for executing the project, and are supported by our coach teams in various aspects of restaurant opening. The following chart illustrates the major steps in our restaurant opening process after a new restaurant project has been determined.

Selection of New Restaurant Managers

We believe an important factor to success of a new restaurant is the selection of a talented and suitable restaurant manager who has extensive experience working as mentees of existing restaurant managers and is familiar with the daily operations and management of our restaurants. During the Track Record Period, substantially all of our restaurant managers were home grown and have served in various non-managerial positions such as waiters, bussers or janitors. See "— Assessment, Compensation and Training — Training and Promotion" for details of our apprenticeship program.

We take into consideration the recommendations from existing restaurant managers when selecting new restaurant managers. If we approve the new restaurant proposal submitted by a restaurant manager, the restaurant manager's mentee (who is qualified as a restaurant manager) typically will be the first choice as manager of the new restaurant, subject to review by our coach teams. If we intend to open new restaurants that were not submitted by a restaurant manager, we would create a project posting on our internal OA system. Restaurant managers may apply to undertake these projects, which will also be reviewed by our coach teams. Generally, we consider the following factors in the review process:

- *Historical performance*. We give priority to mentees of restaurant managers with A ratings in selecting and opening restaurants. Managers of C-rated restaurants may not open new restaurants. For details of our restaurants rating system, see "— Assessment, Compensation and Training — Performance Assessment — Restaurants."

- *Staffing*. We evaluate the proposed staffing of new restaurants in terms of performance and qualifications to ensure that our new restaurants are properly staffed. We typically promote staff from the new restaurant manager's existing restaurant to higher-level positions at the new restaurant, which we believe provides stability and continuity to our restaurant employees and allows for smooth operations in the initial months of a new restaurant.

- *Geographical location*. We typically do not match restaurant manager candidates to projects outside the province or region of their existing restaurant. Only restaurant managers who have achieved A ratings twice a year are qualified to apply and expand to cities outside of their existing restaurants. We also require the new restaurant manager to complete additional apprenticeships.

- *Overseas restaurants*. We require manager candidates for overseas restaurants to have language proficiency and meet certain requirements, and have experience as restaurant managers in our PRC restaurants.

If selected for a project, the new restaurant manager, his/her mentor and staff team will be responsible for executing the project with guidance from our coach teams.

Site Selection

We consider location to be critical to the success of our restaurants, and therefore we directly manage site selection at our headquarters and coach team level. To improve the quality of our site selection process, we have developed an artificial intelligence platform with Alibaba Cloud, which consists of an algorithm that screens suitable locations based on criteria we specify. Our headquarters and strategic expansion coach team use the results from our site selection algorithm to provide general guidance to restaurant managers on general locations and areas that are suitable for restaurant openings. Restaurant managers are responsible for finding specific properties for their proposed restaurants. Our strategic expansion coach team evaluates the restaurant sites proposed by restaurant managers, and also independently seeks out suitable sites for new restaurants through their extensive research and feasibility studies. A site location is finalized jointly by the strategy expansion coach team and the prospective restaurant manager for the new location.

Our site selection algorithm takes into account the criteria set out below.

- GDP per capita and population density of the local community;

- presence of activity centers, such as offices, shopping complexes, schools and residential areas, that generate guest traffic;

- popularity of other restaurants in the vicinity;

- presence of nightlife, such as bars and KTVs, considering that many of our restaurants remain open late at night;

- distance from another restaurant of ours;
- reputation of real estate developer and their ability to attract major brands; and
- accessibility by public transportation, traffic conditions and parking space.

Lease Arrangement

We generally enter into long-term leases ranging from five to 15 years with an option to renew for our restaurants. We do not own any property for our restaurant sites and believe such strategy reduces our capital investment requirements. Our total property rent and related expenses as a percentage of our revenue was generally 4% to 5% during the Track Record Period, which is lower than industry average, according to the F&S Report. We believe that our lower property rent and related expenses as a percentage of our revenue compared to industry average is primarily due to the relatively higher table turnover rates and performance of our restaurants. In addition, our strong brand power, ability to attract guest traffic and long-term leases, as well as our cost-effective approach to leasing properties have contributed to our relatively low rental expenses compared to industry average. Moreover, we believe that, due to our popularity, we do not have to rely on high-end or expensive properties to maintain high guest traffic.

Our leases typically include a rent-free period of at least three months to facilitate the decoration and renovation of the premises. Rent under a substantial majority of our leases is fixed amounts and subject to incremental increases every two to three years as stipulated in the lease agreement. Generally, we may terminate our lease agreements at will with a two- to three-month prior notice to the lessor. Lessors may terminate our lease agreements but may be required to pay us damages, the amount of which is dependent on the length of our occupancy and our rental fee. Some of our leases are automatically renewed unless notified by either party, and we enjoy the right of first refusal to lease certain properties. We did not experience any significant difficulties in renewing our leases in a timely manner during the Track Record Period.

We have formed strategic partnerships with a number of major real estate developers in the PRC. Under the strategic cooperation agreements we enter into with these developers, they agree to provide us with information regarding their properties and offer favorable lease terms and locations. We have the option of opening restaurants on their properties but are not subject to minimum number of leases.

Project Execution

New restaurant managers, with the support of their mentors, are responsible for executing the new restaurant opening. We have standardized the new restaurant opening process, and our coaches will supervise and provide guidance throughout the process. Generally, it takes three to six months from completing site selection to new restaurant opening. Moreover, we engage third parties to provide services such as restaurant decoration and new staff training. Guidance from our coaches will begin once a candidate is matched as the manager to a new restaurant, and will continue after the new restaurant opens. Typically, guidance from our coaches lasts approximately three months. Key aspects of our new restaurant opening process include:

- *Licenses and compliance*. With the guidance of our legal department, the restaurant manager commences application for necessary licenses and permits, including the business license, environmental assessment, food safety licenses and fire safety inspection certificate. We commence license and permit applications as one of the first major steps in project execution.

- *Restaurant decoration*. The restaurant manager works closely with our construction coach to review and finalize the restaurant decoration plan. We outsource the decoration and renovation work to Shuyun Dongfang, our connected person, and a number of third parties. The restaurant manager also orders the necessary restaurant appliances and materials. Decoration and renovation of our PRC restaurants typically takes two to three months whereas decoration and design of our overseas restaurants require more preparation and usually take longer.

- *Menu selection and pricing*. For restaurants in new markets, our restaurant managers conduct market research on local market preferences and pricing standards. Based on their research, restaurant managers will prepare menu and pricing proposals to the coaches for approval. For restaurants in existing markets, we generally maintain the same menu and prices of other Haidilao restaurants in the region. Any price adjustments are submitted to coaches for approval. We generally finalize menu selection within two months of the commencement of a new project.

- *Staff recruitment*. In addition to the staff that relocate from their existing restaurant to the new restaurant, the restaurant manager prepares a list of staff needed for his/her new restaurant. These staff openings are usually not managerial roles, as we will generally relocate floor managers and other restaurant management from the mentor's restaurant to ensure the quality of service and to enhance the cooperation among senior staff. Weihai Consulting, our connected person, currently provides human resource consulting services to us. See "— Employees" and "Connected Transactions" for more information. We commence the staff recruitment process approximately two months before restaurant opening.

- *Supply chain*. Our restaurant manager determines the supply and logistics needs of the new restaurant, including the delivery frequency, assigned warehouses and staff, and estimated costs. Our restaurant manager also arranges the installation and testing of the IT system used to order supplies. Our new restaurant manager makes arrangements with respect to supply chain approximately two months before restaurant opening.

- *Restaurant set-up*. Approximately two months before the opening of a new restaurant, new restaurant manager will arrive at the new restaurant to set up. Newly recruited staff will also arrive during this time to receive pre-opening training, and undergo final inspection and review from our coaches. The restaurant manager will also organize trial operations to prepare staff for the opening.

Restaurant Operations and Review

Our coaches will continue to provide guidance after the grand opening of new restaurants, including reviewing the initial table turnover rate and other performance metrics, identifying issues and finding solutions. New restaurants are subject to the same restaurant performance assessment as existing restaurants. Coaches are available to provide training and assistance to new restaurants that are rated C. See "— Assessment, Compensation and Training — Performance Assessment — Restaurants."

ASSESSMENT, COMPENSATION AND TRAINING

Performance Assessment

Restaurants

Our headquarters formulate the criteria for assessment, which is conducted and implemented by our performance assessment coach team. One of the most important criteria in our performance assessment of any restaurant is guest experience. We believe guest experience as the performance assessment best resembles how our guests evaluate us and captures intangible elements in restaurant operations that are unmeasurable by operating or financial performance metrics but that are crucial to evaluating the quality and performance of a restaurant. We further believe that guest satisfaction naturally ensures satisfactory table turnover rates, which yields strong financial performance of restaurants given our relatively stable and standardized cost structure. In addition to guest experience, other important criteria in our performance assessment include our employees' efforts and food safety.

Each quarter, we generally dispatch at least 15 mystery guest reviewers (along with their guests) to every restaurant to dine and rate their experiences. Currently, our mystery guest reviewers are requested to rate their restaurant experiences in these aspects: (i) quality of service; (ii) dedication of their servers; (iii) quality of food; and (iv) restaurant environment. Our questions are simple and open-ended, designed for our reviewers to elaborate on their experiences at their discretion. At the end of the review, we ask our reviewers to provide an overall rating to the restaurant as "A", "B" or "C", which we believe provides the most direct indication of guest satisfaction and whether they would visit us again. Moreover, open-ended feedback from guests encourages our restaurant managers to reflect on and improve overall guest experience instead of simply checking the boxes.

Our mystery guests, which are all third parties, are given a budget to use at a designated Haidilao restaurant. Our headquarters is responsible for selecting mystery guests. We require each of our mystery guests to register on our designated mobile app and complete authentication before they are allowed to undertake reviewing work. These mystery guests may select reviewing work from a list of restaurants generated at random in guests' geographical location. They are strictly forbidden to reveal their mystery guest identity during the review. At the end of their review, our mystery guests are required to provide a feedback report of their dining experience. These reports are not shared with restaurant managers. We review these reports and provide general feedback to restaurant managers. In our review of these reports, we would also look for any sign of misconduct or collusion between restaurant managers and mystery guests to ensure that our performance reviews are conducted fairly.

In the event we discover any misconduct or collusion, we would disqualify the mystery guest and impose penalties on our restaurant managers. In addition, mystery guests cannot review the same restaurant twice consecutively. In the six months ended June 30, 2018, we enlisted approximately 9,200 mystery guest reviewers, including approximately 8,800 mystery guest reviewers for our PRC restaurants and approximately 400 mystery guest reviewers for our overseas restaurants.

Ratings from our mystery guest reviewers form one of the most important criteria for our performance assessment of a restaurant. Other criteria that we (and our performance assessment coach in particular) may take into account include: (i) results of unannounced inspections, which focus on safety and hygiene of restaurant areas not visited by guests, such as the kitchen, and are conducted at least once per month; (ii) reviews from online restaurant review sites such as dianping.com; (iii) attrition rate of employees; (iv) surveys, reports and studies conducted by outside consultants; and (v) operating and financial results.

Each quarter, we derive a final rating for each restaurant based on our mystery guest reviewers' ratings and the other criteria above, which also ties to the rating of each restaurant manager. These final ratings are applied as follows.

- *A-rated restaurants*. A is our highest rating. When we select candidates to serve as managers of new restaurants, we give preference to employees from A-rated restaurants. When a new restaurant opens, the new restaurant manager's mentor may share a percentage of the profit of that new restaurant. A-rated restaurant managers may have first pick in new restaurant projects and their mentees may receive preference in becoming new restaurant managers.

- *B-rated restaurants*. We consider B-rated restaurants to have satisfactory performance but still have room for improvement. Managers of B-rated restaurants may seek help and advice from our coaches for improvement.

- *C-rated restaurants*. For a restaurant that received a C rating for the first time, its restaurant manager is encouraged to undergo management training from our coaches to improve the restaurant's performance. Each term of management training has a period of six months. Restaurants that have food safety incidents are automatically rated C. Restaurant managers that are C-rated cannot open new restaurants. Moreover, C-rated restaurant managers that were rated C at least once in the preceding year may be removed from their positions.

Restaurant Managers

Restaurant managers are reviewed based on the ratings of their restaurants, tying their performance assessment directly to the performance of their restaurants. Our goal is to motivate our restaurant managers through our assessment system. See "— Restaurants" for details. We hold restaurant manager conferences to announce the list of A-rated and C-rated restaurant managers. We believe that the recognition given to A-rated restaurant managers and pressure of being publicly named for C-rated restaurant managers motivate them to improve.

Restaurant Staff

Our restaurant managers are responsible for conducting staff performance assessment and promotion. Staff that interact with guests, such as servers, are reviewed based on service quality and guest feedback.

Compensation

Restaurant Managers

Restaurant managers are compensated in line with the profitability of their restaurants, and more importantly, that of their mentees to incentivize them to train additional talented restaurant managers. Consistent with those objectives, our restaurant manager's compensation primarily includes a percentage of profits from restaurants and a base salary. To encourage mentee development, restaurant managers may receive a higher percentage of profits from their mentees' restaurants than their own. Our headquarters may make adjustments to the percentages from time to time, which are currently as follows as of the Latest Practicable Date. Restaurant managers receive the higher of the following two options:

- Option A: 2.8% of the profits of the restaurant that he/she manages; or
- Option B:
  - — 0.4% of the profits of the restaurant that he/she manages;
  - — 2.8% to 3.1% of the profits of the restaurants that his/her first-generation mentees manage, depending on the location of the mentees' restaurant; and
  - — 1.5% of the profits of the restaurants that his/her second-generation mentees manage.

Restaurant Staff

We offer competitive compensation packages to our restaurant staff. According to the F&S Survey, 82.9% of the employee participants were satisfied with our benefits package. Our restaurant staff compensation are closely tied to the amount of work performed by each employee. We have developed and implemented a piece-rate compensation system where every task in the restaurant operating procedure (including service and food preparation) — from when a guest walks into the restaurant to when he/she leaves — is measured. Compensation for restaurant staff are clearly defined based on the units of specific work performed, such as the number of guests served, number of dishes washed and number of dishes delivered.

Training and Promotion

We value our employees and believe training and cultivating talented and committed staff is crucial to our growth. We believe in cultivating employees that have a deep understanding of our business and share our core values to preserve the quality and culture of Haidilao as we expand, and we seek to do so through a program that promotes most of our restaurant managers and floor managers internally from the most junior-ranking positions. We seek to motivate our employees through our training and promotion program, which allows them to envision their career paths and growth potential with us.

Restaurant Management

We are dedicated to identifying, training and cultivating high-potential employees who are capable of becoming floor / restaurant managers. Our leadership training program, the Haidilao University Program, enables us to develop future restaurant managers, which provides solid support for our rapid expansion. As of the Latest Practicable date, we had 363 existing restaurant managers and approximately 400 restaurant manager candidates, respectively.

The following sets forth the steps to promote restaurant managers:

- *Qualification to talent pool*. Mentors may nominate outstanding mentees to a talent pool. These mentees receive additional training on restaurant management, service offerings and our internal policies.

- *Promotion to floor managers*. Mentees that pass our examination and that have served and mastered at least ten positions in our restaurant may be recommended by their restaurant manager to enroll in training courses held by Haidilao University Program to become a floor manager. These candidates are assessed at the end of the training courses. Only those who pass our assessment can be qualified to be promoted to floor managers.

- *Promotion to restaurant managers*. A restaurant manager may nominate their floor manager mentees to enroll in additional training courses held by the Haidilao University Program to become a restaurant manager. These candidates undergo a 15 to 30-day course with lectures and practical training, and are assessed at the end of the course. Only those who pass our assessment can be qualified to become restaurant managers. Subject to the performance of the restaurants of their mentors, they will be promoted to restaurant managers when there are suitable new restaurant openings.

We ensure that our promotion system identifies and cultivates capable candidates by holding restaurant managers accountable for their nominations. Restaurant managers and their nominees are required to pay for the training courses that the nominee attends if he/she does not pass the assessment at the end of the course. If a restaurant manager does not pass our performance assessments and is removed from the manager position, his/her mentor and the mentor's mentor will be subject to financial penalties.

Restaurant Staff

We have established an apprenticeship program at our restaurants, which we believe is crucial to the development of high quality staff suitable to become restaurant managers, which in turn supports our growth. Each of our employees is assigned with a mentor when he/she joins us. Under our apprenticeship program, the mentor provides new-joiner mentees with a week-long orientation, and regularly provides guidance and support throughout their career. Restaurant staff are reviewed and promoted by restaurant managers. Depending on their performance, our staff can be promoted to restaurant managers in approximately four years.

PROCUREMENT

We primarily procure (i) soup base for our hot pot, (ii) food ingredients, such as meat, seafood and vegetables, and (iii) equipment and consumables used in our restaurants. The procurement department under our headquarters conducts centralized management of suppliers and procurement for all of our restaurants. Our lead purchasers in our procurement department are responsible for the overall management of the procurement and pricing of different food ingredients, equipment and other consumables across different regions. Our system is organized as such to enable lead purchasers to specialize in and closely monitor certain food ingredients and certain geographic areas. In addition, we have procurement staff that directly liaise with suppliers on a day-to-day basis and make the purchase orders.

Procurement of Soup Base

During the Track Record Period and up to the Latest Practicable Date, Yihai Group has been our primary supplier of soup base. The customized soup base we procure from Yihai Group are manufactured based on recipes that we own. For the years ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2017 and 2018, purchases from Yihai Group amounted to RMB437.7 million, RMB589.2 million, RMB901.7 million, RMB428.5 million and RMB533.0 million, respectively, accounting for 16.8%, 18.5%, 20.9%, 22.0% and 17.4% of our raw materials and consumables used, respectively. In addition to customized soup bases, we also procured small amounts of other products, such as instant hot pot products, from Yihai Group. For details, see "Connected Transactions — Non-exempt Continuing Connected Transactions — C. Procurement — 1. Yihai Master Purchase Agreements".

Procurement of Food Ingredients

Prior to September 2017, we conducted centralized procurement of food ingredients through certain subsidiaries of Sichuan Haidilao, which were transferred to Shuhai, a connected person, forming the Shuhai Group. From September 2017 to January 2018, we progressively replaced indirect procurement contracts (i.e. through former subsidiaries of Sichuan Haidilao (now members of Shuhai Group)) with direct contracts with third-party suppliers. During this transitional period, we continued to procure certain supplies from these former subsidiaries of Sichuan Haidilao.

Beginning in January 2018, our procurement arrangement with Shuhai Group is as follows: for food ingredients that do not require processing, including meat and vegetables that do not require processing, we generally enter into contracts directly with third-party suppliers. For Processed Ingredients, including meats that require processing and flavoring, vegetables that require washing and cutting and seafood paste (such as shrimp paste and fish balls), we are responsible for selecting the suppliers of raw materials, while Shuhai Group then purchases and processes such food materials. After such food materials are processed by Shuhai Group, we would purchase the Processed Ingredients from Shuhai Group. For details, see "Connected Transactions."

The quality of our suppliers is vital to the quality of our food. We implement a stringent selection process for food ingredient suppliers. For details, see "— Food Safety and Quality Control."

Procurement of Decoration Materials and Related Services, Equipment and Consumables

We primarily procure decoration materials and renovation services, as well as decoration project management services from Shuyun Dongfang, our connected person, to renovate and decorate our restaurants. For details, see "Connected Transactions." We primarily directly procure kitchen and restaurant equipment as well as consumables such as napkins and plastic bags used in our restaurants. We primarily procure equipment and consumables through one-time purchase agreements from qualified suppliers.

Supply Agreements and Suppliers

We generally enter into standard one-year framework agreements with our suppliers for long-term supplies of food ingredients. To a lesser extent, we also enter into one-time purchase agreements for items that we procure less frequently. Major terms of our standard framework agreement are set out as follows:

- *Quality.* We generally provide detailed specifications regarding the quality of the goods supplied. For food ingredients, we require all suppliers to provide an inspection report or a certificate of quality issued by a third party inspection agency, except for small volume seasonal procurements. For such food ingredients, we conduct sampling inspection and engage third-party inspection agencies for quality and pesticide residue inspection.

- *Pricing.* For food ingredients with relatively high price volatility, such as pork, we would not stipulate the purchase price in the agreement. Prices for these food ingredients will be set out in each purchase order based on market price at the time of purchase. For food ingredients with relatively low price volatility, such as vegetable oil, we would stipulate the purchase price in the agreement.

- *Delivery schedule.* We stipulate the delivery schedule in our agreements. The delivery schedule depends on the type of food ingredient procured.

- *Inspection and acceptance.* For food ingredients, we generally inspect the supplies within eight hours of delivery to a warehouse designated by us. We are also entitled to appoint a third party to conduct inspections. For other products, we generally conduct inspections within seven days of delivery.

- *Most favorable clause.* We generally require the supplier to give us prices and terms that are no less favorable than those given to any other customer.

- *Payment.* Upon delivery, inspection and acceptance of the goods, the supplier shall provide us an invoice for payment. We generally make full payment within 15 days of receiving the invoice.

We generally have more than two qualified suppliers for each type of major food ingredient to reduce reliance on a single supplier. Through our years of operations, we have identified and established stable business relationships with high quality suppliers for our major food ingredients. On average, we have over five years of business relationships with our major suppliers. During the Track Record Period, we did not experience any incidents of interruption or delay in our supply chain or failure to secure sufficient quantities of food ingredients that had a material and adverse effect on us.

During the Track Record Period, we did not experience any material price fluctuations with respect to our major food ingredients.

The table below sets forth the details of our five largest suppliers for the period indicated.

For the year ended December 31, 2015

Supplier	Goods/Services procured	Purchase amount	Percentage of total purchase
Wholly-owned Subsidiary A of Shuhai	Food ingredient	RMB1,052.8 million	34.2%
Wholly-owned Subsidiary B of Yihai	Hot pot soup base	RMB437.7 million	14.2%
Wholly-owned Subsidiary C of Shuhai	Food ingredient	RMB386.7 million	12.6%
Sichuan Haidilao	Food ingredient	RMB50.6 million	1.6%
Company D	Construction and design service	RMB20.3 million	0.7%
Total		RMB1,948.1 million	63.3%

For the year ended December 31, 2016

Supplier	Goods/Services procured	Purchase amount	Percentage of total purchase
Wholly-owned Subsidiary A of Shuhai	Food ingredient	RMB1,285.9 million	34.7%
Wholly-owned Subsidiary B of Yihai	Hot pot soup base	RMB588.9 million	15.9%
Wholly-owned Subsidiary C of Shuhai	Food ingredient	RMB559.1 million	15.1%
Wholly-owned Subsidiary E of Sichuan Haidilao	Lamb	RMB60.5 million	1.6%
Sichuan Haidilao	Food ingredient	RMB36.1 million	1.0%
Total		RMB2,530.5 million	68.2%

For the year ended December 31, 2017

Supplier	Goods/Services procured	Purchase amount	Percentage of total purchase
Shuhai Group	Food ingredient	RMB2,603.3 million	43.2%
Shuyun Dongfang	Decoration materials and renovation services and decoration project management services	RMB1,290.2 million	21.4%
Wholly-owned Subsidiary B of Yihai	Hot pot soup base	RMB895.5 million	14.9%
Wholly-owned Subsidiary E of Sichuan Haidilao	Lamb	RMB71.0 million	1.2%
Sichuan Haidilao	Food ingredient	RMB68.6 million	1.1%
Total		RMB4,928.6 million	81.7%

For the six months ended June 30, 2018

Supplier	Goods/Services procured	Purchase amount	Percentage of total purchase
Shuhai Group	Food ingredients	RMB1,049.8 million	23.7%
Shuyun Dongfang	Decoration materials and renovation services and decoration project management services	RMB620.2 million	14.0%
Yihai Group	Hot pot soup base	RMB533.0 million	12.0%
Company F	Human resource service	RMB43.3 million	1.0%
Wholly-owned Subsidiary E of Sichuan Haidilao	Lamb	RMB42.4 million	1.0%
Total		RMB2,288.7 million	51.7%

For details, see "Connected Transactions." Except as disclosed in the Prospectus, none of our Directors, their associates or any of our current Shareholders (who, to the knowledge of our Directors, own more than 5% of our share capital) has any interest in any of our five largest suppliers that is required to be disclosed under the Listing Rules.

Price Management

Each lead purchaser will be responsible for the price management of the products he/she is responsible for purchasing. Each month, the lead purchasers conduct a price comparison analysis of the market price against that of the previous month and against that of the same month of the previous year. The lead purchasers may make price adjustment recommendations accordingly. For example, in the event that the market price goes up due to tight market supply, our lead purchaser will recommend us to look for suitable suppliers and/or make adjustments to our inventory level accordingly. Our procurement department reviews the recommendations every month.

During the Track Record Period, prices of certain goods, such as imported beef, have increased. We manage our prices by closely monitoring market price fluctuations. Moreover, we believe we are able to obtain favorable prices from suppliers as we generally conduct centralized procurement in large volumes. We generally do not enter into framework purchase agreements with fixed prices in order to retain flexibility in our procurement price. As is customary in our industry, we typically do not pass any short-term price increases of our supplies to guests.

The table below sets forth the sensitivity analysis of the impact to our results of operations during the Track Record Period from the fluctuation of the raw materials and consumables used. The range of fluctuations is based on historical fluctuations of key raw materials of our operations. See "Industry Overview — Increasing Cost of Raw Materials and Labor" for details.

Hypothetical changes in raw materials and consumables used in the six months ended June 30, 2018	**-10%**	**-5%**	**-2%**	**-1%**	**+1%**	**+2%**	**+5%**	**+10%**
				(in millions of RMB)				
Raw materials and consumables used	2,760	2,913	3,005	3,036	3,097	3,128	3,220	3,373
Change in raw materials and consumables used in the six months ended June 30, 2018	(307)	(153)	(61)	(31)	31	61	153	307
Change in profit for the year	231	116	46	23	(23)	(46)	(116)	(231)

Hypothetical changes in raw materials and consumables used in the six months ended June 30, 2017	**-10%**	**-5%**	**-2%**	**-1%**	**+1%**	**+2%**	**+5%**	**+10%**
				(in RMB millions)				
Raw materials and consumables used	1,754	1,852	1,910	1,930	1,969	1,988	2,047	2,144
Change in raw materials and consumables used in the six months ended June 30, 2017	(195)	(97)	(39)	(19)	19	39	97	195
Change in profit for the year	147	73	29	15	(15)	(29)	(73)	(147)

Hypothetical changes in raw materials and consumables used in 2017	**-10%**	**-5%**	**-2%**	**-1%**	**+1%**	**+2%**	**+5%**	**+10%**
				(in millions of RMB)				
Raw materials and consumables used	3,882	4,098	4,227	4,270	4,356	4,399	4,529	4,745
Change in raw materials and consumables used in 2017	(431)	(216)	(86)	(43)	43	86	216	431
Change in profit for the year	325	163	65	33	(33)	(65)	(163)	(325)

Hypothetical changes in raw materials and consumables used in 2016	-10%	-5%	-2%	-1%	+1%	+2%	+5%	+10%
	(in millions of RMB)							
Raw materials and consumables used	2,861	3,020	3,116	3,147	3,211	3,243	3,338	3,497
Change in raw materials and consumables used in 2016	(318)	(159)	(64)	(32)	32	64	159	318
Change in profit for the year	240	120	48	24	(24)	(48)	(120)	(240)

Hypothetical changes in raw materials and consumables used in 2015	-10%	-5%	-2%	-1%	+1%	+2%	+5%	+10%
	(in millions of RMB)							
Raw materials and consumables used	2,340	2,470	2,548	2,574	2,626	2,652	2,730	2,860
Change in raw materials and consumables used in 2015	(260)	(130)	(52)	(26)	26	52	130	260
Change in profit for the year	196	98	39	20	(20)	(39)	(98)	(196)

Anti-kickback Measures

An effective set of anti-kickback policies and procedures is critical to ensuring the integrity of our quality control and procurement system while managing our costs. Our anti-kickback measures and initiatives include the following:

- *Top-down guarantees*. Every level of staff involved in procurement and supplier selection and management pays an amount generally ranging from approximately 5% to 35% of their annual salary depending on their seniority as a bond to observing our anti-kickback policies and procedures. A certain amount of the bond will be withheld from the supervisor that a wrongdoer directly reports to.

- *Whistle-blower program*. We have implemented a whistle-blower program under which employees may receive financial incentives to report instances of bribery or kickbacks directly to the immediate supervisor or department head of the alleged wrongdoer anonymously.

- *Inspections*. Our inspection department, which employs several former police officers and auditors and investigators, frequently conducts secret inspections and sting operations to uncover any kickback activities.

- *Zero tolerance*. All employment agreements with procurement-related employees contain provisions prohibiting bribery and kickbacks. Breaches of such provisions will result in immediate termination.

- *High compensation*. Our procurement employees are among the most highly compensated employees in the company assuming equal experience and years of service, which we believe discourages them from accepting kick-backs and increases the stakes and costs of engaging in kick-backs.

FOOD SAFETY AND QUALITY CONTROL

Our focus on food safety is uncompromising and we believe that it is of utmost importance in our business. The time and resources we allocate to food safety are industry leading, according to F&S Report. We oversee food safety at our Board of Directors level, with a food safety management committee that reports directly to the Board and handles major issues in relation to food safety. As of the Latest Practicable Date, our food safety committee is composed of 16 members. Mr. Zhou Zhaocheng, our chief strategy officer responsible for overseeing food safety management is the chairman of food safety management committee. Members of the food safety committee also include our Founder, Mr. Shi Yonghong and Ms. Yang Lijuan, our chief operating officer responsible for overseeing our restaurant operations, as well as personnel in charge of our restaurant operations, as well as personnel in charge of our delivery business, supply chain and legal affairs. Key personnel of Shuhai Group and Yihai Group, our major suppliers, are also members of our food safety committee, which enables us to communicate our food safety and quality control requirements to management of such suppliers and monitor their implementation. In addition, our independent non-executive Director, Dr. Chua Sin Bin who has comprehensive experience in the areas of food safety, food science & technology, agriculture and zoonoses is appointed as an honorary advisor of the food safety committee.

The food safety department at our headquarters conducts centralized quality control of our procurement activities and our restaurants. Our food safety department also monitors the quality of Yihai Group, Shuhai Group and Jarud Qi Haidilao. See "— Quality Control of Our Affiliates" for details. Our food safety department consisted of over 70 employees as of the Latest Practicable Date, and is responsible for, among other things, (i) formulating food safety standards and procedures, (ii) reviewing the performance, qualifications and risk level of our suppliers, and (iii) supervising the rectification of issues identified. We also have five food safety department managers at our headquarters, who were responsible for food safety and quality management and monitoring at our restaurants and our supply chain. On average, our five department managers have over eight years of experience in food safety industry. We also have one to two employees at each of our restaurants dedicated to food safety, representing a total of over 500 employees. There are also over 300 employees at Yihai Group, Shuhai Group and Jarud Qi Haidilao responsible for food safety.

Our food safety management program is modelled on ISO 22000 on Food Safety Management System Certification, and we have developed a Hazard Analysis and Critical Control Plan (HACCP) to identify, prevent and eliminate food safety hazards.

Supplier Quality Control

We believe quality control starts with our suppliers. We aim to procure meat, seafood, vegetables and other ingredients of the highest quality commercially available from the most reliable suppliers. By doing so, we believe we are able to control quality at the source and limit the risk of safety issues in later stages of our supply chain. Details of our supplier quality control program are set out below:

- *Selection of suppliers*. We carefully select and manage the quality of suppliers through a stringent selection process. Our procurement department conducts a comprehensive market analysis anytime our restaurants or product development department raise the need to procure a new type of food ingredient. Based on the market analysis, we will generally select third-party suppliers through a tendering process. Our selection criteria include, among other things, the legal and regulatory qualifications of the supplier and goods supplied, quality and inspection results, production capacity of the supplier, price and the overall management and quality of operations of the supplier. We conduct detailed due diligence, including inspecting supply samples and the supplier's facilities before entering procurement agreements. Even after entering into a procurement agreement, we only begin to place orders for the goods after they pass final quality and taste testing at our restaurants. Our overseas restaurants primarily select suppliers locally based on a similar selection process taking into account the relevant local regulations on food safety.

- *Management and review of suppliers.* Each quarter, we assess the performance of each of our suppliers based on criteria such as quality of supplies, service, price and timeliness of delivery. Each supplier is graded A (highest), B or C (lowest). Suppliers graded A may receive various awards and recognitions, including in-store credit at our restaurants. Suppliers graded C may face reduced orders or termination.

- *Stringent standards for food ingredients.* We formulate inspection standards for each type of supplies we procure, including physical inspection as well as testing for chemicals and foreign substances. Below are examples of our high quality standards for food ingredients:

  - *Lamb.* We source substantially all of our lamb from the Inner Mongolia autonomous region and New Zealand, which are grass-fed and with a more delicate flavor. Our hand-cutting lamb supplies typically have a shelf life of three days and our machine-cutting lamb supplies typically have a shelf life of 12 months to 18 months, and we conduct physical inspection (i.e. color, smell, texture) and chemical testing (i.e. bacteria and other chemical substances) on each batch of supplies when accepted into inventory and when delivered to our restaurants.

  - *Beef.* We source most of our beef from free-range farms in Australia and New Zealand, which are well-known for their high quality. Our beef supplies typically have a shelf life of 24 months, and we conduct physical inspection (i.e. color, smell, texture) and chemical testing (i.e. bacteria and other chemical substances) on each batch of supplies when accepted into inventory and when delivered to our restaurants.

  - *Seafood*. We procure our seafood from suppliers that meet the standards for exports. Most of our seafood is procured in the PRC. We may require our suppliers to procure from select sources and conduct inspections directly at the source (for example, designating specific shrimp farms and inspecting each individual pool of shrimp).

  - *Vegetables*. We seek to offer farm-to-table vegetables and primarily procure directly from local farms. To ensure freshness, our vegetable menu may change seasonally and differ by geographical region and we will replenish our vegetable inventory at our restaurants on a daily basis. We conduct physical inspection to examine the freshness of the supplies and chemical testing for pesticides and other chemical substances on each batch of supplies.

- *Detailed and standardized quality control measures*. We have developed a set of over 50 standard procedures governing all major aspects of procurement at headquarters level. When a new supply product comes under consideration, we go through the following processes: (i) a product development process driven by our product development department that includes trial tests and taste testing by our product managers, (ii) inspections of required qualifications of the supplier and product supplied, (iii) lab testing, (iv) taste testing by our mystery guest reviewers and nutritionists, and (v) unannounced on-site inspections. For existing product supplies, we focus on (i) lab testing, the type and frequency of which is adjusted based on risk level (which may be market-related risks that we learn from monitoring the news or company-specific risks derived from our own data), and (ii) unannounced on-site inspections.

- *Extensive inspections*. We conduct extensive inspection and testing of product supplies. Each batch of delivery is subject to random testing. For major ingredients, we also conduct inspections of the ultimate supplier at the supply source. We conduct basic inspections of the relevant certificate and license for the supplies and a physical inspection, including the appearance, taste and smell of the food ingredients in-house. Each restaurant has a testing kit that can test for pesticide and excessive soap. For more complex and sophisticated testing requirements such as testing for microbes and chemicals, we require Shuhai to engage reputable third-party testing companies to conduct tests on our inventories stored at their warehouses on a regular basis. We typically purchase overseas supplies from qualified import traders in the PRC. We require these import traders to hold the requisite licenses and permits for import of relevant food ingredients. For each batch of supplies, we require them to provide (i) the out-of-factory inspection report, and (ii) product import certificates issued by the relevant PRC government authorities.

Restaurant Quality Control

We focus on the following aspects of food safety and quality control at our restaurants.

- *Detailed and standardized procedures*. We have developed over 60 food safety, hygiene and quality control policies and procedures that set out guidelines detailed down to different methods of cleaning different types of kitchenware, the inspection criteria for each type of food ingredient before being served, and the cleaning schedule for restrooms. We have also formulated employee manuals that set out detailed procedures on acceptance of supplies, handling of emergencies, food recalls, employee health and hygiene and reporting of food safety incidents.

- *Dedicated food safety staff*. We have recruited a number of personnel with extensive experience in food safety and quality control. We require all of our PRC restaurants to have one to two designated staff responsible for food safety management. For our overseas restaurants, the restaurant manager is the designated staff responsible for food safety management.

- *Compliance.* Our food safety department reviews and keeps abreast of local laws and regulations to formulate and update internal food safety policies. To ensure our compliance with local laws and regulations, we engage third parties to conduct additional quality inspections on our overseas restaurants every year. We also recruit consultants from relevant government agencies and consulting companies to advise us on our internal control system.

- *Systematic cleaning and inspection*. Our restaurants are closed from 7 am to 9 am every day for cleaning. Unannounced inspections start at 8 am, covering items such as expiration date of food items, health certificates of employees, proper storage of food items and proper disposal of waste (such as used soup base). Inspections during normal business focus on whether our operating procedures are properly followed. Inspectors would also pull surveillance tapes from time to time. We require restaurant staff to inspect each delivery of supplies and log their shelf life in our system. We require restaurant staff to report emergency food safety incidents to our food safety department as soon as practicable, and to keep the relevant evidence of food safety incidents for internal investigation.

- *Clear accountability*. We hold our restaurant managers and staff accountable for food quality and safety. Food quality and safety is a key assessment criteria of restaurant performance. Those with food safety incidents are automatically rated C. Restaurant managers that are C-rated cannot open new restaurants. Moreover, C-rated restaurant managers that were rated C at least once in the past year and that have already received training from our coaches may be removed from their positions. Mentors who have vouched for these restaurant managers are also penalized. We implement a point system that deducts points for restaurant staff that do not comply with our food safety procedures. Food safety personnel that have all of their points deducted within one year can only earn a base salary for three months. Serious offenders of food safety will be removed from their position or terminated.

- *Transparency in monitoring and reporting*. We summarize the food safety issues identified and remedial measures taken at our restaurants every month and disclose such information publicly on our website and Haidilao app. In addition, we have renovated our restaurants to have either an open kitchen or to have video surveillance in our kitchens, such that guests can monitor the activities in our kitchen in real-time. Guests can also monitor the kitchen operations of our restaurants at any given time through our Haidilao app. In addition, our kitchens are now open to outside visitors. To ensure the hygiene and food safety of the kitchen, we require outside visitors to make an appointment for a kitchen tour, which will be led by our staff and restricted to certain parts of our kitchen. Our guests are required to wear hairnets and dust masks when visiting our kitchens.

- *Design and technology*. We believe that investing in restaurant design and technology allows us to enhance quality control and reduce the risk of human error. For example, we are developing intelligent kitchens with automated and smart equipment, which we believe will allow us to achieve more consistency in handling food and maintaining hygiene in the kitchen area.

With respect to our standalone delivery stations, we adopt the same quality control measures of our restaurants where applicable. In particular, we package our food ingredients in food delivery containers to prevent contamination during the delivery process.

Quality Control of Our Affiliates

Our affiliates, Shuhai Group, Yihai Group and Jarud Qi Haidilao, also have comprehensive quality control systems which also focus on lab testing and unannounced on-site inspections. We set our standards with respect to food processing, inventory and logistics with Shuhai Group, Yihai Group and Jarud Qi Haidilao, which they implement. We supervise their implementation and conduct monthly reviews and inspections. If a dispute arises in relation to the results of our inspections, it will be submitted to our food safety management committee for final decision. We require Shuhai Group, Yihai Group and Jarud Qi Haidilao to rectify any deficiencies discovered through our inspections and submit a rectification report to us the following month.

The manager of each production or processing facility or warehouse of Shuhai Group and Yihai Group is responsible for food safety management. Each of Shuhai Group and Yihai Group has implemented a similar point system as ours. Managers that lose all of their points in six months can only earn a base salary with no performance-based compensation or bonus. Serious offenders will be removed from his position or terminated.

Historical Food Safety Incidents

8/25 Report

A Beijing newspaper, reported on August 25, 2017 that operations of two of our branches in Beijing were found to have sanitary issues (the "8/25 Report"). Videos showed rats in kitchens, a dishwasher caked with oily food residue and a worker fixing a sewage blockage with a soup ladle. On the same day, we issued a statement of apology. For transparency and to allow public inspection, we provided regular updates on our rectification process on our website.

Since the 8/25 Report, we have made a number of adjustments: (i) we retained a third-party professional pest control company for exterminator services for all of our restaurants; (ii) we have designated 7 am to 9 am specifically for daily restaurant cleaning and health inspection; (iii) we renovated our restaurants to have either an open kitchen or to have surveillance videos in kitchens at all restaurants, which provide guests with real-time monitoring, and our kitchens are now open to outside visitors; (iv) we have re-designed certain areas of our restaurant and kitchen to more effectively prevent pests; (v) we have created designated cleaning areas where mops can be cleaned; and (vi) we helped design a de-clogging tool customized for our restaurants. In addition to these specific adjustments, we have re-evaluated our overall quality control and food safety system as a result of this incident. We resumed operations at these restaurants after passing inspections by the relevant authorities.

Singapore Restaurant Incidents

One of our Singapore branches was temporarily suspended by Singapore's NEA (National Environment Agency) for two weeks from February 10, 2018 to February 23, 2018 and fined a total of S$800 (equivalent to approximately RMB4,000) after accumulating an aggregate of 12 demerit points for handling food with bare hands and selling food which was unclean. Another one of our Singapore branches was fined a total of S$300 (equivalent to approximately RMB1,500) in 2017 for preparing food at the work site where the food is likely to be contaminated. As advised by our Singapore Legal Advisers, under NEA's points demerit system in Singapore, a licensee who accumulates 12 demerit points or more within 12 months will have its license either suspended for two weeks or four weeks, or be revoked, depending on past suspension records. As advised by our Singapore Legal Advisers, it is unlikely that further fines or regulatory measures would be imposed by NEA solely in connection with these incidents on the basis that (i) we have duly settled the fines imposed by the NEA with respect to the two incidents; and (ii) with respect to the temporary suspension of one of our Singapore branches, all conditions imposed by the NEA had been fully satisfied by us.

With respect to the incidents at our Singapore restaurants, we conducted a number of remedial measures, including (i) rectifying and formulating specific preventative measures and internal policies in relation to the safety and hygiene issues penalized by the NEA, including (a) implementing standard food processing procedures and conducting inspections to ensure that our restaurant staff to have the appropriate gear for food preparation, (b) conducting daily UV disinfection of our Singapore restaurants, and (c) discontinuing food that we believe have a higher food safety risk; (ii) engaging third-party inspection agencies to conduct comprehensive inspections on all of our Singapore restaurants, and have established remedial measures for any issues found; (iii) conducting training for our employees on NEA guidelines and require our employees to strictly comply with such guidelines in day-to-day operations; and (iv) establishing a penalty system for our employees and conducting periodic inspections. We continued to suspend operations of the Singapore restaurant past the two-week mandatory suspension required by the NEA until April when we resumed operations of such restaurant, during which time we implemented these remedial measures until we were satisfied that this restaurant could meet our food safety and quality control standards.

Jinsong Branch Incident

On June 23, 2018, social media posts and news reports were published regarding claims that a guest found a fly in the condiments at our Jinsong branch in Beijing (the "**Jinsong Branch**"). Immediately following these reports, we suspended operations of the Jinsong Branch to take improvement measures, which primarily included: (i) we installed air curtains or screens for all windows and entrances of the restaurant; (ii) we installed doors that automatically close and have required all windows to be closed at all times to prevent entrance of pests; (iii) we sealed gaps in windows and doors; and (iv) we equipped the restaurant with insect repellant equipment, such as insect killing lamps and ultrasonic pest repellants. In addition to these specific adjustments, we have re-evaluated our overall quality control and food safety system as a result of this incident and have made a number of adjustment across all of our restaurants in the PRC. For details, see "—Enhanced Food Safety and Quality Control System." Upon completing the improvement measures and following the Beijing Food and Drug Administration's inspection and acceptance of the Jinsong Branch, the Jinsong Branch resumed operations after approximately six days of suspended operations.

Enhanced Food Safety and Quality Control System

Our Directors believe that our continually upgraded and enhanced food safety and quality control system is effective, and that the repeated breaches do not reflect negatively on our and our Directors' ability to operate in a compliant manner on the following bases:

(i) in addition to taking measures to address the specific incidents mentioned in the 8/25 Report (such as re-designing certain restaurant and kitchen areas to more effectively prevent pests and designing a customized de-clogging tool), we have also re-evaluated our overall quality control and food safety system and implemented remedial and more stringent measures across all of our restaurants. Some examples include:

   a) engaging pest control companies to exterminate all of our restaurants;

   b) renovating our restaurants to either have an open kitchen or having surveillance videos in kitchens;

   c) opening our kitchens to guests to increase transparency; and

   d) designating daily time slots for thorough cleaning of our restaurants.

(ii) the food safety incidents in Singapore were primarily due to human error of certain restaurant staff, and not a result of systemic deficiencies in our food safety and quality control system. We have implemented rectification measures, such as providing training for employees of relevant NEA guidelines, to prevent future occurrences;

(iii) in addition to taking measures to address the specific incident at our Jinsong Branch, we have also re-evaluated our overall quality control and food safety system and implemented remedial and more stringent measures across all of our PRC restaurants, including:

   a) conducting thorough cleaning and pest elimination of all of our PRC restaurants;

   b) formulating and strictly implementing a comprehensive pest control plan designed for summer months;

   c) installing air curtains or screens at every entrance and window of our PRC restaurants to prevent the entrance of pests and contaminants;

   d) conducting pest control and inspections across all of our PRC restaurants by our food safety department;

e) identifying high-risk restaurants based on inspections by third-party pest control companies and formulating more stringent pest control plans tailored to such restaurants; and

f) forming a pest control committee composed of our coaches and members responsible for construction and performance assessment to carry out an intensive three-month program on pest control.

(iv) we consider food safety to be of utmost importance to our business and allocate time and resources to food safety at an industry-leading level, according to the F&S Report. We implement a comprehensive food safety and quality control system focused on our suppliers and restaurants. Through a system involving stringent, detailed and standardized management procedures and standards, extensive inspections and training, significant numbers of designated personnel and clear accountability, we believe that our food safety and quality control system is effective against future food safety-related non-compliances;

(v) we have dedicated and will continue to dedicate significant resources to develop new technologies that would enhance our control over food safety, such as intelligent kitchens; and

(vi) we understand that our food safety and quality control system is an evolving system. We plan to continue to review our food safety and quality control system on a regular basis and are committed to addressing any issues by devoting significant resources in the upgrade and enhancement of our food safety and quality control system.

Based on the above, including but not limited to (i) the remedial and rectification measures taken by the Company, (ii) the improvement of the Company's overall food safety and quality control system, and (iii) the Company's internal control consultant's review and confirmation on establishment of the enhanced food safety and quality control system currently adopted by the Company as well as the discussion with the Company, nothing has come to the attention of the Joint Sponsors, as non-experts with respect to food safety and quality control measures, that would reasonably cause the Joint Sponsors to disagree with the Directors' view above.

PRODUCT ENHANCEMENT AND DEVELOPMENT

We constantly seek to improve the taste of our current menu and develop new dishes, soup bases and dipping sauces to enhance the overall experience for our guests. Our product development efforts are two-fold.

- *In-house development*. Our product development department, which consists of seven product managers, focuses on seeking out better ingredients more suitable for hot pot and developing new ways to process the food ingredients we procured. For example, with respect to beef, we experiment with different cuts (i.e. ribeye, tenderloin), different processing methods (i.e. thinly sliced, cubed, meatball) and different sources of beef supply (i.e. from Australia or New Zealand) to develop new ways to eat beef that are also more nutritious and more suitable for hot pot. We conduct extensive research on potential new dishes in terms of taste, nutritional content and suitability for hot pot cuisine. In addition, in our efforts to customize flavors to local taste preferences, our product development department is also focused on developing new dishes offered regionally and seasonally. Other than food ingredients, we also seek to develop new soup bases with Yihai Group, new sauces for our condiment bar and new beverages, such as our recently-launched Haidilao beer.

- *Open selection*. Our new products are also developed through an open-selection process. We encourage all of our employees to create new concepts for new menu.

With any concept for a new dish that requires processing, our product managers work closely with Shuhai Group on developing the product, finding suppliers and conducting sample tests. We have a tracking system to monitor the sales performance of the re-designed dish. In addition, our product managers work closely with Shuhai Group to make adjustments to processed food ingredients.

We curate our menu through the continued efforts of our product development department, review of sales performance, as well as in reliance on our guests, particularly our mystery guest reviewers to provide feedback. Once we receive feedback on a particular dish, we would seek to adjust our dish. Because most of our hot pot food ingredients are served raw and are cooked at the guest table, the feedback we get on our dishes generally requires us to work with our suppliers to adjust the taste and quality of the dish. A tracking system is similarly implemented.

CUSTOMER BASE AND MARKETING

Guests

Haidilao has broad appeal, with a superior dining experience and affordable prices. In 2015, 2016, 2017 and the six months ended June 30, 2017 and 2018, our restaurants had a total of approximately 63.0 million, 81.1 million, 106.6 million, 48.2 million and 71.8 million guests, respectively. To enhance guest experience, we have a membership system where guests create accounts by registering their phone numbers in our system. Guests can input their phone numbers onto our tablet computers when ordering, which pulls up their profile and displays their dining and ordering history and preferences. We keep records of our guests' ordering history and preferences through our membership system, which enable us to leverage such consumer behavior data to enhance guest experience. Our members receive one award credit for every Renminbi spent in our restaurants, which can be redeemed for different levels of discounts based on the number of credits accumulated. Our membership system has five levels. Members start off with one star when they dine with us once, and can gain up to five stars, being the highest level and awarded to guests that have dined at our restaurants for at least 16 times or accumulated 30,000 points within four months. Our membership system has attracted more than 32.2 million members as of the Latest Practicable Date. According to the F&S Survey, 68.3% of the participants who have dined at Haidilao eat at Haidilao at least once every month and 98.2% of the participants who have dined at Haidilao were willing to go back. Other than our membership system, we do not typically have any promotional events or discounts across all of our restaurants. We give restaurants the autonomy to give guest discounts or hold promotions for certain menu items as they see fit.

Revenue derived from our five largest customers accounted for less than 5.0% of our total revenue for each of the years ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2017 and 2018. All of our five largest customers in 2015, 2016, 2017 and the six months ended June 30, 2017 and 2018 are Independent Third Parties. None of our Directors, their associates or any of our current Shareholders (who, to the knowledge of our Directors, own more than 5% of our share capital) has any interest in any of our five largest customers that are required to be disclosed under the Listing Rules.

Marketing and Promotion

Our brand and reputation has primarily been built through word-of-mouth of satisfied guests and our high-quality service, and less so through active marketing and promotional efforts, unlike other major PRC restaurant chains, according to the F&S Report. We are also increasingly focused on our younger fan base by interacting with them actively online. For example, in early 2018 our Haidilao fans created and shared creative food hacks using our menu items on social media platforms, which go viral and set new trends in hot pot dining and we have introduced some of such food hacks as new items on our menu (such as the recently introduced Doudou gluten balls).

PRICING

Generally, pricing of our dishes are determined by our headquarters based on cost and market positioning. We may adjust prices by geographical region with reference to local income levels, cost of ingredients, and guest feedback and preference data we collect from our membership system. Pricing decisions are made by our headquarters when a restaurant is first opened and set automatically on the tablet computers used by our guests for ordering. The restaurant manager evaluates prices once each quarter, which is subject to the approval of our headquarters.

TECHNOLOGIES

We seek to be at the forefront of the PRC's restaurant industry in applying the latest technologies, with a focus on enhancing guest experience and improving the efficiency of our operations.

We seek to enhance guest experience in several major respects. Firstly, we seek to use technology to understand our guests' needs and offer services to meet those needs. For example, we introduced automated ordering and our Haidilao app, which serve as the platform for our membership system through which we collect guests' ordering preferences and other data. With this information, we seek to introduce new dishes that meet consumer tastes, recommend dishes to guests based on their ordering history and generally improve our restaurant operations by better understanding our guests. Secondly, we seek to improve dining efficiency and cutting wait times, which we believe contributes to guest satisfaction and also allows us to capture more guest demand. To achieve this effect, we have introduced automated ordering, automated phone hotlines for reservations, QR codes and our Haidilao app. Thirdly, we seek to enhance the dining experience itself, such as customized soup bases to personalize flavors for each guest. We are also developing Haidilao merchandise, virtual reality and immersive dining. Some of the featured applications of technology we have applied or are developing to enhance guest experience include:

- *Automated ordering*. All orders at our restaurants are placed on tablet computers. This expedites service and enables our management to collect and analyze consumption behavior, spending and inventory data on a timely basis. This system also allows us to track ordering history and recommend dishes to members based on their consumption behavior.

- *Haidilao app*. We launched a Haidilao app in August 2012 where guests can make online reservations, delivery orders and take a number in our waiting list. We aim to develop a brand new mobile app, enabling our guests to purchase and take home the same food products that they enjoyed in our restaurants, as well as providing third-party software interfaces to provide other services, such as GPS navigation and peer-to-peer ride sharing to our restaurants to our members. Investment in the new mobile app will be primarily funded by net cash generated from operating activities. As of the Latest Practicable Date, we were in the development stage of this mobile app. We expect to launch the advanced mobile app in the second half of 2018.

- *Intelligent kitchen*. As an important measure to enhance our control over food safety and improve operational efficiency, we are exploring ways to automate kitchen tasks that are labor intensive such as food preparation of meats and vegetables and dishwashing in the kitchen as well as busser functions. Moreover, we plan to implement robotic arms in the kitchen areas that can automatically sort, prepare and deliver dishes per each guest order. Investment in our intelligent kitchen will be primarily funded by net proceeds from the Global Offering. See "Future Plans and Use of Proceeds" for details. As of the Latest Practicable Date, we were in the process of installing and testing certain equipment in our first restaurant with intelligent kitchen equipment. We plan to open our first restaurant with intelligent kitchen equipment in late 2018 and begin trial operations at select restaurants in early 2019.

- *Customized flavors*. We are also developing technology that would automate the preparation of soup bases and customize the depth of flavors, such as spiciness, oiliness, richness and thickness based on personal preferences. Once this technology is implemented, every guest would be able to create his/her own personalized soup base. The unique choices of each guest are stored in our membership system and can be automatically ordered the next time he/she visits. Investment in this technology will be primarily funded by a combination of net cash generated from operating activities and net proceeds from the Global Offering. See ″Future Plans and Use of Proceeds″ for details. As of the Latest Practicable Date, we were in the process of conducting integration testing of such equipment. We expect to gradually launch this technology across our restaurants starting late 2018.

- *Automated phone hotline*. We have implemented an automated hotline that can take reservations and answer frequently asked questions about our restaurants, such as our address and hours.

- *Artificial intelligence.* We are investing in incorporating artificial intelligence technology to more accurately and better provide services to our guests. We have also collaborated with third parties to develop an artificial intelligence call system with voice recognition technology, which enables us to answer inbound calls for ordering, queuing and restaurant information automatically. Investment in this call system will be primarily funded by net cash generated from operating activities. As of the Latest Practicable Date, we were in the process of testing this system in some of our restaurants. We plan to gradually launch such system in substantially all of our restaurants by the end of 2018.

- *Virtual reality and immersive dining.* We have been developing virtual reality-based entertainment to enhance the experience at our waiting areas, where guests can enjoy games with discounts and complimentary items as rewards, in turn improving the overall dining experience. We plan to implement architectural lighting, audio and visual technologies in our dining areas to create unique dining experiences with various landscapes, eras and themes. Investment in virtual reality and immersive dining will be primarily funded by net proceeds from the Global Offering. See ″Future Plans and Use of Proceeds″ for details. As of the Latest Practicable Date, we were in the process of early design and development of such project. We plan to equip a Haidilao restaurant with immersive dining technologies such as projection mapping and digital sensors in late 2018.

- *Unmanned sale of Haidilao merchandise.* We are developing and gradually launching Haidilao merchandise and products, such as Haidilao-brand beer and Haidilao-brand kitchenware. In addition, guests can purchase Haidilao products and merchandise at unmanned counters in our restaurants by scanning a product code. The product price will be added to the guests' meal tab and guests can pick up the product on their way out. Investment in this technology will be primarily funded by net cash generated from operating activities. As of the Latest Practicable Date, we were in the process of early development of this technology and Haidilao-brand products and merchandise. We plan to gradually launch the technology and products in our restaurants over the next few years.

- *QR codes.* We provide QR codes to guests queuing for tables and manicure services so that they do not have to wait at the restaurant and can check the queue status remotely. In addition, we offer photo printing services at some of our restaurants where guests can print pictures from their phone by scanning the QR code on our photo printing machines.

We also utilize numerous technologies and systems to support the management of our operations. These systems include those related to human resources, finance, procurement, supplier management and office administration, among others. Some of the featured technologies that we have implemented or are developing include:

- *Business intelligence.* We have developed an artificial intelligence platform with Alibaba Cloud to more efficiently conduct suitable restaurant sites and improve the quality of our site selections. For details, see "— Expansion Plan, Site Selection and Development — Expansion Management — Site Selection." We are also working on improving our financial system, SAP and OA systems, as well as developing mobile office administration systems.

- *Restaurant inventory intelligence*. We have collaborated with third parties to develop a centralized system to manage the inventory levels in our restaurants. This system automatically order and replenish inventories based on the historical usage rate at each restaurant and will adjust the amounts ordered based on deep learning of table turnover rate patterns and consumer trends.

- *Employee productivity measurement*. We have collaborated with third parties to develop a centralized system to manage our employees and measure employee productivity for our piece-rate compensation system. Our restaurant employees of non-managerial roles have cards or wear bracelets that can be scanned, hence measuring things like number of dishes delivered (for bussers), or dishes cleaned (for dishwashers), or tables served. This forms the basis for the compensation of restaurant employees of non-managerial roles.

- *Restaurant staff management*. We have collaborated with third parties to develop a system to automatically schedule shifts and vacation leave of our restaurant staff, as well as automatically complete resignation and handover procedures.

With respect to the technologies and systems we are developing to support the management of our operations, we will primarily fund such development by net cash generated from operating activities and plan to launch such technologies over the next few years.

INVENTORY MANAGEMENT

At our restaurants, we generally do not maintain a significant inventory of food ingredients to ensure their freshness. As such, our inventory levels are controlled by a just-in-time inventory management system. Since August 2017, substantially all of our inventory management requirements have been met through Shuhai Group. We design an annual procurement plan based on historical data and forecasts for our existing and planned new restaurants and work with Shuhai Group's ERP system to forecast the inventory needs of each restaurant based on type, shelf life, usage rate, market outlook and historical data, among other things. Our restaurants place orders for food ingredients on the ERP system almost on a daily basis, which is generally delivered to our restaurants within two days of placing the order.

Most of the supplies that we procure, including those from third-party suppliers, are delivered to Shuhai Group's warehouses prior to delivery to us. We also regularly monitor inventory levels at Shuhai Group's warehouses, which is available in real-time. We set different inventory requirements based on the shelf life of different food ingredients on the ERP system, which notifies our procurement staff when inventory at Shuhai Group's warehouses falls below such requirement.

LOGISTICS

We engage reputable and large-scale third-party transportation companies with cold-chain food delivery capabilities to provide logistics services to us. Shuhai Group provides logistics services to certain of our restaurants. We settle the logistics fees directly with such third-party companies and Shuhai Group is responsible for liaising with the third-party companies regarding logistics arrangements. Risks related to the shipment are assumed by the transportation companies and are covered by insurance policies.

SETTLEMENT AND CASH MANAGEMENT

We accept cash, credit cards, WeChat Pay and Alipay at our restaurants. From time to time, we also sell prepaid cards and group purchase vouchers to guests. These prepaid cards and group purchase vouchers have face values generally ranging from RMB500 to RMB5,000. As non-cash payments become more and more common, risks related to cash management has and are expected to continue to decrease.

The table below sets forth the breakdown of amount received at restaurant level(1) by settlement type for the period indicated.

	For the year ended December 31,						For the six months ended June 30,			
	2015		2016		2017		2017		2018	
	Amount received	%	Amount received	%	Amount received	%	Amount received	%	Amount received	%
	(in millions of RMB)									
Cash	2,399.1	38.6%	2,471.1	29.8%	2,238.3	19.9%	1,179.9	23.3%	1,030.2	13.2%
Bank card	3,387.0	54.5	3,434.4	41.4	3,277.9	29.2	1,650.4	32.5	3,879.9	49.8
Third party payment platform and others(2)	423.9	6.8	2,387.8	28.8	5,710.7	50.9	2,241.2	44.2	2,879.5	37.0
Total	**6,209.9**	**100.0%**	**8,293.4**	**100.0%**	**11,226.9**	**100.0%**	**5,071.5**	**100.0%**	**7,789.6**	**100.0%**

(1) Includes (i) the restaurant level revenue before deducting business taxes and surcharges, (ii) the value-added tax of restaurants located in the PRC, and (iii) the value-added tax, withholding consumption tax of restaurants located overseas.

(2) Primarily includes third party payment platforms such as WeChat Pay and Alipay, as well as other payment methods such as prepaid cards and group vouchers.

The increase in settlement through bank card as a percentage of total amount received and decrease in settlement through third party payment platform and others as a percentage of total amount received from 2017 to the six months ended June 30, 2018 is primarily because more guests used Unionpay mobile payment which can be accessed by customers through third party platforms and settled directly using Unionpay. As such, these payments are recorded as bank card settlements in our system.

To ensure the accuracy of our record keeping of guest invoices, we use tablet computers that are linked to our restaurant point-of-sale system and our financial management system at our headquarters. We have implemented guidelines in relation to our point-of-sale system and cash management at the headquarter level and restaurant level. To prevent misappropriation of cash, we have implemented the following measures to strengthen our cash management system:

- We reconcile cash receipts recorded in our system against cash kept at the cash register on a daily basis at our restaurants. We record and trace the source of any differences found during the reconciliation process.

- We have installed safes at each restaurant, to which designated personnel hold the keys. We also have installed surveillance systems that cover our cashier and safe area.

- Cash received at each restaurant are deposited in designated bank accounts the same day. For banks that provide cash collection services, we require the personnel who collects the cash to present proper identification to us. Our restaurant staff shall open the safe and hand over the cash in the presence of the bank personnel and under surveillance cameras. We and the bank personnel shall each count the cash and complete the relevant paperwork. For banks that require our staff to deposit cash in person, we have authorized staff at each restaurant to make the deposits. These staff are vetted by the restaurant management.

- Restaurants may only keep small amounts of petty cash to make change to guests, for disbursements and miscellaneous expenses. These exchanges are recorded and relevant receipts are reported to our finance department.

- Each restaurant conducts monthly audits and reports the audit results to our headquarters through our OA system.

- Our finance department reviews the deposit account statements and operating reports for each restaurant to monitor the sales and cash received from the restaurant.

During the Track Record Period, we did not encounter any material incidents of cash misappropriation or embezzlement.

COMPETITION

According to the F&S Report, we were the largest restaurant chain in Chinese cuisine globally and in the PRC in terms of 2017 revenue, with a market share of 0.2% and 0.3% globally and in the PRC, respectively. The hot pot restaurant industry in the PRC is highly fragmented and intensely competitive with respect to food quality and consistency, price-value relationship, ambiance, service, location, supply of quality food ingredients and availability of trained employees. We primarily target the mid- to high-end market with a broad guest base, and compete against other chain and single-store Chinese cuisine restaurants. Many restaurants of our competitors compete with us near our locations. See “Industry Overview.”

We believe our ability to generate a higher revenue per restaurant compared to our major competitors in the PRC hot pot restaurant market during the Track Record Period is a result of a combination of factors, which include but are not limited to the (i) higher table turnover rate, and (ii) larger floor area, of our restaurants.

During the Track Record Period, our overall table turnover rate was 4.0 times per day in 2015, 4.5 times per day in 2016, 5.0 times per day in 2017 and 4.9 times per day in the six months ended June 30, 2018, compared to our major competitors in China that had table turnover rates ranging from two to four times per day in 2017. We believe that our ability to achieve a higher overall table turnover rate than our major competitors is a reflection of a number of factors, including but not limited to (i) the longer hours of operation as over 70% of our restaurants as of the Latest Practicable Date operated on a 24-hour basis other than during daily cleaning procedures, while our major competitors typically operate twelve to thirteen hours per day, according to the F&S Report; (ii) the popularity of our restaurants and strong brand recognition that we have built in our 24-year operating history; and (iii) increasing number of guests served from 2015 to 2017 and from the six months ended June 30, 2017 to the six months ended June 30, 2018, who are in part drawn by our unique dining experience and the personalized menus that we offer to cater to a broader range of guests.

In addition, our restaurants typically have larger dining areas than those of our major competitors, which allows us to serve more customers. The dining area of our restaurants in the PRC during the Track Record Period generally ranged from 600 to 1,000 square meters per restaurant, compared to 200 to 700 square meters per restaurant for our major competitors, according to the F&S Report.

AWARDS AND RECOGNITIONS

As a testimony to our achievements and the quality of our service, food and dining experience, our restaurants have received various awards and recognitions. The table below sets forth our major awards and recognitions received during the Track Record Period.

Year	Awards and recognitions	Issuing authority
2018	Top 100 Cuisine Enterprises in China (2017年度中國餐飲百強企業)	Chinese Cuisine Association (中國烹飪協會)
2017	Top 50 Hot Pot Enterprises in China (2017中國火鍋品牌50強企業)	China Hotel Association (中國飯店協會)
2016	Top 50 Hot Pot Enterprises in China (2016中國火鍋品牌50強企業)	China Hotel Association (中國飯店協會)
2016	China's Top 10 Hot Pot Brands of China's Catering Industry in 2016 (2016年度中國餐飲業火鍋十大品牌)	Chinese Cuisine Association (中國烹飪協會) and Economic Papers Association of China (中國經濟報刊協會)
2016	China's Top 10 Brands of Service in 2015 (2015年度"中國服務"十佳品牌企業)	Chinese Cuisine Association (中國烹飪協會)
2015	Continuing Innovation Award for Chinese Restaurant Brand in China (中國連鎖餐飲品牌可持續創新獎)	China Chain Store & Franchise Association (中國連鎖經營協會)

EMPLOYEES

We believe that happy employees lay the foundation for happy guests. We endeavor to cultivate talented and loyal employees by treating our employees with dignity, respect and fairness. We motivate our employees with career development opportunities and competitive compensation. Our training and promotion program allows employees to envision their career paths and growth potential with us. All of our employees have a chance to be promoted to management regardless of the position they start in. During the Track Record Period, substantially all of our restaurant managers were promoted from within and have served in non-managerial positions such as waiters, bussers or janitors. According to F&S Survey, 75.9% of the employee participants agreed that they are satisfied with the opportunities for career development with us and 79.4% of the employee participants were satisfied with our talent pool promotion system.

We reward hard work through our compensation structure. In addition to a base salary, compensation of our restaurant managers is tied to the profits of his/her restaurant as well as that of first- and second-generation mentees. Compensation of our restaurant staff is primarily following a piece-rate compensation system, with their wages clearly defined based on the units of specific work performed. For details, see "— Assessment, Compensation and Training — Compensation — Restaurant Staff". According to F&S Report, our employees enjoy industry-leading compensation among all Chinese cuisine restaurants in the PRC.

In addition to our promotion system and competitive compensation, we seek to take care of our employees in other ways. For example, we hire staff responsible for making employee meals and cleaning staff dormitories. We also provide subsidies for our employees' children's education and periodically visit and provide subsidies for our employees' elderly parents. As a result of the above, the attrition rate of our employees was relatively low in our industry, according to the F&S Report.

Substantially all of our employees are restaurant staff. As of the Latest Practicable Date, we had a total of 53,504 employees, of which 51,006 were located in the PRC and 2,498 were located overseas. The following table sets forth the number of our employees by function as of the Latest Practicable Date.

	Number of Employees
Headquarter Level	925
Headquarters	913
Coaches	12
Restaurant Level	52,579
Managerial restaurant staff(1)	3,665
Kitchen staff	4,716
Bussers	11,302
Waiting staff	12,008
Reception staff	4,870
General restaurant staff(2)	7,509
Others(3)	8,509
Total	53,504

(1) Managerial restaurant staff primarily consists of restaurant managers, floor managers and other managerial and administrative staff.

(2) General restaurant staff consists of new joiners that have not been assigned a fixed function in our restaurant.

(3) Others primarily consist of night shift staff and delivery business staff.

Historically, our human resources department was responsible for recruitment, primarily through recruitment websites and other channels during that period. We enter into employment contracts with all of our employees. Since January 2016, we began to work with Weihai Consulting, our connected person. Weihai Consulting provides us with human resource consulting services, including candidate recommendations and orientation training for new joiners.

Our PRC Legal Advisers are of the view that, during the Track Record Period and up to the Latest Practicable Date, save as disclosed in this Prospectus, we had complied with the applicable PRC labor laws and regulations in all material respects. We had complied with the applicable labor laws and regulations of overseas jurisdictions where we have restaurants during the Track Record Period and up to the Latest Practicable Date. We have formed a labor union to protect our employees' rights and encourage employees to participate in our management decisions. Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, there were no material labor disputes or strikes that would have a material and adverse effect on our business, financial condition or results of operations.

INTELLECTUAL PROPERTY

Our Major Intellectual Property Rights

We currently operate our restaurant network under the Haidilao (海底撈) brand. We obtained a perpetual, royalty-free and exclusive license from Sichuan Haidilao for 129 registered trademarks, including the Haidilao trademark and 53 trademarks under application. According to the licensing agreement, our prior consent is required before the licensing arrangement can be terminated. See "Connected Transactions — Exempt Continuing Connected Transactions — 1. Trademark License Agreements." Considering a trademark license agreement is already in place, there are currently no plans to transfer such trademarks from Sichuan Haidilao to us. As of the Latest Practicable Date, we owned 23 patents registered in the PRC and 59 patents under application in the PRC (four of which we applied jointly with a third party). On May 8, 2018, we and Sichuan Haidilao entered into an agreement to transfer two patents registered in the PRC which we consider to be material to our business, among others, and we were granted an exclusive, royalty-free license to use such patents until the transfer is completed. For details, see "Appendix IV — Statutory and General Information — B. Further Information About Our Business — Intellectual Property Rights." As the patents that we consider to be material to our business are in the process of being transferred to us, there are currently no plans to transfer any remaining patents from Sichuan Haidilao to us. During the Track Record Period, we did not experience any intellectual property dispute or infringement that had a material and adverse impact on us.

A number of proprietary know-how and trade secrets are also of significant importance to our operations, including the recipes for certain food ingredients and soup bases. We did not apply for patents for our proprietary know-how and trade secrets, to avoid possible information leakage in the application process. We protect such intellectual property by relying on the protection afforded under applicable trade secret laws, implementing intellectual property management policies, installing secure information technology systems and entering into confidentiality arrangements with employees and third parties who may have access to our proprietary know-how and trade secrets with access to such information. Our product development department is responsible for management of all of our recipes and only employees from development and technology department have access to our recipes.

PROPERTIES

Our headquarters are located in Beijing. We occupy certain properties in the PRC and overseas, which are mainly premises for our restaurants, warehouses and offices. Except for four properties leased from Mr. Zhang, Ms. Shu, Mr. Shi Yonghong and their respective associates, all of these properties are leased from third parties.

According to section 6(2) of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice, this Prospectus is exempted from compliance with the requirements of section 342(1)(b) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance which require a valuation report with respect to all our Group's interests in land or buildings, for the reason that, as of June 30, 2018, we had no single property with a carrying amount of 15% or more of our total assets.

Owned Properties

As of the Latest Practicable Date, we owned one property in the PRC with a total GFA of 244 square meters. The property, located in Shanghai, is used as staff dormitories.

Leased Properties

PRC Properties

As of Latest Practicable Date, we leased 600 properties with a total GFA of approximately 590,000 square meters in the PRC. Substantially all of our lease properties are used as restaurants sites.

Lessors of 540 leased properties (with an aggregate GFA of approximately 539,000 square meters, representing approximately 91.4% of our total leased GFA) had valid title certificates or relevant authorization documents evidencing their rights to lease the properties and the use of the leased properties were in accordance with the zoning plan set out in such title certificates. Our PRC Legal Advisers are of the view that the lessors are entitled to lease these properties and the leasing agreements are legal and valid.

Title Defects

Of the abovementioned 540 leased properties, the actual usage of 67 leased properties (with an aggregate GFA of approximately 79,000 square meters, representing approximately 13.4% of our total leased GFA) was inconsistent with the usage set out in such title certificates or relevant authorization documents. With respect to these properties, our PRC Legal Advisers are of the view that we would not be subject to any fines or penalties but we may not be able to lease, occupy and use such leased properties if the lease was challenged by any interested party or if the lessor was penalized by the competent government authority.

Lessors of 60 leased properties (with an aggregate GFA of approximately 51,000 square meters, representing approximately 8.5% of our total leased GFA) did not provide valid title certificates. Our PRC Legal Advisers have advised us that we would not be subject to any fines or penalties with respect to these properties but our leases may be affected if the title or the lessor's right to lease is challenged by a third-party rights holder.

Our PRC Legal Advisers concur with our Directors' view that the likelihood that our business and results of operations would be materially and adversely affected by these title defects is remote, considering that (i) we have not received any material claim of rights by any third parties in relation to such title defects during the Track Record Period and up to the Latest Practicable Date; (ii) it is unlikely that we would be subject to claim of rights from third parties or be required by authorities to relocate with respect to a significant number of these leased properties at the same time, considering that these properties are geographically dispersed and under the jurisdiction of different authorities, and are leased from different counterparties; (iii) we maintain a pool of restaurant site candidates, and believe we would be able to relocate to a different site relatively easily should we be required to do so; (iv) of the above mentioned 60 leased properties, lessors of 47 properties (accounting for 82.4% of the total GFA of the 60 leased properties with title defects) has undertaken that in the event that we cannot legally occupy and use such leased properties, the lessor will compensate us for losses that we suffer, and even if our lessors have not provided this undertaking to us, we may still raise a claim against such lessors based on relevant PRC laws and regulations; and (v) we have obtained an indemnity from the Existing Shareholders to indemnify our Group against any claims, fines and other liabilities arising from such property title defects.

Non-registration of Lease Agreements

As of the Latest Practicable Date, 586 lease agreements had not been registered with relevant authorities . Our PRC Legal Advisers are of the view that the non-registration of lease agreements will not affect the validity of the lease agreements, but the relevant local housing administrative authorities can require us to complete registrations within a specified timeframe and we may be subject to a fine of between RMB1,000 and RMB10,000 for any delay in making registration for each of these leasing properties. Therefore, we have the right to use such properties in accordance with the leasing agreement but we may be subject to the risks of fines if the lease registration is not completed as required by the relevant local housing administrative authorities. Our PRC Legal Advisers are of the view that it is unlikely that our operations would be materially and adversely affected by the non-registration of our lease agreements, considering that (i) during the Track Record Period, we were not subject to administrative penalties by the relevant housing administrative authorities for non-registration of lease agreements, and (ii) the amount of potential penalties accounts for a minimal portion of our total revenue in 2017.

Internal Control Measures

Starting in 2018, we have required all of our lessors to provide the necessary documentation and valid title certificates before we enter into lease agreements with them and we will not enter into lease agreements for properties with title defects. Moreover, we have more stringently required our lessors to register our lease agreements with the relevant housing administrative authorities.

Overseas Properties

As of the Latest Practicable Date, we leased 110 properties with a total GFA of approximately 49,000 square meters for our overseas restaurants in Hong Kong, Taiwan, Singapore, South Korea, Japan, United States, Australia, Canada and United Kingdom. Substantially all of our overseas leased properties are used as restaurant sites, warehouses and staff dormitories.

INSURANCE

For our PRC restaurants, we mainly maintain (i) all-risk property insurance for our restaurants to protect our business from certain accidents, natural disasters and other unfortunate events, and (ii) public liability insurance covering damages arising out of our business operations for all of our restaurants, including but not limited to claims of food and drink poisoning from our guests. For our overseas restaurants, we mainly maintain insurance as required by local laws and regulations. Our Directors are of the view that our insurance coverage is customary in our industry and in line with the standard commercial practice in the relevant countries. See "Risk Factors — Risks Relating to Our Industry and Business — Our insurance policies may not provide adequate coverage for all claims associated with our business operations."

ENVIRONMENTAL AND OCCUPATIONAL HEALTH AND SAFETY MATTERS

We are subject to environmental protection and occupational health and safety laws and regulations in the PRC as well as overseas where we operate our restaurants. During the Track Record Period, we complied with the relevant environmental and occupational health and safety laws and regulations in all material respects in the PRC as well as overseas where we operate, and we did not have any incidents or complaints which had a material and adverse effect on our business, financial condition or results of operations during the same period.

We strive to provide a safe working environment for our employees. We have implemented work safety guidelines setting out safety practices, accident prevention and accident reporting. We conduct monthly safety inspections and rank our restaurants based on inspection results. Restaurants that are consistently ranked at the bottom or have safety accidents will be subject to various penalties or even closure depending on the severity of the problem.

Due to the nature of our operations, the waste we produce is not hazardous and has a minimal impact on the environment. Our environmental protection expenses, including wastewater treatment, garbage disposal and cleaning expenses, were immaterial during the Track Record Period and is expected to remain at similar levels. We will devote operating and financial resources to environmental compliance whenever we are required by the relevant laws or authorities in the future.

LEGAL PROCEEDINGS

From time to time, we are subject to legal proceedings, investigations and claims arising in the ordinary course of our business. As of the Latest Practicable Date, we were not involved in any litigation, arbitration or administrative proceedings pending or, to our knowledge, threatened against us or any of our Directors that could have a material and adverse effect on our business, financial condition or results of operations.

COMPLIANCE, LICENSES AND PERMITS

Fire Safety

Background and Reasons for Non-compliance

As of the Latest Practicable Date, we were not able to complete the requisite public assembly place fire safety inspection approval (公眾聚集場所投入使用、營業前消防安全檢查合格證) for some of our restaurants and standalone delivery service stations when we commenced operations.

As of the Latest Practicable Date, we had a total of five restaurants for which we had not obtained the relevant fire safety inspection approvals from the relevant fire safety authority, (i) two of which we were actively engaged in the application process; (ii) two of which we have actively communicated with relevant government authorities to advance the applications for the relevant fire safety inspection approvals, which we are required to update because we changed the holding entity of such restaurants; and (iii) one of which we have not been able to complete the application for the relevant fire safety inspection approvals due to issues related to reasons attributable to owners of the relevant properties or the nature of such properties.

As of the Latest Practicable Date, there were a total of six standalone delivery service stations for which we had not obtained the relevant fire safety inspection approvals, (i) two of which we were actively engaged in the application process; and (ii) four of which we have not been able to complete the application for the relevant fire safety inspection approvals due to issues related to reasons attributable to owners of the relevant properties or the nature of such properties.

These non-compliances occurred primarily because our senior management devoted their attention to the development and growth of our restaurants and business, which resulted in their lack of comprehensive understanding of, and inadvertence in monitoring our restaurants' compliance status with, relevant PRC laws and regulations. Our senior management has enhanced their understanding of the relevant PRC laws and regulations, and we have strengthened our internal controls with respect to fire safety inspections to avoid the recurrence of such non-compliances in the future. See "—Internal Control and Remedial Measures."

Legal Consequences

With respect to the five restaurants and six standalone delivery service stations for which we have not obtained the relevant fire safety inspection approvals from the relevant fire safety authority, our PRC Legal Advisers have advised us that we may be subject to (i) a potential penalty of RMB3.3 million, which represents the maximum penalty pursuant to relevant PRC laws and regulations where the potential penalty ranges from RMB30,000 to RMB300,000 per restaurant or standalone delivery service station, and (ii) closure of such restaurants or standalone delivery service stations.

With respect to the two restaurants and two standalone delivery service stations for which we were actively engaged in the application process, our PRC Legal Advisers have advised us that the likelihood that we would be subject to material administrative penalties by fire safety regulatory authorities is low. If we submit all of the necessary application materials in accordance with requirements of the relevant fire safety authorities, we would not be subject to any material legal impediment in obtaining the relevant fire safety inspection approval, and upon obtaining such approval, the risk that the relevant fire safety authorities would impose administrative penalties against us for operating these restaurants or standalone delivery service stations without such approval is low.

We believe that these non-compliances would not have a material and adverse effect on our business and results of operations, considering the advice we have obtained from our PRC Legal Advisers and taking into account that: (i) we did not receive any material fines or penalties with respect to these non-compliances during the Track Record Period and up to the Latest Practicable Date; (ii) the maximum potential penalty of RMB3.3 million only accounted for less than 0.1% of our revenue in 2017; (iii) our Fire Safety Consultant has advised us that these restaurants and standalone delivery service stations comply with fire safety laws and regulations; (iv) it is unlikely that we would be required to close or relocate a significant number of such restaurants and standalone delivery service stations by competent authorities at the same time, considering that these properties are geographically dispersed and under the jurisdiction of different authorities; (v) we maintain a pool of restaurant site candidates, and believe we would be able to relocate to a different site relatively easily should we be required to do so by relevant competent authorities; and (vi) we have obtained an indemnity from the Existing Shareholders to indemnify our Group against any claims, fines and other liabilities arising from such non-compliances. As a result, we did not make any provisions in connection with these non-compliances during the Track Record Period.

As of the Latest Practicable Date, we have not received any material fines or penalties. Moreover, we are actively working to advance our applications with the relevant government authorities.

Internal Control and Remedial Measures

To ensure that these restaurants operate safely, we have engaged the Fire Safety Consultant to conduct fire safety inspection in April and May 2018 on each of the restaurants and standalone delivery service stations that had not obtained the relevant fire safety approvals as of the Latest Practicable Date. Our Fire Safety Consultant reviewed and inspected the following aspects of our operations through on-site inspection, surveys and document review: (i) the compliance of our fire protection system with laws and regulations and industry standards, (ii) the adequacy of the fire safety equipment and system and emergency evacuation plan of premises on which our restaurants or standalone delivery service stations are located, (iii) the knowledge of our staff in relation to fire protection management, including our fire safety management personnel and restaurant staff, (iv) the fire protection and heat insulation capabilities of our restaurant construction materials.

Upon their review, our Fire Safety Consultant have concluded that all of these restaurants and standalone delivery service stations comply with fire safety laws and regulations considering that (i) we have established and implemented fire safety internal control policies in accordance with relevant laws and regulations, including those related to fire safety procedures and emergency evacuation procedures, (ii) these restaurants and standalone delivery service stations are equipped with proper fire safety facilities, equipment and safety signs, all of which are in good condition, and (iii) these restaurants and standalone delivery service stations are in compliance with building fire protection and safety requirements. As confirmed by our Fire Safety Consultant, these restaurants and standalone delivery stations have not obtained the fire safety inspection approval and/or the fire safety completion acceptance filing primarily because the administrative procedures to obtain such approvals and/or filings are in process of being, or have not been, completed due to reasons attributable to the property owners or the nature of the properties.

Incorporated in 1994, our Fire Safety Consultant primarily offers fire safety inspection, evaluation and consulting services and is also engaged in the development, maintenance and testing of fire safety systems. The Fire Safety Consultant holds a Class A certificate for fire safety evaluation and a Class A qualification for fire safety service provision. The Fire Safety Consultant holds the ISO 9001:2008, ISO 14001:2004 and OHSAS 18001:2007 certificates. The Fire Safety Consultant's inspection team consists of engineers, including fire safety specialist engineers, and constructors, and has undertaken fire safety evaluation work of various public infrastructure, airports and stadiums.

During the Track Record Period, we implemented a series of internal control measures in relation to fire safety, and we have continued to strengthen our internal control systems. Our internal control system in relation to fire safety is summarized as follows:

- *Training*. We conduct extensive training for our staff, including periodic training on general fire safety awareness and knowledge, and training on proper use of fire safety equipment and emergency evacuation plans. We also conduct fire drills at our premises to familiarize our staff with our evacuation plans.

- *Personnel.* We have designated personnel at each of our restaurants responsible for fire safety. We have also designated personnel at our headquarters responsible for conducting monthly review of fire safety work at our restaurants. In addition, since December 2017, we have established a points system to assign clear accountability to restaurant staff for any fire safety incidents.

- *Fire safety policies*. We implement detailed fire safety measures and procedures with respect to our restaurants, including frequent inspection of the stoves and electric appliances in our kitchens, the gas valves, pipes and electrical systems, and the fire safety equipment that we equip on our premises. We have also formulated evacuation plans, fire protection and rescue plans in the event of fire emergency, and have also installed signs for fire evacuation.

- *Equipment*. We equip our premises with the proper fire safety equipment and systems, and regularly assess the need to upgrade our equipment and facilities to achieve better ventilation, humidity, fire and heat protection.

- *Licenses*. We require all of our lessors to provide the relevant documentation needed for us to obtain fire safety inspection approvals before we enter into any lease agreement, and we will not commence restaurant operations before we obtain all of the requisite permits and approvals. We have more stringently enforced such policy and since March 2018, all of our newly opened restaurants have obtained fire safety inspection approvals.

Social Insurance and Housing Provident Funds

Background and Reasons for Non-compliance

During the Track Record Period, we did not make full social insurance and housing provident fund contributions for certain employees. For the years ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2018, our total salary compensation (which represents total staff costs minus employee welfare and social insurance and housing provident fund contributions) amounted to RMB1,318.3 million, RMB1,717,3 million, RMB2,573.4 million and RMB1,847.7 million, respectively. For the same periods, the ratio of social security contribution we paid as a percentage of total salary compensation was approximately 3.0%, 3.8%, 5.6% and 6.0%, respectively. Our non-compliance was primarily due to our large labor force and relatively high mobility, the lack of experience of our human resources personnel who did not fully understand the relevant requirements of the relevant PRC laws and regulations, and the preference of many of our employees not to contribute to such funds. Some of our employees were unwilling to cooperate in making payments for such funds because they chose to participate in local rural social security systems offered in their place of residency. In those cases, we provide these employees with compensation and benefits in lieu of such contributions. In addition, we made the social insurance and housing provident fund contributions based on the local minimum wages.

Legal Consequences

Our PRC Legal Advisers have advised us that, pursuant to relevant PRC laws and regulations, if we fail to pay the full amount of social insurance contributions as required, we may be ordered to pay the outstanding social insurance contributions within a prescribed time limit and may be subject to an overdue fine of 0.05% of the delayed payment per day from the date on which the payment is payable. If such payment is not made within the stipulated period, the competent authority may further impose a fine from one to three times the amount of any overdue payment. Our PRC Legal Advisers have further advised us that, pursuant to relevant PRC laws and regulations, if we fail to pay the full amount of housing provident fund as required, the housing provident fund management center may order us to make the outstanding payment within a prescribed time limit. If the payment is not made within such time limit, an application may be made to the PRC courts for compulsory enforcement.

Our Directors believe that such non-compliance would not have a material and adverse effect on our business and results of operations, considering that: (i) as advised by our PRC Legal Advisers, the likelihood that we would be required by relevant authorities to pay any shortfall for social insurance and housing provident fund contribution is low, and the likelihood that we would be subject to material administrative penalties by relevant authorities is low; (ii) as of the Latest Practicable Date, we had not received any notification from the relevant PRC authorities requiring us to pay material shortfalls or the penalties with respect to social insurance and housing provident funds; (iii) we had not been subject to any material administrative penalties during the Track Record Period and up to the Latest Practicable Date; (iv) we were not aware of any material employee complaints nor were involved in any material labor disputes with our employees with respect to social insurance and housing provident funds; (v) we have made provisions of RMB23.6 million, RMB36.2 million, RMB28.2 million and RMB21.9 million for the social insurance and housing provident fund contribution shortfall in 2015, 2016, 2017 and the six months ended June 30, 2018, respectively; and (vi) we have obtained an indemnity from the Existing Shareholders to indemnify our Group against any claims, fines and other liabilities arising from such non-compliances.

Internal Control and Remedial Measures

We have taken the following rectification measures to prevent future occurrences of such non-compliances:

- *Training*. Strengthen legal compliance training to our personnel, including by engaging our PRC Legal Advisers to provide training to our personnel on the relevant laws and regulations;

- *Policy.* Formulate and distribute to our employees an internal control policy with respect to social insurance and housing provident fund contribution in compliance with relevant PRC laws and regulations, which we have started to implement;

- *Review and record-keeping.* Designate our human resources staff to monitor the payment status and prepare monthly reports of salary and contribution amounts, which shall be reviewed by our human resources department head and our finance department head to ensure that we make these payments in full and on time in accordance with relevant laws and regulations;

- *Increasing awareness of developments in the law.* Regularly keep abreast of latest developments in PRC laws and regulations in relation to social insurance and housing provident funds; and

- *External counsel.* Consult external PRC legal counsel for advice on relevant PRC laws and regulations.

Since May 2018, we have started to implement our policy on the payment of social insurance and housing provident fund contribution for employees in compliance with relevant PRC laws and regulations. We actively encourage and make such contributions for our employees. Despite our efforts, we were unable to make full contributions of social insurance and housing provident fund for our employees as of the Latest Practicable Date because some employees did not cooperate and chose to participate in local rural social security systems offered in their place of residency.

Notwithstanding the above, our Directors believe that this would not have a material and adverse effect on our business and results of operations for the reasons described in the paragraph above under the section headed "—Legal Consequences." As of the Latest Practicable Date, we had not experienced any disagreement from relevant social insurance and housing provident fund authorities with respect to such contributions. As of the same date, we had also not received any enquiries from local tax authorities regarding social security tax payments in light of the Reform Plan recently promulgated in the PRC. For details of the relevant risks, see "Risk Factors — Risks Relating to Our Industry and Business - We may be subject to additional contributions of social insurances and housing provident funds and late payments and fines imposed by relevant governmental authorities."

Our material operations are located in the PRC, Taiwan and Singapore. As advised by our PRC Legal Advisers, Taiwan Legal Advisers and Singapore Legal Advisers, during the Track Record Period and as of the Latest Practicable Date, we had complied with all relevant laws and regulations that are material to our operations in those jurisdictions and have obtained all material licenses, approvals and permits from relevant regulatory authorities for our operations in those jurisdictions, except as disclosed in the Prospectus. Our Directors are of the view that the disclosure of material non-compliance incidents in the Prospectus complies with the requirements under the Stock Exchange guidance letter HKEx-GL63-13. With respect to the compliance of the Group's operations in the PRC, Taiwan and Singapore, the Joint Sponsors have engaged the following due diligence, including but not limited to 1) interviewed with the management of the Company and reviewed business, legal, financial and other relevant materials and records provided by the Company; 2) discussed with the Company's

PRC Legal Advisers, Taiwan Legal Advisers and Singapore Legal Advisers and reviewed their respective legal opinion; and 3) conducted independent public searches on the operations of the Group. Nothing has come to the attention of the Joint Sponsors that would reasonably cause the Joint Sponsors to disagree with the Directors' view above.

RISK MANAGEMENT AND INTERNAL CONTROL

We are exposed to various risks during our operations and have established risk management systems with relevant policies and procedures that we believe are appropriate for our business operations. Our policies and procedures relate to managing our restaurant operations, procurement and food safety and quality.

To monitor the ongoing implementation of our risk management policies and corporate governance measures after the Listing, we have adopted or will continue to adopt, among other things, the following risk management measures:

- establish an audit committee to review and supervise our financial reporting process and internal control system. Our audit committee consists of three members, namely Mr. Qi Daqing, who serves as chairman of the committee, Ms. Shu Ping and Mr. Hee Theng Fong. For the qualifications and experience of these committee members, see "Directors and Senior Management;"

- adopt various policies to ensure compliance with the Listing Rules, including but not limited to aspects related to risk management, connected transactions and information disclosure;

- provide anti-corruption and anti-bribery compliance training periodically to our senior management and employees to enhance their knowledge and compliance with applicable laws and regulations, and include relevant policies against non-compliance in employee handbooks; and

- attend training session by our Directors and senior management in respect of the relevant requirements of the Listing Rules and duties of directors of companies listed in Hong Kong.

We have engaged an internal control consultant to review the effectiveness of our internal controls associated with our major business processes, identify deficiencies and improvement opportunities, provide recommendations on remedial actions and review the implementation status of these remedial actions. In addition to the internal control measures we adopted in relation to our non-compliances, certain other internal control matters were identified and we have adopted corresponding internal control measures to improve on these matters. We have adopted the recommendations made by the internal control consultant and our internal control consultant has completed the follow-up procedures on our internal control system with regard to those actions taken by us in May 14, 2018 and have not identified any material deficiencies in our internal control system.

After considering the remedial actions we have taken, our Directors are of the view that our internal control system is adequate and effective for our current operations. The historical non-compliances were mainly due to our lack of comprehensive understanding of, and inadvertence in monitoring our restaurants' compliance status with, relevant PRC laws and regulations and the lack of comprehensive understanding of relevant labor laws and regulations by relevant staff in the past. Having considered that (i) we have not been subject to any material fines relating to the non-compliances, (ii) we have implemented adequate and effective internal control measures, and (iii) the non-compliances were unintentional and do not raise concerns as to the integrity of our Directors, our Directors are of the view that the above non-compliances would not affect the suitability of our Directors under Rule 3.08 and 3.09 of the Listing Rules or our suitability for listing under Rule 8.04 of the Listing Rules.

CONTROLLING SHAREHOLDERS

As of the Latest Practicable Date, Mr. Zhang (through ZY NP Ltd), Ms. Shu (through SP NP Ltd), together through NP United Holding Ltd and individually, are collectively interested in approximately 62.70% of the total issued share capital of our Company. Immediately following completion of the Capitalization Issue and the Global Offering (assuming that the Over-allotment Option is not exercised), Mr. Zhang (through ZY NP Ltd) and Ms. Shu (through SP NP Ltd) will be collectively interested in approximately 57.67% of our total issued share capital, and NP United Holding Ltd will be interested in approximately 34.00% of our total issued share capital. As a result, following completion of the Capitalization Issue and the Global Offering, Mr. Zhang, ZY NP Ltd, Ms. Shu, SP NP Ltd and NP United Holding Ltd will continue to be our Controlling Shareholders. Please refer to the subsection headed "History, Reorganization and Corporate Structure — Our Shareholding and Corporate Structure — Immediately upon Completion of the Capitalization Issue and Global Offering" for our shareholding structure immediately following the completion of the Capitalization Issue and Global Offering.

COMPETITION

Each of our Controlling Shareholders confirms that as of the Latest Practicable Date, save as disclosed in this Prospectus, it/he/she did not have any interest in a business, apart from the business of our Group, which competes or is likely to compete, directly or indirectly, with our business, and requires disclosure under Rule 8.10 of the Listing Rules.

Youdingyou

Beijing Youdingyou Catering Co., Ltd. (北京優鼎優餐飲股份有限公司) (the "**Youdingyou**") was incorporated in the PRC on July 30, 2012 and listed on the National Equities Exchange and Quotations of the PRC on April 18, 2017. Youdingyou mainly operates fast-food-style restaurants under brand "Youding (優鼎)" in provision of Maocai (冒菜), a Sichuan-style mixed food ingredients boiled in spicy soup, and also invests in several startups engaging in fast food business. According to the 2017 annual report published by Youdingyou, as of December 31, 2017, it is owned as to approximately 45.90% by Beijing Jinghai Youding Business Consulting Center (北京靜海優鼎創業諮詢中心), 44.10% by Zhuhai Gaoling Tiancheng Equity Investment Fund (珠海高瓴天成股權投資基金), an Independent Third Party, and 10% by Beijing Youding Yihao Business Consulting Center (北京優鼎壹號創業諮詢中心). Mr. Zhang Shuoyi (張碩軼), the sole general partner of the aforesaid three limited partnerships, is responsible for the daily operations of the partnerships and represent the partnerships externally.

Beijing Jinghai Youding Business Consulting Center is a limited partnership incorporated in the PRC on June 15, 2016. The name of and interest directly held by each of the partners of Beijing Jinghai Youding Business Consulting Center is set out as follows:

Partners	Approximate interest in the limited partnership
Mr. Zhang Shuoyi as a general partner	0.0490%
Jinghai Investment as a limited partner	86.7765%
Beijing Youding Management Consulting Center (北京友鼎管理諮詢中心) as a limited partner Note 1	5.8334%
Ms. Yang Lijuan (楊利娟) as a limited partner	3.7647%
Mr. Gou Yiqun (苟軼群) as a limited partner	1.8824%
Mr. Yuan Huaqiang (袁華強) as a limited partner	1.4118%
Mr. Chen Yong (陳勇) as a limited partner	0.0565%
Mr. Shi Yonghong (施永宏) as a limited partner	0.1882%
Mr. Yang Bin (楊賓) as a limited partner	0.0376%

Note 1: Beijing Youding Management Consulting Center is a limited partnership incorporated in the PRC on June 15, 2016, the interest of which is held as to approximately 15.97% by Mr. Zhang Shuoyi as a general partner and 84.03% by Jinghai Investment as a limited partner.

Beijing Youding Yihao Business Consulting Center is a limited partnership incorporated in the PRC on June 16, 2016, the interest of which is held as to approximately 0.1248% by Mr. Zhang Shuoyi as a general partner, approximately 50.9363% by Jinghai Investment as a limited partner and approximately 48.9388% by Hillhouse Capital Group (高瓴資本集團), an Independent Third Party.

According to the partnership agreements of Beijing Jinghai Youding Business Consulting Center, Beijing Youding Yihao Business Consulting Center and Beijing Youding Management Consulting Center, Mr. Zhang Shuoyi, the sole general partner of the aforesaid three limited partnerships, should be responsible for the daily operations of the partnerships and represent the partnerships externally. Other limited partners do not participate in the management and the investment decision making process of the partnerships. Our Controlling Shareholders, through Jinghai Investment and the aforesaid three limited partnerships, indirectly hold 31.76% of the equity interest of Youdingyou in aggregate, and therefore do not participate in the management and the investment decision making process of the partnerships. The Company has received a written confirmation from Mr. Zhang Shuoyi that (i) he does not hold the equity interest in Youdingyou for or on behalf of any of our Controlling Shareholders or Directors; and (ii) he manages the aforesaid three limited partnerships independently and has no other arrangements or agreements with any of our Controlling Shareholders or Directors in relation to his general authority in the partnerships.

Based on the above, we believe that our Controlling Shareholders should not be deemed as substantial shareholders of Youdingyou as defined under Rule 1.01 of the Listing Rules, and their interest in Youdingyou does not constitute an interest in excluded business as defined under Rule 8.10(1) of the Listing Rules.

DEED OF NON-COMPETITION

Each of our Controlling Shareholders has undertaken to us in the Deed of Non-Competition that it/he/she will not, and will procure its/his/her close associates (other than members of our Group) not to directly or indirectly be involved in or undertake any business (other than our business) that directly or indirectly competes, or may compete, with any business engaged by any member of our Group (the "**Restricted Business**"), or hold interest in any companies or business that compete directly or indirectly with the business current or from time to time engaged in by our Group, except where (i) our Controlling Shareholders and their close associates collectively hold less than 10% of the total issued share capital of any public company (whose shares are listed on the Stock Exchange or any other stock exchange) which is engaged in any business that directly or indirectly competes, or may compete with the Restricted Business; and (ii) our Controlling Shareholders and their close associates collectively hold less than 30% of the total issued share capital of any private company (whose shares are not listed on any stock exchange) which is engaged in any business that directly or indirectly competes or may compete with the Restricted Business, provided that our Controlling Shareholders and their close associates do not have the right to nominate 50% or more members or control the voting rights (including but not limited to control the casting vote) of the Board of Directors of such public or private companies (collectively, the "**Minority-Interest Companies**").

Save as any investment opportunities which will make the target companies fall under the Minority-Interest Companies as set out above, each of our Controlling Shareholders has undertaken that if any new business/investment opportunity relating to the Restricted Business (the "**Competing Business Opportunity**") is identified by/made available to it/him/her or any of its/ his/her close associates, it/he/she shall, and shall procure that its/his/her close associates shall, refer such Competing Business Opportunity to our Company on a timely basis and in the following manner:

- refer the Competing Business Opportunity to our Company by giving written notice (the "**Offer Notice**") to our Company of such Competing Business Opportunity within 30 Business Days of identifying the nature of the Competing Business Opportunity, the investment or acquisition costs and all other details reasonably necessary for our Company to consider whether to pursue such Competing Business Opportunity;

- upon receiving the Offer Notice, our Company shall seek approval from a board committee consists of Directors who do not have an interest in the Competing Business Opportunity (the **"Independent Board Committee"**) as to whether to pursue or decline the Competing Business Opportunity;

- any Director who has actual or potential interest in the Competing Business Opportunity shall abstain from attending (unless their attendance is specifically requested by the Independent Board Committee) and voting at, and shall not be counted in the quorum for, any meeting convened to consider such Competing Business Opportunity;

- the Independent Board Committee shall consider the financial impact of pursuing the Competing Business Opportunity offered, whether the nature of the Competing Business Opportunity is consistent with our Group's strategies and development plans and the general market conditions of our business. If appropriate, the Independent Board Committee may appoint independent financial advisors and legal advisors to assist in the decision-making process in relation to such Competing Business Opportunity;

- the Independent Board Committee shall, within 30 Business Days of receipt of the written notice referred above, inform our Controlling Shareholders in writing on behalf of our Company its decision whether to pursue or decline the Competing Business Opportunity;

- our Controlling Shareholders shall be entitled but not obliged to pursue such Competing Business Opportunity if it or he or she has received a notice from the Independent Board Committee declining such Competing Business Opportunity or if the Independent Board Committee failed to respond within such 30 Business Days' period mentioned above; and

- if there is any material change in the nature, terms or conditions of such Competing Business Opportunity pursued by our Controlling Shareholders, it/he/she shall refer such revised Competing Business Opportunity to our Company as if it was a new Competing Business Opportunity.

The Deed of Non-Competition will lapse automatically if our Controlling Shareholders and their close associates cease to hold, whether directly or indirectly, 30% or above of our Shares with voting rights or our Shares cease to be listed on the Stock Exchange.

In order to promote good corporate governance practices and to improve transparency, the Deed of Non-Competition includes the following provisions:

- our independent non-executive Directors shall review, at least on an annual basis, the compliance with the Deed of Non-Competition by our Controlling Shareholders;

- each of our Controlling Shareholders has undertaken to us that it/he/she will provide and procure its/his/her close associates to provide on best endeavor basis, all information necessary for the annual review by our independent non-executive Directors for the enforcement of the Deed of Non-Competition;

- we will disclose the review by our independent non-executive Directors on the compliance with, and the enforcement of, the Deed of Non-Competition in our annual report or by way of announcement to the public in compliance with the requirements of the Listing Rules;

- we will disclose the decisions on matters reviewed by the independent non-executive Directors (including the reasons for not taking up the Competing Business Opportunity referred to our Company) either through our annual report or by way of announcement to the public;

- each of our Controlling Shareholders will make an annual declaration in our annual report on the compliance with the Deed of Non-Competition in accordance with the principle of voluntary disclosure in the corporate governance report; and

- in the event that any of our Directors and/or their respective close associates has material interests in any matter to be deliberated by our Board in relation to the compliance and enforcement of the Deed of Non-Competition, it/he/she may not vote on the resolutions of our Board approving the matter and shall not be counted towards the quorum for the voting pursuant to the applicable provisions in the Articles of Association.

INDEPENDENCE FROM CONTROLLING SHAREHOLDERS

Having considered the following factors, our Directors are satisfied that we are able of carrying out our business independently from our Controlling Shareholders after the Listing.

Management Independence

Save as disclosed below, none of our Directors or members of senior management serves as directors or members of senior management in any close associates of our Controlling Shareholders:

		Positions held in close associates of our Controlling Shareholders	
Name	**Position in our Company**	**Name of company**	**Position**
Mr. Zhang	Chairman, executive Director and chief executive officer	Jingyuan Investment	Chairman and non-executive director
		Sichuan Haidilao	Chairman and non-executive director
		Shuhai[(1)]	Non-executive director
		Yihai	Non-executive director
		Leda Haisheng	Chairman and non-executive director
		Honghuotai Catering Service Co., Ltd. (紅火台餐飲雲服務有限公司) ("**Honghuotai**")[(2)]	Deputy chairman and non-executive director
		Anhui Xunfei Zhiyue Tech Co., Ltd. (安徽訊飛至悦科技有限公司) (" **Xunfei Zhiyue**")[(3)]	Non-executive director
		Jianyang Tongcai Experimental School (簡陽通材實驗學校)[(4)]	Director (理事)
		New High Lao	Non-executive director
		ZYSP YIHAI Ltd.[(5)]	Director
		Highsea International Investment Ltd.[(6)]	Director

Name	Position in our Company	Positions held in close associates of our Controlling Shareholders: Name of company	Position
Shi Yonghong (施永宏) .	Executive Director	Jingyuan Investment	Non-executive director
		Sichuan Haidilao	Non-executive director
		Shuhai	Non-executive director
		Yihai	Chairman and non-executive director
		Leda Haisheng	Non-executive director
		Jianyang Tongcai Experimental School (簡陽通材實驗學校)	Director (理事)
		New High Lao	Non-executive director
Ms. Shu	Non-executive Director	Jingyuan Investment	Non-executive director
		Chengdu Haitu Education Consulting Co., Ltd. (成都海途教育諮詢有限責任公司)(7)	Non-executive director
		Sichuan Haidilao	Non-executive director
		Yihai	Executive director
		Leda Haisheng	Non-executive director
		Beijing Yihan Management Consulting Co., Ltd. (北京宜涵管理諮詢有限公司)(8)	Executive director
		New High Lao	Non-executive director
		ZYSP YIHAI Ltd.	Director
		Shu Ping Ltd.(9)	Director
Shao Zhidong (邵志東) .	Executive Director	Fuhai (Shanghai) Food Tech Co., Ltd. (馥海(上海)食品科技有限公司)(10)	Director
		Honghuotai	Non-executive director
		Xunfei Zhiyue	Non-executive director
Yang Lijuan (楊利娟) . .	Chief operating officer	Chengdu Haitu Education Consulting Co., Ltd. (成都海途教育諮詢有限責任公司)	Non-executive director
		Sichuan Haidilao	Non-executive director
		Leda Haisheng	Non-executive director
		New High Lao	Non-executive director

Note:

(1) Mr. Zhang also serves as a non-executive director in one subsidiary of Shuhai, namely Shuhai (Beijing) Food Co., Ltd. (蜀海(北京)食品有限公司).

(2) Honghuotai is a company with limited liabilities incorporated in the PRC, in which our Controlling Shareholders are indirectly interested to the extent they exercise or control the exercise of 30% or more of the voting power at general meeting.

(3) Xunfei Zhiyue is a company with limited liabilities incorporated in the PRC, in which our Controlling Shareholders are indirectly interested to the extent they exercise or control the exercise of 30% or more of the voting power at general meeting.

(4) Jianyang Tongcai Experimental School is a private non-enterprise unit (民辦非企業法人) incorporated in the PRC, in which our Controlling Shareholders have approximately 45% interest.

(5) ZYSP YIHAI Ltd. is a company with limited liabilities incorporated in the BVI. The entire share capital of ZYSP YIHAI Ltd. is wholly owned by UBS Trustees (B.V.I.) Limited as the trustee of the ZYSP Trust. ZYSP Trust is a discretionary trust set up by Mr. Zhang and Ms. Shu as the settlors and protectors on 1 June 2016 for their own benefit. As of the Latest Practicable Date, ZYSP YIHAI Ltd. has not engaged in any business activity.

(6) Highsea International Investment Ltd. is a company with limited liabilities incorporated in the BVI and wholly-owned by Mr. Zhang, which, as of the Latest Practicable Date, principally engaged in investment holding business.

(7) Chengdu Haitu Education Consulting Co., Ltd. is a company with limited liabilities incorporated in the PRC, in which our Controlling Shareholders are indirectly interested to the extent they exercise or control the exercise of 30% or more of the voting power at general meetings.

(8) Beijing Yihan Management Consulting Co., Ltd. is a company with limited liabilities incorporated in the PRC, in which our Controlling Shareholders are indirectly interested to the extent they exercise or control the exercise of 30% or more of the voting power at general meetings.

(9) Shu Ping Ltd. is a company with limited liabilities incorporated in the BVI and wholly-owned by Ms. Shu, which, as of the Latest Practicable Date, has not engaged in any business activity.

(10) Fuhai (Shanghai) Food Tech Co., Ltd. is a company with limited liabilities incorporated in the PRC, in which our Controlling Shareholders are indirectly interested to the extent they exercise or control the exercise of 30% or more of the voting power at general meetings.

Our Directors are of the view that our Board and senior management team are able to manage our business independently from the Controlling Shareholders and their associates for the following reasons:

(i) our executive Directors and senior management members do not hold any role as an executive director or member of senior management in any close associates of our Controlling Shareholders;

(ii) according to the Articles of Association, with respect to any matters of conflict or potential conflict of interest which involve a transaction between our Company and another company or entity to which a Director holds office, such Director shall abstain from voting and shall not be counted towards the quorum for the voting;

(iii) we have appointed three independent non-executive Directors to provide a balance of the number of potentially interested and independent Directors with a view to promote the interests of our Company and the Shareholders as a whole. The independent non-executive Directors will be entitled to engage professional advisers at our cost for advice on matters relating to any potential conflict of interest arising out of any transaction to be entered into between our Company and our Directors or their respective associates;

(iv) each of our Directors is aware of his/her fiduciary duties and responsibilities under the Listing Rules as a director, which require that s/he acts in the best interests of our Company and our Shareholders as a whole;

(v) where a Shareholders' meeting is held to consider a proposed transaction in which the Controlling Shareholders have a material interest, the Controlling Shareholders shall abstain from voting on the resolutions and shall not be counted towards the quorum for the voting; and

(vi) our Company has appointed Somerley Capital Limited as our compliance adviser, which will provide advice and guidance to our Group in respect of compliance with the applicable laws and Listing Rules including various requirements relating to Directors' duties and corporate governance.

Financial Independence

Our Group has an independent financial system. We make financial decisions according to our own business needs and neither our Controlling Shareholders nor their close associates intervene with our use of funds. We have opened accounts with banks independently and do not share any bank account with our Controlling Shareholders or their close associates. We have made tax filings and paid tax independently from our Controlling Shareholders and their close associates pursuant to applicable laws and regulations. We have established an independent finance department as well as implemented sound and independent audit, accounting and financial management systems. We have adequate internal resources and credit profile to support our daily operations.

No loans or guarantees provided by, or granted to, our Controlling Shareholders or their respective associates will be outstanding as of the Listing Date.

As disclosed in the section headed "Financial Information — Related Parties Transactions — Amounts Due to Related Parties", we recorded amounts due to Shuyun Dongfang of RMB8.4 million, RMB16.2 million, RMB295.6 million and RMB369.4 million for the years ended December 31, 2015, 2016 and 2017 and six months ended June 30, 2018, which were primarily in relation to our procurement of decoration materials and renovation services, as well as decoration project management services. Pursuant to our contracts with Shuyun Dongfang, we settle payments with Shuyun Dongfang based on a milestone payment schedule, and the amounts due to Shuyun Dongfang represent the payments we owed to Shuyun Dongfang at that time. Our transactions with Shuyun Dongfang occur in the ordinary course of business as we decorate our newly-opened restaurants and renovate our existing restaurants. We believe we will have sufficient working capital to settle such amounts due to Shuyun Dongfang given the significant cash from the operations of our Group, and such payment arrangement does not constitute financial assistance provided by Shuyun Dongfang to our Group.

Based on the above, our Company considers there is no financial dependence on our Controlling Shareholders and their close associates.

Operational Independence

We engage in our operations independently, making and implementing operational decisions independently. Save as disclosed in the section headed "Business — Compliance, Licenses and Permits", we have obtained all material licenses and permits necessary for our business operations and are not dependent upon our Controlling Shareholders or their close associates for any such licenses and permits. In addition, we have established our internal organizational and management structure which includes shareholders' meetings, our Board of Directors and other committees and formulated the terms of reference of these bodies in accordance with the requirements of the applicable laws and regulations, the Listing Rules and the Articles of Association, so as to establish a regulated and effective corporate governance structure with independent departments, each with specific areas of responsibilities.

During the Track Record Period, our Group conducted certain transactions with our Controlling Shareholders' associates on a recurring basis which are expected to continue after the Listing and will constitute continuing connected transactions of our Company under the Listing Rules. Details of each of the continuing connected transactions are set out in the section headed "Connected Transactions" in this Prospectus. Such transactions are entered into in the ordinary and usual course of business of our Group and our Directors confirm that the terms of such transactions are determined at arm's length negotiations and are no less favorable to our Group than terms offered by Independent Third Parties. Our Directors believe that the continuing connected transactions between our Group and our Controlling Shareholders' associates do not indicate any undue reliance by our Group on our Controlling Shareholders and are beneficial to our Group and our Shareholders as a whole for the reasons as set out below.

Sichuan Haidilao

We have entered into two Trademark License Agreements with Sichuan Haidilao, details of which are set out in the section headed "Connected Transactions", pursuant to which Sichuan Haidilao agreed to license the Licensed Trademarks for our use in connection with our operations on an exclusive and royalty-free basis for a perpetual term commencing from May 8, 2018 to the extent permissible under the Listing Rules, relevant laws and regulations. Considering that transfer of the relevant trademarks of all the registered classes by Sichuan Haidilao to us may incur considerable transactional costs and would be commercially inefficient and costly, and the Trademark License Agreements (i) are of a perpetual term subject to the conditions as set out above, (ii) are made on a royalty-free basis, and (iii) cannot be terminated by Sichuan Haidilao without our prior written consent, we believe that the Trademark License Agreements secure our exclusive rights to use the Licensed Trademarks in our operations in a cost-efficient and sustainable manner and thus adequately protect our interests.

We have also entered into a WeChat Public Account License Agreement with Sichuan Haidilao, details of which are set out in the section headed "Connected Transactions", pursuant to which Sichuan Haidilao agreed to license to us the WeChat public account "海底撈火鍋" registered by Sichuan Haidilao in the PRC on an exclusive and royalty-free basis for a perpetual term commencing from May 8, 2018 to the extent permissible under the Listing Rules, relevant laws and regulations. Considering that transfer of the WeChat public account by Sichuan Haidilao to us may cause inconvenience for the existing followers, and the WeChat Public Account License Agreement (i) is of a perpetual term subject to the conditions as set out above, (ii) is made on a royalty-free basis, (iii) cannot be terminated by Sichuan Haidilao without our prior written consent, and (iv) although the WeChat public account is one of our delivery service platforms, we also offer food delivery services through many other self-operated platforms such as our delivery hotline and Haidilao app, as well as major online food delivery platforms in the PRC, we believe that the WeChat Public Account License Agreement secures our exclusive rights to use the WeChat public account in our operations in a sustainable manner and does not constitute undue reliance on Sichuan Haidilao or our Controlling Shareholders.

Yihai

The Yihai Group principally conducts manufacturing, distribution and sale, as well as research and development, of hot pot soup flavoring, hot pot dipping sauce and Chinese-style compound condiment products under the 海底捞 brand in China and certain overseas locations, and has been our supplier for over 12 years. Yihai was initially founded as and had been an internal supplier of hot pot soup flavoring products to the Group since its establishment. With gradual growth alongside the expansion of the Group, the Yihai Group expanded and started to offer products to third-party distributors and customers. To optimize its corporate structure for future development and for the purpose of listing on the Stock Exchange, the Yihai Group underwent the corporate reorganization from 2013 to 2015 and is no longer a member of the Group.

Pursuant to the Yihai Master Purchase Agreements, details of which are set out in the section headed "Connected Transactions — Non-exempt Continuing Connected Transactions — C. Procurement — 1. Yihai Master Purchase Agreement", the Yihai Group is the sole supplier of the Haidilao Customized Products and the Yihai Retail Products (together with the Haidilao Customized Products, the "**Flavoring Products**") and the instant hot pot products to the our Group for use and sale at the our hot pot restaurants, and we may only engage other suppliers in the event that the Yihai Group is unable to satisfy the quantity or quality of products demanded by our Group and such problem is not resolved within a reasonable period of time (in any event no longer than 30 days) after negotiation between both parties (the "**Exclusive Purchase Arrangement**"). We believe that the Exclusive Purchase Arrangement does not constitute undue reliance on the Yihai Group or our Controlling Shareholders on the following grounds:

(1) *Long-standing and mutually beneficial relationship*

There has been continued long-term, stable and mutually beneficial business relationship between our Group and the Yihai Group. Our Group is the largest customer of the Yihai Group since its establishment, and the Yihai Group has been the sole supplier of the Flavoring Products for our Group for over a decade. The mass production capabilities of the Yihai Group have ensured the stable supply of products that are price competitive, of high quality and compliant with stringent food safety standards to our Group, while the long-term and stable business relationship enables the Yihai Group to grow alongside our Group's expansion. In addition, the Yihai Group has every incentive to protect the proprietary know-how and trade secrets due to the importance of our Group to its business, and the in-house research team of each of the Yihai Group and our Group has been working closely to continuously upgrade and explore hot pot soup flavoring formulae. To maintain the mutually beneficial relationship is in the best interest of the shareholders of both the Yihai Group and our Group.

(2) *Importance of our Group to the Yihai Group*

The purchase amount from Yihai Group was RMB437,706,683, RMB589,210,940, RMB901,726,599 and RMB532,981,349 for the three years ended December 31, 2017 and six months ended June 30, 2018, respectively, which accounted for approximately 51.66%, 54.15%, 54.78% and 53.09% of the total revenue of Yihai Group for the relevant period, and our Group's demand of the products under the Exclusive Purchase Arrangement will further increase as a result of our anticipated expansion. Given the top market player status of our Group in the hot pot restaurant sector in China, and the significant contribution to the Yihai Group's revenue from its sales to our Group, which reflects the pivotal role our Group has been playing in the business development of the Yihai Group, the Company considers that the Yihai Group has every interest to deliver under the Exclusive Purchase Arrangement, and it is highly unlikely that the Yihai Group will intentionally cease or reduce its supply to our Group.

(3) *Sourcing from alternative suppliers*

The formulae for the Haidilao Customized Products (the "**Formulae**") are owned by our Group. Since the listing of Yihai on the Stock Exchange, Our Group has been identifying alternative suppliers for the Haidilao Customized Products in case the supply from the Yihai Group cannot meet its requirements and demand, and has entered into an agreement with an independent third-party supplier to procure a specific type of soup base product which the Yihai Group is currently unable to manufacture. As of the Latest Practicable Date, two independent third-party suppliers of comparable flavoring products have passed the supplier review process of the our Group and have been added into the "Qualified Supplier List" maintained by our Group in December 2017. Such alternative suppliers are able to supply comparable flavoring products at similar quality with similar pricing terms as Yihai. As of the Latest Practicable Date, our total purchase amount from such alternative suppliers was RMB12,424,849. As our Group owns the Formulae and the raw materials for the Haidilao Customized Products can readily be sourced, the Company believes that in the unlikely event that the Yihai Group ceases or is unable to supply to our Group, Our Group would be able to source from alternative suppliers the Haidilao Customized Products that meet its requirements and demand within 30 days, and the business of our Group would not be adversely affected.

Under the Yihai Master Purchase Agreements, Yihai Group is the sole supplier of the Yihai Retail Products and the instant hot pot products to us for display and sales to consumers in our hot pot restaurants. Given the revenue generated from sales of the Yihai Retail Products and the instant hot pot products is insignificant to our Group, in the unlikely event that Yihai Group ceases or reduces the supply of the Yihai Retail Products and the instant hot pot products to our Group, the potential effect on our business, financial condition and results of operations would be immaterial. Therefore, we believe that it is unnecessary to secure alternative suppliers of such products.

(4) *Fair and reasonable pricing terms*

Under the Yihai Master Purchase Agreements, the pricing of the Haidilao Customized Products is determined taking into account various factors such as historical sale price to our Group by Yihai Group, net profit margin for Yihai's sales to third-party distributors, production cost, and the market price of similar products sold by Yihai to Independent Third Parties. Although there is no market price directly comparable to the prices that Yihai Group charges for the Haidilao Customized Products, the pricing terms are considered to be fair and reasonable and on normal commercial terms at arm's length negotiation by both parties. The pricing of the Yihai Retail Products follows the pricing of sales to third parties by Yihai.

(5) *High level of transparency and corporate governance measures*

Yihai is listed on the Stock Exchange and its connected transactions with our Group are subject to the relevant requirements under the Listing Rules, including but not limited to, independent shareholders' approval and the review by its independent non-executive directors and auditors on an annual basis. The highest applicable percentage ratio for the Company's connected transactions with Yihai calculated for the purpose of Chapter 14A of the Listing Rules contemplated under the Master Agreement is more than 5%. The same compliance requirements are expected to apply to our Group. As such, upon Listing, the shareholders of the Company will be well protected as the fairness and reasonableness of the connected transactions between the Yihai Group and our Group will be closely and regularly monitored by their respective independent shareholders, independent non-executive directors and auditors.

Shuhai

Shuhai was established in June 2014 and primarily engages in the provision of "one-stop-shop" supply chain services (including warehouse storage, logistics, and sales of food products) to catering service providers. We have engaged the predecessor of Shuhai Group since 2011 to provide processing, warehouse storage and logistics services for the materials and products we purchased from our suppliers which need to be processed or sorted, stored and delivered to our hot pot restaurants in China.

For details of our business relationship with Shuhai Group during the Track Record Period, please refer to the section headed "Business — Procurement — Procurement of Food Ingredients". Our purchase amount from Shuhai Group was RMB1,439,509,743, RMB1,847,278,224, RMB2,604,805,651 and RMB1,049,831,399 for the three years ended December 31, 2017 and six months ended June 30, 2018, respectively, which accounted for approximately 88.81%, 81.03%, 71.90% and 58.62% of the total revenue of Shuhai Group for the relevant period. Beginning in January 2018, in order to better facilitate the development and cooperation of both our Group and Shuhai Group, our procurement arrangement with Shuhai Group with respect to the Commodity Ingredients was adjusted. For Commodity Ingredients, we enter into purchase agreements directly with third-party suppliers, and such third-party suppliers delivers the products to Shuhai Group. Shuhai Group provides storage and logistics services in relation to the Commodity Ingredients for our Group pursuant to the Warehouse Storage and Logistics Service Agreement entered into between Shuhai and our Company, details of which is set of in the section headed "Connected Transactions — Non-exempt Continuing Connected Transactions — C. Procurement — 3. Shuhai Agreements". For Processed Ingredients, Shuhai Group enters into purchase agreements with third-party suppliers of the raw materials selected by our Group and processes the raw materials into Processed Ingredients. Our Group then purchases the Processed Ingredients from Shuhai Group pursuant to the Shuhai Master Purchase Agreement entered into between Shuhai and our Company, details of which is set of in the section headed "Connected Transactions — Non-exempt Continuing Connected Transactions — C. Procurement — 3. Shuhai Agreements".

Taking into account that (1) prior to September 2016, Shuhai Group engaged reputable and large-scale third-party transportation companies to provide logistics services for us, settled the logistics service fees with such third-party companies directly, and then added such logistics service fees into the cost of ingredients sold to our Group. Since September 2016, such arrangement was adjusted and we have been engaging such third-party transportation companies and settling logistics service fees with them directly since then. The amount of logistics service fee paid by the Group to third-party transportation companies was RMB13,670,000 in 2016 and RMB47,260,000 for the year ended December 31, 2017, respectively; (2) our Group has control over the selection of suppliers of the Commodity Ingredients and raw materials of the Processed Ingredients; and (3) the processing, storage and logistics services provided by Shuhai Group do not require any complicated techniques and we can easily procure such services from independent third-party service providers in the market at comparable terms; (4) as of the Latest Practicable Date, we have entered into agreements with four independent third-party warehouse and logistics service providers located in Fujian, Shandong, Hebei and Yunnan provinces, respectively, and according to current estimates, the supply capacity of each of the four independent third-party service providers can satisfy the demand of such services of our hot pot restaurants located in the relevant provinces for the next three to five years. Such alternative suppliers are able to supply storage and logistics services at similar quality with similar pricing terms as Shuhai. We believe that our connected transactions with Shuhai Group do not constitute undue reliance on Shuhai Group or our Controlling Shareholders.

Taking into account that (1) the significant contribution to the Shuhai Group's revenue from its sales to our Group, which reflects the pivotal role our Group has been playing in the business development of the Shuhai Group; (2) the span of coverage of the warehouses and the relevant expertise of Shuhai Group and its extensive experience and good reputation in providing warehouse storage and logistics service for catering service providers, our Directors are of the view that it is unlikely that Shuhai Group will cease or reduce the supplies to our Group.

Shuyun Dongfang

As disclosed in the section headed "Connected Transaction — Non-exempt Continuing Connected Transactions — C. Procurement — 4. Master Declaration Project Management Service Agreement", we have been engaging Shuyun Dongfang to provide decoration project management for the interior decoration and renovation of our restaurants. The Master Decoration Project Management Service Agreement between Shunyun Dongfang and our Company has an initial term of three years commencing from the Listing Date and may be renewed for a further term of three years from time to time, unless our Company notifies Shuyun Dongfang to the contrary with 30 days' written notice prior to the expiry of the agreement's term. The amount of Shuyun Dongfang's revenue attributable to the Group was RMB22,202,366, RMB32,263,582, RMB434,410,857 and RMB383,946,835 for the three years ended December 31, 2017 and six months ended June 30, 2018, respectively, which accounted for approximately 85.48%, 93.78%, 98.75% and 98.06% of the total revenue of Shuyun Dongfang for the relevant period. The amount of Shuyun Dongfang's revenue attributable to the Group was different from the historical transaction amount paid by our Group to Shuyun Dongfang during the relevant period as disclosed in the section headed "Connected Transaction — Non-exempt Continuing Connected Transactions — C. Procurement — 4. Master Declaration Project Management Service Agreement" because the nature and accounting treatment of decoration management projects are different from normal procurement transactions. Our Group may make prepayment to Shuyun Dongfang according to the payment schedule of each project, while Shuyun Dongfang won't recognize revenue until certain phase of such project is completed at a later stage. Given the decoration project management services can be readily sourced in the open market, and the service fee under the Master Decoration Project Management Service Agreement is determined with reference to the prevailing market rate of such service, we can easily source such service from alternative service providers at comparable terms. Thus, we believe that our procurement of decoration project management services from Shuyun Dongfang does not constitute undue reliance on Shuyun Dongfang or our Controlling Shareholders.

Weihai Consulting

As disclosed in the section headed "Connected Transaction — Non-exempt Continuing Connected Transactions — C. Procurement — 5. Master Human Resource Management Service Agreement, we have been engaging Weihai Consulting to provide human resource management and consulting services for our Group. The Master Human Resource Management Service Agreement between Weihai Consulting and our Company has an initial term of three years commencing from the Listing Date and may be renewed for a further term of three years from time to time, unless our Company notifies Weihai Consulting to the contrary with 30 days' written notice prior to the expiry of the agreement's term. Our purchase amount from Weihai Consulting was RMB979,842, RMB22,920,329, RMB35,972,640 and RMB21,842,095 for the three years ended December 31, 2017 and six months ended June 30, 2018, respectively, which accounted for approximately 100.00%, 90.87%, 63.16% and 47.97% of the total revenue of Weihai Consulting for the relevant period. Given the human resource management and consulting services can be readily sourced in the open market, and the service fee under the Master Human Resource Management Service Agreement is determined with reference to the comparable market rate, we can easily source such service from alternative service providers at comparable terms. Thus, we believe that our procurement of human resource management and consulting services from Weihai Consulting does not constitute undue reliance on Weihai Consulting or our Controlling Shareholders.

Leases

As disclosed in the section headed "Connected Transactions — Non-exempt Continuing Connected Transactions — A. Lease", we have been leasing four premises from Jinghai Investment, Sichuan Haidilao, Ms. Shu and Mr. Shi Yonghong for the operation of four restaurants. Given that we lease only four premises from our connected persons and it is not difficult for us to lease alternative premises in nearby locations from Independent Third Parties at comparable terms, we believe that leasing such premises from our connected persons does not constitute undue reliance on our Controlling Shareholders.

Based on the above, our Directors are of the view that our Group is able to operate independently from our Controlling Shareholders and their close associates.

CORPORATE GOVERNANCE MEASURES

Save as disclosed in the section headed "Directors and Senior Management — Compliance With Corporate Governance Code" in this Prospectus, our Company will comply with the provisions of the Corporate Governance Code set out in Appendix 14 to the Listing Rules, which sets out principles of good corporate governance.

Each of our Controlling Shareholders has confirmed that she/he/it fully comprehends her/his/its obligations to act as our Shareholders' and our best interests as a whole. Our Directors believe that there are adequate corporate governance measures in place to manage existing and potential conflicts of interest. In order to further avoid potential conflicts of interest, we have implemented the following measures:

(a) where a board meeting or Shareholders' meeting is to be held for considering proposed transactions in which any of our Director or Controlling Shareholder or any of their respective close associates has a material interest, the relevant Director or Controlling Shareholder will not vote on the relevant resolutions;

(b) our Company has established internal control mechanisms to identify connected transactions. Upon the Listing, if our Company enters into connected transactions with our Controlling Shareholder or any of his associates, our Company will comply with the applicable Listing Rules;

(c) the independent non-executive Directors will review, on an annual basis, whether there are any conflicts of interests between the Group and our Controlling Shareholder (the "**Annual Review**") and provide impartial and professional advice to protect the interests of our minority Shareholders;

(d) our Controlling Shareholder will undertake to provide all information necessary, including all relevant financial, operational and market information and any other necessary information as required by the independent non-executive Directors for the Annual Review;

(e) our Company will disclose decisions on matters reviewed by the independent non-executive Directors either in its annual reports or by way of announcements;

(f) where our Directors reasonably request the advice of independent professionals, such as financial advisers, the appointment of such independent professionals will be made at our Company's expenses; and

(g) we have appointed Somerley Capital Limited as our compliance advisor to provide advice and guidance to us in respect of compliance with the applicable laws and regulations, as well as the Listing Rules, including various requirements relating to corporate governance.

Based on the above, our Directors are satisfied that sufficient corporate governance measures have been put in place to manage conflicts of interest that may arise between our Group and our Controlling Shareholders, and to protect our minority Shareholders' interests after the Listing.

We will continue to engage in certain transactions with our connected persons upon Listing. These transactions will constitute our continuing connected transactions under Chapter 14A of the Listing Rules.

RELEVANT CONNECTED PERSONS

The following entities with whom we have entered into transactions will be regarded as our connected persons under the Listing Rules:

Connected Persons	Connected Relationship
Sichuan Haidilao	Sichuan Haidilao is directly held as to 33.5% by Mr. Zhang and Ms. Shu, 50% by Jingyuan Investment (which in turn is held as to 68% by Mr. Zhang and Ms. Shu)
Yihai Shanghai	Yihai (Shanghai) Food Co., Ltd. (頤海(上海)食品有限公司) ("**Yihai Shanghai**") is a wholly-owned subsidiary of Yihai (which is controlled by Mr. Zhang and Ms. Shu)
Jarud Qi Haidilao	Jarud Qi Haidilao is a wholly-owned subsidiary of Sichuan Haidilao
Shuhai	Shuhai is directly held as to 50% by Leda Haisheng and 30% by Jinghai Investment (a wholly-owned subsidiary of Jingyuan Investment, which in turn is held as to 68% by Mr. Zhang and Ms. Shu)
Shuyun Dongfang	Shuyun Dongfang is a company established in the PRC and a wholly-owned subsidiary of Leda Haisheng
Weihai Consulting	Weihai Consulting is directly held as to 50% by Leda Haisheng and 45.27% by Mr. Shi Yonghong, our executive Director
Honghuotai	Honghuotai Catering Service Co., Ltd (紅火台餐飲雲服務有限公司) ("**Honghuotai**"), a company held 44% by Shanghai Haiyue Investment Management Co., Ltd (上海海悦投資管理有限公司, "**Shanghai Haiyue**", a wholly-owned subsidiary of Leda Haisheng)
Xunfei Zhiyue	Anhui Xunfei Zhiyue Tech Co., Ltd (安徽訊飛至悦科技有限公司) ("**Xunfei Zhiyue**"), a company held 41.3% by Shanghai Haiyue

CONTINUING CONNECTED TRANSACTIONS

The following table sets forth a summary of our continuing connected transactions:

Transaction	Applicable Listing Rules	Waiver Sought	Proposed Annual Caps (RMB) for the Year Ending December 31, 2018	2019	2020
Exempt continuing connected transactions					
Trademark License Agreements	14A.76(1)(a)	N/A	N/A	N/A	N/A
WeChat Public Account License Agreement	14A.76(1)(a)	N/A	N/A	N/A	N/A
Non-exempt continuing connected transactions					
A. Lease					
Master Lease Agreement	14A.34, 14A.35, 14A.49, 14A.51 to 14A.59 and 14A.71	Waiver from announcement requirement	6,883,000	7,148,000	7,673,000
B. Technology					
Honghuotai Master Technology Development Service Agreement	14A.34, 14A.35, 14A.49, 14A.51 to 14A.59 and 14A.71	Waiver from announcement requirement	28,300,000	11,080,000	11,380,000
Xunfei Master Technology Products Purchase and Service Agreement	14A.34, 14A.35, 14A.49, 14A.51 to 14A.59 and 14A.71	Waiver from announcement requirement	30,950,000	39,870,000	23,270,000
C. Procurement					
Yihai Master Purchase Agreement	14A.34 to 14A.36, 14A.49, 14A.51 to 14A.59 and 14A.71	Waiver from announcement and independent shareholders' approval requirements	1,569,700,000	2,337,900,000	3,567,300,000
Jarud Qi Purchase Agreement	14A.34 to 14A.36, 14A.49, 14A.51 to 14A.59 and 14A.71	Waiver from announcement and independent shareholders' approval requirements	159,000,000	177,600,000	195,400,000
Shuhai Agreements	14A.34 to 14A.36, 14A.49, 14A.51 to 14A.59 and 14A.71	Waiver from announcement and independent shareholders' approval requirements	2,155,030,000	2,822,200,000	4,252,200,000

Transaction	Applicable Listing Rules	Waiver Sought	Proposed Annual Caps (RMB) for the Year Ending December 31, 2018	2019	2020
Master Decoration Project Management Service Agreement	14A.34 to 14A.36, 14A.49, 14A.51 to 14A.59 and 14A.71	Waiver from announcement and independent shareholders' approval requirements	978,300,000	145,400,000	197,400,000
Master Human Resource Management Service Agreement	14A.34 to 14A.36, 14A.49, 14A.51 to 14A.59 and 14A.71	Waiver from announcement and independent shareholders' approval requirements	71,300,000	101,200,000	147,300,000

EXEMPT CONTINUING CONNECTED TRANSACTIONS

We set out below a summary of the continuing connected transactions for our Group, which will be exempt from the reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

1. Trademark License Agreements

Sichuan Haidilao and the Company entered into two Trademark License Agreements each dated May 8, 2018, pursuant to which Sichuan Haidilao agreed to license certain trademarks of Class 43 and certain other classes which have been or are being registered by Sichuan Haidilao in the PRC and other jurisdictions for our use in connection with our operations (the "**Licensed Trademarks**") on an exclusive and royalty-free basis for a perpetual term to the extent permissible under the Listing Rules, relevant laws and regulations. For details of our licensed trademarks, see "Appendix IV — Statutory and General Information — B. Further Information About Our Business — 2. Intellectual Property Rights — (a) Trademarks" and "Business — Intellectual Property".

As the license of the trademarks by Sichuan Haidilao to our Group is on a royalty-free basis, each of the applicable percentage ratios (other than the profit ratio) calculated for the purpose of Chapter 14A of the Listing Rules will not exceed 0.1% on an annual basis. Accordingly, the transactions under the Trademark License Agreements fall within the de minimis threshold under Rule 14A.76(1)(a) of the Listing Rules and are exempt from the annual review, reporting, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

2. WeChat Public Account License Agreement

Sichuan Haidilao and the Company entered into the WeChat Public Account License Agreement dated May 8, 2018, pursuant to which Sichuan Haidilao agreed to license to us the WeChat public account "海底捞火鍋" registered by Sichuan Haidilao in the PRC on an exclusive and royalty-free basis for a perpetual term to the extent permissible under the Listing Rules, relevant laws and regulations. For details of the WeChat public account, see "Appendix IV — Statutory and General Information — B. Further Information About Our Business — 2. Intellectual Property Rights — 3. Domain names, mobile applications and WeChat public accounts".

As the license of the WeChat public account by Sichuan Haidilao to our Group is on a royalty-free basis, each of the applicable percentage ratios (other than the profit ratio) calculated for the purpose of Chapter 14A of the Listing Rules will not exceed 0.1% on an annual basis. Accordingly, the transactions under the WeChat Public Account License Agreement fall within the de minimis threshold under Rule 14A.76(1)(a) of the Listing Rules and are exempt from the annual review, reporting, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

A. Lease

We set out below a summary of the continuing connected transactions for our Group, which are subject to the annual review, reporting and announcement requirements under Chapter 14A of the Listing Rules.

1. *Master Lease Agreement*

Principal terms

Our Company, for itself and on behalf of its subsidiaries, entered into a Master Lease Agreement with Mr. Zhang, Ms. Shu and Mr. Shi Yonghong, pursuant to which Mr. Zhang, Ms. Shu and Mr. Shi Yonghong (for themselves and on behalf of their respective associates) agreed to lease the following premises to members of our Group:

No. of Lease	Landlord	Tenant	Location of the Premise	Total Area	Use of Premise
1.	Jinghai Investment	Jianyang Hailao (簡陽市海撈餐飲管理有限公司)	Xiongzhou Avenue No. 389, Hedong New District, Jianyang, Sichuan Province.	1,051 sq.m.	Operation of Jianyang No.2 restaurant
2.	Sichuan Haidilao	Jiangsu Haidilao Catering Management Co., Ltd. Nanjing No.1 Branch (江蘇海底撈餐飲管理有限責任公司南京一分公司)	Room No.5, Changle Road, Qinhuai District, Nanjing, Jiangsu Province	2,727 sq.m.	Operation of Nanjing No.1 restaurant
3.	Sichuan Haidilao	Tianjin Haidilao Catering Management Co., Ltd. No.5 Branch (天津海底撈餐飲管理有限公司第五分公司)	Room 201, Huayue Avenue No.1, Hedong District, Tianjin	3,118 sq.m.	Operation of Tianjin No.5 restaurant

No. of Lease	Landlord	Tenant	Location of the Premise	Total Area	Use of Premise
4.	Ms. Shu and Mr. Shi Yonghong	Haihongda (Beijing) Catering Management Co., Ltd. Xi'an No.2 Branch (海鴻達 (北京) 餐飲管理有限公司西安第二分公司)	Room C-301, Gaoke Square, Gaoxin No.4 Road, High-tech Zone, Xi'an, Shaanxi Province	1,889 sq.m.	Operation of Xi'an No.2 restaurant

Pricing Policy

The rent payable in relation to the premises above were determined by both parties through arm's length negotiation with reference to (i) area leased, geographic location and profile of the surrounding area, (ii) prevailing market rate in respect of the same or similar properties in the same area, and (iii) the estimated fluctuation in prevailing market rate in the next three years.

Reasons for the Transaction

The premises listed above are owned by Jinghai Investment, Sichuan Haidilao, Ms. Shu and Mr. Shi Yonghong, respectively, and have been used for the operation of our restaurants as set out above during the Track Record Period. To ensure the continuous operation of these restaurants, we will continue to rent the premises from the landlords.

Historical Amounts

The aggregated rent and related expenses paid by our Group for the four premises leased under the Master Lease Agreement for the three years ended December 31, 2015, 2016 and 2017 is listed below:

	For the Year Ended December 31,			For the Six Months Ended June 30,
No. of Lease	**2015**	**2016**	**2017**	**2018**
	RMB	**RMB**	**RMB**	**RMB**
1. Jianyang No.2 restaurant	N/A	98,658[Note]	622,525	263,708
2. Nanjing No.1 restaurant.	1,820,928	1,825,917	2,239,598	1,113,646
3. Tianjin No.5 restaurant	1,962,960	1,968,338	2,801,669	1,393,137
4. Xi'an No.2 restaurant	839,770	1,200,000	1,200,000	600,000
Total	4,623,658	5,092,913	6,863,792	3,370,491

Note: Jianyang No.2 restaurant was opened in August 2016.

Annual Caps

Our Company estimates that the aggregated rent and related expenses payable by our Group for the indicated period is listed below:

	Proposed annual cap (RMB) for the year ending December 31,		
No. of Lease	2018	2019	2020
1. Jianyang No.2 restaurant	632,000	662,000	672,000
2. Nanjing No.1 restaurant	2,244,000	2,356,000	2,591,000
3. Tianjin No.5 restaurant	2,807,000	2,807,000	3,087,000
4. Xi'an No.2 restaurant	1,200,000	1,323,000	1,323,000
Total	6,883,000	7,148,000	7,673,000

The proposed annual caps were determined based on the pricing mechanism as described above.

As the applicable percentage ratios (other than the profit ratio) calculated for the purpose of Chapter 14A of the Listing Rules will not exceed 5% on an annual basis, transactions conducted under the Master Lease Agreement qualify under Rule 14A.76(2) of the Listing Rules as continuing connected transactions exempt from the circular (including independent financial advice) and shareholders' approval requirements but are subject to the relevant annual reporting and announcement requirement set out in Chapter 14A of the Listing Rules.

B. **Technology**

We set out below a summary of the continuing connected transactions for our Group, which are subject to the annual review, reporting and announcement requirements under Chapter 14A of the Listing Rules.

1. ***Honghuotai Master Technology Development Service Agreement***

Our Company, for itself and on behalf of its subsidiaries, and Honghuotai, entered into the Honghuotai Master Technology Development Service Agreement dated September 1, 2018, pursuant to which Honghuotai agreed to provide cloud technology development service as well as the relevant installation, testing and maintenance service for the catering information cloud technology management system in relation to the operation of our restaurants to our Group.

Principal Terms

The Honghuotai Master Technology Development Service Agreement has an initial term of three years commencing from the Listing Date, and may be renewed for a further term of three years from time to time, unless our Company notifies Honghuotai to the contrary with 30 days' written notice prior to the expiry of the agreement's term. Upon renewal of the Honghuotai Master Technology Development Service Agreement, the parties may amend the terms of the agreement based on the then prevailing circumstances.

We own the proprietary right to the cloud technology management system developed by our Group and Honghuotai together under the Honghuotai Master Technology Development Service Agreement, as well as any further upgraded version of such system. Honghuotai has the contractual obligation to ensure the development process of such systems is legal and will not infringe on the legitimate right and interest of any third party.

Pricing Policy

The service fee will be determined by both parties at arm's length negotiation with reference to: (i) the development and maintenance cost of Honghuotai; and (ii) the comparable service fee rate charged by Honghuotai for such services provided for its third parties.

Reasons for the Transaction

Honghuotai is a joint venture established on March 10, 2017 by Shanghai Haiyue and Yonyou Software Co., Ltd. (a company listed on the Shanghai Stock Exchange, stock code: 600588, together with its subsidiaries, the "**Yonyou Group**") as an information technology service provider for catering service providers. The Company believes that the cooperation with Honghuotai will provide our Group with access to cloud technology management system and will be beneficial to our Group.

Historical Amounts

The following table sets forth the historical amounts of services and software we purchased from Honghuotai:

For the Year Ended December 31,			For the Six Months Ended June 30,
2015	**2016**	**2017**	**2018**
RMB	**RMB**	**RMB**	**RMB**
N/A	N/A	17,995,422	5,137,068

Annual Caps

The following table sets forth the proposed annual caps for the transaction amounts under the Honghuotai Master Technology Development Service Agreement:

Proposed annual cap (RMB) for the year ending December 31,		
2018	**2019**	**2020**
28,300,000	11,080,000	11,380,000

The proposed annual caps have been estimated based on: (i) the existing service contracts we have entered into with Honghuotai since 2017, the progress of the existing development plans under such contracts and the unperformed contractual amounts, (ii) the tentative technology development plan which we are currently negotiating with Honghuotai, and (iii) the estimated maintenance fee for the technology systems Honghuotai has developed or is currently developing for our Group.

The transaction is made in the ordinary and usual course of our business and on normal commercial terms where each of the relevant percentage ratios calculated for the purpose of Chapter 14A of the Listing Rules will, as our Directors currently expect, not be more than 5% on an annual basis. By virtue of Rule 14A.76 (1)(a) of the Listing Rules, the transaction is exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

2. ***Xunfei Master Technology Products Purchase and Service Agreement***

Our Company, for itself and on behalf of its subsidiaries, and Xunfei Zhiyue, entered into the Xunfei Master Technology Products Purchase and Service Agreement dated September 1, 2018, pursuant to which Xunfei Zhiyue agreed to develop customized system, install relevant hardware and software and provide relevant technical support in relation to the intelligent catering services in our restaurants.

Principal Terms

The Xunfei Master Technology Products Purchase and Service Agreement has an initial term of three years commencing from the Listing Date. Subject to compliance with Listing Rules and applicable laws and regulations, the Xunfei Master Technology Products Purchase and Service Agreement may be renewed for a further term of three years from time to time, unless our Company notifies Xunfei Zhiyue to the contrary with 30 days' written notice prior to the expiry of the agreement's term. Upon renewal of the Xunfei Master Technology Products Purchase and Service Agreement, the parties may amend the terms of the agreement based on the then prevailing circumstances.

We own the proprietary right to the customized products (including the software and hardware) provided by Xunfei Zhiyue for our Group under the Xunfei Master Technology Products Purchase and Service Agreement, as well as any further updated version of such products. Xunfei Zhiyue has the contractual obligation to ensure the development process of such systems is legal and will not infringe on the legitimate right and interest of any third party.

Pricing policy

The service fee will be determined by both parties at arm's length negotiation with reference to: (i) the development and maintenance cost of Xunfei Zhiyue; and (ii) the comparable service fee rate charged by Xunfei Zhiyue for such services provided for its third parties.

Reasons for the Transaction

Xunfei Zhiyue is a joint venture established on August 16, 2017 by Shanghai Haiyue and Xunfei Zhiyuan Information Technology Co., Ltd. (訊飛智元資訊科技有限公司), a wholly-owned subsidiary of Iflytek Co., Ltd. (科大訊飛股份有限公司, a company listed on the Shenzhen Stock Exchange, stock code: 002230), Mr. Shao Zhidong, our executive Director, and other three individuals who are Independent Third Parties, as a research and development platform of artificial intelligent products for catering business. The Company believes that the cooperation with Xunfei Zhiyue will be beneficial to our Group.

Historical Amounts

The following table sets forth the historical amounts of services we purchased from Xunfei Zhiyue:

For the Year Ended December 31,			For the Six Months Ended June 30,
2015	**2016**	**2017**	**2018**
RMB	**RMB**	**RMB**	**RMB**
N/A	N/A	N/A	N/A

Annual Caps

The following table sets forth the proposed annual caps for the transaction amounts under the Xunfei Master Technology Products Purchase and Service Agreement:

Proposed annual cap (RMB) for the year ending December 31,		
2018	**2019**	**2020**
30,950,000	39,870,000	23,270,000

The proposed annual caps have been estimated based on: (i) the tentative development plan of customized intelligent ordering systems which we are currently negotiating with Xunfei Zhiyue; and (ii) the estimated maintenance fee in relation to such systems.

The transaction is made in the ordinary and usual course of our business and on normal commercial terms where each of the relevant percentage ratios calculated for the purpose of Chapter 14A of the Listing Rules will, as our Directors currently expect, not be more than 5% on an annual basis. By virtue of Rule 14A.76 (1)(a) of the Listing Rules, the transaction is exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

C. **Procurement**

We set out below a summary of the continuing connected transactions for our Group, which are subject to the annual review, reporting, announcement, circular (including independent financial advice) and shareholders' approval requirements under Chapter 14A of the Listing Rules.

1. ***Yihai Master Purchase Agreements***

On June 24, 2016, Sichuan Haidilao, Haidilao Singapore and Yihai Shanghai, each for itself and on behalf of its subsidiaries, entered into the Yihai Master Purchase Agreement, which was subsequently amended on April 27, 2018, pursuant to which Haidilao Singapore agreed to purchase Haidilao Customized Products and Yihai Retail Products from Yihai Group. On September 18, 2017, Sichuan Haidilao, Haidilao Singapore and Yihai Shanghai entered into a supplemental agreement to the Yihai Master Purchase Agreement, pursuant to which Haidilao Singapore agreed to purchase instant hot pot products from Fuhai Shanghai, a company owned as to 60% by Yihai Shanghai and 40% by Shanghai Xinpai, under the terms of the Yihai Master Purchase Agreement.

Principal Terms

The Yihai Master Purchase Agreement has an initial term of three years commencing from June 24, 2016, which is expected to be renewed for a further term of three years subject to Yihai's independent shareholder's approval. Subject to compliance with applicable laws and regulations (including but not limited to the Listing Rules) and requirements of securities regulatory authorities, the Yihai Master Purchase Agreement may be automatically renewed for a further term of three years from time to time, unless: (i) the parties agree in writing to terminate the Yihai Master Purchase Agreement during its term; or (ii) the Yihai Master Purchase Agreement is terminated as required by applicable laws, regulations, requirements of the securities regulatory authorities, or judgment or decision of any competent court. Upon renewal of the Yihai Master Purchase Agreement, the parties may amend the terms of the Yihai Master Purchase Agreement based on the then prevailing circumstances.

(1) Purchase of Haidilao Customized Products

During the term of the Yihai Master Purchase Agreement, Yihai Group is the sole supplier of Haidilao Customized Products for use in our hot pot restaurants in the PRC and overseas (including Hong Kong, Macao and Taiwan), save to the extent that we may engage other suppliers in the event that Yihai Group is unable to satisfy the quantity or quality of products demanded by our Group, and such problem is not resolved within a reasonable period of time (in any event no longer than 30 days) after negotiation between both parties, and the specific approach will be separately agreed upon by both parties.

Purchase of Haidilao Customized Products will be made on the basis of individual orders specifying the type of product, purchase volume, sales price, delivery date etc. The price of Haidilao Customized Products shall be determined based on the pricing policy as set out below. For purchase for our hot pot restaurants in the PRC, payment will be made on a monthly basis following delivery of products and Yihai Group's issuance of delivery invoices; for purchase for our overseas hot pot restaurants, payment will be made based on the purchase volume per individual order.

We own the proprietary rights to the formulas of Haidilao Customized Products (the **"Condiments Formulae"**) and license the Condiments Formulae to Yihai Group and its contract manufacturers to use for production on a royalty-free basis. Yihai Group are required to, and shall use reasonable efforts to procure its contract manufacturers to: (i) keep confidential the Condiments Formulae, and (ii) unless we have given written consent, refrain from selling products that use these formulae to any of our competitors that is primarily engaged in hot pot business in the PRC and has a market share of more than 0.5%.

For any upgrades and developments in the Condiments Formulae made through the joint efforts of Yihai Group and us, we will own the proprietary rights and Yihai Group and its contract manufacturers will be entitled to use such upgraded formulae for production of Haidilao Customized Products. In relation to the purchase of products which will be produced with such upgraded formulae, and in accordance with the Yihai Master Purchase Agreement, a supplemental agreement will be entered into by the parties to confirm that the upgraded formulae are a result of joint efforts of Yihai Group and us.

For any upgrades and developments in Condiments Formulae made through Yihai Group's own efforts, Yihai Group will own the proprietary rights of such upgraded formulae unless otherwise agreed between the parties. If Yihai Group agrees to supply any product which will be produced with such upgraded formulae to us, in accordance with the Yihai Master Purchase Agreement, a supplemental agreement will be entered into by the parties to confirm that the upgraded formulae are a result of Yihai Group's efforts and to confirm the usage of such upgraded formulae.

(2) Purchase of Yihai Retail Products

During the term of the Yihai Master Purchase Agreement, Yihai Group is the sole supplier of the Yihai Retail Products to us for display and sales to consumers in our hot pot restaurants. Yihai Retail Products are manufactured with Yihai Group's formulas, and we are not permitted to sell these products to any third party distributor.

Purchase of Yihai Retail Products will be made on the basis of individual orders specifying the type of product, purchase volume, delivery date and etc. The price of the Yihai Retail Products shall be determined based on the pricing policy as set out below, and a price list for the Yihai Retail Products by cities shall be provided to us semi-annually. Payment will be made on a monthly basis, following the delivery of products and Yihai Group's issuance of delivery invoices.

(3) Purchase of instant hot pot products

During the term of the supplemental agreement to Yihai Master Purchase Agreement dated September 18, 2017, Yihai Group is the sole supplier of the instant hot pot products to us for display and sales to customers in our hot pot restaurants. The amount of instant hot pot products purchased from Yihai Group by our Group during the year ended December 31, 2017 was approximately RMB305,680.

Purchase of instant hot pot products will be made on the basis of individual orders specifying the type of product, purchase volume, delivery date and etc. The price of the instant hot pot products shall be determined based on the pricing policy as set out below. Payment will be made on a monthly basis, following the delivery of products and Yihai Group's issuance of delivery invoices.

Pricing Policy

For the year ended December 31, 2015, 2016, 2017 and six months ended June 30, 2018, the gross profit margin of Yihai Group was approximately 34.7%, 38.3%, 37.2% and 36.1%, respectively. The prices of Haidilao Customized Products, Yihai Retail Products and instant hot pot products shall be determined by the parties with reference to a number of factors, details of which are further disclosed below.

(1) Purchase of Haidilao Customized Products

The purchase price of Haidilao Customized Products shall be determined by the parties at arm's length negotiations with reference to (i) historical purchase price, (ii) Yihai Group's production cost, including the cost of raw materials, selling and administrative expenses, incurred in connection with the production of Haidilao Customized Products, (iii) Yihai Group's estimated overall net profit margin through sales to its Independent Third Party distributors, and (iv) the market price of similar products purchased from independent and comparable suppliers.

(2) Purchase of Yihai Retail Products

The purchase price of Yihai Retail Products shall be consistent with the pricing policy for similar products Yihai Group offers to its Independent Third Party distributors and shall be determined by the parties at arm's length negotiations with reference to (i) the production cost, including the cost of raw materials, selling and administrative expenses, incurred in connection with the production of Yihai Retail Products, and (ii) the prevailing market price of similar products.

(3) Purchase of instant hot pot products

The price of instant hot pot products shall be determined by the parties after arm's length negotiations with reference to (i) the production cost, including the cost of raw materials, selling and administrative expenses, incurred by Yihai Group in connection with the production of the instant hot pot products, and (ii) the prevailing market price of similar products Yihai Group offers to its independent third parties.

Reasons for the Transaction

Yihai Group is a leading compound condiment manufacturer in the PRC, and has been the sole supplier of Haidilao Customized Products and Yihai Retail Products for our Group. Our long-term, stable and mutually beneficial business relationship with Yihai Group and its mass production capabilities have contributed significantly to our successful growth and expansion and we believe the maintenance of the mutually beneficial relationship is in the best interest of our Shareholders as a whole. Please refer to the section headed "Relationship with our Controlling Shareholders — Independence From Controlling Shareholders — Operational Independence — Yihai" for details of the relationship between Yihai Group and our Group.

Historical Amounts

The following table sets forth the historical amounts of our purchase from Yihai Group[Note]:

For the Year Ended December 31,			For the Six Months Ended June 30,
2015	**2016**	**2017**	**2018**
RMB	**RMB**	**RMB**	**RMB**
437,706,683	589,210,940	901,726,599	532,981,349

Note: Our connected transactions with Yihai Group apply to the operation of our overseas restaurants. The historical purchase amount by our overseas restaurants from Yihai Group accounts for less than 5% of our total purchase amount from Yihai Group for each of the relevant period.

Annual Caps

The following table sets forth the proposed annual caps for the purchase under the Yihai Master Purchase Agreement:

Proposed annual cap (RMB) for the year ending December 31,		
2018	**2019**	**2020**
1,569,700,000	2,337,900,000	3,567,300,000

The proposed annual caps for Haidilao Customized Products and Yihai Retail Products have been estimated based on the following factors:

(i) the historical transaction amounts with the Yihai Group;

(ii) the estimated increase in demand for Haidilao Customized Products and sales volume of Yihai Retail Products as a result of the anticipated expansion of our restaurant network;

(iii) the supply capacity of the Yihai Group; and

(iv) the growth of the catering industry in the PRC.

The proposed annual caps for instant hot pot products have been estimated based on the following factors:

(i) the historical transaction amounts with the Yihai Group;

(ii) the estimated increase in sales volume of instant hot pot products as a result of the anticipated expansion of our restaurant network; and

(iii) the strong growth and extensive market potential of the catering industry and the market of the self-serving instant hot pot products in the PRC.

2. ***Jarud Qi Purchase Agreement***

Our Company, for itself and on behalf of its subsidiaries, and Jarud Qi Haidilao, the wholly-owned subsidiary of Sichuan Haidilao, entered into the Jarud Qi Purchase Agreement dated September 1, 2018, pursuant to which we agreed to purchase lamb from Jarud Qi Haidilao.

Principal Terms

The Jarud Qi Purchase Agreement has an initial term of three years commencing from the Listing Date. Subject to compliance with Listing Rules and applicable laws and regulations, the Jarud Qi Purchase Agreement may be renewed for a further term of three years from time to time, unless our Company notifies Jarud Qi Haidilao to the contrary with 30 days' written notice prior to the expiry of the agreement. Upon renewal of the Jarud Qi Purchase Agreement, the parties may amend the terms of the agreement based on the then prevailing circumstances.

Pricing Policy

The purchase price from Jarud Qi Haidilao shall be determined by the parties at arm's length negotiations with reference to (i) the historical purchase price, (ii) the supply and demand conditions of lamb products in the market, (iii) the prevailing market price of lamb products, and (iv) the quality of the lamb products supplied by Jarud Qi Haidilao.

For the year ended December 31, 2015, 2016, 2017 and six months ended June 30, 2018, the gross profit margin of Jarud Qi Haidilao was approximately 8.4%, 17.3%, 11.9% and 0.7%, respectively. The increase in the gross profit margin of Jarud Qi Haidilao from 2015 to 2016 was primarily due to the expansion and increase of production capacity of Jarud Qi Haidilao during this period, which resulted in the decrease of production cost. The decrease in the gross profit margin of Jarud Qi Haidilao from 2017 to 2018 was primarily because the lamb products sold by Jarud Qi Haidilao in 2018 was purchased in 2017, when procurement costs were higher.

Reasons for the Transaction

Our Group has been procuring lamb products from Jarud Qi Haidilao since its establishment, and Jarud Qi Haidilao has been supplying lamb products of consistent high quality at reasonable price. Therefore, our Directors believe that the continuous procurement from Jarud Qi Haidilao will be beneficial to our Group.

Historical Amounts

The following table sets forth the historical amounts of our purchase from Jarud Qi Haidilao:

For the Year Ended December 31,			For the Six Months Ended June 30,
2015	2016	2017	2018
RMB	RMB	RMB	RMB
7,068,257	60,501,895	70,987,167	42,406,142

Annual Caps

The following table sets forth the proposed annual caps for the purchase under the Jarud Qi Purchase Agreement:

Proposed annual cap (RMB) for the year ending December 31,		
2018	2019	2020
159,000,000	177,600,000	195,400,000

The proposed annual caps have been estimated based on the following factors:

(i) historical purchase volume of lamb by our Group from Jarud Qi Haidilao;

(ii) the production capacity of Jarud Qi Haidilao is expected to increase at a rate of no more than 5% per annum from 2018 to 2020 and Jarud Qi Haidilao expects to supply around 45% to 50% of its lamb products per annum to our Group; and

(iii) the potential price fluctuation of lamb products.

3. ***Shuhai Agreements***

Our Company and Shuhai, each for itself and on behalf of its subsidiaries, entered into (i) the Warehouse Storage and Logistics Service Agreement dated September 1, 2018, pursuant to which Shuhai Group agreed to provide warehousing facilities and storage services and logistics services to our Group in connection with the Commodity Ingredients; (ii) the Shuhai Master Purchase Agreement, pursuant to which Shuhai Group agreed to supply to our Group the Processed Ingredients (collectively, the "**Shuhai Agreements**").

Principal Terms

The Shuhai Agreements have an initial term of three years commencing from the Listing Date. Subject to compliance with Listing Rules and applicable laws and regulations, the Shuhai Agreements may be renewed for a further term of three years from time to time, unless the parties agree in writing to terminate the agreement during their term. Upon renewal of the Shuhai Agreements, the parties may amend the terms of the agreements based on the then prevailing circumstances.

Pursuant to the Warehouse Storage and Logistics Service Agreement, Shuhai Group will provide storage and logistics services in relation to the Commodity Ingredients for our Group. We will enter into purchase agreements directly with third-party suppliers, and such third-party suppliers will deliver the products to Shuhai Group. Pursuant to the Shuhai Master Purchase Agreement, Shuhai Group will enter into purchase agreements with third-party suppliers of the raw materials selected by our Group and process the raw materials into Processed Ingredients, and our Group will then purchase the Processed Ingredients from Shuhai Group.

Pricing Policy

For the year ended December 31, 2015, 2016, 2017 and six months ended June 30, 2018, the gross profit margin of Shuhai Group was approximately 12.3%, 11.3%, 7.4% and 11.2%, respectively.

For Commodity Ingredients, the services fee under the Warehouse Storage and Logistics Service Agreement will be determined by both parties at arm's length negotiation with reference to fees charged by Independent Third Parties for similar and comparable services.

For Processed Ingredients, the purchase price will be determined with reference to: (i) historical purchase price, (ii) production cost, and (iii) the prevailing processing service fee rate charged by comparable processing service providers.

Reasons for the Transaction

Shuhai was established in June 2014 and primarily engages in the provision of "one-stop-shop" supply chain services (including warehouse storage, logistics, and sales of food products) to catering service providers. We have engaged Shuhai Group since its establishment to provide processing, warehouse storage and logistics services for the materials and products we purchased from our suppliers which need to be processed or sorted, and delivered to our hot pot restaurants in China and overseas. The span of this coverage of the warehouses and the relevant expertise of Shuhai Group to provide warehouse storage and logistics service for catering service providers allow us to ensure efficient management of our materials and products purchased from our suppliers and orderly delivery to our hot pot restaurants. Therefore, our Directors believe that the continuous cooperation with Shuhai Group will be beneficial to our Group.

Historical Amounts

The following table sets forth the historical amounts of services we obtained and purchases from Shuhai Group[Note]:

For the Year Ended December 31,			**For the Six Months Ended June 30,**
2015	**2016**	**2017**	**2018**
RMB	**RMB**	**RMB**	**RMB**
1,439,509,743	1,847,278,224	2,604,805,651	1,049,831,399

Note: Our connected transactions with Shuhai Group apply to the operation of our overseas restaurants. The historical purchase amount by our overseas restaurants from Shuhai Group accounts for less than 1% of our total purchase amount from Shuhai Group for each of the relevant period.

Annual Caps

The following table sets forth the proposed annual caps for the transactions under the Shuhai Agreements*Note*:

Proposed annual cap (RMB) for the year ending December 31,		
2018	**2019**	**2020**
2,155,030,000	2,822,200,000	4,252,200,000

Note: Beginning in January 2018, in order to better facilitate the development and cooperation of both our Group and Shuhai Group, our procurement arrangement with Shuhai Group with respect to the Commodity Ingredients was adjusted, which may result in reduction in the expected transaction amount. For details of the adjustment, please refer to the section headed "Business — Procurement — Procurement of Food Ingredients". Given the adjustment was carried out gradually, the historical amount for the six months ended June 30, 2018 and the proposed annual cap for the year ending December 31, 2018 were relatively high because we entered into contracts with Shuhai Group instead of third-party suppliers to procure Commodity Ingredients in January 2018.

The proposed annual caps have been estimated based on the following factors:

(i) the historical storage service fee rate and the expected increase in handling rate due to the increase in operating costs;

(ii) the historical purchase volume and the estimated increase in our demand of Commodity Ingredients and Processed Ingredients at a rate of 50% to 70% per annum from 2018 to 2020 as a result of the anticipated expansion of our restaurant network; and

(iii) the potential fluctuation of (a) the price of the raw materials of the Processed Ingredients; (b) the production cost and processing service fee rate in relation to the Processed Ingredients.

4. ***Master Decoration Project Management Service Agreement***

Our Company and Shuyun Dongfang, each for itself and on behalf of its respective subsidiaries, entered into the Master Decoration Project Management Service Agreement dated September 1, 2018, pursuant to which Shuyun Dongfang agreed to provide decoration project management and related services, including but not limited to, selecting and supervising the design and construction subcontractors, to our Group in connection with the interior decoration and renovation of our restaurants.

Principal Terms

The Master Decoration Project Management Service Agreement has an initial term of three years commencing from the Listing Date. Subject to compliance with Listing Rules and applicable laws and regulations, the Master Decoration Project Management Service Agreement may be renewed for a further term of three years from time to time, unless our Company notifies Shuyun Dongfang to the contrary with 30 days' written notice prior to the expiry of the agreement's term. Upon renewal of the Master Decoration Project Management Service Agreement, the parties may amend the terms of the agreement based on the then prevailing circumstances.

Pricing Policy

The management service fee will be determined based on the quality of the decoration services according to a fixed service fee schedule as agreed by both parties with reference to the prevailing market rate of such decoration project management service.

For the year ended December 31, 2015, 2016, 2017 and six months ended June 30, 2018, the gross profit margin of Shuyun Dongfang was approximately 61.7%, 54.8%, 10.5% and 11.8%, respectively. The significant decrease in the gross profit margin of Shuyun Dongfang in 2017 was primarily due to the change of transaction arrangement with Shuyun Dongfang. In 2015 and 2016, Shuyun Dongfang charged a commission-based project management service fee for the project management services it provided for our Group. From December 2016 to November 2017, our Group engaged Shuyun Dongfang as the contractor in the decoration projects and paid the total cost of the relevant project to Shuyun Dongfang.

Reasons for the Transaction

Shuyun Dongfang primarily conducts the provision of decoration project management service business. We have been engaging Shuyun Dongfang to provide decoration project management for the interior decoration and renovation of our restaurants since its establishment in 2006. Due to our long-term and stable business relationship, Shuyun Dongfang has been very familiar with our requirements of decoration projects and has been providing satisfying project management services in a timely and cost-efficient manner. Therefore, our Directors believe that the continuous procurement of such services from Shuyun Dongfang will be beneficial to our Group.

Historical Amounts

The following table sets forth the historical amounts of procurement of decoration materials and renovation service/decoration project management service by our Group from Shuyun Dongfang:

For the year ended December 31,			**For the Six Months Ended June 30,**
2015	**2016**	**2017**	**2018**
RMB	**RMB**	**RMB**	**RMB**
11,428,000	32,605,051	1,290,205,949	620,211,765

Annual Caps

The following table sets forth the proposed annual caps for the decoration project management service fees under the Master Decoration Project Management Service Agreement:

Proposed annual cap (RMB) for the year ending December 31,		
2018	**2019**	**2020**
978,300,000	145,400,000	197,400,000

Before December 2016, we engaged Shuyun Dongfang as the project management service provider and paid Shuyun Dongfang a management service fee. From December 2016 to November 2017, we engaged Shuyun Dongfang as the contractor in the decoration projects and paid the total cost of the relevant project to Shuyun Dongfang. Shuyun Dongfang then engaged subcontractors to carry out the decoration work and purchased plants and equipment for the projects. In order to enhance our cost and quality management of the decoration projects, we have changed the transaction arrangement with Shuyun Dongfang since November 2017. Under the new arrangement, we engage Shuyun Dongfang as the project management service provider, responsible for selecting subcontractors according our requirements and supervising the work of the subcontractors. For each project, we pay Shuyun Dongfang a management service fee, which is determined based on the quality of the decoration services according to a fixed service fee schedule as agreed by both parties with reference to the prevailing market rate.

Due to the change of transaction arrangement as set out above, the historical amounts during the year ended December 31, 2017 reflected the total costs of the decorations projects in which Shuyun Dongfang acted as the contractor, while the proposed annual caps for the next three years have been estimated based on the following factors:

(i) the decoration project management service fee rate agreed by Shuyun Dongfang and us and the expected fluctuation in the rate; and

(ii) the anticipated expansion of our restaurant network in China, specifically, the estimated number of new hot pot restaurants we plan to open and decorate and the estimated number of existing hot pot restaurants we plan to renovate; and

(iii) the existing contracts entered into with Shuyun Dongfang before the change of the transaction arrangement, which are expected to be fully performed by the end of 2018, and the contracting fee to be accrued under such contracts.

5. ***Master Human Resource Management Service Agreement***

Our Company and Weihai Consulting, each for itself and on behalf of its subsidiaries, entered into the Master Human Resource Management Service Agreement dated September 1, 2018, pursuant to which Weihai Consulting agreed to provide human resource management and consulting services, including but not limited to employee recruitment and training, to our Group.

Principal Terms

The Master Human Resource Management Service Agreement has an initial term of three years commencing from the Listing Date. Subject to compliance with Listing Rules and applicable laws and regulations, the Master Human Resource Management Service Agreement may be renewed for a further term of three years from time to time, unless our Company notifies Weihai Consulting to the contrary with 30 days' written notice prior to the expiry of the agreement's term. Upon renewal of the Master Human Resource Management Service Agreement, the parties may amend the terms of the agreement based on the then prevailing circumstances.

The service fees will be payable on a monthly basis.

Pricing Policy

The management and consulting service fee will be determined at a fixed rate per person as agreed by both parties with reference to comparable market rate. During the Track Record Period, the employee recruitment service fee varied from RMB400 to RMB1,000 per person between low and peak season, which included the recruitment service fee and the orientation training.

For the year ended December 31, 2015, 2016, 2017 and six months ended June 30, 2018, the gross profit margin of Weihai Consulting was approximately 0.8%, 42.0%, 45.4% and 42.3%, respectively. Weihai Consulting commenced operations in the end of 2015. Therefore, its gross profit margin for the year ended December 31, 2015 does not reflect its normal gross profit margin.

Reasons for the Transaction

Weihai Consulting primarily conducts the provision of human resource management and consulting services business, and is experienced in providing employee recruitment and training for catering business. We have been engaging Weihai Consulting to provide human resource management and consulting service for our Group since its establishment in 2015, and Weihai Consulting has been providing satisfying services at reasonable price. Therefore, our Directors believe that the continuous procurement of such services from Weihai Consulting will be beneficial to our Group.

Historical Amounts

The following table sets forth the historical amounts of the human resource management and consulting service we obtained from Weihai Consulting:

For the Year Ended December 31,			For the Six Months Ended June 30,
2015	**2016**	**2017**	**2018**
RMB	**RMB**	**RMB**	**RMB**
979,842	22,920,329	35,972,640	21,842,095

Annual Caps

The following table sets forth the proposed annual caps for the service fees under the Master Human Resource Management Service Agreement:

Proposed annual cap (RMB) for the year ending December 31,		
2018	**2019**	**2020**
71,300,000	101,200,000	147,300,000

The proposed annual caps have been estimated based on the following factors:

(i) historical human resource management and consulting service fee rate and the expected fluctuation in the rate; and

(ii) the estimated increase in our demand of the human resource management and consulting services at a rate of 40% to 50% per annum from 2018 to 2020 along with the increase in the number of new employees as a result of the anticipated expansion of our restaurant network and the potential employee turnover.

WAIVER APPLICATION FOR NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

By virtue of Rule 14A.76(2) of the Listing Rules, each of the transactions under the sub-section "— Non-Exempt Continuing Connected Transactions — A. Lease" and "— Non-Exempt Continuing Connected Transactions — B. Technology" will constitute connected transactions which are subject to reporting, annual review and announcement requirements under Chapter 14A of the Listing Rules. Each of the transactions under the sub-section "— Non-Exempt Continuing Connected Transactions — C. Procurement" will constitute connected transactions subject to reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

As the above non-exempt continuing connected transactions are expected to continue on a recurring and continuing basis, our Directors consider that compliance with the above announcement and/or independent shareholders' approval requirements would be impractical, would add unnecessary administrative costs to us and would be unduly burdensome to us.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver to us under Rule 14A.105 of the Listing Rules from compliance with the announcement and/or independent shareholders' approval requirements in respect of the above non-exempt continuing connected transactions. In addition, we confirm that we will comply with the Listing Rules in relation to the discloseable and non-exempt continuing connected transactions.

In the event of any future amendments to the Listing Rules imposing more stringent requirements than those applicable as of the Latest Practicable Date on the continuing connected transactions referred to in this Prospectus, our Company will take immediate steps to ensure compliance with such new requirements within a reasonable time.

CONFIRMATION FROM OUR DIRECTORS

Our Directors (including our independent non-executive Directors) are of the view that (i) the continuing connected transactions as set out above have been and will be entered into during our ordinary and usual course of business on normal commercial terms or terms better to us, and are fair and reasonable and in the interest of us and our Shareholders as a whole; and (ii) the proposed annual caps for these transactions are fair and reasonable and in the interest of us and our Shareholders as a whole.

CONFIRMATION FROM THE JOINT SPONSORS

Based on the documentation and data provided by us and participation in the due diligence and discussion with us, including but not limited to 1) the review of the framework agreements for the above non-exempt continuing connected transactions and its material terms, and 2) the review of the documentation provided by us with respect to our continuing connected transactions, such as the prices/fees quotation from independence third party suppliers for similar/comparable/same goods or services, the Joint Sponsors believe that the aforesaid non-exempt continuing connected transactions have been entered into in the ordinary and usual course of business of our Company on normal commercial terms which are fair and reasonable, and in the interests of our Company and our Shareholders as a whole, and the proposed annual caps in respect of non-exempt continuing connected transactions are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

DIRECTORS

The Board of Directors comprises eight Directors, including four executive Directors, one non-executive Director and three independent non-executive Directors. The following table sets out certain information relating to the Directors:

Name	Age	Position	Date of Joining our Group	Date of Appointment as a Director	Major Responsibilities
Zhang Yong (Note) (張勇)	47	Chairman and executive Director	Founder	July 14, 2015	Overseeing the management and strategic development of our Group
Shu Ping (Note) (舒萍)	48	Non-executive Director	Founder	July 14, 2015	Supervising the management and strategic development of our Group
Shi Yonghong (施永宏)	48	Executive Director	Founder	July 14, 2015	Participating in and supervising the management and strategic development of our Group
Shao Zhidong (邵志東)	42	Executive Director	April 1, 2010	January 17, 2018	Technology innovation and development of our Group
Tong Xiaofeng (佟曉峰)	44	Executive Director	June 3, 2014	January 17, 2018	Financial and investment management and supervision of our Group
Chua Sin Bin (蔡新民)	70	Independent non-executive Director	May 2, 2018	May 2, 2018	Supervising and providing independent judgement to our Board
Hee Theng Fong (許廷芳)	63	Independent non-executive Director	May 2, 2018	May 2, 2018	Supervising and providing independent judgement to our Board
Qi Daqing (齊大慶)	54	Independent non-executive Director	May 2, 2018	May 2, 2018	Supervising and providing independent judgement to our Board

Note:

Ms. Shu is the spouse of Mr. Zhang.

Executive and Non-executive Directors

Mr. Zhang Yong (張勇), aged 47, is one of the Founders and has over 20 years of experience in restaurant management business. He was appointed as a Director on July 14, 2015 and was subsequently re-designated as an executive Director on May 2, 2018. He was appointed as the chairman of the Board on January 17, 2018. He was also appointed as the chief executive officer of our Company on January 17, 2018. He is mainly responsible for overseeing the management and strategic development of our Group.

Mr. Zhang has held various positions in our Group since its establishment. From April 1994 to March 2001, he served as the general manager of Sichuan Haidilao. From April 2001 to June 2009, Mr. Zhang served as both the executive director and the general manager of Sichuan Haidilao. Since July 2009, Mr. Zhang has been serving as a director and the chairman of the board of Sichuan Haidilao and was re-designated as a non-executive director in January 2018. Mr. Zhang has been serving as a non-executive director of Yihai since March 2016.

Mr. Zhang completed the master of business administration program and completed the finance master of business administration program hosted by Cheung Kong Graduate School of Business (長江商學院) in October 2011 and August 2012, respectively.

Ms. Shu Ping (舒萍), aged 48, is one of the Founders. She was appointed as a Director on July 14, 2015 and was subsequently re-designated as a non-executive Director on May 2, 2018. She is mainly responsible for supervising the management and strategic development of our Group. She has been also serving as a director of Sichuan Haidilao since November 2014 and was re-designated as a non-executive director in January 2018. Ms. Shu has been serving as an executive director of Yihai since March 2018.

Ms. Shu completed the Senior Management PRC Enterprise Master of Business Administration program (高級管理人員中國企業工商管理碩士課程) and Financial Master of Business Administration Program (金融工商管理碩士課程) jointly hosted by Cheung Kong Graduate School of Business (長江商學院), London Business School, Columbia Business School, International Business Strategy Institute at Hitotsubashi University, European Institute of Management and Technology, and Swiss International School of Management and Development in November 2015 and completed the executive master of business administration program jointly hosted by Shanghai Jiaotong University (上海交通大學) and Singapore Nanyang Technological University in July 2016.

Mr. Shi Yonghong (施永宏), aged 48, was appointed as a Director on July 14, 2015 and was subsequently re-designated as an executive Director on May 2, 2018. Mr. Shi is one of the Founders and has over 20 years of experience in restaurant management business. He is mainly responsible for participating in and supervising the management and strategic development of our Group.

Mr. Shi has held various positions in our Group since its establishment. Mr. Shi served as the vice general manager at Sichuan Haidilao from April 1994 to March 2001, before assuming the role of supervisor at Sichuan Haidilao from April 2001 to June 2009. Since July 2009, Mr. Shi has been serving as a director at Sichuan Haidilao and was re-designated as a non-executive director in January 2018. Mr. Shi has been serving as a director of Yihai since December 2015 and subsequently re-designated as a non-executive director in March 2016. Mr. Shi has been serving as the chairman of the board of Yihai since November 2017.

Mr. Shi completed his study in mechanics at Sichuan Kongfen Group Technical School (四川空分技工學校) in China in June 1988.

Mr. Shao Zhidong (邵志東), aged 42, was appointed as a Director on January 17, 2018 and was subsequently re-designated as an executive Director on May 2, 2018. He was also appointed as the chief information officer of our Company on July 9, 2014. He is mainly responsible for the technology innovation and development of our Group. He has nearly 20 years of experience in information technology.

Mr. Shao served as the general manager of Beijing Nanbeixing Cultural Development Co., Ltd. (北京南北行文化發展有限公司) from October 2006 to March 2010. Mr. Shao joined Sichuan Haidilao in April 2010 and has successively held various positions including director of human resources management department, head of information department and head of new technology innovation department. He also served as the principal of the Haidilao University from April 2010 to June 2013.

Mr. Shao obtained his master's degree in computer technology from Shanxi University (山西大學) in China in July 2000 and obtained his doctor's degree in government economic management (human resource management) from Beijing Normal University (北京師範大學) in China in July 2012.

Mr. Tong Xiaofeng (佟曉峰), aged 44, was appointed as a Director on January 17, 2018 and was subsequently re-designated as an executive Director on May 2, 2018. He was also appointed as the chief financial officer of our Company on July 13, 2017. He is mainly responsible for the financial and investment management and supervision of our Group. He has intensive knowledge and more than 20 years of experience in finance and accounting.

Prior to joining our Group, Mr. Tong held various positions in a number of large-scale multinational corporations. He served as the finance controller of SPX Filtran (a company listed on NYSE, stock code: SPW) from 2006 to 2012 and the general manager of finance of UPC Renewables from 2012 to 2013. Mr. Tong joined Sichuan Haidilao in June 2014 and served as the finance controller from December 2014 to December 2016.

Mr. Tong obtained his master's degree of business administration from Beijing Institute of Technology (北京理工大學) in China in July 2006.

Independent Non-Executive Directors

Dr. Chua Sin Bin (蔡新民), aged 70, was appointed as an independent non-executive Director of the Company on May 2, 2018 with his appointment to take effect on the Listing Date, and is responsible for providing independent advice and judgement to our board. He has comprehensive experience in the areas of food safety, food science & technology, agriculture and zoonoses.

Dr. Chua has been serving in a number of private companies:

Name	Period of Service	Positions
NTUC Fairprice Co-operative Ltd.	2009 to 2018	Board Director
	2015 to 2016	Member of Board Property Review Committee
	2014 to 2018	Member of Board Audit and Risk Committee
NTUC FairPrice Foundation Ltd.	2014 to 2018	Board Director
Agrifood Technologies Pte Ltd	Since 2009	Principal Consultant

Dr. Chua also held or has been holding positions in a series of government bodies, academic institutions and professional associations in the areas of food safety and food science & technology:

Name	Period of Service	Positions
Agri-Food & Veterinary Authority of Singapore	2005 to 2009	Board Member
	2005 to 2009	Chief Executive Officer
	2005 to 2009	Director-General
	2002 to 2009	Chief Veterinary Officer
Standard, Productivity and Innovation Board of Singapore (SPRING)	2002 to 2009	Deputy chairman
	Since 2009	Advisor
	Since 2015	Chairman of National Mirror Committee for ISO TC34/SC17 (ISO 22000) Management Systems for Food Safety
	2015 to 2018	Chairman of Working Group on Hazard Analysis and Critical Control Point and Guidelines for its Application
Abu Dhabi Food Control Authority of United Arab Emirates	Since 2009	Member of the Scientific Committee
Health, Welfare and Food Bureau of the Government of the Hong Kong Special Administrative Region	2006 to 2012	Member of Expert Committee on Food Safety
	2011 to 2014	Member, Ad Hoc Working Group on Microbiological Safety of Food
National University of Singapore	Since 2013	Chairman of the Industrial Academic Advisory Board for the NUS Food Science and Technology Programme
	Since 2008	Adjunct Professor of Food Science and Technology Programme, Department of Chemistry
Singapore Polytechnic.	2004 to 2012	Chairman of the School of Chemical & Life Sciences Advisory Committee
	since 2011	Chairman of Food Innovation and Resource Centre Advisory Panel
Agency for Science, Technology and Research of Singapore	Since 2005	Member of the Genetic Modification Advisory Committee of Singapore
	Since 2010	Chairman of GMAC Labelling Sub-Committee

Dr. Chua graduated from the University of Queensland in Australia with a bachelor's degree in veterinary medicine and became a member of Royal College of Veterinary Surgeons (MRCVS) in February 1973.

Mr. Hee Theng Fong (許廷芳), aged 63, was appointed as an independent non-executive Director of the Company on May 2, 2018 with his appointment to take effect on the Listing Date. Mr. Hee is a lawyer in Singapore with over 30 years of experience. Mr. Hee is currently a consultant of Eversheds Harry Elias LLP. Mr. Hee is an experienced arbitrator in international arbitration. Mr. Hee is serving as a specialist mediator (China) for Singapore International Mediation Centre (SIMC) and an accredited mediator of Singapore Mediation Centre (SMC). He is currently serving as a director of Chinese Development Assistance Council and a director of Singapore Chinese Cultural Centre as well as the deputy chairman of Medishield Life Council.

Mr. Hee is currently an independent director of Tye Soon Limited (stock code: BFU) since 1997, China Jinjiang Environment Holding Company Limited (stock code: BWM) since 2016, Straco Corporation Limited (stock code: S85) since 2017, APAC Realty Limited and Yanlord Land Group Limited (stock code: CLN) since 2017, all of which are listed on Singapore Stock Exchange. He also served as an independent director of Datapulse Technology Limited (stock code: BKW) from 1994 to 2017, an independent director of Delong Holdings Limited (stock code: BQO) from 2006 to 2017, an independent director of YHI International Limited (stock code: BPF) from 2013 to 2018, and an independent director of First Resources Limited (stock code: EB5) from 2007 to 2018, all of which are listed on Singapore Stock Exchange.

Mr. Hee was awarded the Public Service Medal Awards twice by the Ministry of Home Affairs of Singapore as Pingat Bakti Masyarakat in 2008 and, as Bingtang Bakti Masyarakat in 2015. He was also appointed as a Justice of the Peace (JP) in April 2018.

Mr. Hee graduated from National University of Singapore (formerly known as the University of Singapore) with a bachelor's degree of law in May 1979 and obtained a diploma in Chinese law from Suzhou University (蘇州大學) in China in October 2004.

Mr. Qi Daqing (齊大慶), aged 54, was appointed as an independent non-executive Director of the Company on May 2, 2018 with his appointment to take effect on the Listing Date.

Mr. Qi is currently a professor in Accounting in Cheung Kong Graduate School of Business (長江商學院) where he has worked since July 2002 and previously served as a director and the associate dean of the executive master of business administration department. Mr. Qi's academic research primarily focuses on financial accounting, financial reporting and their impact on corporate business strategy.

Mr. Qi has served as an independent non-executive director of listed companies in Hong Kong. He has been an independent non-executive director of Bison Finance Group Limited (formerly known as RoadShow Holdings Limited (stock code: 00888)) since November 2017, an independent non-executive director of Yunfeng Financial Group Limited (stock code: 00376) since February 2016, an independent non-executive director of SinoMedia Holding Limited (stock code: 00623) since May 2008 and an independent non-executive director of Jutal Offshore Oil Services Limited (stock code: 03303) since July 2015. Mr. Qi also served as an independent non-executive director of Honghua Group Limited (stock code: 00196) from January 2008 to December 2017 and an independent non-executive director of Dalian Wanda Commercial Properties Co., Ltd. (stock code: 03699), a company delisted from the Stock Exchange on 20 September 2016, from January 2016 to September 2016 and an independent director of China Vanke Co., Ltd. (stock code: 02202, Shenzhen Stock Exchange stock code: 000002) from April 2008 to March 2014.

Mr. Qi has served as an independent director of companies listed on NASDAQ. He has been an independent director of Sohu.com Inc. (stock code: SOHU), iKang Healthcare Group, Inc. (stock code: KANG) and Momo Inc. (stock code: MOMO) since June 2010, July 2014 and December 2014 respectively. Mr. Qi also served as an independent director of Focus Media Holding Limited (stock code: FMCN, Shenzhen Stock Exchange stock code: 002027) from February 2006 to June 2013 and an independent director of AutoNavi Holdings Ltd. (stock code: AMAP) from June 2010 to July 2014, an independent director of Bona Film Group Limited (stock code: BONA) from December 2010 to April 2016, all of which were listed and delisted later on NASDAQ.

Mr. Qi graduated from Michigan State University in the United States with a doctor's degree in accounting in December 1996. He also obtained a master's degree in management from University of Hawaii in the United States in August 1992 and dual bachelor's degrees in biophysics and international news from Fudan University (復旦大學) in China in July 1985 and July 1987, respectively.

SENIOR MANAGEMENT

The following table sets out certain information about the senior management of the Company.

Name	Age	Position	Date of Joining our Group	Date of Appointment as Senior Management	Major Responsibilities
Zhang Yong (張勇)	47	Chief executive officer	Founder	January 17, 2018	Overseeing the management and strategic development of our Group
Yang Lijuan (楊利娟)	39	Chief operating officer	January 1, 1995	January 17, 2018	Overseeing the operation of our Group
Shao Zhidong (邵志東)	42	Chief information officer	April 1, 2010	July 9, 2014	Technology innovation and development of our Group
Tong Xiaofeng (佟曉峰)	44	Chief financial officer	June 3, 2014	July 13, 2017	Financial and investment management and supervisor of our Group

Name	Age	Position	Date of Joining our Group	Date of Appointment as Senior Management	Major Responsibilities
Zhou Zhaocheng (周兆呈)	45	Chief strategy officer	April 3, 2018	April 3, 2018	Strategic development, food safety and public relationship of our Group
Tang Chunxia (唐春霞)	41	Chief development officer	April 2, 2018	April 2, 2018	Brand enhancement and product development of our Group
Qu Cong (瞿聰)	35	Secretary to the Board and joint company secretary	March 1, 2018	March 1, 2018	Board related matters, information disclosure and investor relations management

Mr. Zhang Yong (張勇) — for biographical details of Mr. Zhang, please see "— Directors — Executive and Non-executive Directors".

Ms. Yang Lijuan (楊利娟), aged 39, was appointed as the chief operating officer of our Company on January 17, 2018. She is mainly responsible for overseeing the operation of our Group. She also served as a Director of our Company from July 2015 to January 2018. Ms. Yang served as a manager of Sichuan Haidilao from June 1997 to March 2001. Since April 2001, she has been serving as a director of Sichuan Haidilao and was re-designated as a non-executive director in January 2018.

Ms. Yang complete the PRC Entities CEO and Finance CEO Program (中國企業CEO/金融CEO課程) hosted by Cheung Kong Graduate School of Business (長江商學院) in September 2016.

Mr. Shao Zhidong (邵志東) — for biographical details of Mr. Shao Zhidong, please see "— Directors — Executive and Non-executive Directors".

Mr. Tong Xiaofeng (佟曉峰) — for biographical details of Mr. Tong Xiaofeng, please see "— Directors — Executive and Non-executive Directors".

Mr. Zhou Zhaocheng (周兆呈), aged 45, was appointed as the chief strategy officer of our Company on April 3, 2018. He is responsible for assisting our chief executive officer in developing our growth strategy and is responsible for food safety and public relationship of our Group. He is experienced in corporate management and media relations.

Mr. Zhou served as a journalist of Economic and Trade Reporter (經貿導報) from September 1994 to June 1997, a reporter of Xinhua Daily (新華日報) from June 1997 to July 1998. Mr. Zhou served as a senior news editor, the deputy editing officer, the chief editor of Zaobao Online (聯合早報網) and the assistant vice president (news business) of Singapore Lianhe Zaobao (新加坡聯合早報) successively from September 1999 to December 2016. He also served as the editor of Crossroads (新匯點) with Lianhe Zaobao from April 2009 to October 2015. From January 2017 to March 2018, Mr. Zhou served as the vice president of new markets of Singapore Press Holdings (a company listed on Singapore Exchange Limited, stock code: T39). Mr. Zhou also served as a director of CulCreative International Pte Ltd (創文國際有限公司) and ZBJ-SPH Pte Ltd (ZBJ-SPH私人有限公司) from June 2017 to March 2018 and from July 2017 to March 2018 respectively.

Mr. Zhou has been serving as an adjunct assistant professor and associate professor of Nanyang Centre for Public Administration of Nanyang Technological University since September 2012 and a visiting professor of School of Journalism and Communication of Guangdong University of Foreign Studies since September 2014. He also served as a media fellow of the Sanford School of Public Policy of Duke University from January 2011 to July 2011. Mr. Zhou is now also serving as the president of Jiangsu Association (Singapore) (新加坡江蘇會).

Mr. Zhou obtained his bachelor's degree in Chinese Studies from Nanjing Normal University (南京師範大學) in China in June 1994, obtained his master's degree in Chinese Studies from National University of Singapore in June 2000 and obtained his doctor's degree in philosophy from Nanyang Technological University in Singapore in January 2007.

Ms. Tang Chunxia (唐春霞), aged 41, was appointed as the chief development officer of our Company on April 2, 2018. She is mainly responsible for the brand building and product development of our Group.

Ms. Tang was a member of the founding management team of Cheung Kong Graduate School of Business (長江商學院). She held different positions in Cheung Kong Graduate School of Business from July 2002 to April 2018, including the founding market and admission officer of EMBA Program, the executive director of alumni affairs and development department, the founding admissions officer of DBA Entrepreneurs Scholars Program, the founding executive director of Cheung Kong Venture Innovation Community and the founding general secretary of Cheung Kong Education Development Foundation.

Ms. Tang graduated from Chongqing Jianzhu University (重慶建築大學) (later merged into Chongqing University (重慶大學)) in China with a bachelor's degree in accounting in July 1998. She obtained her master's degree in management from Chongqing University (重慶大學) in China in December 2000. She was admitted to the EMBA program of Cheung Kong Graduate School in China in April 2016.

Ms. Qu Cong (瞿驄), aged 35, was appointed as the secretary to the Board on 1 March 2018 and the company secretary of our Company on May 2, 2018. Ms. Qu was re-designated as a joint company secretary of our Company on June 7, 2018. She is mainly responsible for the Board related matters, information disclosure and investor relations management of our Group.

Prior to joining our Group in March 2018, Ms. Qu worked for the investment banking department of China International Capital Corporation Limited (中國國際金融股份有限公司) for nearly ten years from July 2008 to February 2018, and held different positions including the executive director. She advised for dozens of companies of various sizes on their capital market and business transactions, including initial public offerings on the Stock Exchange, Shenzhen Stock Exchange and Shanghai Stock exchange, placing, private equity financings and mergers and acquisitions. She has extensive experience with international capital market, corporate governance, communication with regulatory authorities and investor relationship.

Ms. Qu obtained the sponsor representative qualification issued by the Securities Association of China in January 2016 and was licenced to conduct type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO by SFC from November 2013 to January 2018. Ms. Qu obtained her bachelor's degree and master's degree in probability and statistics from Peking University (北京大學) in China in July 2005 and August 2008, respectively.

Some of our executive and non-executive Directors and senior management members also serve as a director or senior management member of close associates of our Controlling Shareholders. For further details, see "Relationship with our Controlling Shareholders — Independence From Our Controlling Shareholders — Management Independence".

Save as disclosed above, none of our Directors and senior management held any directorship in any public companies the shares of which are listed in the Stock Exchange or overseas stock markets during the three years prior to the date of this Prospectus.

To the best of the Board's knowledge, information and belief, save as disclosed in the Prospectus, our Directors and senior management do not have any relationship amongst them.

To the best of our Directors' knowledge, information and belief, and having made all reasonable enquiries, save as disclosed herein, there is no additional matter with respect to the appointment of the Directors that needs to be brought to the attention of the Shareholders, and there is no additional information relating to the Directors that is required to be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules as of the Latest Practicable Date.

JOINT COMPANY SECRETARIES

Ms. Qu Cong (瞿聰) is a joint company secretary of our Company. For biographical details of Ms. Qu, please see "— Senior Management".

Ms. So Shuk Yi Betty (蘇淑儀), was appointed as a joint company secretary of our Company on June 7, 2018.

Ms. So is the vice president of SWCS Corporate Services Group (Hong Kong) Limited and has over 20 years of experience in corporate secretarial field. She is an associate member of both The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators in the United Kingdom since 1997. In addition, she holds a master of law degree from the City University of Hong Kong and a master of business administration degree from the University of Leicester in the United Kingdom in 2004 and 1999, respectively.

CORPORATE GOVERNANCE

The Company has established three committees under the Board pursuant to the corporate governance practice requirements under the Hong Kong Listing Rules, including the Audit Committee, Remuneration Committee and Nomination Committee.

Audit Committee

The Audit Committee is composed of three Directors, including Mr. Qi Daqing, Ms. Shu and Mr. Hee Theng Fong, and Mr. Qi Daqing has been appointed as chairman of the Audit Committee. The primary duties of the Audit Committee comprise communication, supervision and verification work for internal and external auditors of the Company, including:

(1) to propose the appointment, re-appointment or replacement of external audit institution, to provide advice to the Board, to approve the remuneration and engagement terms of external audit institution;

(2) to review and monitor external audit institution to see if it is independent and objective and whether its auditing process is effective, to discuss the nature, scope and method of auditing and the relevant reporting responsibilities with the audit institution prior to the commencement of audit work, to formulate and implement policies for engaging external audit institutions to provide non-audit services;

(3) to supervise the internal audit system of the Company and its implementation, to review financial information of the Company and its disclosure;

(4) to be responsible for communication between internal auditors and external auditors;

(5) to review the financial control, internal control and risk management systems of the Company and conduct audits on material connected transactions; and

(6) to perform other responsibilities required by laws, regulations, rules, regulatory documents, Articles of Association and assigned by the Board.

Remuneration Committee

The Remuneration Committee of the Company is composed of three Directors, including Mr. Hee Theng Fong, Mr. Zhang and Dr. Chua Sin Bin, and Mr. Hee Theng Fong has been appointed as chairman of the Remuneration Committee. The primary duties of the Remuneration and Appraisal Committee are to formulate appraisal standards and conduct appraisals for Directors and managers of the Company, and to formulate and review the remuneration policies and proposals for Directors and senior management of the Company. The details are as follows:

(1) to make proposals and recommendations to the Board on remuneration plans or proposals and establishment of formal and transparent procedures for the formulation of the above remuneration plans or proposals according to the primary scope, responsibilities, importance of the management positions of directors and senior management members and the remuneration standards of relevant positions in other relevant enterprises;

(2) to formulate the specific remuneration packages for all executive directors and senior management members, and to make recommendation to the Board on remuneration of non-executive directors;

(3) to review the performance of duties of Directors (non-independent Directors) and senior management members of the Company and to conduct annual performance appraisals on them; and

(4) to perform other responsibilities required by laws, regulations, rules, regulatory documents, Articles of Association and assigned by the Board.

Nomination Committee

The Nomination Committee of the Company is composed of three directors, including Mr. Zhang, Mr. Hee Theng Fong and Mr. Qi Daqing, and Mr. Zhang has been appointed as chairman of the Nomination Committee. The primary duties of the Nomination Committee of the Company comprise the selection and recommendation of candidates, election criteria and procedures for appointments of Directors and senior management members of the Company. The details are as follows:

(1) to make recommendation to the Board about the size and composition of the Board according to the operating activities, size of assets and shareholding structure of the Company;

(2) to conduct research on the selection criteria, procedure and methods for Directors and senior management members and submit to the Board for consideration;

(3) to screen the candidates for Directors and senior management and make recommendations;

(4) to conduct comprehensive assessment on the skills, knowledge and experience of Directors and senior management members, and to review the independence of independent non-executive Directors; and

(5) to perform other responsibilities required by laws, regulations, rules, regulatory documents, Articles of Association and assigned by the Board.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

Pursuant to A.2.1 of the Corporate Governance Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Zhang currently serves as the chairman of the Board and the chief executive officer of the Company. He is one of the Founders of the Group and has been operating and managing the Group since its establishment. Our Directors believe that it is beneficial to the business operations and management of the Group that Mr. Zhang continues to serve as both the chairman of the Board and the chief executive officer of the Company.

In addition, the Stock Exchange has granted us a waiver from strict compliance with the requirement of Rule 13.48(1) and Practice Note 10 of the Listing Rules in respect of the issue of an interim report for the six months ended June 30, 2018.

Directors strive to achieve a high standard of corporate governance (which is of critical importance to our development) to protect the interest of shareholders. Save as disclosed above, our Directors consider that upon Listing, we will comply with all applicable code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules and the Model Code for Securities Transactions by the Directors of Listed Issuers set out in Appendix 10 to the Listing Rules. Disclosure on the compliance with the Corporate Governance Code for the year ending December 31, 2018 will be set out in the corporate governance report which will form part of the Company's 2018 annual report.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

For details on the service contracts and appointment letters signed between the Company and our directors, please refer to the section "Statutory and General Information — C. Further Information About Our Directors and Substantial Shareholders — Particulars of Directors' Service Contracts and Appointment Letters" in Appendix IV to this Prospectus.

For the three financial years ended December 31, 2015, 2016 and 2017 and six months ended June 30, 2018, the total amount paid by us for payments of emoluments, salaries, allowances, discretionary bonus, defined contribution retirement plans and other benefits in kind (if applicable) to Directors were approximately RMB13.91 million, RMB27.22 million, RMB27.78 million and RMB12.26 million. For remuneration details of all Directors during the Track Record Period, please refer to Note 11 to the Accountant's Report as set out in Appendix I of this Prospectus.

According to existing effective arrangements, the total amount of remuneration (excluding any possible payment of discretionary bonus) shall be paid by us to Directors for the financial year ended December 31, 2018 is expected to be approximately RMB25.95 million.

The remuneration of directors and senior management has been determined with reference to the salaries of comparable companies and their experience, duties and performance.

For the three financial years ended December 31, 2015, 2016 and 2017 and six months ended June 30, 2018, the five highest remuneration individuals of our Company included 2, 2, 3 and 2 Directors respectively, their remunerations were included in the total amount paid by us for the emoluments, salaries, allowances, discretionary bonus, defined contribution retirement plans and other benefits in kind (if applicable) of the relevant Directors. For the three financial years ended December 31, 2015, 2016 and 2017 and six months ended June 30, 2018, the total amount of remuneration and benefits in kind (if applicable) paid by us to the five highest remuneration individuals were approximately RMB28.1 million, RMB39.5 million, RMB34.4 million and RMB18.1 million.

During the Track Record Period, no remuneration was paid by us nor receivable by Directors or the five highest remuneration individuals as incentives for joining or as rewards upon joining our Company. During the Track Record Period, no remuneration was paid by us nor receivable by Directors, past Directors or the five highest remuneration individuals as compensation for leaving positions relating to management affairs in any subsidiary of the Company.

During the Track Record Period, none of our Directors has waived any remuneration. Save as disclosed above, during the Track Record Period, no other amounts shall be paid or payable by us or any of our subsidiaries to the Directors or the five highest remuneration individuals.

Save as disclosed above, no Director is entitled to receive other special benefits from the Company.

COMPLIANCE ADVISER

We have appointed Somerley Capital Limited as our Compliance Adviser after the Listing in compliance with the requirements of Rules 3A.19 of the Hong Kong Listing Rules. According to Rule 3A.23 of the Hong Kong Listing Rules, the Compliance Adviser shall provide advice to us in the following circumstances:

(a) before the publication of any regulatory announcement, circular or financial report;

(b) when we contemplate to conduct a transaction that constitutes a notifiable transaction or connected transaction under the Hong Kong Listing Rules (including share issue and share repurchase);

(c) when we intend to use proceeds from the Global Offering in a manner different from the description as detailed in the Prospectus, or when the business activities, development or operating results of the Group have deviated from any forecasts, estimates or other information contained in the Prospectus;

(d) when the Hong Kong Stock Exchange of Hong Kong makes enquiries on the Company pursuant to Rule 13.10 of the Hong Kong Listing Rules.

The term of the Compliance Adviser shall commence from the Listing Date and is expected to end on the date when we announce the financial results of the first complete financial year from the Listing Date in compliance with Rule 13.46 of the Hong Kong Listing Rules.

So far as our Directors are aware, immediately following the completion of the Capitalization Issue and the Global Offering and assuming that the Over-allotment Option is not exercised, the following persons are expected to have an interest and/or short positions in the Shares or underlying shares of our Company which would fall to be disclosed to us pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who are, directly or indirectly interested in 10% or more of the nominal value of any class of our share capital carrying rights to vote in all circumstances at general meetings of our Company:

Name of substantial shareholder	Nature of Interest	Number of Shares	Approximate percentage of interest in our Company
UBS Trustees (B.V.I.) Limited *(Note 2, 3, 5, 6 and 7)*	Trustee	4,504,925,270	84.9986%
Mr. Zhang *(Note 1, 2 and 7)*	Founder of a discretionary trust Interest of spouse Interest in a controlled corporation	3,636,001,243	68.6038%
Ms. Shu *(Note 1 and 3)*	Founder of a discretionary trust Interest of spouse Interest in a controlled corporation	3,636,001,243	68.6038%
Mr. Shi Yonghong (施永宏) *(Note 4, 5 and 6)*	Founder of a discretionary trust Interest of spouse Interest in a controlled corporation	868,924,027	16.3948%
Ms. Li Haiyan (李海燕) *(Note 4, 5 and 6)*	Founder of a discretionary trust Interest of spouse Interest in a controlled corporation	868,924,027	16.3948%
NP United Holding Ltd. *(Note 7)*	Beneficial owner	1,801,970,108	33.9994%
ZY NP Ltd. *(Note 2 and 7)*	Beneficial owner Interest in a controlled corporation	3,201,539,229	60.4064%
SP NP Ltd. *(Note 3)*	Beneficial owner	434,462,014	8.1974%
SYH NP Ltd. *(Note 4)*	Beneficial owner	434,462,014	8.1974%
LHY NP Ltd. *(Note 5)*	Beneficial owner	434,462,014	8.1974%

Notes:

(1) Ms. Shu is the spouse of Mr. Zhang. Therefore, Ms. Shu is deemed to be interested in the Shares in which Mr. Zhang is interested and Mr. Zhang is deemed to be interested in the Shares in which Ms. Shu is interested under the SFO.

(2) ZY NP Ltd. is an investment holding company incorporated in the BVI. The entire share capital of ZY NP Ltd. is wholly owned by UBS Trustees (B.V.I.) Limited as the trustee of the Apple Trust. Apple Trust is a discretionary trust set up by Mr. Zhang as the settlor and protector on August 22, 2018 for the benefit of himself and Ms. Shu. Mr. Zhang (as the founder of the Apple Trust) and UBS Trustees (B.V.I.) Limited are taken to be interested in the Shares held by ZY NP Ltd. for the under the SFO.

(3) SP NP Ltd. is an investment holding company incorporated in the BVI. The entire share capital of SP NP Ltd. is wholly owned by UBS Trustees (B.V.I.) Limited as the trustee of the Rose Trust. Rose Trust is a discretionary trust set up by Ms. Shu as the settlor and protector on August 22, 2018 for the benefit of herself and Mr. Zhang. Ms. Shu (as the founder of the Rose Trust) and UBS Trustees (B.V.I.) Limited are taken to be interested in the Shares held by SP NP Ltd. for the under the SFO.

(4) Ms. Li is the spouse of Mr. Shi. Therefore, Ms. Li is deemed to be interested in the Shares in which Mr. Shi is interested and Mr. Shi is deemed to be interested in the Shares in which Ms. Li is interested under the SFO.

(5) SYH NP Ltd. is an investment holding company incorporated in the BVI. The entire share capital of SYH NP Ltd. is wholly owned by UBS Trustees (B.V.I.) Limited as the trustee of the Cheerful Trust. Cheerful Trust is a discretionary trust set up by Mr. Shi Yonghong and Ms. Li Haiyan as the settlors and protectors on August 22, 2018 for their own benefit. Mr. Shi Yonghong and Ms. Li Haiyan (as the founders of the Cheerful Trust) and UBS Trustees (B.V.I.) Limited are taken to be interested in the Shares held by SYH NP Ltd. for the under the SFO.

(6) LHY NP Ltd. is an investment holding company incorporated in the BVI. The entire share capital of LHY NP Ltd. is wholly owned by UBS Trustees (B.V.I.) Limited as the trustee of the Cheerful Trust. Cheerful Trust is a discretionary trust set up by Mr. Shi Yonghong and Ms. Li Haiyan as the settlors and protectors on August 22, 2018 for their own benefit. Mr. Shi Yonghong and Ms. Li Haiyan (as the founders of the Cheerful Trust) and UBS Trustees (B.V.I.) Limited are taken to be interested in the Shares held by LHY NP Ltd. for the under the SFO.

(7) NP United Holding Ltd. is an investment holding company incorporated in the BVI and is owned as to approximately 51.778% by ZY NP Ltd. and 16.074% by each of SP NP Ltd., SYH NP Ltd. and LHY NP Ltd., respectively. Therefore, Mr. Zhang, ZY NP Ltd. and UBS Trustees (B.V.I.) Limited are deemed to be interested in the Shares in which NP United Holding Ltd is interested under the SFO.

Except as disclosed above, our Directors are not aware of any other person who will, immediately following the completion of the Capitalization Issue and the Global Offering, have any interest and/or short positions in the Shares or underlying shares of our Company which would fall to be disclosed to us pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who are, directly or indirectly, interested in 10% or more of the nominal value of any class of our share capital carrying rights to vote in all circumstances at general meetings of our Company. Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company.

AUTHORISED AND ISSUED SHARE CAPITAL

The following is a description of the authorised and issued share capital of our Company in issue and to be issued as fully paid or credited as fully paid immediately following the completion of the Capitalization Issue and the Global Offering:

Authorised Share Capital

Number of Shares	Aggregate nominal value of Shares
10,000,000,000	US$50,000

Issued Share Capital

The issued share capital of our Company immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised) will be as follows:

Number of Shares	Description of Shares	Aggregate nominal value of Shares
3,333,340,000	Shares in issue as of the date of this Prospectus	US$16,666.70
1,542,130,000	Shares to be issued pursuant to the Capitalization Issue	US$7,710.65
424,530,000	Shares to be issued under the Global Offering	US$2,122.65
5,300,000,000	Shares in issue immediately following the Capitalization Issue and the Global Offering	US$26,500.00

ASSUMPTIONS

The above table assumes that the Global Offering becomes unconditional and Shares are issued pursuant to the Global Offering. The above tables also do not take into account any Shares which may be issued or repurchased by us under the general mandates granted to our Directors as referred to below.

RANKING

The Offer Shares will rank pari passu in all respects with all Shares currently in issue or to be issued as mentioned in this Prospectus, and will qualify and rank equally for all dividends or other distributions declared, made or paid on the Shares on a record date which falls after the date of this Prospectus.

CIRCUMSTANCES UNDER WHICH GENERAL MEETINGS ARE REQUIRED

Our Company has only one class of Shares, namely ordinary shares, and each ranks pari passu with the other Shares.

Pursuant to the Cayman Companies Law and the terms of the Memorandum of Association and Articles of Association, our Company may from time to time by ordinary resolution of shareholders (i) increase its capital; (ii) consolidate all or any of its capital into shares of larger amount than its existing shares; (iii) divide its shares into several classes; (iv) subdivide its shares into shares of smaller amount; and (v) cancel any shares which have not been taken. In addition, our Company may subject to the provisions of the Cayman Companies Law reduce its share capital or capital redemption reserve by its shareholders passing a special resolution. See the section headed "Summary of the Constitution of our Company and Cayman Companies Law — Articles of Association — Alteration of capital" in Appendix III to this Prospectus for further details.

GENERAL MANDATE TO ISSUE SHARES

Subject to the Global Offering becoming unconditional, our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares with a total number of not more than the sum of:

- 20% of the total number of the Shares in issue immediately following completion of the Capitalization Issue and the Global Offering (excluding the Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option); and

- the total number of Shares repurchased by us under the authority referred to in the paragraph headed "— General Mandate to Repurchase Shares" in this section.

This general mandate to issue Shares will expire at the earliest of:

- the conclusion of the next annual general meeting of our Company unless otherwise renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions;

- the expiration of the period within which our Company's next annual general meeting is required by the Memorandum of Association and Articles of Association or any other applicable laws to be held; or

- the date on which it is varied or revoked by an ordinary resolution of our Shareholders passed in a general meeting.

See the section headed "Statutory and General Information — Further Information about our Company and Subsidiaries — Resolutions of the Shareholders of our Company dated September 6, 2018" in Appendix IV to this Prospectus for further details of this general mandate to allot, issue and deal with Shares.

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the Global Offering becoming unconditional, our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase our own securities with nominal value of up to 10% of the total number of our Shares in issue immediately following the completion of the Capitalization Issue and the Global Offering (excluding the Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option).

The repurchase mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange on which our Shares are listed (and which are recognized by the SFC and the Stock Exchange for this purpose), and which are in accordance with the Listing Rules. A summary of the relevant Listing Rules is set out in the section headed "Statutory and General Information — Further Information about our Company and Subsidiaries — Repurchase of our own securities" in Appendix IV to this Prospectus.

This general mandate to repurchase Shares will expire at the earliest of:

- the conclusion of the next annual general meeting of our Company unless otherwise renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions; or

- the expiration of the period within which our Company's next annual general meeting is required by the Memorandum of Association and Articles of Association or any other applicable laws to be held; or

- the date on which it is varied or revoked by an ordinary resolution of our Shareholders passed in a general meeting.

See the section headed "Statutory and General Information — Further Information about our Company and Subsidiaries — Repurchase of our own securities" in Appendix IV to this Prospectus for further details of the repurchase mandate.

You should read the following discussion and analysis of our financial condition and results of operations in conjunction with our consolidated financial statements included in "Appendix I — Accountants' Report" to this Prospectus, together with the accompanying notes. Our consolidated financial information has been prepared in accordance with IFRSs, which may differ in material aspects from generally accepted accounting principles in other jurisdictions. The following discussion contains certain forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements due to various factors, including those set forth in the sections headed "Risk Factors" and "Business" in this Prospectus.

OVERVIEW

Haidilao is a globally leading and fast-growing Chinese cuisine restaurant brand focusing on hot pot cuisine. As of the Latest Practicable Date, we owned and operated 363 restaurants, which comprised 332 restaurants in the PRC, and 31 restaurants in Taiwan, Hong Kong and internationally in Singapore, South Korea, Japan and the United States. We have been able to achieve industry-leading operational and financial performance. Our revenue increased at a CAGR of 35.9% from RMB5,756.7 million in 2015 to RMB7,807.7 million in 2016 and further to RMB10,637.2 million in 2017. Our revenue increased by 54.4% from RMB4,756.1 million for the six months ended June 30, 2017 to RMB7,342.6 million for the six months ended June 30, 2018. Our overall table turnover rate increased steadily from 4.0 times per day in 2015 to 4.5 times per day in 2016 and further to 5.0 times per day in 2017, and 4.9 times per day for the six months ended June 30, 2018.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

We believe that the most significant factors affecting our results of operations and financial condition include the following.

Expansion of Our Restaurant Network

Our business growth depends on the scale and expansion of our restaurant network, which in turn is affected by our restaurant openings and closings. The following table sets out the total number of our restaurants and their movement during the Track Record Period.

	For the year ended December 31,			For the six months ended June 30,
	2015	2016	2017	2018
Number of restaurants at the beginning of the period	112	146	176	273
Number of new restaurants opened during the period	36	32	98	71
Number of restaurants closed during the period	2	2	1	3
Number of restaurants at the end of the period	146	176	273	341

The table below sets forth information on gross revenue generated from restaurant operation for existing restaurants, restaurants newly opened and restaurants closed during the period indicated.

	For the year ended December 31,			For the six months ended June 30,	
	2015	**2016**	**2017**	**2017**	**2018**
	(in thousands of RMB)				
Gross revenue from existing restaurants[1]	5,210,373	7,121,446	9,001,610	4,396,850	6,539,665
Gross revenue from restaurants newly opened during the period	539,300	492,711	1,376,537	245,068	640,088
Gross revenue from restaurants closed during the period	33,938	48,697	33,812	33,812	21,915
Gross revenue generated from restaurant operation[2]	**5,783,611**	**7,662,854**	**10,411,959**	**4,675,730**	**7,201,668**
Net of:					
Customer loyalty program	(130,522)	(27,258)	(23,862)	(29,046)	(49,631)
Revenue generated from restaurant operation	**5,653,089**	**7,635,596**	**10,388,097**	**4,646,684**	**7,152,037**
Delivery business	**74,073**	**146,118**	**218,762**	**97,730**	**133,357**
Sales of condiment products and food ingredients	**29,520**	**25,972**	**30,311**	**11,651**	**57,250**
Total revenue	**5,756,682**	**7,807,686**	**10,637,170**	**4,756,065**	**7,342,644**

(1) We define our existing restaurants as those that commenced operations prior to the beginning of the respective period, and remained open at the end of the same period.

(2) Gross revenue is net of business tax and surcharges, before adjustment for customer loyalty program.

Our gross revenue increased as a result of the rapid expansion of our restaurant network. The number of new restaurants we opened in 2017 and the first half of 2018 increased significantly as we reorganized our internal management structure in mid-2016 to implement a bottom-up driven project identification process. For details, see "Business — Organizational Structure." Our revenue is also affected by the timing of our network expansion. In 2017, we opened new restaurants throughout the year and were more concentrated in the third and fourth quarters, with over 70 new restaurants commencing operations after June 2017. These restaurants are expected to have full-year operations in 2018, and as such, revenue generated from restaurants opened in 2017 will experience a significant increase. We only had eight restaurant closures during the Track Record Period, and therefore restaurant closures did not have a material impact on our financial performance.

We currently estimate to open 180 to 220 new restaurants in 2018 (including 175 with leases signed but not opened and 96 already opened as of the Latest Practicable Date). Of the 175 new restaurants with leases signed, 161 were located in the PRC and 14 were overseas, and of the 96 already opened, 84 were in the PRC and 12 were overseas. The new PRC restaurants we plan to open are expected to require capital expenditure of RMB8 million to RMB10 million each. We believe our liquidity and capital resources will be sufficient for our expansion considering that (i) we had net cash flow from operating activities in the amount of RMB642.0 million, RMB1,414.1 million, RMB1,399.7 million and RMB1,002.9 million in 2015, 2016 and 2017 and the six months ended June 30, 2018, respectively; (ii) we have relatively low levels of trade receivables, and our trade receivables turnover days were 1.6 days, 2.2 days, 4.1 days and 3.5 days in 2015, 2016 and 2017 and the six months ended June 30, 2018, respectively, whereas we generally settle trade payables within 30 to 60 days; (iii) we expect to apply 60% of our net proceeds from the Global Offering to finance our expansion plan after the Listing; (iv) we believe our new restaurants can generate sufficient cash flow in a timely manner, as we are able to achieve breakeven in a relatively short period, which will contribute to our liquidity requirements for new restaurant openings; and (v) historically, we have been able to refinance our short-term bank borrowings at maturity if needed, and we do not foresee any impediment in continuing to do so in the future.

Pace of New Restaurant Openings

Impact on revenue contribution. Our revenue is affected by the number and pace of new restaurant openings, which may fluctuate from period to period. In particular, new restaurants opened in a year typically have a greater revenue contribution in the second half of that year, primarily because (i) our new restaurant openings are generally more concentrated in the second half of the year, in part due to Chinese New Year holidays, and (ii) new restaurants opened in the first half of the year will not contribute revenue for the full six-months, while they will contribute six months of revenue in the second half of the year.

Impact on profit margin. Our profit margins are affected by pre-opening costs that we incur for our newly-opened restaurants, in combination with the period-to-period fluctuations in the number and pace of new restaurant openings. Our pre-opening costs primarily consist of staff salaries, consulting services fees, staff relocation expenses, rent and miscellaneous administrative expenses prior to the opening of a restaurant. These costs are expensed when incurred and recorded in our consolidated statements of profit or loss. During the Track Record Period, the majority of our newly-opened restaurants generally incurred pre-opening expenses ranging from approximately RMB1 million to RMB2 million. These pre-opening costs are typically incurred around and within the three months leading up to a restaurant's opening, while the restaurant has not begun to generate revenue. For instance, we incurred significant pre-opening costs for the 71 new restaurants we opened in the first half of 2018, as well as for 53 of the new restaurants scheduled to be opened in the second half of 2018, which we believe had a material effect in our profit margin for the six months ended June 30, 2018.

We expect the pace of new restaurant openings to continue to impact our interim and annual revenue and profit margin.

Mix of Existing and Newly-opened Restaurants

Our results of operations are affected in part by the mix of existing and newly-opened restaurants in our restaurant network. In 2015, 2016 and 2017 and the six months ended June 30, 2017 and 2018, gross revenue generated from existing restaurants was RMB5,210.4 million, RMB7,121.4 million, RMB9,001.6 million, RMB4,396.9 million and RMB6,539.7 million, respectively, accounting for 90.1%, 92.9%, 86.5%, 94.0% and 90.8% of our gross revenue generated from restaurant operation in the respective period. Set forth below is the table turnover rate of newly-opened and existing restaurants.

	For the year ended December 31,			For the six months ended June 30,	
	2015	2016	2017	2017	2018
Table turnover rate[1] (times/day)					
Newly-opened restaurants	4.1	4.8	4.6	4.8	4.2
Existing restaurants	4.0	4.5	5.1	5.0	5.0
Overall	4.0	4.5	5.0	5.0	4.9

(1) Calculated by dividing the total tables served for the year/period by the product of total restaurant operation days for the year/period and average table count during the year/period of the newly-opened/existing restaurants.

Newly-opened restaurants generally incur higher operating expenses as a percentage of revenue than existing restaurants and significant initial capital expenditure. During the Track Record Period, our restaurants generally achieved an initial monthly breakeven period within approximately one to three months. A majority of our restaurants in 2015 and 2016 achieved cash investment payback period in six to thirteen months. Typically, our restaurants have a very short ramp-up period, primarily due to our brand recognition, ability to select successful restaurant sites and our strong execution in expansion management. In 2015, 2016 and 2017 and the six months ended June 30, 2018, our newly opened restaurants had table turnover rates of 4.1 times per day, 4.8 times per day, 4.6 times per day and 4.2 times per day, respectively, while our existing restaurants had table turnover rates of 4.0 times per day, 4.5 times per day, 5.1 times per day and 5.0 times per day, respectively. Considering that (i) our newly-opened restaurants have a short ramp-up period, and (ii) our newly-opened restaurants achieved comparable table turnover rates as our existing restaurants during the Track Record Period, we believe that, as we expand our restaurant network, the initial capital expenditure and higher operating expenses of newly-opened restaurants would not have a significant adverse impact on our profitability as a whole.

Same Store Sales

The rate of same store sales growth provides a period-to-period comparison of restaurant performance because it excludes the increases due to the newly-opened restaurants by comparing the operational and financial performance of restaurants that commenced operations prior to the beginning of the periods under comparison.

The following table sets forth details of our same store sales during the Track Record Period.

	For the year ended December 31,				For the six months ended June 30,	
	2015	2016	2016	2017	2017	2018
Number of same stores[(1)]						
Tier 1 cities	42		39		45	
Tier 2 cities	49		62		76	
Tier 3 cities and below	7		17		27	
Outside PRC	4		7		8	
Overall	**102**		**125**		**156**	
Same store sales[(2)] (in thousands of RMB)						
Tier 1 cities	2,046,712	2,269,970	1,931,959	2,177,010	1,161,457	1,303,609
Tier 2 cities	2,298,491	2,679,111	3,078,975	3,525,673	2,043,294	2,128,611
Tier 3 cities and below	233,768	262,376	584,778	680,148	507,721	539,920
Outside PRC	216,664	259,083	411,101	463,851	228,801	222,337
Total	**4,795,635**	**5,470,540**	**6,006,813**	**6,846,682**	**3,941,273**	**4,194,477**
Same store sales growth (%)						
Tier 1 cities	10.9%		12.7%		12.2%	
Tier 2 cities	16.6%		14.5%		4.2%	
Tier 3 cities and below	12.2%		16.3%		6.3%	
Outside PRC	19.6%		12.8%		(2.8)%	
Overall	**14.1%**		**14.0%**		**6.4%**	
Average same store sales per day[(3)] (in thousands of RMB)						
Tier 1 cities	134.2	148.2	135.7	154.4	144.0	160.9
Tier 2 cities	129.3	150.4	136.5	156.2	149.3	155.4
Tier 3 cities and below	91.9	102.6	94.2	109.8	104.1	111.3
Outside PRC	148.4	177.5	161.0	182.3	159.5	155.4
Overall	**129.5**	**147.2**	**131.8**	**150.8**	**140.4**	**149.4**
Same store table turnover rate[(4)] (times/day)						
Tier 1 cities	3.9	4.3	4.3	4.8	4.7	5.1
Tier 2 cities	4.1	4.8	4.8	5.3	5.3	5.3
Tier 3 cities and below	3.4	3.8	4.1	4.7	4.7	5.0
Outside PRC	4.4	5.2	5.0	5.1	4.5	4.5
Overall	**4.0**	**4.5**	**4.6**	**5.1**	**5.0**	**5.2**

(1) Includes restaurants that commenced operations prior to the beginning of the periods under comparison and opened for more than 300 days in both 2015 and 2016, and in both 2016 and 2017, and for more than 150 days in the six months ended June 30, 2017 and 2018.

(2) Refers to the aggregate gross revenue from restaurant operation at our same stores for the period indicated.

(3) Calculated by dividing the gross revenue from restaurant operation for the period by the total restaurant operation days at our same stores for the period.

(4) Calculated by dividing the total tables served for the period by the product of total restaurant operation days for the period and average table count at our same stores during the period.

Same store sales are primarily affected by table turnover rates. In 2016 and 2017, we were able to continuously improve our same store table turnover rates as we gradually extended operating hours across a number of our restaurants, which contributed to growth rates of 14.1% and 14.0% in same store sales during these periods, respectively. For the six months ended June 30, 2018, our same store sales grew by 6.4% compared to the six months ended June 30, 2017. In particular, our same store sales for overseas restaurants decreased by 2.8% from six months ended June 30, 2017 to the six months ended June 30, 2018 primarily due to our strategy to lower pricing of certain menu items at our overseas restaurants to increase guests served, which resulted in lower spending per guest.

Food Ingredient Costs

In 2015, 2016 and 2017 and the six months ended June 30, 2017 and 2018, raw materials and consumables used amounted to RMB2,599.7 million, RMB3,179.3 million, RMB4,313.2 million, RMB1,949.2 million and RMB3,066.3 million, respectively, representing 45.2%, 40.7%, 40.5%, 41.0% and 41.8% of our revenue for the respective period. Food ingredient costs amounted to RMB2,439.0 million, RMB3,000.7 million, RMB4,038.9 million, RMB1,817.5 million and RMB2,885.4 million in 2015, 2016 and 2017 and the six months ended June 30, 2017 and 2018, respectively, accounting for 93.8%, 94.4%, 93.6%, 93.2% and 94.1% of our raw materials and consumables used during these periods. As such, food ingredient costs have a direct impact on our overall profitability.

The price and supply of food ingredients are subject to a number of factors that are beyond our control, including but not limited to rising market demand and inflation, as well as import restrictions and tariffs. During the Track Record Period, prices of certain goods, such as imported beef, have increased. However, we have leveraged our economies of scale during the price negotiation and our broad selection of food ingredients, as well as adjust our pricing strategy actively, to offset the impact of food price fluctuations. We currently do not enter into futures contracts or engage in other financial risk management strategies against potential price fluctuations in our supplies. Going forward, we will continue to manage our prices by closely monitoring market price fluctuations.

Staff Costs

For the year ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2017 and 2018, our staff costs amounted to RMB1,571.9 million, RMB2,044.3 million, RMB3,119.7 million, RMB1,390.7 million and RMB2,202.7 million, respectively, accounting for 27.3%, 26.2%, 29.3%, 29.2% and 30.0% of our revenue for the respective periods. During the Track Record Period, our staff costs increased as staff compensation is tied to our overall scale and profitability. The increase in our staff costs as a percentage of revenue from 26.2% in 2016 to 29.3% in 2017 was primarily due to (i) a significant increase in the number of newly-opened restaurants from 32 in 2016 to 98 in 2017, as we generally hire a team of employees one to three months prior to the opening of our new restaurants for training purposes, and (ii) an increase in compensation levels of our restaurant staff. Going forward, we expect our staff costs to continue to be affected by our compensation structure and the number of new restaurants we open.

Property Rent and Related Expenses

We generally enter into long-term leases ranging from five to 15 years with an option to renew for our restaurants. Rent under a substantial majority of our leases is fixed amounts and subject to incremental increases every two to three years as stipulated in the lease agreement. Our leases typically include a rent-free period of at least three months to facilitate the decoration and renovation of the premises. However, we start to recognize rent expenses immediately on a straight-line basis over the term of the lease (including the initial rent-free period). This difference means that our property rent and related expenses is typically higher than our actual rent payment in cash in the initial period of our lease, and typically lower than our actual rent payment in cash from the middle to the end of the lease period. For the years ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2017 and 2018, our property rent and related expenses amounted to RMB269.5 million, RMB298.4 million, RMB414.9 million, RMB179.3 million and RMB272.3 million, respectively, representing 4.7%, 3.8%, 3.9%, 3.8% and 3.7% of our revenue for the respective periods. In 2015, 2016, 2017 and the six months ended June 30, 2018, the total property rent and related expenses of the top quartile of our restaurants in terms of table turnover rate represented 3.6%, 3.0%, 2.8% and 2.7% of gross revenue of such restaurants, respectively. For the same period, the total property rent and related expenses of the bottom quartile of our restaurants in terms of table turnover rate represented 6.1%, 5.1%, 5.5% and 5.3% of gross revenue of such restaurants, respectively. According to the F&S Report, our rental expenses as a percentage of revenue is lower than the industry average, primarily driven by the relatively higher table turnover rates and strong performance of our restaurants. In addition, our strong brand power, ability to attract guest traffic and our long-term leases, as well as our cost-effective approach to leasing properties have contributed to our relatively low rental expenses compared to industry average. We believe that, due to our popularity, we do not have to rely on high-end or expensive properties to maintain high guest traffic. As we rapidly expand and open new restaurants, we expect the proportion of restaurants in the initial periods of their lease to increase, which may result in higher property rent and relevant expenses for accounting purposes. Going forward, we endeavor to manage our property rent and related expenses by establishing strategic partnerships with a number of major real estate developers in the PRC.

Capital Expenditure and Cash Flow

In 2015, 2016 and 2017 and the six months ended June 30, 2018, our total capital expenditure, which represented additions to property, plant and equipment, amounted to RMB401.6 million, RMB428.7 million, RMB1,518.3 million and RMB984.8 million, respectively. The increase in our total capital expenditure primarily represented our capital expenditure for the 36, 32, 98 and 71 newly-opened restaurants during these periods, respectively. During the Track Record Period, the capital expenditure for each newly-opened restaurant in the PRC was approximately RMB8 million to RMB10 million. As we continue to expand our restaurant network, our capital expenditure is expected to continue to grow. We will be required to ensure that sufficient cash flow is available to support our significant capital expenditures. As of December 31, 2015, 2016, 2017 and June 30, 2018, we had net current liabilities of RMB60.4 million, RMB385.6 million, RMB1,156.4 million and RMB1,832.1 million, respectively. As of July 31, 2018, we had net current liabilities of RMB1,892.3 million. Our capital expenditure plan and cash flow sufficiency will continue to have a material impact on our financial position, and the pace of our investment in new restaurants may have an effect on our business and results of operations. For details, see "— Net Current Liabilities."

Seasonality

Since substantially all of our revenue was derived from our hot pot restaurants and there are seasonal patterns for hot pot consumption, our business is subject to seasonal fluctuations. In addition, our overall results of operations may fluctuate from period to period because of other factors, including national holidays, school vacations, weather conditions, and fluctuations in food prices, among others. Historically, our sales are generally higher in the summer months, primarily due to summer vacation, and from October to February, as hot pot is generally more popular during the winter and during Chinese New Year holiday season. As a result, our results of operations may fluctuate from period to period and comparison of different periods may not be meaningful.

BASIS OF PRESENTATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on July 14, 2015 and became the holding company of the companies now comprising our Group after the Reorganization detailed in "History, Reorganization and Corporate Structure — Reorganization and Corporate Structure — Reorganization" on December 7, 2017. The businesses carried out by our Company and our subsidiaries resulting from the Business Restructuring have been under the common control of the Controlling Shareholders throughout the Track Record Period, therefore the subsidiaries and certain branches of Sichuan Haidilao engaged in restaurant operation, Haidilao Singapore and Shanghai Meike Meican are treated as part of our Group throughout the Track Record Period. Accordingly, the historical financial information of our Group has been prepared on the basis as if our company had always been the holding company of the companies comprising our Group using the principles of merger accounting.

To the extent the expenses are specifically identified to our business, such items are included in our consolidated financial statements during the Track Record Period. To the extent the expenses are common to our business and those that are not our business, these items are allocated on the basis set forth in detail in Note 1 in "Appendix I — Accountants' Report" to this Prospectus. Items that do not meet the criteria above are not included in our consolidated financial statements. Our Directors believe that the method of allocation of these items presents a reasonable basis of estimating what the operating results of our business would have been on a standalone basis for the Track Record Period.

We have applied all International Accounting Standards ("IASs"), IFRSs and amendments that are effective for our accounting periods beginning on or after January 1, 2018, including IFRS 9 "Financial Instruments" and IFRS 15 "Revenue from Contracts with Customers" and the related amendments, consistently throughout the Track Record Period. For details, see note 3 of "Appendix I — Accountants' Report." We consider that the adoption of IFRS 9 and IFRS 15 will not have a significant impact on our financial position and performance compared to the requirements of IAS 18 and IAS 39.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

We have identified certain accounting policies that are significant to the preparation of our financial statements. Our significant accounting policies, which are important for an understanding of our financial condition and results of operations are set forth in detail in Note 3 in "Appendix I — Accountants' Report". The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next twelve months from the end of each reporting period are set forth in Note 4 in "Appendix I — Accountants' Report". Some of our accounting policies involve subjective assumptions and estimates, as well as complex judgments relating to accounting items. In each case, the determination of these items requires management judgments based on information and financial data that may change in future periods. We applied the accounting estimates throughout the Track Record Period and we do not foresee any changes in the near future. We set forth below those accounting policies and estimates that we believe involve the most significant estimates and judgments used in the preparation of our financial statements.

Revenue Recognition

Revenue is recognized to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which we expect to be entitled in exchange for those goods or services. Specifically, we use a five-step approach to revenue recognition: (i) identify the contract(s) with a customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations in the contract; (v) recognize revenue when (or as) the entity satisfies a performance obligation.

We recognize revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to customers. A performance obligation represents a good and service (or a bundle or goods or services) that is distinct or a series of distinct goods or services that are substantially the same. Control of the asset may be transferred over time or at a point in time. Control of the asset is transferred over time if: (i) the customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs; (ii) our performance creates and enhances an asset that the customer controls as the Group performs; or (iii) our performance does not create an asset with an alternative use to us and we have an enforceable right to payment for performance completed to date.

If the control of the asset transfers over time, revenue is recognized over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognized at a point in time when the customer obtains control of the asset.

A contract asset represents our right to consideration in exchange for goods or services that we have transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with IFRS 9. In contrast, a receivable represents our unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents our obligation to transfer goods or services to a customer for which we has received consideration (or an amount of consideration is due) from the customer.

We recognize a refund liability if we receive consideration from a customer and expects to refund some or all of that consideration to the customer. A refund liability is measured at the amount of consideration received (or receivable) for which we do not expect to be entitled (i.e. amounts not included in the transaction price). The refund liability (and corresponding change in the transaction price and, therefore, the contract liability) is updated at the end of each reporting period for changes in circumstances.

The Group generates revenues from restaurant operation, delivery business and sales of condiment products and food ingredients. Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for discounts and sales related taxes. Revenue is recognized when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to us and when specific criteria have been met for each of our activities, as described below:

For restaurant operation and delivery business for which the control of services is transferred at a point in time, revenue is recognized when the related services have been rendered to customers. Revenue from the sales of condiment products and food ingredients for which the control of goods is transferred at a point in time, is recognized when the goods are delivered and titles have passed.

We operate a customer loyalty scheme through which award credits are granted to the customers on consuming in the restaurants that entitle them to consume by offsetting the reward credits on future purchases and consumptions in the restaurants. These award credits provide a right to consume by offsetting the reward credits to customers that they would not receive without future purchases and consumptions in the restaurants. The reward credits have a two-year valid period after the grant of reward credits. The promise to provide the right to the customer is therefore a separate performance obligation.

The transaction price is allocated between the restaurant operation service provided and the award credits on a relative stand-alone selling price basis. The stand-alone selling price of each award credit is estimated based on the right to be given when the award credits are redeemed by the customer and the likelihood of redemption, as evidenced by our historical experience.

A contract liability is recognized for revenue relating to the loyalty scheme at the time of the initial sales transaction. Revenue from the loyalty scheme is recognized when the award credits are redeemed by the customer. Revenue for award credits that are not expected to be redeemed is recognized in proportion to the pattern of rights exercised by customers.

Prepaid cards and vouchers issued by us, which can be utilized in the future consumption in restaurants by the customers, are recognized as contract liabilities. Advance from customers for which the services have not been rendered are recognized as liabilities until the relevant services are performed and was classified as contract liabilities.

Useful lives of property, plant and equipment

We determine the estimated useful lives of our property, plant and equipment in determining the related depreciation charge. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions.

We will increase the depreciation charge where useful lives are shorter than previously estimated lives, or will write-off or write-down obsolete or non-strategic assets that have been abandoned or sold. As of December 31, 2015, 2016 and 2017 and June 30, 2018, the carrying amount of property, plant and equipment is RMB796.6 million, RMB943.0 million, RMB2,085.4 million and RMB2,760.5 million, respectively. For details, see Note 15 in "Appendix I — Accountants' Report" to this Prospectus.

Contract Liabilities

The contract liability related to customer loyalty scheme substantially reflects the amount of revenue attributable to the award credits earned by the members of our customer loyalty scheme. The transaction price is allocated between the restaurant operation service provided and the award credits on a relative stand-alone selling price basis. The stand-alone selling price of each award credit is estimated based on the right to be given when the award credits are redeemed by the customer and the likelihood of redemption, as evidenced by our historical experience. Any change in estimate would affect profit or loss in future years. As of December 31, 2015, 2016 and 2017 and June 30, 2018, contract liabilities of RMB168.9 million, RMB196.2 million, RMB220.1 million and RMB269.7 million were recognized, respectively.

Deferred Taxes

As of December 31, 2015, 2016 and 2017 and June 30, 2018, no deferred tax asset has been recognized on the tax losses of RMB21.5 million, RMB41.9 million, RMB93.4 million and RMB187.8 million, respectively, due to the unpredictability of future profit streams. The realizability of deferred tax assets mainly depends on whether sufficient future taxable profits or taxable temporary differences will be available in the future. In cases where the actual future taxable profits generated are more than expected, or change in facts and circumstances which result in revision of future taxable profits estimation, a further recognition of deferred tax assets may arise, which would be recognized in profit or loss for the period in which such a further recognition takes place.

Social Insurance and Housing Provident Funds Contribution or the Equivalent

We have a large labor force with relatively high mobility. Certain of our employees may not participate in the social insurance and housing provident funds at their place of employment. Instead, they may participate in other legitimate social insurance schemes themselves and we would reimburse their contribution. Our Directors, taking into account the advice of our PRC Legal Advisers, consider that the likelihood that we would be required by the relevant local authorities to pay any shortfall for social insurance and housing provident funds is low if employees have participated and contributed under the other legitimate social insurance schemes. We consider that the provision made based on the applicable social insurance and housing provident funds contribution or equivalent are sufficient as of December 31, 2015, 2016 and 2017 and June 30, 2018.

On July 20, 2018, the General Office of the State Council issued "*The reform plan of the tax collection and management system of the National Taxation and Local Taxation*" (the "Document"), which will be implemented on January 1, 2019. In assessing the implication of the Document, if any, on our financial information, our Directors consider that there are no changes on existing laws and regulations on social insurance and housing provident funds or equivalent, and our provisions for social insurance and housing provident fund contribution or equivalent in during the Track Record Period are adequate.

DESCRIPTION OF CERTAIN COMPONENTS OF OUR RESULTS OF OPERATIONS

The following table sets forth selected consolidated statements of profit or loss and other comprehensive income for the period indicated.

	For the year ended December 31,						For the six months ended June 30,			
	2015		2016		2017		2017		2018	
	(in thousands of RMB, except percentages)									
Revenue	**5,756,682**	**100.0%**	**7,807,686**	**100.0%**	**10,637,170**	**100.0%**	**4,756,065**	**100.0%**	**7,342,644**	**100.0%**
Other income	35,663	0.6	62,094	0.8	90,753	0.9	40,037	0.8	26,986	0.4
Raw materials and consumables used	(2,599,740)	(45.2)	(3,179,281)	(40.7)	(4,313,230)	(40.5)	(1,949,182)	(41.0)	(3,066,327)	(41.8)
Staff costs	(1,571,877)	(27.3)	(2,044,292)	(26.2)	(3,119,699)	(29.3)	(1,390,723)	(29.2)	(2,202,717)	(30.0)
Property rent and related expenses	(269,482)	(4.7)	(298,367)	(3.8)	(414,862)	(3.9)	(179,347)	(3.8)	(272,301)	(3.7)
Utilities expenses	(221,483)	(3.8)	(262,985)	(3.4)	(348,577)	(3.3)	(148,862)	(3.1)	(254,635)	(3.5)
Depreciation and amortisation	(239,179)	(4.2)	(285,918)	(3.7)	(359,839)	(3.4)	(162,997)	(3.4)	(293,570)	(4.0)
Travelling and related expenses	(67,214)	(1.2)	(84,483)	(1.1)	(119,598)	(1.1)	(47,985)	(1.0)	(72,387)	(1.0)
Listing expenses	—	—	—	—	—	—	—	—	(20,659)	(0.3)
Other expenses	(268,113)	(4.7)	(372,422)	(4.8)	(444,998)	(4.2)	(160,933)	(3.4)	(301,373)	(4.1)
Share of profit of an associate	—	—	—	—	482	0.0	—	—	5,205	0.1
Other gains and losses	8,072	0.1	12,012	0.2	26,062	0.2	8,186	0.2	18,826	0.3
Finance costs	(3,221)	(0.1)	(8,167)	(0.1)	(8,614)	(0.1)	(6,282)	(0.1)	(8,774)	(0.1)
Profit before tax	**560,108**	**9.7**	**1,345,877**	**17.2**	**1,625,050**	**15.3**	**757,977**	**15.9**	**900,918**	**12.3**
Income tax expense	(149,426)	(2.6)	(367,686)	(4.7)	(430,708)	(4.0)	(204,828)	(4.3)	(253,507)	(3.5)
Profit for the year/period	**410,682**	**7.1**	**978,191**	**12.5**	**1,194,342**	**11.2**	**553,149**	**11.6**	**647,411**	**8.8**
Profit for the year/period attributable to:										
Owners of the Company	272,693	4.7	735,169	9.4	1,027,845	9.7	424,804	8.9	646,488	8.8
Non-controlling interest	137,989	2.4%	243,022	3.1%	166,497	1.6%	128,345	2.7%	923	0.0%

Revenue

We generate revenue from (i) our restaurant operation, (ii) our delivery business, and (iii) sales of condiment products and food ingredients. Our revenue was RMB5,756.7 million, RMB7,807.7 million, RMB10,637.2 million, RMB4,756.1 million and RMB7,342.6 million for the years ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2017 and 2018, respectively.

During the Track Record Period, our revenue from restaurant operation is adjusted for revenue related to award credits earned and redeemed through our customer loyalty program. Members of our customers loyalty program can earn award credits based on spending at our restaurants. These award credits can be redeemed for future consumptions within two years after the award credits are earned. We estimate the amount of revenue attributable to the award credits earned by our members based on the fair value of the award credits and the expected exchange rate. The fair value of the credits awarded is estimated by reference to external sales. The expected exchange rate is estimated considering the number of the award credits that will be available for exchange in the future after allowing for award credits which are not expected to be exchanged. Any significant change in these estimates would affect our profit or loss in future years.

The following table sets forth a reconciliation of our gross and total revenue for the period indicated.

	For the year ended December 31,			For the six months ended June 30,	
	2015	**2016**	**2017**	**2017**	**2018**
	(in thousands of RMB)				
Gross revenue generated from restaurant operation	5,783,611	7,662,854	10,411,959	4,675,730	7,201,668
Net of:					
Customer loyalty program	(130,522)	(27,258)	(23,862)	(29,046)	(49,631)
Revenue generated from restaurant operation	**5,653,089**	**7,635,596**	**10,388,097**	**4,646,684**	**7,152,037**
Delivery business	**74,073**	**146,118**	**218,762**	**97,730**	**133,357**
Sales of condiment products and food ingredients	**29,520**	**25,972**	**30,311**	**11,651**	**57,250**
Total revenue	**5,756,682**	**7,807,686**	**10,637,170**	**4,756,065**	**7,342,644**

Our business is conducted in the PRC and overseas. The following table sets forth our breakdown of gross revenue from restaurant operation by location for the period indicated.

	For the year ended December 31,						For the six months ended June 30,			
	2015		2016		2017		2017		2018	
	(in thousands of RMB, except percentages)									
							(unaudited)			
PRC										
Tier 1 cities	2,316,797	40.1%	2,713,753	35.4%	2,959,223	28.4%	1,427,081	30.5%	1,800,232	25.0%
Tier 2 cities	2,879,563	49.8	3,776,360	49.3	5,230,981	50.2	2,339,596	50.0	3,467,689	48.2
Tier 3 cities and below	310,178	5.4	733,596	9.6	1,518,374	14.6	636,389	13.6	1,401,431	19.5
Subtotal	*5,506,538*	*95.2*	*7,223,709*	*94.3*	*9,708,578*	*93.2*	*4,403,066*	*94.2*	*6,669,352*	*92.6*
Outside PRC										
Singapore	193,553	3.3	258,685	3.4	353,993	3.4	156,145	3.3	228,988	3.2
Taiwan	13,736	0.2	57,599	0.8	158,449	1.5	41,080	0.9	108,601	1.5
South Korea	26,452	0.5	46,402	0.6	72,503	0.7	29,703	0.6	48,367	0.7
Japan	13,327	0.2	38,056	0.5	55,488	0.5	23,363	0.5	50,734	0.7
United States	30,005	0.5	38,403	0.5	46,737	0.4	22,373	0.5	61,167	0.8
Hong Kong	—	—	—	—	16,211	0.2	—	—	34,459	0.5
Subtotal	*277,073*	*4.8*	*439,145*	*5.7*	*703,381*	*6.8*	*272,664*	*5.8*	*532,316*	*7.4*
Gross revenue generated from restaurant operation	**5,783,611**	**100.0%**	**7,662,854**	**100.0%**	**10,411,959**	**100.0%**	**4,675,730**	**100.0%**	**7,201,668**	**100.0%**
Net of:										
Customer loyalty program	(130,522)		(27,258)		(23,862)		(29,046)		(49,631)	
Revenue generated from restaurant operation	**5,653,089**		**7,635,596**		**10,388,097**		**4,646,684**		**7,152,037**	

For the years ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2017 and 2018, 1.3%, 1.9%, 2.1%, 2.1% and 1.8% of our revenue was generated from delivery business, respectively. The following table sets forth key performance indicators that affect our revenue generated from delivery business.

	For the year ended December 31,			For the six months ended June 30,	
	2015	2016	2017	2017	2018
Number of delivery orders	139,339	425,452	703,245	300,812	448,987
Average sales per delivery order (RMB)	531.6	343.4	311.1	324.9	297.0

Other Income

Other income consisted of (i) interest income on bank deposits, loans to New High Lao, a related party, and other financial assets, (ii) government grant, which primarily consisted of subsidies received from local PRC governments to support our business development, and (iii) others, which primarily consisted of sales of recyclables at our restaurants.

The following table sets forth a breakdown of our other income for the period indicated.

	For the year ended December 31,			For the six months ended June 30,	
	2015	2016	2017	2017	2018
	(in thousands of RMB)				
				(unaudited)	
Interest income on:					
- bank deposits	194	398	1,250	362	454
- loans to a related party	2,423	3,239	2,846	1,631	—
- other financial assets	38	73	567	190	319
Sub-total	*2,655*	*3,710*	*4,663*	*2,183*	*773*
Government grant	22,078	49,426	74,861	33,220	17,097
Others	10,930	8,958	11,229	4,634	9,116
Total other income	**35,663**	**62,094**	**90,753**	**40,037**	**26,986**

Raw Materials and Consumables Used

Our raw materials and consumables used consisted of costs for (i) food ingredients (including shipping costs), (ii) consumables used in our restaurants (such as napkins and other disposable items used in our restaurants), and (iii) restaurant staff uniforms. For the years ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2017 and 2018, our raw materials and consumables used were RMB2,599.7 million, RMB3,179.3 million, RMB4,313.2 million, RMB1,949.2 million and RMB3,066.3 million, respectively, representing 45.2%, 40.7%, 40.5%, 41.0% and 41.8% of our revenue for the respective period.

The following table sets forth a breakdown of our raw materials and consumables used for the period indicated.

	For the year ended December 31,			For the six months ended June 30,	
	2015	2016	2017	2017	2018
	(in thousands of RMB)				
				(unaudited)	
Food ingredient costs	2,438,985	3,000,654	4,038,851	1,817,530	2,885,354
Consumables	147,899	165,980	254,099	122,227	167,231
Restaurant staff uniforms	12,856	12,647	20,280	9,425	13,742
Total raw materials and consumables used	**2,599,740**	**3,179,281**	**4,313,230**	**1,949,182**	**3,066,327**

Staff Costs

Our staff costs represented (i) salaries and other allowances, (ii) employee welfare, (iii) retirement benefit contribution, and (iv) Directors' emoluments. For the year ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2017 and 2018, our staff costs amounted to RMB1,571.9 million, RMB2,044.3 million, RMB3,119.7 million, RMB1,390.7 million and RMB2,202.7 million, respectively, accounting for 27.3%, 26.2%, 29.3%, 29.2% and 30.0% of our revenue for the respective period.

The following table sets forth a breakdown of our staff costs for the period indicated.

	For the year ended December 31,			For the six months ended June 30,	
	2015	2016	2017	2017	2018
	(in thousands of RMB)				
				(unaudited)	
Salaries and other allowances	1,318,273	1,711,834	2,592,158	1,169,880	1,866,581
Employee welfare	190,951	225,099	372,973	157,306	233,622
Retirement benefit contribution	48,744	80,143	124,793	52,613	90,253
Directors' emoluments	13,909	27,216	29,775	10,924	12,261
Total staff costs	**1,571,877**	**2,044,292**	**3,119,699**	**1,390,723**	**2,202,717**

Property Rent and Related Expenses

Our property rent and related expenses mainly represented lease payments under operating leases for our restaurants and headquarters. For the years ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2017 and 2018, our property rent and related expenses amounted to RMB269.5 million, RMB298.4 million, RMB414.9 million, RMB179.3 million and RMB272.3 million, respectively, representing 4.7%, 3.8%, 3.9%, 3.8% and 3.7% of our revenue for the respective period.

Utilities Expenses

Our utilities expenses primarily consisted of expenses in relation to electricity utilities, and to a lesser extent, gas and water utilities. Our utilities expenses amounted to RMB221.5 million, RMB263.0 million, RMB348.6 million, RMB148.9 million and RMB254.6 million for the years ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2017 and 2018, respectively, representing 3.8%, 3.4%, 3.3%, 3.1% and 3.5% of our revenue for the respective period.

Depreciation and Amortization

Depreciation and amortization represented depreciation charges for our property, plant and equipment, which primarily includes restaurant furniture and equipment in relation to decoration and refurbishment of our new restaurant openings and existing restaurants. For the year ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2017 and 2018, our depreciation and amortization amounted to RMB239.2 million, RMB285.9 million, RMB359.8 million, RMB163.0 million and RMB293.6 million, respectively, representing 4.2%, 3.7%, 3.4%, 3.4% and 4.0% of our revenue for the respective period.

Travelling and Related Expenses

Travelling and related expenses mainly represented travel expenses of our staff in relation to opening new restaurants. For the years ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2017 and 2018, our travelling and related expenses amounted to RMB67.2 million, RMB84.5 million, RMB119.6 million, RMB48.0 million and RMB72.4 million, respectively.

Other Expenses

Our other expenses comprised (i) administrative expenses, which mainly consisted of day-to-day maintenance expenses, cleaning fees, expenses for team-building activities and meal expenses, (ii) consulting services fees, including those we paid to Weihai Consulting for human resource consulting services and Shuyun Dongfang for decoration project management services, (iii) bank charges, (iv) business development expenses, and (v) others. Our other expenses were RMB268.1 million, RMB372.4 million, RMB445.0 million, RMB160.9 million and RMB301.4 million for the years ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2017 and 2018, respectively.

The following table sets forth a breakdown of our other expenses for the period indicated.

	For the year ended December 31,			For the six months ended June 30,	
	2015	2016	2017	2017	2018
	(in thousands of RMB)				
				(unaudited)	
Administrative expenses	148,856	164,957	195,809	75,120	163,492
Consulting services fees	63,095	91,169	154,201	55,323	72,877
Business development expenses	7,249	60,890	47,838	11,215	32,523
Bank charges	32,520	29,849	33,513	15,368	28,088
Others	16,393	25,557	13,637	3,907	4,393
Total other expenses	**268,113**	**372,422**	**444,998**	**160,933**	**301,373**

Share of Profit of an Associate

We invested in a 40% equity interest in Fuhai (Shanghai) Food Technology Co., Ltd., a subsidiary of Yihai Group engaged in the instant hot pot business, in July 2017 and recorded our share of the post-acquisition profits amounting to RMB0.5 million and RMB5.2 million for the year ended December 31, 2017 and the six months ended June 30, 2018, respectively. See "Connected Transactions — Non-exempt Continuing Connected Transactions — C. Procurement — 1. Yihai Master Purchase Agreements."

Other Gains and Losses

Our other gains and losses primarily consisted of (i) net loss on disposal of property, plant and equipment, (ii) net foreign exchange gain or loss, (iii) gain from changes in fair value of financial assets at fair value through profit or loss ("FVTPL"), and (iv) compensation claims income. For the years ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2017 and 2018, we recorded other gains of RMB8.1 million, RMB12.0 million, RMB26.1 million, RMB8.2 million and RMB18.8 million, respectively.

We had other gains of RMB2.5 million, RMB3.0 million, RMB24.6 million, RMB7.5 million and RMB7.1 million from changes in fair value of financial assets at FVTPL in 2015, 2016 and 2017 and the six months ended June 30, 2017 and 2018, respectively. Financial assets at FVTPL we purchased during the Track Record Period were publicly-listed equity securities and financial products issued by banks. In particular, the significant majority of our gain from changes in fair value of financial assets at FVTPL in 2017 was attributable to changes in fair value of the publicly-listed equity securities we held, which amounted to RMB20.9 million, primarily reflecting (i) our increased purchase of publicly-listed equity securities, and (ii) an increase in the share prices of the publicly-listed equity securities we held during this period. For details, see "— Discussion of Certain Balance Sheet Items — Financial Assets — Financial Assets at Fair Value Through Profit or Loss."

The table below sets forth a breakdown of our other gains and losses for the period indicated.

	For the year ended December 31,			For the six months ended June 30,	
	2015	2016	2017	2017	2018
	(in thousands of RMB)				
				(unaudited)	
Loss on disposal of property, plant and equipment, net	(2,882)	(3,594)	(10,903)	(7,809)	(3,007)
Net foreign exchange gain/(loss)	849	2,348	(3,742)	(1,671)	11,298
Gain from changes in fair value of financial assets at FVTPL	2,544	2,957	24,577	7,539	7,062
Compensation claim income	1,381	1,857	5,694	3,193	575
Others[1]	6,180	8,444	10,436	6,934	2,898
Total other gains and losses	**8,072**	**12,012**	**26,062**	**8,186**	**18,826**

(i) Others include rebates from payment platforms and other miscellaneous gains.

Finance Costs

Our finance costs represent interests on borrowings. For the years ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2017 and 2018, our interest on borrowings amounted to RMB3.2 million, RMB8.2 million, RMB8.6 million, RMB6.3 million and RMB8.8 million, respectively.

Income Tax Expenses

Our income tax expenses consisted primarily of income tax payable by our subsidiaries in the PRC and overseas. For the years ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2017 and 2018, our income tax expenses were RMB149.4 million, RMB367.7 million, RMB430.7 million, RMB204.8 million and RMB253.5 million, respectively. During the Track Record Period, our PRC subsidiaries were subject to a statutory EIT rate of 25% under the EIT Law, and our subsidiaries incorporated overseas are subject to overseas profit tax at 10% to 35% on estimated assessable profit. During the Track Record Period, we did not have any assessable income in the Cayman Islands and the British Virgin Islands.

In addition to applicable EIT rates, our effective income tax rates may also be affected by amounts relating to, among other things, expenses not deductible for tax purposes, income not taxable for tax purposes, tax losses not recognized, utilization of tax losses previously not recognized, withholding tax and under or over provision in respect of prior year. For the years ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2017 and 2018, our effective income tax rate was 26.7%, 27.3%, 26.5%, 27.0% and 28.1%, respectively. During the Track Record Period and as of the Latest Practicable Date, we fulfilled all of our tax obligations and did not have any unresolved tax disputes.

Non-controlling Interests

Along with the growth of our business, we acquired certain subsidiaries and branches from Sichuan Haidilao, New High Lao and Jingyuan Investment to optimize our corporate structure for future development. For details, see "History, Reorganization and Corporate Structure — Reorganization and Corporate Structure — Principal Subsidiaries." Prior to transfers of the equity interests in the abovementioned subsidiaries and branches to our Group, all equity interests attributable to parties other than the Controlling Shareholders are treated as non-controlling interests. Non-controlling interests were acquired and derecognized during the Track Record Period following the equity transfers of the relevant subsidiaries and branches to our Group. As of June 30, 2018, the non-controlling interests of our Group amounted to RMB35.2 million, representing the 49% interest held by a non-controlling shareholder of Jiaozuo Qingfeng Haidilao Catering Co., Ltd and the 49% interest held by a non-controlling shareholder of Ying Hai Holdings Pte. Ltd. For details, see Note 1 of "Appendix I — Accountants' Report."

DISCUSSION OF HISTORICAL OPERATING RESULTS

Six Months ended June 30, 2017 Compared to Six Months ended June 30, 2018

Our revenue and profit margin for the six months ended June 30, 2018 were affected by the pace of new restaurant openings and the associated pre-opening costs for these restaurants. See "—Key Factors Affecting Our Results of Operations — Pace of New Restaurant Openings."

Revenue

Our revenue increased by 54.4% from RMB4,756.1 million for the six months ended June 30, 2017 to RMB7,342.6 million for the six months ended June 30, 2018, primarily reflecting a RMB2,505.4 million increase in revenue from restaurant operation and a RMB35.6 million increase in revenue from our delivery business.

Restaurant Operation

Revenue from restaurant operation increased significantly by 53.9% from RMB4,646.7 million for the six months ended June 30, 2017 to RMB7,152.0 million for the six months ended June 30, 2018, mainly due to (i) the RMB1,418.3 million gross revenue generated from restaurants opened in the second half of 2017, (ii) the RMB640.1 million gross revenue generated from restaurants opened in the first half of 2018, and (iii) revenue contribution from the full-year operation of our restaurants opened in the first half of 2017. Moreover, our same store table turnover rate increased from 5.0 times per day for the six months ended June 30, 2017 to 5.2 times per day for the six months ended June 30, 2018, and our average same store sales per day increased from RMB140.4 thousand to RMB149.4 thousand for the same periods, which resulted in a 6.4% increase in our same store sales from RMB3,941.3 million to RMB4,194.5 million for the same periods. To a lesser extent, the increase in our revenue was also attributable to an increase in our average spending per guest from RMB97.0 for the six months ended June 30, 2017 to RMB100.3 for the six months ended June 30, 2018.

Delivery Business

Revenue from our delivery business increased by 36.5% from RMB97.7 million for the six months ended June 30, 2017 to RMB133.4 million for the six months ended June 30, 2018, mainly due to an increase in number of delivery orders from 300,812 in the first half of 2017 to 448,987 in the first half of 2018; partially offset by a decrease in average sales per delivery order from RMB324.9 in the first half of 2017 to RMB297.0 in the first half of 2018, primarily due to a higher mix of mini hot pot orders in the first half of 2018.

Other Income

Our other income decreased by 32.6% from RMB40.0 million for the six months ended June 30, 2017 to RMB27.0 million for the six months ended June 30, 2018, primarily due to a RMB16.1 million decrease in government grants, which are mainly non-recurring in nature.

Raw Materials and Consumables Used

Our raw materials and consumables used increased by 57.3% from RMB1,949.2 million for the six months ended June 30, 2017 to RMB3,066.3 million for the six months ended June 30, 2018, primarily due to (i) a RMB1,067.8 million increase in food ingredients costs, and (ii) a RMB45.0 million increase in consumables, as a result of our business expansion.

As a percentage of revenue, our raw materials and consumables used increased by 0.8% during these periods, primarily because of our promotional efforts for the new restaurants we opened in newly-entered geographical regions.

Staff Costs

Our staff costs increased by 58.4% from RMB1,390.7 million for the six months ended June 30, 2017 to RMB2,202.7 million for the six months ended June 30, 2018, and as a percentage of revenue, increased from 29.2% for the six months ended June 30, 2017 to 30.0% for the six months ended June 30, 2018 primarily because we generally hire a team of employees one to three months prior to the opening of our new restaurant for training purposes. We opened 71 new restaurants in the six months ended June 30, 2018 and commenced hiring and staff training for restaurants to be opened in the third quarter of 2018.

Property Rent and Related Expenses

Our property rent and related expenses increased by 51.8% from RMB179.3 million for the six months ended June 30, 2017 to RMB272.3 million for the six months ended June 30, 2018, primarily because we opened a significant number of new restaurants in the second half of 2017 and the six months ended June 30, 2018. As a percentage of revenue, our property rent and related expenses remained relatively stable at 3.8% and 3.7% for the six months ended June 30, 2017 and 2018, respectively.

Utilities Expenses

Our utilities expenses increased by 71.1% from RMB148.9 million for the six months ended June 30, 2017 to RMB254.6 million for the six months ended June 30, 2018, primarily because we opened a significant number of new restaurants in the second half of 2017 and the six months ended June 30, 2018. As a percentage of revenue, our utilities expenses increased from 3.1% for the six months ended June 30, 2017 to 3.5% for the six months ended June 30, 2018 primarily because our newly-opened restaurants primarily use electricity, which is more expensive than gas, to enhance our operational safety.

Depreciation and Amortization

Our depreciation and amortization increased by 80.1% from RMB163.0 million for the six months ended June 30, 2017 to RMB293.6 million for the six months ended June 30, 2018, primarily because we invested in more property, plant and equipment in relation to the 71 new restaurants we opened in the six months ended June 30, 2018. As a percentage of revenue, depreciation and amortization increased from 3.4% for the six months ended June 30, 2017 to 4.0% for the six months ended June 30, 2018 primarily due to the ramp-up of new restaurants we opened in the first half of 2018.

Travelling and Related Expenses

Our travelling and related expenses increased by 50.9% from RMB48.0 million for the six months ended June 30, 2017 to RMB72.4 million for the six months ended June 30, 2018 as a result of our business expansion. As a percentage of revenue, our travelling and related expenses remained stable at 1.0% for the six months ended June 30, 2017 and 2018, respectively.

Other Expenses

Our other expenses increased by 87.3% from RMB160.9 million for the six months ended June 30, 2017 to RMB301.4 million for the six months ended June 30, 2018, primarily due to (i) a RMB88.4 million increase in administrative expenses reflecting our business expansion, and (ii) a RMB17.6 million increase in consulting services fees.

Share of Profit of an Associate

Our share of profit in relation to Fuhai (Shanghai) Food Technology Co., Ltd. was RMB5.2 million for the six months ended June 30, 2018. Our share of profit in an associate was nil for the six months ended June 30, 2017 as we invested in Fuhai (Shanghai) Food Technology Co., Ltd. in July 2017.

Other Gains and Losses

Our other gains and losses increased by 130.0% from RMB8.2 million for the six months ended June 30, 2017 to RMB18.8 million for the six months ended June 30, 2018, primarily because (i) we recognized RMB11.3 million in net foreign exchange gain for the six months ended June 30, 2018, whereas we recognized RMB1.7 million in net foreign exchange loss for the six months ended June 30, 2017, reflecting the depreciation of the Renminbi against the U.S. dollar, (ii) a RMB4.8 million decrease in net loss on disposal of property, plant and equipment.

Finance Costs

Our finance costs increased by 39.7% from RMB6.3 million for the six months ended June 30, 2017 to RMB8.8 million for the six months ended June 30, 2018, primarily due to an increase in borrowings during these periods.

Income Tax Expense

Our income tax expense increased by 23.8% from RMB204.8 million for the six months ended June 30, 2017 to RMB253.5 million for the six months ended June 30, 2018, primarily the increase in our profit before tax during these periods. Our effective tax rate increased from 27.0% for the six months ended June 30, 2017 to 28.1% for the six months ended June 30, 2018, primarily reflecting the RMB20.2 million increase in the tax effect of tax losses not recognized which primarily related to certain newly-opened restaurants that had a tax loss.

Profit for the Period

As a result of the foregoing, our profit for the period increased by 17.0% from RMB553.1 million for the six months ended June 30, 2017 to RMB647.4 million for the six months ended June 30, 2018.

Year ended December 31, 2017 Compared to Year ended December 31, 2016

Revenue

Our revenue increased by 36.2% from RMB7,807.7 million in 2016 to RMB10,637.2 million in 2017, primarily reflecting a RMB2,752.5 million increase in revenue from restaurant operation and a RMB72.6 million increase in revenue from our delivery business.

Restaurant Operation

Revenue from restaurant operation increased significantly by 36.0% from RMB7,635.6 million in 2016 to RMB10,388.1 million in 2017, mainly due to (i) the RMB1,376.5 million gross revenue generated from the newly opened restaurants in 2017, equivalent to 18.0% of our gross revenue generated from restaurant operation in 2016, as a result of an increase in the number of our restaurants from 176 as of December 31, 2016 to 273 as of December 31, 2017, (ii) revenue contribution from the full-year operation of our restaurants opened in 2016, and (iii) an increase in our overall table turnover rate from 4.5 times per day in 2016 to 5.0 times per day in 2017, reflecting an increase in the popularity and recognition of our brand. In particular, our same store table turnover rate increased from 4.6 times per day in 2016 to 5.1 times per day in 2017, which resulted in a 14.0% increase in our same store sales from RMB6,006.8 million in 2016 to RMB6,846.7 million in 2017. To a lesser extent, the increase in our revenue was also attributable to an increase in our average spending per guest from RMB94.5 in 2016 to RMB97.7 in 2017.

Delivery Business

Revenue from our delivery business increased by 49.7% from RMB146.1 million in 2016 to RMB218.8 million in 2017, primarily because of an increase in numbers of delivery orders from 425,452 in 2016 to 703,245 in 2017; partially offset by a decrease in average sales per delivery order from RMB343.4 in 2016 to RMB311.1 in 2017, primarily due to a higher mix of mini hot pot orders in 2017 which generally has a significant lower average spending per delivery order than traditional hot pot (which generally caters to larger groups).

Other Income

Our other income increased by 46.2% from RMB62.1 million in 2016 to RMB90.8 million in 2017, primarily due to a RMB25.4 million increase in government grants.

Raw Materials and Consumables Used

Our raw materials and consumables used increased by 35.7% from RMB3,179.3 million in 2016 to RMB4,313.2 million in 2017, primarily due to (i) a RMB1,038.2 million increase in food ingredient costs, and (ii) a RMB88.1 million increase in consumables, as a result of our business expansion. As a percentage of revenue, our raw materials and consumables used remained relatively stable at 40.7% in 2016 and 40.5% in 2017.

Staff Costs

Our staff costs increased by 52.6% from RMB2,044.3 million in 2016 to RMB3,119.7 million in 2017, and as a percentage of revenue, increased from 26.2% in 2016 to 29.3% in 2017, primarily due to (i) the opening of 98 new restaurants in 2017, as we generally hire a team of employees one to three months prior to the opening of our new restaurants for training purposes, and (ii) an increase in compensation levels of our restaurant staff.

Property Rent and Related Expenses

Our property rent and related expenses increased by 39.0% from RMB298.4 million in 2016 to RMB414.9 million in 2017, primarily because we opened 98 new restaurants in 2017. Our property rent and related expenses as a percentage of revenue remained relatively stable at 3.8% in 2016 and 3.9% in 2017.

Utilities Expenses

Our utilities expenses increased by 32.5% from RMB263.0 million in 2016 to RMB348.6 million in 2017, primarily because we opened 98 new restaurants in 2017. As a percentage of revenue, utilities expenses remained relatively stable at 3.4% in 2016 and 3.3% in 2017.

Depreciation and Amortization

Our depreciation and amortization increased by 25.9% from RMB285.9 million in 2016 to RMB359.8 million in 2017, primarily because we invested in more property, plant and equipment, in relation to the 98 new restaurants we opened in 2017. As a percentage of revenue, depreciation and amortization decreased from 3.7% in 2016 to 3.4% in 2017.

Travelling and Related Expenses

Our travelling and related expenses increased by 41.6% from RMB84.5 million in 2016 to RMB119.6 million in 2017 as a result of our business expansion. As a percentage of revenue, our travelling and related expenses remained stable at 1.1% in 2016 and 2017.

Other Expenses

Our other expenses increased by 19.5% from RMB372.4 million in 2016 to RMB445.0 million in 2017, as a result of our business expansion, primarily due to (i) a RMB63.0 million increase in consulting services fees, and (ii) a RMB30.9 million increase in administrative expenses in relation to daily maintenance expenses, cleaning fees and staff meal expenses; partially offset by a RMB13.1 million decrease in business development expenses.

Share of Profit of an Associate

In 2017, we recorded RMB0.5 million in our share of profit in relation to Fuhai (Shanghai) Food Technology Co., Ltd., in which we held a 40% equity interest.

Other Gains and Losses

Our other gains and losses increased significantly from RMB12.0 million in 2016 to RMB26.1 million in 2017, primarily due to a RMB21.6 million increase in gain from changes in fair value of financial assets at FVTPL, which primarily represents gains from publicly listed equity securities and financial products issued by banks; partially offset by a RMB7.3 million increase in net loss on disposal of property, plant and equipment.

Finance Costs

Our finance costs totaled RMB8.2 million in 2016 and RMB8.6 million in 2017.

Income Tax Expense

Our income tax expense increased by 17.1% from RMB367.7 million in 2016 to RMB430.7 million in 2017, primarily reflecting our increased profit before tax during these periods. Our effective tax rate remained relatively stable at 27.3% in 2016 and 26.5% in 2017.

Profit for the Year

As a result of the foregoing, our profit for the year increased by 22.1% from RMB978.2 million in 2016 to RMB1,194.3 million in 2017, and our net profit margin decreased from 12.5% in 2016 to 11.2% in 2017.

Year Ended December 31, 2016 Compared to Year Ended December 31, 2015

Revenue

Our revenue increased by 35.6% from RMB5,756.7 million in 2015 to RMB7,807.7 million in 2016, primarily reflecting a RMB1,982.5 million increase in revenue from restaurant operation and a RMB72.0 million increase in revenue from our delivery business.

Restaurant Operation

Revenue from restaurant operation increased significantly by 35.1% from RMB5,653.1 million in 2015 to RMB7,635.6 million in 2016, mainly due to (i) the RMB492.7 million gross revenue generated from the newly-opened restaurants in 2016, equivalent to 8.5% of our gross revenue generated from restaurant operation in 2015, as a result of an increase in the number of our restaurants from 146 as of December 31, 2015 to 176 as of December 31, 2016, (ii) revenue contribution from the full-year operation of our restaurants opened in 2015, and (iii) an increase in our overall table turnover rate from 4.0 times per day in 2015 to 4.5 times per day in in 2016, reflecting an increase in the popularity and recognition of our brand. In particular, our same store table turnover rate increased from 4.0 times per day in 2015 to 4.5 times per day in 2016, which resulted in an 14.1% increase in our same store sales from RMB4,795.6 million in 2015 to RMB5,470.5 million in 2016. To a lesser extent, the increase in our revenue was also attributable to an increase in our average spending per guest from RMB91.8 in 2015 to RMB94.5 in 2016.

Delivery Business

Revenue from our delivery business increased by 97.3% from RMB74.1 million in 2015 to RMB146.1 million in 2016, primarily due to (i) a significant increase in delivery orders from 139,339 in 2015 to 425,452 in 2016; partially offset by a decrease in average sales per delivery order from RMB531.6 in 2015 to RMB343.4 in 2016, primarily due to (i) our commencement of offering mini hot pot orders in 2016, which generally has a significant lower average spending per delivery order than traditional hot pot (which generally caters to larger groups), and (ii) increased offering of promotional discounts in 2016 to our guests to drive sales.

Other Income

Our other income increased significantly by 74.1% from RMB35.7 million in 2015 to RMB62.1 million in 2016, primarily due to a RMB27.3 million increase in government grants.

Raw Materials and Consumables Used

Our raw materials and consumables used increased by 22.3% from RMB2,599.7 million in 2015 to RMB3,179.3 million in 2016, primarily due to (i) a RMB561.7 million increase in food ingredient costs, and (ii) a RMB18.1 million increase in consumables, as a result of our business expansion.

As a percentage of revenue, our raw materials and consumables decreased from 45.2% in 2015 to 40.7% in 2016, primarily because certain input value-added taxes were deducted from the costs recorded under raw materials and consumables used as a result of new government policy requiring payment of value-added tax in lieu of business tax in May 2016.

Staff costs

Our staff costs increased by 30.1% from RMB1,571.9 million in 2015 to RMB2,044.3 million in 2016 mainly due to the openings of 32 new restaurants in 2016. As a percentage of revenue, staff costs decreased from 27.3% in 2015 to 26.2% in 2016, primarily reflecting improvement in restaurant performance.

Property Rent and Related Expenses

Our property rent and related expenses increased by 10.7% from RMB269.5 million in 2015 to RMB298.4 million in 2016, primarily because we opened 32 new restaurants in 2016. As a percentage of revenue, property rent and related expenses decreased from 4.7% in 2015 to 3.8% in 2016, primarily reflecting improvement in restaurant performance.

Utilities Expenses

Our utilities expenses increased by 18.7% from RMB221.5 million in 2015 to RMB263.0 million in 2016 mainly because we opened 32 new restaurants in 2016. As a percentage of revenue, utilities expenses decreased from 3.8% in 2015 to 3.4% in 2016, primarily due to improvement in restaurant performance.

Depreciation and Amortization

Our depreciation and amortization increased by 19.5% from RMB239.2 million in 2015 to RMB285.9 million in 2016, primarily because we invested in more property, plant and equipment, in relation to the 32 new restaurants we opened in 2016.

As a percentage of revenue, depreciation and amortization decreased from 4.2% in 2015 to 3.7% in 2016, primarily due to improvement in restaurant performance.

Travelling and Related Expenses

Our travelling and related expenses increased by 25.7% from RMB67.2 million in 2015 to RMB84.5 million in 2016, as a result of our business expansion. As a percentage of revenue, our travelling and related expenses remained stable at 1.2% in 2015 and 1.1% in 2016.

Other Expenses

Our other expenses increased by 38.9% from RMB268.1 million in 2015 to RMB372.4 million in 2016, primarily due to (i) a RMB53.6 million increase in business development expenses, (ii) a RMB28.1 million increase in consulting services fees in relation to new restaurant openings, and (iii) a RMB16.1 million increase in administrative expenses, reflecting the growth of our operation scale; partially offset by a RMB2.7 million decrease in bank charges.

Share of Profit of an Associate

For the years ended December 31, 2015 and 2016, we did not have any associate.

Other Gains and Losses

Our other gains and losses increased by 48.8% from RMB8.1 million in 2015 to RMB12.0 million in 2016, primarily due to (i) a RMB1.5 million increase in net foreign exchange gain, and (ii) a RMB2.3 million increase in other items of other gains and losses, which mainly consisted of rebates from payment platforms and other miscellaneous gains; partially offset by a RMB0.7 million increase in net loss on disposal of property, plant and equipment.

Finance Costs

Our finance costs increased significantly from RMB3.2 million in 2015 to RMB8.2 million in 2016, primarily due to the increase in our bank borrowings in 2016.

Income Tax Expense

Our income tax expense increased significantly from RMB149.4 million in 2015 to RMB367.7 million in 2016, primarily reflecting our increased profit before tax in 2016. Our effective tax rate remained relatively stable at 26.7% in 2015 and 27.3% in 2016.

Profit for the Year

As a result of the foregoing, our profit for the year increased significantly from RMB410.7 million in 2015 to RMB978.2 million in 2016, and our net profit margin increased from 7.1% in 2015 to 12.5% in 2016.

DISCUSSION OF CERTAIN BALANCE SHEET ITEMS

Inventories

Our inventories mainly represented our food ingredients used in our restaurant operation. Our inventories increased from RMB41.1 million as of December 31, 2015 to RMB49.7 million as of December 31, 2016, and further to RMB95.1 million as of December 31, 2017, primarily because we opened 32 and 98 new restaurants in 2016 and 2017, respectively, requiring us to maintain inventories at these restaurants. Our inventories increased significantly to RMB325.4 million as of June 30, 2018, primarily reflecting the change in our procurement arrangement beginning in January 2018 under which we procure food ingredients that do not require processing directly from third-party suppliers instead of from Shuhai Group. Under our current procurement arrangement, inventories of food ingredients that do not require processing are now recorded in the inventories of our Group. Our inventory turnover days in 2015, 2016 and 2017 equals the average of the beginning and ending inventories for that year divided by raw materials and consumables used for that year and multiplied by 365 days and remained relatively stable at 4.9 days, 5.2 days and 6.1 days, respectively. Our inventory turnover days for the six months ended June 30, 2018 equals the average of the beginning and ending inventories for the period divided by raw materials and consumables used for the period and multiplied by 181 days, and was 12.4 days.

As of July 31, 2018, RMB324.1 million, or 99.6%, of our inventories as of June 30, 2018 were subsequently consumed.

Trade and Other Receivables and Prepayments

Our trade and other receivables and prepayments primarily consist of (i) trade receivables, which primarily represented receivables from payment platforms, (ii) input value-added tax recoverable, which represented certain tax recoverable in relation to food ingredients and property, plant and equipment that we procure, (iii) prepaid rent payments, (iv) prepaid operating expenses, which primarily represented prepaid utilities, (v) prepayment to suppliers, and (vi) loans to employees, which mainly consist of housing loans and emergency loans we provided.

The following table sets forth a breakdown of our trade and other receivables and prepayments as of the date indicated.

	As of December 31,			As of June 30,
	2015	2016	2017	2018
	(in thousands of RMB)			
Trade receivables	29,587	63,644	172,951	108,413
Other receivables and prepayments				
Input value-added tax recoverable	2,729	35,907	108,734	161,396
Prepaid rent payments	54,220	67,367	69,911	82,375
Prepaid operating expenses	17,730	26,319	59,942	25,434
Prepayment to suppliers	29,635	16,511	48,611	141,608
Loans to employees	38,390	19,850	22,805	23,592
Deferred share issue costs	—	—	—	1,799
Others[1]	3,182	17,080	14,662	23,921
Sub-total	*145,886*	*183,034*	*324,665*	*460,125*
Total trade and other receivables and prepayments	**175,473**	**246,678**	**497,616**	**568,538**

(1) Others primarily represented advances paid to restaurant managers in connection with day-to-day operations.

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. We did not have any past due trade receivables as of December 31, 2015, 2016 and 2017 and June 30, 2018.

The following table sets forth an aging analysis of our trade receivables and turnover days as of the date indicated.

	As of/For the year ended December 31,			As of/For the six months ended
	2015	2016	2017	June 30, 2018
	(in thousands of RMB)			
0 to 30 days	29,587	63,644	172,951	108,413
Trade receivables turnover days[1]	1.6	2.2	4.1	3.5

(1) Trade receivables turnover days for each period equals the average of the beginning and ending balances of trade receivables for that period divided by revenue for that period and multiplied by the number of days in that period.

Our trade receivables increased significantly from RMB29.6 million as of December 31, 2015 to RMB63.6 million as of December 31, 2016, and further to RMB173.0 million as of December 31, 2017, and our trade receivables turnover days increased from 1.6 days in 2015 to 2.2 days in 2016 and further to 4.1 days in 2017, primarily reflecting our business growth and because our guests increasingly chose to settle their bills through payment platforms during the Track Record Period. Our trade receivables decreased to RMB108.4 million as of June 30, 2018 and our trade receivables turnover days remained relatively stable at 3.5 days for the six months ended June 30, 2018.

As of July 31, 2018, RMB105.5 million, or 97.3%, of our trade receivables as of June 30, 2018 were subsequently settled.

Other Receivables and Prepayments

Our other receivables and prepayments increased from RMB145.9 million as of December 31, 2015 to RMB183.0 million as of December 31, 2016, primarily due to (i) a RMB33.2 million increase in input value-added tax recoverable as a result of new government policy requiring payment of value-added tax in lieu of business tax in May 2016 (ii) a RMB13.9 million increase in others, which primarily consisted of advances paid to restaurant managers, (iii) a RMB13.1 million increase in prepaid rent payments primarily in relation to newly-opened restaurants, and (iv) a RMB8.6 million increase in prepaid operating expenses primarily in relation to utilities expenses we prepaid for our newly-opened restaurants in 2016; partially offset by (i) a RMB18.5 million decrease in loans to employees, as we collected certain of the loans that were provided to our staff, and (ii) a RMB13.1 million decrease in prepayment to suppliers.

Our other receivables and prepayments increased significantly from RMB183.0 million as of December 31, 2016 to RMB324.7 million as of December 31, 2017, primarily due to (i) a RMB72.8 million increase in input value-added tax recoverable, (ii) a RMB33.6 million increase in prepaid operating expenses primarily in relation to utilities expenses we prepaid for our newly-opened restaurants in 2017, and (iii) a RMB32.1 million increase in prepayment to suppliers primarily due to our business expansion.

Our other receivables and prepayments increased from RMB324.7 million as of December 31, 2017 to RMB460.1 million as of June 30, 2018, primarily due to (i) a RMB93.0 million increase in prepayment to suppliers, primarily reflecting our business growth and the change in our procurement arrangement beginning January 2018 in which we procured food ingredients that do not require processing directly from third-party suppliers instead of from Shuhai Group, and (ii) a RMB52.7 million increase in input value-added tax recoverable.

Financial Assets

Financial Assets at Fair Value Through Profit or Loss

As of December 31, 2015, 2016 and 2017 and June 30, 2018, our financial assets at fair value through profit or loss consisted of the equity securities, financial products issued by banks and unquoted equity shares that we held as of these dates. The table below sets forth the breakdown of our financial assets at fair value through profit or loss as of the dates indicated.

	As of December 31,			As of June 30,
	2015	2016	2017	2018
	(in thousands of RMB)			
Held for trading investments:				
- Equity securities listed on Shanghai Stock Exchange	2,563	2,186	30,377	2,674
- Equity securities listed on Shenzhen Stock Exchange	391	437	3,888	—
Sub-total	2,954	2,623	34,265	2,674
Financial products issued by banks	50,000	4,700	44,592	10,000
Unquoted equity shares	6,494	6,937	—	12,585
Total	**59,448**	**14,260**	**78,857**	**25,259**
Analyzed as:				
Non-current	6,494	6,937	—	12,585
Current	52,954	7,323	78,857	12,674
	59,448	14,260	78,857	25,259

During the Track Record Period, we invested in the equity securities listed on Shanghai Stock Exchange and Shenzhen Stock Exchange. The significant increase from December 31, 2016 to December 31, 2017 primarily reflected our investment in certain equity securities in a company listed on the Shanghai Stock Exchange in 2017.

During the Track Record Period, we also invested in financial products issued by banks, which were short term and non-principal protected investments with no predetermined or guaranteed return. These financial assets had expected rates of return, which were not guaranteed and depended on the market price of underlying financial instruments, including listed shares, bonds and debentures.

As of December 31, 2015 and 2016, our unquoted equity shares represented our 3% equity interest in a company incorporated in Israel, which we disposed of in February 2017. As of June 30, 2018, our unquoted equity shares represented our equity interest of less than 1% in a company incorporated in Australia.

Other Financial Assets

During the Track Record Period, we also purchased reverse repurchase of national debt, which amounted to RMB7.0 million, RMB7.6 million, RMB16.2 million and nil as of December 31, 2015, 2016 and 2017 and June 30, 2018, respectively. The reverse repurchase of national debt are short-term investments with fixed interest rates and are principal-protected.

Management Procedures

We invested in such financial assets during the Track Record Period because we believe we can make better use of such cash by making appropriate investments to increase our income without interfering with our business operation or capital expenditures. Our investment decisions are made on a case-by-case basis and after due and careful consideration of a number of factors, including but not limited to market risks and the expected returns and potential losses of such investment.

We have established a financial investment committee, which includes Ms. Shu, Mr. Tong Xiaofeng and Mr. Shi Yonghong, to supervise our investments. Ms. Shu has been appointed as the chair. Further, we have also established an investment management team and an investment risk management team to manage the day-to-day operation.

According to our internal control policies, our investment management team evaluates potential financial asset investments and submits investment proposals to our chief financial officer, Mr. Tong Xiaofeng, for his preliminary approval. Our investment management team conducts due diligence on proposals that have been preliminarily approved by our chief financial officer and submits reports to our investment risk management team for review and approval. Financial assets approved by our investment risk management team are then submitted for final approval by our financial investment committee.

Our investment management team closely monitors the performance of such products on a regular basis, and reports any unusual activity to our financial investment committee to take immediate actions to prevent or minimize losses. We do not allow any financial assets to be purchased from personal accounts. Our investment management team also keeps close track of the maturity dates for our financial products issued by banks to ensure that such products are redeemed on time.

We believe that our internal control policies regarding investment in financial assets and risk management mechanism are adequate. We may continue to make investments in financial assets that meet our internal criteria where we believe it is prudent to do so after the Listing.

Pledged Bank Deposits

Our pledged bank deposits mainly represented the bank deposits which were pledged to banks to secure our bank borrowings, the rent payments to lessors, and payments to the suppliers of equipment.

Our pledged bank deposits increased from RMB1.6 million as of December 31, 2015 to RMB36.2 million as of December 31, 2016, and further to RMB47.7 million as of December 31, 2017, primarily due to the increase in bank deposits pledged to banks to secure our bank borrowings. As of June 30, 2018, our pledged bank deposits amounted to RMB1.1 million.

Bank Balances and Cash

Our bank balances and cash on hand amounted to RMB157.6 million, RMB406.9 million, RMB282.0 million and RMB531.1 million as of December 31, 2015, 2016 and 2017 and June 30, 2018, respectively.

Trade Payables

Trade payables mainly represent the balances due to our Independent Third Party suppliers of food ingredients and consumables. We do not have set credit terms for the majority of our trade payables. We generally settle trade payables within 30 to 60 days. The following table sets forth an ageing analysis of our trade payables and turnover days as of the date indicated.

	As of December 31,			As of June 30,
	2015	2016	2017	2018
	(in thousands of RMB)			
Within 60 days	95,857	109,529	152,485	396,163
61 to 180 days	3,761	3,953	9,963	8,851
181 to 360 days	654	4,355	2,743	3,845
More than 1 year	—	1,931	3,528	2,703
Total	**100,272**	**119,768**	**168,719**	**411,562**
Trade payables turnover days(1)	16.9	12.6	12.2	17.1
Adjusted trade payables turnover days(2)	27.3	30.8	27.5	30.2

(1) Trade payables turnover days for each period equals the average of the beginning and ending balances of trade payables for that period divided by raw materials and consumables used for that period and multiplied by the number of days in that period.

(2) Adjusted trade payables turnover days for each period equals the average of the beginning and ending balances of total trade payables for that period, which represent trade payables due to Independent Third Party suppliers and amount due to related parties that are of a trade nature, divided by raw materials and consumables used for that period and multiplied by the number of days in that period.

Our trade payables increased from RMB100.3 million as of December 31, 2015 to RMB119.8 million as of December 31, 2016, and further to RMB168.7 million as of December 31, 2017, reflecting our increased procurement as a result of our business expansion. Our trade payables as of June 30, 2018 increased significantly to RMB411.6 million, reflecting our increased procurement as our business grows and the change in our procurement arrangement beginning January 2018 in which we procured food ingredients that do not require processing directly from third-party suppliers instead of from Shuhai Group.

Our trade payables turnover days were relatively short during the Track Record Period, primarily because our trade payables represented those due to Independent Third Party suppliers, while a majority of our procurement was from related parties during the Track Record Period. Our trade payables turnover days for the six months ended June 30, 2018 increased to 17.1 days primarily reflecting the change in our procurement arrangement beginning January 2018 in which we procured food ingredients that do not require processing directly from third-party suppliers. Taking into account of amounts due to related parties that were of a trade nature, our adjusted trade payables turnover days were 27.3 days, 30.8 days, 27.5 days and 30.2 days, in 2015, 2016 and 2017 and the six months ended June 30, 2018, respectively.

As of July 31, 2018, RMB340.6 million, or 82.8% of our trade payables as of June 30, 2018 were subsequently settled.

Other Payables

Our other payables primarily consisted of (i) staff costs payable, (ii) other taxes payables, which primarily consisted of business tax and surcharge payables, (iii) renovation fee payables, (iv) accrued issue costs/listing fee payable, and (v) interest payable.

The following table sets forth the details of our other payables as of the date indicated.

	As of December 31,			As of June 30,
	2015	2016	2017	2018
	(in thousands of RMB)			
Staff costs payable	194,295	291,378	439,718	469,617
Other taxes payables	39,261	20,918	31,474	41,261
Renovation fee payables	32,851	24,319	20,330	29,896
Accrued issue costs/listing fee payable	—	—	—	14,323
Interest payable	185	1,039	972	1,958
Others	18,151	26,325	18,241	32,610
Total	**284,743**	**363,979**	**510,735**	**589,665**

Our other payables increased from RMB284.7 million as of December 31, 2015 to RMB364.0 million as of December 31, 2016, primarily due to a RMB97.1 million increase in staff costs payable, reflecting our business growth and the increase in compensation levels of our restaurant staff.

Our other payables increased from RMB364.0 million as of December 31, 2016 to RMB510.7 million as of December 31, 2017, primarily due to (i) a RMB148.3 million increase in staff costs payable, reflecting our business growth and the increase in compensation levels of our restaurant staff, and (ii) a RMB10.6 million increase in other tax payables.

Our other payables increased from RMB510.7 million as of December 31, 2017 to RMB589.7 million as of June 30, 2018, primarily due to (i) a RMB29.9 million increase in staff cost payable primarily reflecting an increase in staff costs as our business expanded, (ii) a RMB14.4 million increase in other payable items, and (iii) we recorded RMB14.3 million in listing fee payable.

Our Directors confirm that we did not have any material defaults in payment of trade or other payables during the Track Record Period.

Tax Payable

Our tax payable increased from RMB45.5 million as of December 31, 2015 to RMB105.4 million as of December 31, 2016 reflecting our business growth. Our tax payable decreased to RMB79.8 million as of December 31, 2017 and RMB67.0 million as of June 30, 2018 reflecting an increase in our settlement of tax payables.

Contract Liabilities

Our contract liabilities represented award credits that our guests have accumulated but not yet redeemed or expired in relation to our customer loyalty program, prepaid cards and issued vouchers and advance from customers. Our contract liabilities increased from RMB245.2 million as of December 31, 2015 to RMB273.2 million as of December 31, 2016 and further to RMB308.6 million as of December 31, 2017 and RMB372.4 million as of June 30, 2018, primarily due to the increase in award credits in relation to our customer loyalty program.

NET CURRENT LIABILITIES

The following table sets forth details of our current assets and current liabilities as of the date indicated.

	As of December 31,			As of June 30,	As of July 31,
	2015	2016	2017	2018	2018
	(in thousands of RMB)				
					(unaudited)
Current assets					
Inventories	41,065	49,707	95,118	325,439	339,228
Trade and other receivables and prepayments	175,473	246,678	497,616	568,538	529,476
Amounts due from related parties	748,336	502,242	444,213	43,559	24,042
Financial assets at fair value through profit or loss	52,954	7,323	78,857	12,674	2,368
Other financial assets	7,000	7,636	16,201	—	—
Prepaid income tax	—	—	—	—	7,159
Pledged bank deposits	1,639	36,213	47,657	1,147	1,187
Bank balances and cash	157,595	406,876	282,032	531,103	508,933
Total current assets	**1,184,062**	**1,256,675**	**1,461,694**	**1,482,460**	**1,412,393**
Current liabilities					
Trade payables	100,272	119,768	168,719	411,562	438,365
Other payables	284,743	363,979	510,735	589,665	636,912
Amounts due to related parties	154,319	212,505	1,202,588	651,185	655,227
Dividend payable	—	—	—	128,416	132,295
Tax payable	45,490	105,366	79,752	67,020	—
Borrowings	414,391	567,451	347,764	1,094,241	1,057,939
Contract liabilities	245,204	273,249	308,579	372,426	383,920
Total current liabilities	**1,244,419**	**1,642,318**	**2,618,137**	**3,314,515**	**3,304,658**
Net current liabilities	**(60,357)**	**(385,643)**	**(1,156,443)**	**(1,832,055)**	**(1,892,265)**

Our net current liabilities increased from RMB60.4 million as of December 31, 2015 to RMB385.6 million as of December 31, 2016, primarily due to (i) a RMB246.1 million decrease in amounts due from related parties, (ii) a RMB153.1 million increase in our borrowings, as we obtained more bank borrowings to fund our business expansion, and (iii) a RMB79.2 million increase in other payables, primarily due to a RMB97.1 million increase in staff cost payable, reflecting our business growth and the increase in compensation levels of our restaurant staff; partially offset by (i) a RMB249.3 million increase in bank balances and cash, and (ii) a RMB71.2 million increase in trade and other receivables and prepayments, primarily due to a RMB34.1 million increase in trade receivables, reflecting our business growth and because of our guests increasingly chose to settle their bills through payment platforms.

Our net current liabilities increased from RMB385.6 million as of December 31, 2016 to RMB1,156.4 million as of December 31, 2017, primarily due to (i) a RMB990.1 million increase in amounts due to related parties mainly representing (a) the RMB691.2 million balance of our loan obtained from Sichuan Haidilao as of December 31, 2017 to supplement our working capital after the Business Restructuring, and (b) a RMB279.4 million increase in amounts due to Shuyun Dongfang primarily in relation to procurement of decoration materials and renovation services, as well as decoration project management services, and (ii) a RMB146.8 million increase in other payables primarily due to a RMB148.3 million increase in staff costs payable; partially offset by (i) a RMB250.9 million increase in trade and other receivables and prepayments, primarily due to a RMB109.3 million increase in trade receivables, reflecting our business growth and because of our guests increasingly chose to settle their bills through payment platforms, and (ii) a RMB219.7 million decrease in borrowings as we partially repaid our bank borrowings.

Our net current liabilities increased to RMB1,832.1 million as of June 30, 2018, primarily due to (i) a RMB746.5 million increase in short-term borrowings to repay our loan from Sichuan Haidilao, (ii) a RMB400.7 million decrease in amounts due from related parties primarily due to the repayment of loans that we provided to New High Lao, and (iii) a RMB242.8 million increase in trade payables reflecting our increased procurement as our business grows and the change in our procurement arrangement beginning January 2018 in which we procured food ingredients that do not require processing directly from third-party suppliers; partially offset by (i) a RMB551.4 million decrease in amounts due to related parties as we substantially repaid the loan to Sichuan Haidilao, (ii) a RMB249.1 million increase in bank balances and cash, and (iii) a RMB230.3 million increase in inventories primarily because inventories of food ingredients that do not require processing are now recorded in the inventories of our Group, reflecting the change in our procurement arrangement beginning in January 2018 under which we procure such food ingredients directly from third-party suppliers.

Our net current liabilities remained relatively stable at RMB1,892.3 million as of July 31, 2018.

See "— Liquidity and Capital Resources — Working Capital" for details. For further information, see "Risk Factors — Risks Relating to Our Industry and Business — We had significant net current liabilities as of December 31, 2015, 2016 and 2017 and June 30 and July 31, 2018."

LIQUIDITY AND CAPITAL RESOURCES

Working Capital

Our principal uses of cash are for working capital to procure food ingredients, consumables and equipment, and to refurbish and decorate our restaurants. During the Track Record Period, we have funded our operations principally with cash generated from our operations, bank borrowings and related parties advances. As of December 31, 2015, 2016 and 2017 and June 30, 2018, we had cash and cash equivalents of RMB157.6 million, RMB406.9 million, RMB282.0 million and RMB531.1 million, respectively. As of July 31, 2018, our cash and cash equivalents amounted to RMB508.9 million. 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.

Although we had significant net current liabilities during the Track Record Period, our Directors believe that we have sufficient working capital to meet our present and future cash requirements for at least the next 12 months from the date of publication of this Prospectus, taking into account cash flow generated from our business, bank loans and facilities and net proceeds from the Global Offering, and considering the fact that the loan obtained from Sichuan Haidilao to supplement our working capital after the Business Restructuring have been repaid by us as of the Latest Practicable Date. The details of these factors are as follow:

- *Cash flow generated from our business*. We had net cash flow from operating activities in the amount of RMB642.0 million, RMB1,414.1 million, RMB1,399.7 million and RMB1,002.9 million in 2015, 2016 and 2017 and the six months ended June 30, 2018, respectively. We expect our cash from operating activities in 2018 to increase significantly as we opened 98 new restaurants in 2017 (as compared to 32 in 2016), a majority of which were opened in the third or fourth quarter, and we opened 71 new restaurants in the six months ended June 30, 2018;

- *Bank loans and facilities*. Historically, we have been able to refinance our short-term bank borrowings at maturity if needed, and we do not foresee any impediment in continuing to do so in the future. In addition, we have obtained (a) a loan facility of RMB850.0 million from China Merchants Bank Co., Ltd. Hong Kong Branch, which we intend to use to settle the remaining balance in the amounts due to Sichuan Haidilao as a result of our Business Restructuring (b) a new credit facility in the amount of US$40.0 million from Citibank (China) Co., Ltd. Beijing Branch, and (c) unutilized and unrestricted bank facilities of RMB517.8 million as of June 30, 2018;

- *One-off item*. A significant portion of our current liabilities was due to non-recurring items, including the loan obtained from Sichuan Haidilao to supplement our working capital after the Business Restructuring, which we have repaid using short-term bank borrowings as of the Latest Practicable Date; and

- *Net proceeds from the Global Offering*. We expect to receive net proceeds from the Global Offering of approximately HK$6,034.1 million based on the low end of the Offer Price range set out in this Prospectus.

Going forward, we believe our liquidity requirements will be satisfied by using funds from a combination of cash flows from operations, our cash and cash equivalents, bank borrowings and net proceeds from the Global Offering. As of July 31, 2018, the latest date for determining our indebtedness, we had RMB1,332.4 million available bank facilities, of which RMB248.4 million were unutilized and unrestricted. Other than the bank borrowings that we may obtain, we do not have any plans for material external debt financing.

Cash Flow

The following table sets forth selected cash flow data from our consolidated statements of cash flows for the period indicated.

	As of and for the year ended December 31,			As of/For the six months ended June 30,	
	2015	2016	2017	2017	2018
	(in thousands of RMB)				
Net cash from operating activities	641,989	1,414,061	1,399,716	617,039	1,002,908
Net cash used in investing activities	(915,920)	(1,280,876)	(1,564,855)	(713,895)	(398,697)
Net cash from/(used in) financing activities	158,591	157,735	104,943	485,794	(373,971)
Net (decrease)/ increase in cash and cash equivalents	(115,340)	290,920	(60,196)	388,938	230,240
Cash and cash equivalents at beginning of the year/period	297,128	157,595	406,876	406,876	282,032
Cash and cash equivalents at end of the year/period	157,595	406,876	282,032	751,304	531,103

Operating Activities

Our net cash from operating activities of RMB1,002.9 million for the six months ended June 30, 2018 was primarily attributable to our profit before tax of RMB900.9 million, as adjusted for non-cash and non-operating items and income taxes paid of RMB293.3 million. Adjustments for non-cash and non-operating items primarily included (i) depreciation of property, plant and equipment of RMB289.7 million, (ii) finance costs of RMB8.8 million and (iii) share of profit of an associate of RMB5.2 million. The amount was further adjusted by positive changes in working capital, including (i) an increase in trade payables of RMB242.8 million, primarily due to the change in our procurement arrangement beginning January 2018 in which we procured food ingredients that do not require processing directly from third-party suppliers, and (ii) an increase in other payables of RMB68.4 million, primarily due to the increase in staff cost payables, reflecting our business growth; partially offset by (i) an increase in inventories, which reflected our business growth, and (ii) an increase in rental deposits, other receivables and prepayments of RMB178.6 million.

Our net cash from operating activities of RMB1,399.7 million in 2017 was primarily attributable to our profit before tax of RMB1,625.1 million, as adjusted for non-cash and non-operating items and income taxes paid of RMB468.4 million. Adjustments for non-cash and non-operating items primarily included (i) depreciation of property, plant and equipment of RMB355.4 million, (ii) gain on fair value changes of financial assets at FVTPL of RMB24.6 million and (iii) loss on disposals of property, plant and equipment of RMB10.9 million. The amount was further adjusted by negative changes in working capital, including (i) an increase in our rental deposits, other receivables and prepayments of RMB194.1 million, and (ii) an increase in trade receivables of RMB109.3 million, primarily reflecting our business growth and because our guests increasingly chose to settle their bills through payment platforms; partially offset by an increase in other payables of RMB150.8 million primarily in connection with the increase in staff costs payable, reflecting our business growth and increase in compensation levels of our restaurant staff.

Our net cash from operating activities of RMB1,414.1 million in 2016 was primarily attributable to our profit before tax of RMB1,345.9 million, as adjusted for non-cash and non-operating items and income taxes paid of RMB296.2 million. Adjustments for non-cash and non-operating items primarily included depreciation of property, plant and equipment of RMB281.4 million. The amount was further adjusted by positive changes in working capital, including (i) an increase in other payables of RMB86.9 million, primarily due to the increase in staff costs payable, reflecting our business growth and the increase in compensation levels of our restaurant staff, and (ii) an increase in amounts due to related parties of RMB35.7 million, primarily reflecting the increase in the purchase of food ingredients and condiment products from Shuhai Group and Yihai Group; partially offset by (i) an increase in our rental deposits, other receivables and prepayments of RMB52.8 million, primarily due to the increase in input value-added tax recoverable as a result of new government policy requiring payment of value-added tax in lieu of business tax in May 2016, and (ii) an increase in trade receivables of RMB34.1 million, primarily reflecting our business growth and because our guests increasingly chose to settle their bills through payment platforms.

Our net cash from operating activities of RMB642.0 million in 2015 was primarily attributable to our profit before tax of RMB560.1 million, as adjusted for non-cash and non-operating items and income taxes paid of RMB159.0 million. Adjustments for non-cash and non-operating items primarily included (i) depreciation of property, plant and equipment of RMB236.0 million, (ii) finance costs of RMB3.2 million and (iii) amortization of intangible assets of RMB3.1 million. The amount was further adjusted by positive changes in working capital, including (i) an increase in contract liabilities RMB155.1 million, reflecting the increase in award credits that our guests have been granted and accumulated but not yet redeemed or expired in relation to our customer loyalty program, (ii) an increase in other payables of RMB56.5 million, and (iii) an increase in amounts due to related parties of RMB78.5 million, primarily reflecting the increase in the purchase of food ingredients and condiment products from Shuhai Group and Yihai Group; partially offset by an increase in our rental deposits, other receivables and prepayments of RMB277.4 million, as a result of our business expansion, as we opened 36 restaurants in 2015.

Investing Activities

Our net cash used in investing activities of RMB398.7 million for the six months ended June 30, 2018 was primarily attributable to (i) purchase of financial assets at fair value through profit or loss of RMB965.2 million, and (ii) purchase of property, plant and equipment of RMB901.4 million, primarily for our newly-opened restaurants; partially offset by (i) proceeds from disposals of financial assets at fair value through profit or loss of RMB990.9 million, and (ii) collection of loans to related parties of RMB430.7 million.

Our net cash used in investing activities of RMB1,564.9 million in 2017 was primarily attributable to (i) purchase of property, plant and equipment of RMB1,242.9 million primarily for our newly-opened restaurants, and (ii) loans to related parties of RMB766.8 million; partially offset by collection of loans to related parties of RMB498.2 million.

Our net cash used in investing activities of RMB1,280.9 million in 2016 was primarily attributable to (i) loans to related parties, including New High Lao, of RMB1,575.4 million, (ii) purchase of financial assets at fair value through profit or loss of RMB841.9 million, and (iii) purchase of property, plant and equipment of RMB429.5 million primarily for our newly-opened restaurants; and partially offset by (i) proceeds on the disposal of financial assets designated at fair value through profit or loss of RMB890.0 million, and (ii) collection of loans to related parties of RMB705.6 million.

Our net cash used in investing activities of RMB915.9 million in 2015 was primarily attributable to (i) loan to related parties, including New High Lao, of RMB836.6 million, and (ii) purchase of property, plant and equipment of RMB399.9 million primarily for our newly-opened restaurants; partially offset by collection of loans to related party of RMB384.2 million.

Financing Activities

Our net cash used in financing activities of RMB374.0 million for the six months ended June 30, 2018 was primarily attributable to (i) repayments of loans from Sichuan Haidilao, in amount of RMB1,403.6 million, (ii) dividend paid of RMB460.9 million, and (iii) repayments of bank borrowings of RMB448.2 million; partially offset by (i) new borrowings raised of RMB1,202.5 million, and (ii) loans from related parties of RMB712.7 million.

Our net cash from financing activities of RMB104.9 million in 2017 was primarily attributable to loans from Sichuan Haidilao to supplement our working capital after the Business Restructuring, in the amount of RMB1,492.3 million; partially offset by (i) repayments of loans from Sichuan Haidilao, in the amount of RMB796.8 million, and (ii) repayment of bank borrowings in the amount of RMB263.9 million.

Our net cash from financing activities of RMB157.7 million in 2016 was primarily attributable to new borrowings raised in the amount of RMB269.0 million; partially offset by repayment of bank borrowings in the amount of RMB104.9 million.

Our net cash from financing activities of RMB158.6 million in 2015 was primarily attributable to new borrowings raised in the amount of RMB234.4 million; partially offset by repayment of bank borrowings in the amount of RMB76.6 million.

INDEBTEDNESS

Bank Borrowings

Our bank borrowings primarily consisted of short-term and long-term loans from banks to support the operations of our restaurants. Our bank borrowings as of December 31, 2015, 2016 and 2017, June 30, 2018 and July 31, 2018, being the latest practicable date for the purpose of indebtedness statement, were as follows:

	As of December 31,			As of June 30,	As of July 31,
	2015	2016	2017	2018	2018
	(in thousands of RMB)				
Secured	375,429	509,192	347,764	830,609	806,410
Unsecured	38,962	69,370	9,456	280,873	277,620
Total	**414,391**	**578,562**	**357,220**	**1,111,482**	**1,084,030**
Fixed-rate borrowings	—	11,111	24,008	348,480	349,127
Variable-rate borrowings	414,391	567,451	333,212	763,002	734,903
Total	**414,391**	**578,562**	**357,220**	**1,111,482**	**1,084,030**
Bank borrowings payable					
- Within one year	414,391	567,451	347,764	1,094,241	1,057,939
- Within a period of more than one year but not exceeding two years	—	11,111	—	—	—
- Within a period of more than two years but not exceeding five years	—	—	9,456	17,241	26,091
Total	**414,391**	**578,562**	**357,220**	**1,111,482**	**1,084,030**

As of December 31, 2015, 2016 and 2017 and June 30, 2018, our bank borrowings of RMB375.4 million, RMB474.7 million, RMB301.3 million and RMB39.7 million, respectively were secured by the bank deposits of Sichuan Haidilao. As of December 31, 2016 and 2017, our bank borrowings of RMB34.5 million and RMB46.5 million were secured by our bank deposits. As of December 31, 2015 and 2016 and June 30, 2018, our bank borrowings of RMB39.0 million, RMB69.4 million and RMB66.2 million, respectively, were guaranteed by Mr. Zhang. As of June 30, 2018, our bank borrowings of RMB39.3 million was guaranteed by Haidilao Singapore, and our bank borrowings of RMB685.4 million was secured by equity of Shanghai Xinpai and Sichuan Xinpai. The security and guarantee by Sichuan Haidilao and Mr. Zhang, have been released in July 2018.

As of July 31, 2018, we had bank borrowings of RMB1,084.0 million, which included (i) unsecured bank borrowings of RMB28.8 million, which were guaranteed by Haidilao Singapore; (ii) unsecured bank borrowings of RMB81.4 million, which were jointly guaranteed by our Company and Haidilao Singapore; (iii) unguaranteed bank borrowings of RMB696.2 million, which were secured by the equity interests of Shanghai Xinpai and Sichuan Xinpai. We also had unguaranteed and unsecured bank borrowings of RMB277.6 million as of July 31, 2018.

As of December 31, 2016 and 2017, fixed-rate borrowings of RMB11.1 million and RMB24.0 million, respectively, carry interest at 3.35% per annum. As of June 30 and July 31, 2018, fixed-rate borrowings of RMB329.0 million and RMB329.0 million, respectively, carry interest at 3.96% per annum. As of June 30 and July 31, 2018, fixed-rate borrowings of RMB19.5 million and RMB20.1 million, respectively, carry interest at 3.30% per annum. As of December 31, 2015, 2016 and 2017, and June 30 and July 31, 2018, variable-rate borrowings of RMB414.4 million, RMB567.5 million, RMB323.8 million, RMB706.5 million and RMB627.4 million, respectively, carry interest at London Interbank Offered Rate plus 0.5% to 2.25%. Interest rates are reset quarterly. As of December 31, 2017 and June 30 and July 31, 2018, variable-rate borrowings of RMB9.5 million, RMB17.2 million and RMB26.1 million carry interest as Taipei Interbank Offered Rate plus 1.82%. As of June 30 and July 31, 2018, variable-rate borrowings of RMB39.3 million and RMB81.4 million, respectively, carry interest at the Singapore Swap Offered Rate plus 1.5% per annum or the bank's cost of funds plus 1.5%, whichever is higher. Interest rates are reset quarterly.

Our bank borrowing agreements contain standard terms, conditions and covenants that are customary for commercial bank loans. Such covenants primarily include requirements for us to obtain the lending bank's prior consent for certain transactions, such as disposal of material assets, merger or consolidation, and liquidation or winding-up. Our Directors confirm that we did not experience any difficulty in obtaining bank loans and other borrowings, default in payment of bank borrowings or breach of covenants during the Track Record Period and up to the Latest Practicable Date. Given our credit history and relationship with our principal lenders and our current credit status, we believe that we will not encounter any major difficulties in obtaining additional bank borrowings in the future.

Other Borrowings

As of December 31, 2017 and June 30, 2018, we had amounts due to related parties that were of a non-trade nature excluding payables arising from acquisition of property, plant and equipment and decoration project management services of RMB721.1 million and RMB24.2 million, respectively, which primarily represented loans obtained from Sichuan Haidilao to supplement our working capital after the Business Restructuring. These amounts are non-trade nature and interest-free. As of the Latest Practicable Date, we have settled such amounts.

Save as disclosed in this section of the Prospectus, since June 30, 2018, being the date of our latest audited financial statements, and up to the date of this Prospectus, there has been no material change to our indebtedness. As of July 31, 2018, the latest practicable date for determining our indebtedness, except as otherwise disclosed in this Prospectus, we did not have any other loan issued and outstanding or any loan agreed to be issued, bank overdrafts, loans and other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities.

CONTINGENT LIABILITIES

As of June 30, 2018, 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.

CAPITAL EXPENDITURE

Our capital expenditure, which represented additions to property, plant and equipment, primarily related to leasehold improvements and renovation in progress for our new restaurants, expenditures to renovate existing restaurants, acquisition of furniture, fixtures and equipment used in our operations. Our total capital expenditure increased by RMB27.1 million, or 6.7%, from RMB401.6 million in 2015 to RMB428.7 million in 2016, and further increased significantly by RMB1,089.6 million to RMB1,518.3 million in 2017. Our capital expenditure for the six months ended June 30, 2018 amounted to RMB984.8 million. Our significant capital expenditure during these periods was a result of our rapid expansion during the Track Record Period, and primarily in relation to renovation in progress for our new restaurants and expenditures to renovate existing restaurants.

For the year ending December 31, 2018, our estimated total capital expenditure is expected to be approximately RMB2.5 billion, primarily relating to new restaurant openings, refurbishment of existing restaurants, and investment in technology. We plan to finance our future capital expenditures through cash generated from our operations, bank borrowings and proceeds from Global Offering. Our actual capital expenditures may differ from the amounts set forth above due to various factors, including our future cash flows, results of operations and financial condition.

CONTRACTUAL COMMITMENTS

Operating Lease Arrangements

We lease the premises for our restaurants and headquarters under operating lease arrangements, which are negotiated for terms ranging from one to twenty years. The following table set forth our total future minimum lease payments with predetermined annual incremental rental adjustments falling due as of the dates indicated:

	As of December 31,			As of June 30,
	2015	**2016**	**2017**	**2018**
	(in thousands of RMB)			
Within one year	241,438	262,728	367,433	435,418
In the second to fifth years, inclusive	826,199	897,241	1,306,157	2,144,217
Over five years	620,459	610,307	949,076	1,088,060
Total	**1,688,096**	**1,770,276**	**2,622,666**	**3,637,695**

RELATED PARTY TRANSACTIONS

During the Track Record Period, we entered into a number of transactions with related companies controlled by the Controlling Shareholders and associates invested by the Controlling Shareholders. The following table sets forth the amounts of our related party transactions during the period indicated.

	For the year ended December 31,			For the six months ended June 30,	
	2015	**2016**	**2017**	**2017**	**2018**
	(in thousands of RMB)				
Purchase from related parties					
Purchase of food ingredients	1,497,127	1,941,569	2,742,899	1,178,400	1,112,457
Purchase of property, plant and equipment	—	14,587	1,243,756	341,326	575,750
Purchase of condiment products	437,707	589,211	901,727	428,535	532,676
Decoration project management services	11,428	18,018	46,450	10,953	45,156
Human resource consulting services	980	22,920	35,973	13,258	20,871
Rent expenses	4,624	5,053	6,419	3,271	3,195
Management services	—	1,110	3,930	1,129	205
Storage services	—	2,348	1,828	888	36,694
Software and software maintenance services	—	—	18,514	4,815	6,227
Financial advisory services	—	—	—	—	750
Property management services	—	39	445	171	176
Total	**1,951,866**	**2,594,855**	**5,001,941**	**1,982,746**	**2,334,157**
Income from related parties					
Interest income	2,423	3,239	2,846	1,641	—
Sales of financial assets at FVTPL	—	—	6,534	6,534	—
Logistics services	—	—	824	591	—
Market development services	—	—	393	393	—
Sales of food ingredients	—	—	—	—	20,578
Total	**2,423**	**3,239**	**10,597**	**9,159**	**20,578**

Purchase of Food Ingredients

During the Track Record Period, we procured a significant amount of food ingredients from Jarud Qi Haidilao, Sichuan Haidilao, subsidiaries now owned by Shuhai Group and Fuhai Shanghai. Our purchase of food ingredients from these related parties increased from RMB1,497.1 million in 2015 to RMB1,941.6 million in 2016 and further to RMB2,742.9 million in 2017, reflecting the growth of our business during the Track Record Period. For the six months ended June 30, 2018, our purchase of food ingredients from these related parties amounted to RMB1,112.5 million. For details of our arrangement with Jarud Qi Haidilao and Shuhai Group, see "Business — Procurement — Procurement of Food Ingredients" and "Connected Transactions — Non-exempt Continuing Connected Transactions — C. Procurement."

Purchase of Condiment Products

During the Track Record Period, we procured a significant amount of condiment products, including soup bases for our hot pot, from Yihai Group. Purchase of condiment products from Yihai Group increased from RMB437.7 million in 2015 to RMB589.2 million in 2016 and further to RMB901.7 million in 2017, reflecting the growth of our business during the Track Record Period. For the six months ended June 30, 2018, our purchase of condiment products from Yihai Group amounted to RMB532.7 million. For details of our arrangement with Yihai Group, see "Connected Transactions — Non-exempt Continuing Connected Transactions — C. Procurement — 1. Yihai Master Purchase Agreements."

Decoration Project Management Services

Purchases from Shuyun Donfang of decoration project management services increased from RMB11.4 million in 2015 to RMB18.0 million in 2016 and further to RMB46.5 million in 2017, primarily reflecting the increase in the number of restaurants that required decoration and renovation. For the six months ended June 30, 2018, our purchase from Shuyun Dongfang amounted to RMB45.2 million. For details of our arrangement with Shuyun Dongfang, see "Connected Transactions — Non-exempt Continuing Connected Transactions — C. Procurement — 4. Master Decoration Project Management Service Agreement."

Purchase of Property, Plant and Equipment

We engaged Shuyun Dongfang to decorate and renovate our restaurants and Honghuotai to provide a cloud technology management system during the Track Record Period. For the years ended December 31, 2016 and 2017 and the six months ended June 30, 2018, purchase of property, plant and equipment from these related parties amounted to RMB14.6 million, RMB1,243.8 million and RMB575.8 million, respectively. For details of our arrangement with Shuyun Dongfang and Honghuotai, see "Connected Transactions."

Human Resource Consulting Services

We procured human resource consulting services from Weihai Consulting during the Track Record Period. Purchases of human resource consulting services increased from RMB1.0 million in 2015 to RMB22.9 million in 2016 and further to RMB36.0 million in 2017, reflecting our business growth. For the six months ended June 30, 2018, our purchase of human resource consulting services from Weihai Consulting amounted to RMB20.9 million. For details of our arrangement with Weihai Consulting, see "Connected Transactions — Non-exempt Continuing Connected Transactions — C. Procurement — 5. Master Human Resource Management Service Agreement."

Interest Income

During the Track Record Period, our interest income from related parties were primarily in relation to the facility that Haidilao Singapore provided to New High Lao. See "— Outstanding Balances with Related Parties" for details.

It is the view of our Directors that each of the related party transactions discussed above and set out in Note 39 in "Appendix I — Accountants' Report" to this Prospectus were conducted in the ordinary and usual course of business and on normal commercial terms between the relevant parties. Our Directors are of the view that our related party transactions during the Track Record Period would not distort our track record results or make our historical results not reflective of our future performance.

Outstanding Balances with Related Parties

The following table sets forth a breakdown of outstanding balances with related parties as of the dates indicated:

	As of December 31,			As of June 30,
	2015	2016	2017	2018
	(in thousands of RMB)			
Amounts due from related parties				
Trade nature				
Related companies controlled by the Controlling Shareholders	—	—	—	23,175
Non-trade nature				
Related companies controlled by the Controlling Shareholders	1,042,265	912,259	443,833	20,384
A company controlled by a director of the Company	11,000	—	380	—
A member of key management personal	390	493	—	—
Mr. Zhang	—	8	—	—
Total	**1,053,655**	**912,760**	**444,213**	**43,559**
Amounts due to related parties				
Trade nature				
Related companies controlled by the Controlling Shareholders	140,528	176,238	185,923	257,650
Non-trade nature				
Related company controlled by the Controlling Shareholders - payable on acquisition of property, plant and equipment and decoration project management services	8,434	16,226	295,577	369,384
Related companies controlled by the Controlling Shareholders - others	2,890	17,406	721,088	24,151
Shareholders	2,467	2,635	—	—
Sub-total	*13,791*	*36,267*	*1,016,665*	*393,535*
Total	**154,319**	**212,505**	**1,202,588**	**651,185**

Amounts Due from Related Parties

During the Track Record Period, our amounts due from related parties of a non-trade nature primarily represented amounts due from related companies controlled by the Controlling Shareholders and amounts due from a company controlled by a director of the Company, namely, Beijing Haihai Technology Co., Ltd.

As of December 31, 2015, 2016 and 2017 and June 30, 2018, our amounts due from related companies controlled by the Controlling Shareholders that are of a non-trade nature amounted to RMB1,042.3 million, RMB912.3 million, RMB443.8 million and RMB20.4 million, respectively, the majority of which was primarily in relation to the cash pooling agreement between the Sichuan Haidilao and its then-subsidiaries and loans provided by Haidilao Singapore to New High Lao. These amounts due from related companies controlled by the Controlling Shareholders that are of a non-trade nature have been fully settled as of the Latest Practicable Date.

In June 2015, the subsidiaries of Sichuan Haidilao entered into cash pooling agreement with Sichuan Haidilao, according to which, cash generated from the operation of subsidiaries under Sichuan Haidilao was collected daily into Sichuan Haidilao's bank accounts, and Sichuan Haidilao will pay the billings on behalf of the subsidiaries and branches to their suppliers. This cash pooling agreement was terminated in August 2017.

Haidilao Singapore provided a facility to New High Lao, a related party, from December 1, 2013 to November 30, 2017 with a principal amount of US$60.0 million bearing interest rate at 0.8% per annum, which was unsecured and has no fixed repayment terms. As of December 31, 2015, 2016 and 2017, the loans to New High Lao amounted to US$46.6 million (equivalent to RMB302.9 million), US$58.4 million (equivalent to RMB404.9 million) and US$54.4 million (equivalent to RMB355.7 million) with interest receivable of RMB2.4 million, RMB5.7 million and RMB8.5 million, respectively. These loans were settled as of June 30, 2018 and interest on such loans were settled in July 2018.

The Group provided a borrowing of RMB11.0 million to Beijing Haihai Technology Co., Ltd. from August 1, 2015 to June 30, 2016, which was unsecured and interest free. The loan was repaid in June 2016.

Amounts Due to Related Parties

Trade Nature

As of December 31, 2015, 2016 and 2017 and June 30, 2018, we had amounts due to related parties controlled by the Controlling Shareholders of RMB140.5 million, RMB176.2 million, RMB185.9 million and RMB257.7 million, respectively, that were of a trade nature, primarily in relation to amounts due to (i) Shuhai Group for procurement of food ingredients and (ii) Yihai Group for procurement of condiment products. Amounts due to related parties of a trade nature have a credit term of 30 days and we expect to settle such amounts using cash from operations.

Non-trade Nature

As of December 31, 2015, 2016 and 2017 and June 30, 2018, we had amounts due to related parties of RMB13.8 million, RMB36.3 million, RMB1,016.7 million and RMB393.5 million, respectively, that were of a non-trade nature. These amounts due to related parties primarily represent (i) amounts due to Shuyun Dongfang, and (ii) amounts due to Sichuan Haidilao. As of the Latest Practicable Date, we have settled the amounts due to related parties that are of a non-trade nature, other than the amounts due to Shuyun Dongfang.

Our amounts due to Shuyun Dongfang were primarily in relation to our procurement of decoration materials and renovation services, as well as decoration project management services. Pursuant to our contracts with Shuyun Dongfang, we settle payments with Shuyun Dongfang based on a milestone payment schedule, and the amounts due to Shuyun Dongfang represent the payments owed to Shuyun Dongfang at the time. Although these amounts due to Shuyun Dongfang are considered non-trade in nature, our transactions with Shuyun Dongfang occur in the ordinary course of business as we decorate our newly-opened restaurants and renovate our existing restaurants. As of December 31, 2015, 2016 and 2017 and June 30, 2018, our amounts due to Shuyun Dongfang amounted to RMB8.4 million, RMB16.2 million, RMB295.6 million and RMB369.4 million, respectively. The significant increase from RMB16.2 million as of December 31, 2016 to RMB295.6 million as of December 31, 2017 and further to RMB369.4 million as of June 30, 2018 was primarily as a result of the rapid expansion of our business as we opened 98 and 71 new restaurants in 2017 and the first half of 2018, respectively.

As we continue to expand our restaurant network and maintain our existing restaurants, our transactions with Shuyun Dongfang are expected to continue after the Listing. See "Connected Transaction — Non-exempt Continuing Connected Transactions — C. Procurement — 4. Master Declaration Project Management Service Agreement." As such, we expect to continue to have amounts due to Shuyun Dongfang, which we believe we will have sufficient working capital to settle. Considering this, we believe that our transactions with Shuyun Dongfang do not constitute financial reliance on Shuyun Dongfang. See "Relationship with Our Controlling Shareholders — Independence From Controlling Shareholders — Financial Independence."

Other than the amounts due to Shuyun Dongfang, our amounts due to related parties that are of a non-trade nature amounted to RMB5.4 million, RMB20.0 million, RMB721.1 million and RMB24.2 million as of December 31, 2015, 2016 and 2017 and June 30, 2018, which primarily represents amounts due to Sichuan Haidilao, and to a lesser extent, amounts due to other related parties in relation to the Business Restructuring. We have repaid these amounts due to related parties as of the Latest Practicable Date. Our amounts due to Sichuan Haidilao represent the balance of the loan obtained from Sichuan Haidilao, which amounted to RMB691.2 million and RMB8.7 million as of December 31, 2017 and June 30, 2018, respectively, to supplement our working capital after the Business Restructuring. As of the Latest Practicable Date, we have repaid our loan to Sichuan Haidilao using bank borrowings.

KEY FINANCIAL RATIOS

The following table set forth our key financial ratios as of the dates or for the periods indicated:

	As of/For the year ended December 31,			As of/For the six months ended June 30,
	2015	2016	2017	2018
Return on average equity[(1)]	42.0%	87.8%	110.4%	114.4%[(5)]
Return on average assets[(2)]	20.7%	37.9%	36.8%	31.6%[(5)]
Current ratio[(3)]	0.95	0.77	0.56	0.45
Quick ratio[(4)]	0.92	0.73	0.52	0.35
Gearing ratio[(6)]	22.7%	17.9%	73.0%	50.7%

(1) Equals profit for the year/period divided by average balance of total equity at the beginning and the end of that year/period and multiplied by 100%.

(2) Equals profit for the year/period divided by average balance of total assets at the beginning and the end of that year/period and multiplied by 100%.

(3) Equals current assets divided by current liabilities as of the same date.

(4) Equals current assets less inventories and divided by current liabilities as of the same date.

(5) These ratios are annualized by dividing profit for the six months ended June 30, 2018 by 181 and multiplied by 365, then divided by average assets or average equity, as applicable.

(6) Equals net debt (which is calculated as borrowings and amounts due to related parties that are of a non-trade nature excluding payables arising from acquisition of property, plant and equipment and decoration project management services less bank balances and cash) divided by total equity as of the same date and multiplied by 100%.

Return on Average Equity

Our return on average equity increased from 110.4% in 2017 to 114.4% for the six months ended June 30, 2018, mainly because the increase in our annualized profit for the first half of 2018 compared to profit for the year in 2017 was greater than that of the average balance of our total equity.

Our return on average equity increased from 87.8% in 2016 to 110.4% in 2017, mainly because our profit for the year increased by RMB216.2 million as a result of our business growth while our total equity increased by RMB19.2 million.

Our return on average equity increased from 42.0% in 2015 to 87.8% in 2016 mainly because our profit for the year increased by RMB567.5 million, primarily due to the increase of our revenue from RMB5,756.7 million in 2015 to RMB7,807.7 million in 2016, while our equity decreased by RMB85.2 million.

Return on Average Assets

Our return on average assets decreased from 36.8% in 2017 to 31.6% for the six months ended June 30, 2018, mainly because our total assets increased by RMB792.7 million, or 21.2% from RMB3,735.8 million as of December 31, 2017 to RMB4,528.5 million as of June 30, 2018, which was greater than the growth in our annualized net profit for the six months ended June 30, 2018 compared to 2017.

Our return on average assets decreased from 37.9% in 2016 to 36.8% in 2017, mainly because our average total assets increased at a higher rate than our profit for the year. The RMB986.3 million increase in our total assets was primarily due to (i) a RMB1,142.4 million increase in property, plant and equipment primarily for our newly-opened restaurants, and (ii) a RMB250.9 million increase in trade and other receivables and prepayments in relation to the increase in our trade receivables, which primarily reflecting our business growth and because our guests increasingly chose to settle their bills through payment platforms, while our profit for the year increased by RMB216.2 million as a result of our business growth.

Our return on average assets increased from 20.7% in 2015 to 37.9% in 2016, primarily because our profit for the year increased at a higher rate than our average total assets. Our profit for the year increased significantly from RMB410.7 million in 2015 to RMB978.2 million in 2016, primarily because our revenue increased by 35.6% from RMB5,756.7 million in 2015 to RMB7,807.7 million in 2016, while our raw materials and consumables used only increased by 22.3% from RMB2,599.7 million in 2015 to RMB3,179.3 million in 2016.

Current Ratio and Quick Ratio

Our current ratio decreased from 0.56 as of December 31, 2017 to 0.45 as of June 30, 2018, and our quick ratio decreased from 0.52 as of December 31, 2017 to 0.35 as of June 30, 2018 because our current liabilities increased at a higher rate than our current assets. The increase in our current liabilities of RMB696.4 million was primarily due to (i) a RMB746.5 million increase in borrowings that we obtained to support our business expansion, (ii) a RMB242.8 million increase in trade payables primarily due to the change in our procurement arrangement beginning January 2018 in which we procured food ingredients that do not require processing directly from third-party suppliers; partially offset by a RMB551.4 million decrease in our amounts due to related parties, as we partially repaid the loans obtained from Sichuan Haidilao. The increase in our current assets was primarily due to (i) a RMB249.1 million increase in our bank balances and cash, and (ii) a RMB230.3 million increase in our inventories.

Our current ratio decreased from 0.77 as of December 31, 2016 to 0.56 as of December 31, 2017, and our quick ratio decreased from 0.73 as of December 31, 2016 to 0.52 as of December 31, 2017 because our current liabilities increased at a higher rate than our current assets. The increase in our current liabilities of RMB975.8 million was primarily due to (i) a RMB990.1 million increase in amounts due to related parties mainly representing (a) the RMB691.2 million balance of the loan we obtained from Sichuan Haidilao as of December 31, 2017 to supplement our working capital after the Business Restructuring, and (b) a RMB279.4 million increase in amounts due to Shuyun Dongfang, (ii) a RMB146.8 million increase in other payables primarily because of a RMB148.3 million increase in staff costs payable. The increase in our current assets primarily due to a RMB250.9 million increase in trade and other receivables and prepayments in relation to the increase in our trade receivables, which primarily reflecting our business growth and because our guests increasingly chose to settle their bills through payment platforms.

Our current ratio decreased from 0.95 as of December 31, 2015 to 0.77 as of December 31, 2016, and our quick ratio decreased from 0.92 as of December 31, 2015 to 0.73 as of December 31, 2016 because our current liabilities increased at a higher rate than our current assets. The RMB397.9

million increase in our current liabilities was primarily due to (i) a RMB153.1 million increase in our borrowings, as we obtained more bank borrowings to fund our business expansion, and (ii) a RMB79.2 million increase in other payables, primarily in relation to a RMB97.1 million increase in staff cost payable, reflecting our business growth and the increase in compensation levels of our restaurant staff. The increase in our current assets of RMB72.6 million was primarily due to (i) a RMB249.3 million increase in bank balances and cash, and (ii) a RMB71.2 million increase in trade and other receivables and prepayments.

Gearing Ratio

Our gearing ratio decreased from 73.0% as of December 31, 2017 to 50.7% as of June 30, 2018, primarily due to (i) a RMB191.7 million, or 24.1%, decrease in our net debt as we partially repaid loans obtained from Sichuan Haidilao in the first half of 2018, and (ii) a RMB100.9 million, or 9.3%, increase in our total equity.

Our gearing ratio increased from 17.9% as of December 31, 2016 to 73.0% as of December 31, 2017, primarily due to a RMB604.5 million, or 315.3% increase in our net debt, which primarily represented loans obtained from Sichuan Haidilao to supplement our working capital after the Business Restructuring; partially offset by a RMB19.2 million, or 1.8% increase in our total equity.

Our gearing ratio decreased from 22.7% as of December 31, 2015 to 17.9% as of December 31, 2016, primarily due to a RMB70.4 million, or 26.9% decrease in our net debt due to a significant increase in our bank balances and cash; partially offset by a RMB85.2 million, or 7.4% decrease in our total equity.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As of the Latest Practicable Date, we had not entered into any off-balance sheet transactions.

MARKET RISKS

We are exposed to a variety of market risks, including foreign currency risk, interest rate risk, credit risk and liquidity risk, as set out below. We manage and monitor these exposures to ensure appropriate measures are implemented on a timely and effective manner. For details, see Note 35 in "Appendix I — Accountants' Report" to this Prospectus.

Foreign Currency Risk

We undertake certain operating transactions in foreign currencies, which exposes us to foreign currency risk. We do not use any derivative contracts to hedge against our exposure to currency risk. Our management manages our currency risk by closely monitoring the movement of the foreign currency rates and considers hedging significant foreign currency exposure should such need arise.

The carrying amounts of our foreign currency denominated monetary assets as of the end of each reporting period are as follows.

	As of December 31,			As of June 30,
	2015	2016	2017	2018
	(in thousands of RMB)			
Assets				
SGD	4,293	47,995	8,442	11,110
U.S. dollar	61	61	782	7,294
Renminbi	—	—	93	29
Liabilities				
U.S. dollar	—	—	611	128,964
SGD	—	14,389	14,649	23,155

We currently do not have a foreign exposure hedging policy. However, our management will monitor foreign exchange exposure closely and consider the usage of hedging instruments when the need arises.

Sensitivity Analysis

The following table details our sensitivity to a 10% decrease in the functional currency of the relevant group entities against the foreign currency. 10% is the sensitivity rate used in management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items, and adjusts their translation at the end of the reporting period for a 10% change in foreign currency rates. A positive (negative) number below indicates an increase (decrease) in post-tax profit for the year/period where the functional currency of relevant group entities weakening against the relevant foreign currencies. For a 10% strengthen of the functional currency of relevant group entities, there would be an equal and opposite impact on the profit after tax.

	For the year ended December 31,			For the six months ended June 30,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
SGD	365	2,405	(528)	(1,000)
U.S. dollar	5	5	16	(12,219)
Renminbi	—	—	8	2

Interest Rate Risk

We are exposed to fair value interest rate risk in relation to fixed-rate bank borrowings set out in Note 27 in "Appendix I — Accountants' Report" to this Prospectus. We aim at keeping borrowings at variable rates. We are also exposed to cash flow interest risk in relation to variable-rate bank balances set out in Note 24 in "Appendix I — Accountants' Report" to this Prospectus and variable-rate bank borrowings set out in Note 27 in "Appendix I — Accountants' Report" to this Prospectus which carry prevailing market interests. We currently do not have a specified policy to manage our interest rate risk but will closely monitor our interest rate risk exposure in the future.

No sensitivity analysis on interest rate risk is presented as management consider the sensitivity on interest rate risk on bank balances, pledged bank deposits and borrowings is insignificant.

Credit Risk

Our maximum exposure to credit risk which will cause a financial loss to us due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognized financial assets as stated in the consolidated statements of financial position (including trade receivables, other receivables, other financial assets, amounts due from related parties, pledged bank balances and bank balances and cash) and loan commitment with a related party with details set out in note 39(c) in "Appendix I — Accountants' Report". Our Company is exposed to credit risk arising from dividend receivable from a subsidiary and bank balances and cash.

Our management considers (i) reverse repurchase of national debts with a high credit rating and secured by high-credit-quality national debts during the Track Record Period and (ii) pledged bank deposits and bank balances that are deposited with state-owned banks or financial institutions with high credit rating to be low credit risk financial assets. In addition, trade receivables in connection with bills settled through payment platforms such as Unionpay, Alipay or WeChat Pay are also with high credit rating and no past due history. Our management considers these assets are short-term in nature and the probability of default is negligible on the basis of high-credit-rating issuers during the Track Record Period, and accordingly, no loss allowance was recognised during the Track Record Period.

We have concentration of credit risk on amounts due from related parties as of December 31, 2015, 2016 and 2017 and June 30, 2018 with details set out in note 39 in "Appendix I — Accountants' Report". Our management has made periodic assessments as well as individual assessment on recoverability based on historical settlement records and adjusts for forward-looking information. In view of the strong financial capability of these related parties and considered the future prospects of the industry these related parties operate, our management does not consider there is a risk of default and does not expect any losses from non-performance by these related parties, and accordingly, no impairment was recognised in respect of the amounts due from related parties and the related loan commitment.

In determining the expected credit losses for other receivables, our management has taken into account the historical default experience and forward-looking information, as appropriate, for example we have considered the consistently low historical default rate and collateral value of the securities in connection with loans to employees, and concluded that credit risk inherent in our outstanding other receivables is insignificant. Our management has assessed that other receivables have not had a significant increase in credit risk since initial recognition and risk of default is insignificant, and therefore, no impairment has been recognised.

There has been no change in the estimation techniques or significant assumptions made throughout the Track Record Period.

Liquidity Risk

As of December 31, 2015, 2016 and 2017 and June 30, 2018, our net current liabilities amounted to RMB60.4 million, RMB385.6 million, RMB1,156.4 million and RMB1,832.1 million, respectively. In the management of liquidity risk, our management monitors and maintains a reasonable level of cash and cash equivalents which is deemed adequate by our management to finance our operations and mitigate the impact of fluctuations in cash flows. We rely on the cash from operating activities and bank borrowings as the main source of liquidity. For the years ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2018, we had net cash from operating activities of approximately RMB642.0 million, RMB1,414.1 million, RMB1,399.7 million and RMB1,002.9 million, respectively. As of June 30, 2018, we had unused bank facilities of RMB517.8 million. In addition, our management monitors the utilization of borrowings and ensures compliance with borrowing covenants. Our Directors believe that we will have sufficient funds available from the operating activities to meet our financial obligations in the foreseeable future.

The following tables detail our remaining contractual maturity for our non-derivative financial liabilities. The table has been prepared based on the undiscounted cash flows of financial liabilities based on the earliest date on which we may be required to pay and includes both interests and principal cash flows.

	Weighted average effective interest rate	On demand or within 2 months	Over 2 months but within 1 year	Over 1 year but within 2 years	Over 2 years	Total undiscounted cash flows	Carrying amount
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at December 31, 2015							
Financial liabilities							
Trade payables	—	100,272	—	—	—	100,272	100,272
Other payables	—	185	17,987	33,015	—	51,187	51,187
Borrowings	1.43%	—	417,381	—	—	417,381	414,391
Amounts due to related parties	—	154,319	—	—	—	154,319	154,319
Total		254,776	435,368	33,015	—	723,159	720,169
As at December 31, 2016							
Financial liabilities							
Trade payables	—	119,768	—	—	—	119,768	119,768
Other payables	—	1,039	16,932	33,712	—	51,683	51,683
Borrowings	1.50%	—	572,840	11,470	—	584,310	578,562
Amounts due to related parties	—	212,505	—	—	—	212,505	212,505
Total		333,312	589,772	45,182	—	968,266	962,518

	Weighted average effective interest rate	On demand or within 2 months	Over 2 months but within 1 year	Over 1 year but within 2 years	Over 2 years	Total undiscounted cash flows	Carrying amount
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at December 31, 2017							
Financial liabilities							
Trade payables	—	168,719	—	—	—	168,719	168,719
Other payables	—	972	9,500	29,071	—	39,543	39,543
Borrowings	2.31%	—	353,353	233	9,689	363,275	357,220
Amounts due to related parties	—	511,343	691,245	—	—	1,202,588	1,202,588
Total		681,034	1,054,098	29,304	9,689	1,774,125	1,768,070
As at June 30, 2018							
Financial liabilities							
Trade payables	—	411,562	—	—	—	411,562	411,562
Other payables	—	23,447	25,444	29,896	—	78,787	78,787
Borrowings	3.92%	86,064	1,041,798	431	17,539	1,145,832	1,111,482
Amounts due to related parties	—	651,185	—	—	—	651,185	651,185
Dividend payable	—	128,416	—	—	—	128,416	128,416
Total		1,300,674	1,067,242	30,327	17,539	2,415,782	2,381,432

Our Company's financial liabilities are non-interest bearing and repayable on demand.

DIVIDENDS

In 2015, 2016 and 2017 and the six months ended June 30, 2018, we declared dividends of RMB27.0 million, RMB1,014.0 million, RMB751.8 million and US$88.8 million (equivalent to RMB584.0 million at the then-applicable exchange rate), respectively. With respect to the US$88.8 million dividends we declared, RMB455.6 million has been settled as of June 30, 2018.

Future dividend payments will depend upon the availability of dividends received from our subsidiaries in China. PRC laws require that dividends be paid only out of net profits calculated according to PRC accounting principles, which differ in many aspects from generally accepted accounting principles in other jurisdictions, including IFRSs. PRC laws also require foreign invested enterprises to set aside part of their net profit as statutory reserves, which are not available for distribution as cash dividends. Distributions from our subsidiaries may also be restricted if they incur debt or losses, or in accordance with any restrictive covenants in bank credit facilities or other agreements that we or our subsidiaries may enter into in the future.

Our Board may declare dividends in the future after taking into account our results of operations, financial condition, cash requirements and availability and other factors as it may deem relevant at such time. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the Companies Law. In addition, our Directors may from time to time pay such interim dividends on shares of the Company outstanding and authorize payment of the same out of the funds of the Company lawfully available.

Subject to the above limitations, our Directors expect that, in the future, we may pay dividends from time to time in an aggregate amount of approximately 20% of profits attributable to the equity holders of our 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.

DISTRIBUTABLE RESERVES

As of June 30, 2018, the Company had retained profits amounting to RMB0.2 million. The retained profits of the Company is available for distribution to our equity shareholders.

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

Our unaudited pro forma statement of adjusted consolidated net tangible assets has been prepared, on the basis of the notes set forth below, for the purpose of illustrating the effect of the Global Offering as if it had taken place on June 30, 2018. It has been prepared for illustrative purpose only and, because of its hypothetical nature, may not give a true and fair picture of our financial position.

	Audited consolidated net tangible assets of our Group attributable to the owners of the Company as of June 30, 2018(1)	Estimated net proceeds from the Global Offering(2)	Unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to the owners of the Company	Unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to the owners of the Company per share	
	RMB'000	RMB'000	RMB'000	RMB(3)	HK$(4)
Based on an Offer Price of HK$14.80 per share.	1,124,809	5,275,729	6,400,538	1.21	1.39
Based on an Offer Price of HK$17.80 per share.	1,124,809	6,351,405	7,476,214	1.41	1.62

(1) Our audited consolidated net tangible assets attributable to the owners of our Company as of June 30, 2018 has been calculated based on our audited consolidated net assets of RMB1,156,685,000 after deducting intangible assets of RMB31,876,000 attributable to the owners of our Company, extracted from the Accountants' Report, the text of which is set out in Appendix I to this Prospectus.

(2) The estimated net proceeds from the Global Offering are based on 424,530,000 shares at the Offer Price of HK$14.80 and HK$17.80 per share, respectively, after deduction of the estimated underwriting fees and other related expenses incurred or expected to be incurred by us, other than those expenses which had been recognized in profits or loss prior to June 30, 2018. The calculation of such estimated net proceeds does not take into account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option, or any Shares which may be issued or repurchased by us pursuant to the general mandates granted to our Directors to issue or repurchase Shares referred to in the section headed "Share Capital — General Mandate to Issue Shares" or the section headed "Share Capital — General Mandate to Repurchase Shares" in the Prospectus. The estimated

net proceeds from the Global Offering are converted from Hong Kong Dollars into Renminbi at an exchange rate of HK$1.00 to RMB0.87079, which was the PBOC rate prevailing on September 3, 2018. No representation is made that Hong Kong Dollars amounts have been, could have been or may be converted to Renminbi, or vice versa, at that rate or at any other rates or at all.

(3) The number of shares used for the calculation of our unaudited pro forma adjusted consolidated net tangible assets attributable to the owners of the Company per share is based on 5,300,000,000 shares in issue immediately upon completion of the Capitalization Issue and the Global Offering. It does not take into account any share which may be issued upon the exercise of the Over-allotment Option, or any Shares which may be issued or repurchased by us pursuant to the general mandates granted to our Directors to issue or repurchase Shares referred to in the section headed "Share Capital — General Mandate to Issue Shares" or the section headed "Share Capital — General Mandate to Repurchase Shares" in this Prospectus.

(4) Our unaudited pro forma adjusted consolidated net tangible assets attributable to the owners of the Company per share is converted from Renminbi into Hong Kong Dollars at the rate of RMB0.87079 to HK$1.00 which was the PBOC rate prevailing on September 3, 2018. No representation is made that the Renminbi amounts have been, could have been or could be converted to Hong Kong Dollars, or vice versa, at that rate or at any other rates or at all.

(5) No adjustments has been made to our unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company to reflect any trading results or other transactions of the Group entered into subsequent to June 30, 2018.

LISTING EXPENSES

Listing expenses to be borne by us are estimated to be approximately HK$268.1 million (including underwriting commission) and assuming the Over-allotment Option is not exercised. As of June 30, 2018, we incurred listing expenses of RMB22.5 million (equivalent to HK$25.8 million), of which RMB20.7 million (equivalent to HK$23.7 million) were charged to our consolidated statements of profit or loss and RMB1.8 million (equivalent to HK$2.1 million) were capitalized as deferred listing expenses. After June 30, 2018, approximately HK$31.9 million is expected to be charged to our consolidated statements of profit or loss, and approximately HK$210.4 million is expected to be accounted for as a deduction from equity upon the Listing. The listing expenses above are the latest practicable estimate for reference only, and the actual amount may differ from this estimate. Our Directors do not expect such listing expenses to have a material and adverse impact on our results of operation for the year ending December 31, 2018.

NO MATERIAL AND ADVERSE CHANGE

After due and careful consideration, our Directors confirm that, up to the date of this Prospectus, there has been no material and adverse change in our financial and trading position or prospects since June 30, 2018, and there is no event since June 30, 2018 which would materially affect the information shown in the Accountants' Report, the text of which is set out in Appendix I to this Prospectus.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

We confirm that, as at the Latest Practicable Date, there were no circumstances that would give rise to a disclosure requirement under Rule 13.13 to 13.19 of the Listing Rules.

THE CORNERSTONE PLACING

We have entered into cornerstone investment agreements (each a "**Cornerstone Investment Agreement**", and together the "**Cornerstone Investment Agreements**") with the cornerstone investors set out below (each a "**Cornerstone Investor**", and together the "**Cornerstone Investors**"), pursuant to which the Cornerstone Investors have agreed to, subject to certain conditions, subscribe at the Offer Price for such number of Offer Shares (rounded down to the nearest whole board lot of 1,000 Shares) that may be purchased for an aggregate amount of US$375 million (or approximately HK$2,943 million) (the "**Cornerstone Placing**").

Assuming an Offer Price of HK$14.80, being the low-end of the indicative Offer Price range set out in this Prospectus, the total number of Offer Shares to be subscribed by the Cornerstone Investors would be 198,862,000 Offer Shares, representing approximately 46.84% of the Offer Shares pursuant to the Global Offering and approximately 3.75% of our total issued share capital immediately upon completion of the Capitalization Issue and the Global Offering (assuming the Over-allotment Option is not exercised).

Assuming an Offer Price of HK$16.30, being the mid-point of the indicative Offer Price range set out in this Prospectus, the total number of Offer Shares to be subscribed by the Cornerstone Investors would be 180,562,000 Offer Shares, representing approximately 42.53% of the Offer Shares pursuant to the Global Offering and approximately 3.41% of our total issued share capital immediately upon completion of the Capitalization Issue and the Global Offering (assuming the Over-allotment Option is not exercised).

Assuming an Offer Price of HK$17.80, being the high-end of the indicative Offer Price range set out in this Prospectus, the total number of Shares to be subscribed by the Cornerstone Investors would be 165,346,000 Offer Shares, representing approximately 38.95% of the Offer Shares pursuant to the Global Offering and approximately 3.12% of our total issued share capital immediately upon completion of the Capitalization Issue and the Global Offering (assuming the Over-allotment Option is not exercised).

To the best knowledge of our Company, each of the Cornerstone Investors is an Independent Third Party and is making independent investment decisions, and none of the Cornerstone Investors is an existing shareholder of our Company or its close associate. Details of the allocations to each of the Cornerstone Investors will be disclosed in the allotment results announcement to be published by the Company on or around September 24, 2018.

The Cornerstone Placing will form part of the International Offering, and the Cornerstone Investors will not acquire any Offer Shares under the Global Offering other than and pursuant to the Cornerstone Investment Agreements. The Offer Shares to be subscribed by the Cornerstone Investors will rank *pari passu* in all respect with the fully paid Shares in issue. Immediately following the completion of the Global Offering, none of the Cornerstone Investors will have any Board representation in our Company, nor will any of the Cornerstone Investors become a substantial shareholder of the Company. The Cornerstone Investors do not have any preferential rights in the Cornerstone Investment Agreements compared with other public Shareholders.

The total number of Offer Shares to be subscribed by the Cornerstone Investors pursuant to the Cornerstone Placing may be affected by reallocation of the Offer Shares between the International Offering and the Hong Kong Public Offering in the event of over-subscription under the Hong Kong Public Offering as described in the section headed "Structure and Conditions of the Global Offering—The Hong Kong Public Offering—Reallocation and Clawback".

THE CORNERSTONE INVESTORS

The information about our Cornerstone Investors set forth below has been provided by our Cornerstone Investors in connection with the Cornerstone Placing.

Hillhouse

Gaoling Fund, L.P. ("**Gaoling**") and YHG Investment, L.P. ("**YHG**", and together with Gaoling, the "**Hillhouse Funds**") have agreed to subscribe for such number of the Offer Shares which may be purchased with an aggregate amount of US$90,000,000 at the Offer Price. Assuming an Offer Price of HK$14.80, being the low-end of the indicative Offer Price range set out in this prospectus, the Hillhouse Funds will subscribe for 47,727,000 Shares, representing approximately 0.9% of our total issued share capital immediately upon completion of the Capitalization Issue and the Global Offering (assuming the Over-allotment Option is not exercised).

The Hillhouse Funds are limited partnerships formed under the laws of the Cayman Islands. Hillhouse Capital Management, Ltd. ("**Hillhouse Capital**") serves as the sole investment manager of Gaoling and the sole general partner of YHG.

Founded in 2005, Hillhouse Capital is a global firm of investment professionals and operating executives who are focused on building and investing in high quality business franchises that achieve sustainable growth. Independent proprietary research and industry expertise, in conjunction with world-class operating and management capabilities, are key to Hillhouse Capital's investment approach. Hillhouse Capital partners with exceptional entrepreneurs and management teams to create value, often with a focus on enacting innovation and technological transformation. Hillhouse Capital invests in the healthcare, consumer, TMT, advanced manufacturing, financial and business services sectors in companies across all equity stages. Hillhouse Capital and its group members manage more than US$50 billion in assets on behalf of institutional clients such as university endowments, foundations, sovereign wealth funds, and family offices.

Greenwoods

Greenwoods Asset Management Limited ("**Greenwoods**") has agreed to subscribe for such number of the Offer Shares which may be purchased with an aggregate amount of US$90,000,000 at the Offer Price. Assuming an Offer Price of HK$14.80, being the low-end of the indicative Offer Price range set out in this prospectus, Greenwoods will subscribe for 47,727,000 Shares, representing approximately 0.9% of our total issued share capital immediately upon completion of the Capitalization Issue and the Global Offering (assuming the Over-allotment Option is not exercised).

Greenwoods is an exempted company incorporated in Cayman Islands with limited liability. Established in 2004, Greenwoods is one of the largest and earliest China-based asset managers specializing in investing in Chinese companies. Greenwoods focuses on fundamental research approach, local knowledge, policy insights, industry experience, contrarian views, and due diligence using a "360-degree" due diligence system. Over the track record period of more than 15 years, Greenwoods has delivered outstanding returns for its investors compare to peer indices. Greenwoods' investors mainly consist of global institutional investors such as sovereign pension funds, university endowments, family offices, banks and insurers from the US, Europe and Asia.

Ms. Shu, a Controlling Shareholder and non-executive Director of our Company, holds approximately 0.33% interest in Greenwoods as a limited partner. Ms. Li Haiyan, a substantial shareholder of our Company and the spouse of Mr. Shi Yonghong (an executive Director of the Company), holds approximately 0.08% interest in the Greenwoods as a limited partner. Neither Ms. Shu nor Ms. Li Haiyan is entitled to exercise any voting rights or participate in the decision making process in Greenwoods.

Morgan Stanley

Morgan Stanley Asia Limited ("**MSAL**") and Morgan Stanley Investment Management Inc. ("**MSIM Inc.**") have agreed to subscribe for such number of the Offer Shares which may be purchased with an aggregate amount of US$80,000,000 at the Offer Price. Assuming an Offer Price of HK$14.80, being the low-end of the indicative Offer Price range set out in this prospectus, MSAL and MSIM Inc. will, in aggregate, subscribe for 42,424,000 Shares, representing approximately 0.8% of our total issued share capital immediately upon completion of the Capitalization Issue and the Global Offering (assuming the Over-allotment Option is not exercised).

MSAL is a company incorporated in Hong Kong and is ultimately wholly owned by Morgan Stanley. MSAL offers its complete range of products and services to clients across the region and globally including institutional securities, corporate finance and advisory, private wealth management and investment management. MSAL is licensed with SFC to carry on business in Type 1 (dealing in securities), Type 4 (advising on securities), Type 5 (advising on futures contracts), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the Securities and Futures Ordinance (Cap. 571).

MSIM Inc, is a company incorporated in Delaware, U.S.A. and is ultimately wholly owned by Morgan Stanley. MSIM Inc., together with its investment advisory affiliates, has more than 645 investment professionals around the world and $474 billion in assets under management or supervision as of June 30, 2018. MSIM Inc. strives to provide outstanding long-term investment performance, service and a comprehensive suite of investment management solutions to a diverse client base, which includes governments, institutions, corporations and individuals worldwide.

Morgan Stanley (NYSE: MS) is a leading global financial services firm providing investment banking, securities, wealth management and investment management services. With offices in more than 41 countries, the firm's employees serve clients worldwide including corporations, governments, institutions and individuals.

Snow Lake Funds

Snow Lake China Master Fund, Ltd., Snow Lake China Master Long Fund, Ltd. and Snow Lake Asia Master Fund Limited (the "**Snow Lake Funds**") have agreed to subscribe for such number of the Offer Shares which may be purchased with an aggregate amount of US$80,000,000 at the Offer Price. Assuming an Offer Price of HK$14.80, being the low-end of the indicative Offer Price range set out in this prospectus, the Snow Lake Funds will subscribe for 42,424,000 Shares, representing approximately 0.8% of our total issued share capital immediately upon completion of the Capitalization Issue and the Global Offering(assuming the Over-allotment Option is not exercised).

The Snow Lake Funds are exempted companies established under the laws of the Cayman Islands. Snow Lake Capital Limited ("**Snow Lake Capital**") serves as the investment manager of the Snow Lake Funds.

Snow Lake Capital, together with its affiliates, is an Asian alternative investment management firm founded in 2009. The firm employs a long-term fundamental investment approach, leveraging its in-house proprietary research capabilities and disciplined investment process in selecting high quality businesses with forward-thinking management. Snow Lake Capital mainly invests in leading companies in the TMT, consumer, healthcare, financial services and real estate sectors. Snow Lake Capital manages capital mainly for institutional clients globally, including university endowments, foundations, family offices, sovereign wealth funds and pensions.

Ward Ferry

WF Asian Smaller Companies Fund Limited has agreed to subscribe for such number of the Offer Shares which may be purchased with an aggregate amount of US$35,000,000 at the Offer Price. Assuming an Offer Price of HK$14.80, being the low-end of the indicative Offer Price range set out in this prospectus, WF Asian Smaller Companies Fund Limited will subscribe for 18,560,000 Shares, representing approximately 0.35% of our total issued share capital immediately upon completion of the Capitalization Issue and the Global Offering (assuming the Over-allotment Option is not exercised).

WF Asian Smaller Companies Fund Limited is managed by Ward Ferry Management (BVI) Limited ("**Ward Ferry**"), a boutique investment management firm founded in 2000. Based in Hong Kong, Ward Ferry manages long-only equity funds that invest across Asia for global institutional investors. Ward Ferry's fundamentals-driven investment strategy follows a "private equity" approach to public markets investing by performing intensive on-the-ground primary research and targeting a multi-year investment horizon. The WF Asian Smaller Companies Fund Limited is incorporated under the laws of the Cayman Islands.

The table below sets forth details of the Cornerstone Placing:

		Assuming a final Offer Price of HK$14.8 per Share (being the low-end of the indicative Offer Price range)					Assuming a final Offer Price of HK$16.3 per Share (being the mid-point of the indicative Offer Price range)					Assuming a final Offer Price of HK$17.8 per Share (being the high-end of the indicative Offer Price range)				
			Assuming the Over-allotment Option is not exercised		Assuming the Over-allotment Option is fully exercised			Assuming the Over-allotment Option is not exercised		Assuming the Over-allotment Option is fully exercised		Assuming the Over-allotment Option is not exercised			Assuming the Over-allotment Option is fully exercised	
Cornerstone Investor	Total investment Amount(1)	Number of Offer Shares to be acquired(2)	Approximate % of the Offer Shares	Approximate % of ownership(3)	Approximate % of the Offer Shares	Approximate % of ownership(3)	Number of Offer Shares to be acquired(2)	Approximate % of the Offer Shares	Approximate % of ownership(3)	Approximate % of the Offer Shares	Approximate % of ownership(3)	Approximate % of the Offer Shares	Approximate % of ownership(3)	Number of Offer Shares to be acquired(2)	Approximate % of the Offer Shares	Approximate % of ownership(3)
Hillhouse Funds	US$90,000,000 HK$706,374,000	47,727,000	11.24%	0.90%	9.78%	0.89%	43,335,000	10.21%	0.82%	8.88%	0.81%	39,683,000	9.35%	0.75%	8.13%	0.74%
Greenwoods	US$90,000,000 HK$706,374,000	47,727,000	11.24%	0.90%	9.78%	0.89%	43,335,000	10.21%	0.82%	8.88%	0.81%	39,683,000	9.35%	0.75%	8.13%	0.74%
MSAL and MSIM Inc. . .	US$80,000,000 HK$627,888,000	42,424,000	9.99%	0.80%	8.69%	0.79%	38,520,000	9.07%	0.73%	7.89%	0.72%	35,274,000	8.31%	0.67%	7.23%	0.66%
Snow Lake Funds.	US$80,000,000 HK$627,888,000	42,424,000	9.99%	0.80%	8.69%	0.79%	38,520,000	9.07%	0.73%	7.89%	0.72%	35,274,000	8.31%	0.67%	7.23%	0.66%
WF Asian Smaller Companies Fund Limited	US$35,000,000 HK$274,701,000	18,560,000	4.37%	0.35%	3.80%	0.35%	16,852,000	3.97%	0.32%	3.45%	0.31%	15,432,000	3.64%	0.29%	3.16%	0.29%

Notes:

(1) Calculated based on an exchange rate of US$1.00 to HK$7.8486 as described in the section headed "Information about this Prospectus and the Global Offering—Exchange Rate Conversion". The actual investment amount of each Cornerstone Investor in Hong Kong dollars may vary due to the actual exchange rate prescribed in the relevant Cornerstone Investment Agreement.

(2) Subject to rounding down to the nearest whole board lot of 1,000 Shares.

(3) Immediately upon the completion of the Capitalization Issue and the Global Offering.

CLOSING CONDITIONS

The obligation of each of the Cornerstone Investors to acquire the Offer Shares under the respective Cornerstone Investment Agreement is subject to, among other things, the following closing conditions:

(i) the Hong Kong Underwriting Agreement and the International Underwriting Agreement being entered into and having become effective and unconditional (in accordance with their respective original terms or as subsequently waived or varied by agreement of the parties thereto) by no later than the time and date as specified in the Hong Kong Underwriting Agreement and the International Underwriting Agreement;

(ii) neither the Hong Kong Underwriting Agreement nor the International Underwriting Agreement having been terminated;

(iii) the Listing Committee having granted the approval for the listing of, and permission to deal in, the Shares (including the Shares under the Cornerstone Placing) as well as other applicable waivers and approvals and such approval, permission or waiver having not been revoked prior to the commencement of dealings in the Shares on the Stock Exchange;

(iv) the Offer Price having been agreed according to the Hong Kong Underwriting Agreement, the International Underwriting Agreement and the Price Determination Agreement to be signed among the parties to such agreements in connection with the Global Offering;

(v) no laws shall have been enacted or promulgated which prohibits the consummation of the transactions contemplated in Hong Kong Public Offering, the International Offering or the Cornerstone Investment Agreements, and there shall be no orders or injunctions from a court of competent jurisdiction in effect precluding or prohibiting consummation of such transactions; and

(vi) the respective representations, warranties, acknowledgements, undertakings and confirmations of the Cornerstone Investor under the Cornerstone Investment Agreements are and will be (as of the closing of the Cornerstone Investment Agreements) accurate and true in all material respects and not misleading and that there is no material breach of the Cornerstone Investment Agreement on the part of the Cornerstone Investor.

RESTRICTIONS ON THE CORNERSTONE INVESTOR

Each of the Cornerstone Investors has agreed that without the prior written consent of our Company, the Joint Sponsors and the Joint Global Coordinators, it will not, and will cause its affiliates not to, whether directly or indirectly, at any time during the period of six months following the Listing Date (the "**Lock-up Period**"), (i) dispose of, in any way, any of the Offer Shares it has purchased or any interest in any company or entity holding any of the Offer Shares owned by it; (ii) allow itself to undergo a change of control (as defined in The Codes on Takeovers and Mergers and Share Buy-backs promulgated by the SFC); or (iii) enter into any transactions directly or indirectly with the same economic effect as any aforesaid transactions, pursuant to the Cornerstone Investment Agreements.

FUTURE PLANS AND PROSPECTS

See "Business — Business Strategy" for a detailed description of our future plans.

USE OF PROCEEDS

We estimate that we will receive net proceeds from the Global Offering of approximately HK$6,651.8 million, after deducting underwriting commissions, fees and estimated expenses payable by us in connection with the Global Offering, and assuming an Offer Price of HK$16.30 per Share, being the mid-point of the indicative Offer Price range stated in this Prospectus. If the Offer Price is set at HK$17.80 per Share, being the high end of the indicative Offer Price range, the net proceeds from the Global Offering will increase by approximately HK$617.6 million. If the Offer Price is set at HK$14.80 per Share, being the low end of the indicative Offer Price range, the net proceeds from the Global Offering will decrease by approximately HK$617.6 million.

We currently intend to apply these net proceeds for the following purposes (assuming an Offer Price of HK$16.30 per Share being the mid-point of the indicative Offer Price range stated in this Prospectus):

- approximately 60.0%, or HK$3,991.1 million, will be used to finance part of our expansion plan from 2018 to 2020. At an estimated capital expenditure of approximately RMB8 million to RMB10 million per new restaurant, the amount will cover our opening of approximately 390 new restaurants in the PRC;

- approximately 20.0%, or HK$1,330.4 million, will be used to develop and implement new technology, of which approximately 8.0%, or HK$532.1 million will be used for projects related to food safety, such as intelligent kitchen technology, and approximately 12.0%, or HK$798.2 million will be used for projects to enhance customer experience, such as virtual reality and immersive dining technology and customized flavor technology;

- approximately 15.0%, or HK$997.8 million will be used to partially repay (i) the loan facility of RMB850.0 million from China Merchants Bank Co., Ltd. Hong Kong Branch, which has an interest rate of LIBOR plus 2.55% per annum and a term of one year from the date of drawdown, and (ii) the credit facility in the amount of US$40.0 million from Citibank (China) Co., Ltd. Beijing Branch, which has a term of one year;

- approximately 5.0%, or HK$332.6 million, will be used for our working capital and general corporate purposes.

The above allocation of the net proceeds from the Global Offering will be adjusted on a pro rata basis in the event that the Offer Price is fixed at a higher or lower level compared to the mid-point of the indicative Offer Price range stated in this Prospectus.

If the Over-allotment Option is exercised in full, the net proceeds that we will receive will be approximately HK$7,658.5 million, assuming an Offer Price of HK$16.30 per Share (being the mid-point of the indicative Offer Price range). In the event that the Over-allotment Option is exercised in full, we intent to apply the additional net proceeds to the above purposes in the proportions stated above.

To the extent that the net proceeds from the Global Offering are not immediately applied to the above purposes and to the extent permitted by applicable law and regulations, we intend to deposit the net proceeds into short-term demand deposits and/or money market instruments.

HONG KONG UNDERWRITERS

CMB International Capital Limited
Goldman Sachs (Asia) L.L.C.
China International Capital Corporation Hong Kong Securities Limited
Citigroup Global Markets Asia Limited
UOB Kay Hian (Hong Kong) Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, our Company is offering initially 38,208,000 Hong Kong Offer Shares for subscription by the public in Hong Kong on and subject to the terms and conditions of this Prospectus and the Application Forms. Subject to the Listing Committee granting listing of, and permission to deal in, our Shares in issue and to be offered as mentioned herein and to certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have agreed severally and not jointly to subscribe or procure subscribers for their respective applicable proportions of the Hong Kong Offer Shares now being offered which are not taken up under the Hong Kong Public Offering on and subject to the terms and conditions of this Prospectus, the Application Forms and the Hong Kong Underwriting Agreement. The Hong Kong Underwriting Agreement is conditional upon and subject to, among other things, the International Underwriting Agreement having been signed and becoming unconditional and not having been terminated in accordance with its terms.

Grounds for Termination

If any of the events set out below occur at any time prior to 8:00 a.m. on the Listing Date, the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) shall be entitled by written notice to the Company to terminate the Hong Kong Underwriting Agreement with immediate effect:

(a) there develops, occurs, exists or comes into force:

(i) any new law or regulation or any change or development involving a prospective change in existing law or regulation, or any change or development involving a prospective change in the interpretation or application thereof by any court or other competent authority in or affecting Hong Kong, the PRC, Singapore, Taiwan, the United States, the United Kingdom, the European Union (or any member thereof) or Japan (each a "**Relevant Jurisdiction**"); or

(ii) any change or development involving a prospective change or development, or any event or series of events likely to result in or representing a change or development, or prospective change or development, in local, national, regional or international financial, political, military, industrial, economic, currency market, fiscal or regulatory or market conditions or any monetary or trading settlement system (including, without limitation, conditions in stock and bond markets, money and foreign exchange markets and inter-bank markets, a change in the system under which the value of the Hong Kong currency is linked to that of the currency of the United States or a change of the Hong Kong dollars or of the Renminbi against any foreign currencies) in or affecting any Relevant Jurisdiction; or

(iii) any event or series of events in the nature of force majeure (including, without limitation, acts of government, labour disputes, strikes, lock-outs, fire, explosion, earthquake, flooding, tsunami, civil commotion, riots, public disorder, acts of war, acts of terrorism (whether or not responsibility has been claimed), acts of God, accident or interruption in transportation, outbreak of diseases or epidemics including, but not limited to, SARS, swine or avian flu, H5N1, H1N1, H1N7, H7N9, Ebola virus, Middle East respiratory syndrome (MERS) and such related/mutated forms, any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared) or other state of emergency or calamity or crisis in whatever form) in or directly or indirectly affecting any Relevant Jurisdiction; or

(iv) any moratorium, suspension or restriction (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in securities of generally on the Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market, the London Stock Exchange, the Tokyo Stock Exchange, the Taiwan Stock Exchange, the Shanghai Stock Exchange or the Shenzhen Stock Exchange; or

(v) any general moratorium on commercial banking activities in or affecting any Relevant Jurisdiction or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in any Relevant Jurisdiction; or

(vi) any (A) change or prospective change in exchange controls, currency exchange rates or foreign investment regulations (including, without limitation, a change of the Hong Kong dollars or RMB against any foreign currencies, a change in the system under which the value of the Hong Kong dollars is linked to that of the United States dollars or RMB is linked to any foreign currency or currencies), or (B) any change or prospective change in Taxation in any Relevant Jurisdiction adversely affecting an investment in the Shares; or

(vii) the issue or requirement to issue by our Company of a supplemental or amendment to this Prospectus, Application Forms, preliminary offering circular or offering circular or other documents in connection with the offer and sale of the Shares pursuant to the Companies Ordinance or the Listing Rules or upon any requirement or request of the Stock Exchange or the SFC; or

(viii) any change or development involving a prospective change which has the effect of materialisation of any of the risks set out in the section headed "Risk Factors" in this Prospectus; or

(ix) any contravention by any member of our Group, any Director of the Companies Ordinance, the PRC Company Law or the Listing Rules which may have a Material Adverse Effect; or

(x) a Governmental Authority (as defined in the Hong Kong Underwriting Agreement) or a regulatory body or organisation in any Relevant Jurisdiction commencing any investigation or other action or proceedings, or announcing an intention to investigate or take other action or proceedings, against any member of our Group or any Director; or

(xi) the chairman vacating his office, or being charged with an indictable offence or prohibited by operation of Laws (as defined in the Hong Kong Underwriting Agreement) or otherwise disqualified from taking part in the management of a company or the commencement by any governmental, political, regulatory body of any action against any Director or any announcement by any governmental, political, regulatory body that it intends to take any such action which would affect or could reasonably be expected to affect the suitability or eligibility of the Company for listing; or

(xii) any material adverse change or prospective material adverse change in the earnings, results of operations, business, financial or trading position, conditions (financial or otherwise) of any member of our Group (including any litigation or claim of any third party being threatened or instigated against any member of our Group); or

(xiii) any order or petition for the winding up of any member of our Group or any composition or arrangement made by any member of our Group with its creditors or a scheme of arrangement entered into by any member of our Group or any resolution for the winding-up of any member of our Group or the appointment of a provisional liquidator, receiver or manager over all or part of the material assets or undertaking of any member of our Group or anything analogous thereto occurring in respect of any member of our Group; or

(xiv) a prohibition on our Company for whatever reason from allotting, issuing or selling the Shares pursuant to the terms of the Global Offering; or

(xv) the imposition of sanctions, in whatever form, directly or indirectly, by, or for, any Relevant Jurisdiction on our Company or any member of our Group; or

which, in any such case individually or in the aggregate, in the sole and absolute opinion of the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters): (A) is or will be or is reasonably expected to be materially adverse to, or materially and prejudicially affects, the assets, liabilities, business, general affairs, management, shareholder's equity, profit, losses, results of operations, position or condition (financial or otherwise), or prospects of our Company or our Group as a whole or to any present or prospective shareholder of our Company in its capacity as such; or (B) has or will have or is reasonably expected to have a material adverse effect on the success of the Global Offering or the level of Offer Shares being applied for or accepted or subscribed for or purchased or the distribution of Offer Shares and/or has made or is likely to make or may make it impracticable or inadvisable or incapable for any material part of the Hong Kong Underwriting Agreement, the Hong Kong Public Offering or the Global Offering to be performed or implemented as envisaged; or (C) makes or will make it or is reasonably expected to make it impracticable or inadvisable or incapable to proceed with the Hong Kong Public Offering and/or the Global Offering or the delivery of the Offer Shares on the terms and in the manner contemplated by this Prospectus, the Application Forms, the formal notice, the preliminary offering circular or the offering circular; or (D) would have or is reasonably expected to have the effect of making a part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or which prevents the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof; or

(b) there has come to the notice of any of the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) that:

(i) any statement contained in the Offering Documents (as defined in the Hong Kong Underwriting Agreement), and/or any notices, announcements, advertisements, communications issued or used by or on behalf of our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) was or has become untrue, incomplete, incorrect in any material respect or misleading or any forecasts, estimate, expressions of opinion, intention or expectation expressed in the Hong Kong Public Offering Documents (as defined in the Hong Kong Underwriting Agreement) and/or any notices, announcements, advertisements, communications so issued or used are not fair and honest and made on reasonable grounds or, where appropriate, based on reasonable assumptions, when taken as a whole; or

(ii) non-compliance of this Prospectus (or any other documents used in connection with the contemplated subscription and sale of the Offer Shares) or any aspect of the Global Offering with the Listing Rules or any other applicable Law which has a Material Adverse Effect or materially and adversely affect the Global Offering; or

(iii) any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this Prospectus, not having been disclosed in the Offering Documents, constitutes a material omission therefrom; or

(iv) either (i) there has been a material breach of any of the representations, warranties, undertakings or provisions of either the Hong Kong Underwriting Agreement or the International Underwriting Agreement by our Company and the Controlling Shareholders or (ii) any of the representations, warranties and undertakings given by our Company and the Controlling Shareholders in the Hong Kong Underwriting Agreement or the International Underwriting Agreement, as applicable, is (or would when repeated be) untrue, incorrect, incomplete in any material respect or misleading; or

(v) any event, act or omission which gives or is likely to give rise to any material liability of our Company and the Controlling Shareholders pursuant to the indemnities given by our Company under the Hong Kong Underwriting Agreement; or

(vi) any litigation or dispute, which would materially and adversely affect the operation, financial condition or reputation of our Group; or

(vii) any material breach of any of the obligations of our Company and the Controlling Shareholders under the Hong Kong Underwriting Agreement or the International Underwriting Agreement; or

(viii) any material adverse change or prospective material adverse change or development involving a prospective material adverse change in the assets, business, general affairs, management, shareholder's equity, profits, losses, properties, results of operations, in the position or condition (financial or otherwise) of our Company and the subsidiaries, as a whole; or

(ix) Admission (as defined in the Hong Kong Underwriting Agreement) is refused or not granted, other than subject to customary conditions, on or before the Listing Date, or if granted, the Admission is subsequently withdrawn, cancelled, qualified (other than by customary conditions), revoked or withheld; or

(x) our Company has withdrawn the Offering Documents (and/or any other documents issued or used in connection with the Global Offering) or the Global Offering; or

then the Joint Global Coordinators may (for themselves and on behalf of the Hong Kong Underwriters), in their sole and absolute discretion and upon giving notice in writing to our Company, terminate the Hong Kong Underwriting Agreement with immediate effect.

Undertakings to the Stock Exchange pursuant to the Listing Rules

Undertakings by the Company

In accordance with Rule 10.08 of the Listing Rules, we have undertaken to the Stock Exchange that (except pursuant to the Global Offering and the Over-allotment Option) at any time during the period commencing on the Listing Date and ending on the expiry of the 6-month period after the Listing Date, our Company will not, without the prior consent of the Stock Exchange and unless in compliance with the requirements of the Listing Rules, allot or issue or agree to allot or issue any

Shares or other securities convertible into equity securities of our Company (including warrants or other convertible securities and whether or not such allotment or issuance of shares or securities will be completed within 6 months from the Listing Date), whether or not of a class already listed, except in certain circumstances prescribed in Rule 10.08 of the Listing Rules.

Undertakings by the Controlling Shareholders

In accordance with Rule 10.07(1) of the Listing Rules, each of our Controlling Shareholders has irrevocably and unconditionally undertaken to the Hong Kong Stock Exchange and to our Company that, except pursuant to the Global Offering and the Over-allotment Option, it/he/she shall not and shall procure that the relevant registered holder(s) controlled by it/him/her shall not, unless in compliance with the requirements of the Listing Rules:

(i) in the period commencing on the date by reference (the "**Reference Date**") to which disclosure of its/his/her shareholding is made in this Prospectus and ending on the date (the "**End Date**") which is six months from the Listing Date, dispose of, or enter into any agreement to dispose of, or otherwise create any options, rights, interests or encumbrances (save as pursuant to a pledge or charge as security in favour of an authorised institution (as defined in the Banking Ordinance, Chapter 155 of the Laws of Hong Kong) for a bona fide commercial loan) in respect of, any of those securities of our Company in respect of which it/he/she is shown by this Prospectus to be the beneficial owner (the "**Relevant Securities**"); and

(ii) in the period of six months commencing on the End Date, dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests, or encumbrances (save as pursuant to a pledge or charge as security in favour of an authorised institution (as defined in the Banking Ordinance, Chapter 155 of the Laws of Hong Kong) for a bona fide commercial loan) in respect of the Relevant Securities if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, it/he/she would cease to be a controlling shareholder (as defined in the Listing Rules) of our Company.

Pursuant to Note (2) to Rule 10.07(2) of the Listing Rules, Rule 10.07 does not prevent a Controlling Shareholder from using the Shares beneficially owned by it/him/her as security (including a charge or pledge) in favor of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a bona fide commercial loan.

In accordance with Note (3) to Rule 10.07(2) of the Listing Rules, our Controlling Shareholders have further undertaken to the Hong Kong Stock Exchange and to our Company that within the period commencing on the Reference Date and ending on the date which is 12 months from the Listing Date, it/he/she shall:

(i) when it/he/she or the relevant registered holder(s) controlled by it/him/her pledge or charge any Shares beneficially owned by it/him/her in favor of an authorized institution (as defined in the Banking Ordinance, Chapter 155 of the Laws of Hong Kong), pursuant to Note 2 to Rule 10.07(2) of the Listing Rules, immediately inform our Company in writing of such pledge or charge together with the number of Shares so pledged or charged; and

(ii) when it/he/she receive indications, either verbal or written, from the pledgee or chargee of any Shares that any of the pledged or charged Shares will be disposed of, immediately inform our Company in writing of such indications.

We will inform the Hong Kong Stock Exchange as soon as we have been informed of the matters referred to in paragraphs (i) and (ii) above (if any) by any of our Controlling Shareholders and make a public disclosure in relation to such information by way of an announcement in accordance with the Listing Rules.

Undertakings pursuant to the Hong Kong Underwriting Agreement

Undertakings by the Company

We have also undertaken to each of the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners and the Hong Kong Underwriters that except pursuant to the Global Offering (including pursuant to the Over-allotment Option, at any time after the date of the Hong Kong Underwriting Agreement up to and including the date falling six months after the Listing Date (the "**First Six-Month Period**"), it will not, and each of the Controlling Shareholders shall procure that our Company will not without the prior written consent of the Joint Sponsors and the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) (and such consent shall not be unreasonably withheld or delayed) and unless in compliance with the requirements of the Listing Rules:

(i) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, assign, mortgage, charge, pledge, assign, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create an Encumbrance (as defined in the Hong Kong Underwriting Agreement) over, or agree to transfer or dispose of or create an Encumbrance over, either directly or indirectly, conditionally or unconditionally, or repurchase, any legal or beneficial interest in the share capital or any other equity securities of our Company, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase any share capital or other equity securities of our Company, as applicable), or deposit any share capital or other equity securities of our Company, as applicable, with a depositary in connection with the issue of depositary receipts; or

(ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership (legal or beneficial) of Shares or any other equity securities of the Company, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares); or

(iii) enter into any transaction with the same economic effect as any transaction described in (i) or (ii) above; or

(iv) offer to or agree to do any of the foregoing or announce any intention to do so,

in each case, whether any of the foregoing transactions is to be settled by delivery of share capital or such other equity securities, in cash or otherwise (whether or not the issue of such share capital or other equity securities will be completed within the First Six-Month Period). We further agree that, in the event our Company is allowed to enter into any of the transactions described in (i), (ii) or (iii) above or offers to or agrees to or announces any intention to effect any such transaction during the period of six months commencing on the date on which the First Six Month Period expires (the "**Second Six Month Period**"), we will take all reasonable steps to ensure that such an issue or disposal will not, and no other act of our Company will, create a disorderly or false market for any Shares or other securities of our Company.

Undertakings by the Controlling Shareholders

Each of the Controlling Shareholders agrees and undertakes to our Company and each of the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners and the Hong Kong Underwriters that except pursuant to the Global Offering (including pursuant to the Over-allotment Option), at any time after the date of the Hong Kong Underwriting Agreement up to and including the date falling the First Six Month Period, it will not, and will procure that none of its Associates (as defined in the Hong Kong Underwriting Agreement) will, without the prior written consent of the Joint Global Coordinators (for themselves and on behalf of the Joint Bookrunners and the Hong Kong Underwriters):

(a) offer, accept subscription for, pledge, charge, allot, issue, sell, lend, mortgage, assign, contract to allot, issue or sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, or repurchase any of its share capital or other securities of our Company or any interest therein (including but not limited to any securities convertible into or exercisable or exchangeable for or that represent the right to receive any such share capital or securities or any interest therein); or

(b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership (legal or beneficial) of such share capital or securities or any interest therein, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares); or

(c) enter into any transaction with the same economic effect as any transaction specified in (a) or (b) above; or

(d) offer to or agree to do any of the foregoing or announce any intention to do so,

in each case, whether any of the foregoing transactions is to be settled by delivery of share capital or such other securities, in cash or otherwise (whether or not the issue of such share capital or other equity securities will be completed within the First Six Month Period); and

(i) during the Second Six-Month Period, each of our Controlling Shareholders will not enter into any transaction described in paragraphs (a), (b) and (c) above or agree or contract to or publicly announce any intention to enter into any such transaction if, immediately following such transaction, any of our Controlling Shareholders would cease to be a Controlling Shareholder (as defined in the Listing Rules) of the Company; and

(ii) until the expiry of the Second Six-Month Period, in the event that it/he/she enters into any such transactions specified in paragraphs (a), (b) or (c) above or agrees or contracts to, or publicly announces an intention to enter into any such transactions, each of our Controlling Shareholders will take all reasonable steps to ensure that it/he/she will not create a disorderly or false market in the securities of our Company, provided that nothing above shall prevent our Controlling Shareholders from (i) purchasing additional Shares or other securities of our Company and disposing of such additional Shares or securities of our Company, (ii) using the Shares or other securities of our Company or any interest therein beneficially owned by them as security (including a charge or a pledge) in favour of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a bona fide commercial loan.

Indemnity

Each of the Company and the Controlling Shareholders has jointly and severally undertaken, from time to time, to indemnify, among others, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners and the Hong Kong Underwriters for certain losses which they may suffer, including losses arising from the performance of their obligations under the Underwriting Agreements and any breach by us of the Underwriting Agreements, as the case may be.

The International Offering

In connection with the International Offering, it is expected that our Company and our Controlling Shareholders will enter into the International Underwriting Agreement with the International Underwriters. Under the International Underwriting Agreement, the International Underwriters will, subject to certain conditions set out therein, severally and not jointly, agree to procure subscribers or purchasers for the International Offer Shares, failing which they agree to subscribe for or purchase their respective proportions of the International Offer Shares which are not taken up under the International Offering.

Our Company is expected to grant to the International Underwriters the Over-allotment Option, exercisable by the Joint Global Coordinators on behalf of the International Underwriters at any time from the date of the International Underwriting Agreement until 30 days after the last day for the lodging of applications under the Hong Kong Public Offering, to require our Company to issue and allot up to an aggregate of 63,679,000 additional Offer Shares representing approximately 15% of the initial Offer Shares, at the Offer Price to cover, among other things, over-allocations (if any) in the International Offering.

It is expected that the International Underwriting Agreement may be terminated on similar grounds as the Hong Kong Underwriting Agreement. Potential investors should note that if the International Underwriting Agreement is not entered into, or is terminated, the Global Offering will not proceed.

Total Commission and Expenses

According to the Hong Kong Underwriting Agreement, the Hong Kong Underwriters will receive an underwriting commission of 2% of the aggregate Offer Price payable for the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering. For unsubscribed Hong Kong Offer Shares reallocated to the International Offering, our Company will pay an underwriting commission at the rate applicable to the International Offering and such commission will be paid to the relevant International Underwriters and not the Hong Kong Underwriters. Our Company may, at our sole and absolute discretion, pay to the Joint Global Coordinators for their respective accounts an incentive fee up to 0.5% of the Offer Price for each Offer Share.

Assuming the Over-allotment Option is not exercised at all and based on an Offer Price of HK$16.30 per Share (being the mid-point of the indicative Offer Price range of HK$14.80 to HK$17.80 per Share), the aggregate commissions and fees, together with listing fees, SFC transaction levy, Stock Exchange trading fee, legal and other professional fees and printing and other expenses, payable by our Company relating to the Global Offering are estimated to be approximately HK$268.1 million in total.

Each of the Company and the Controlling Shareholders has agreed to indemnify the Hong Kong Underwriters and International Underwriters for certain losses which they may suffer, including liabilities under the U.S. Securities Act, losses incurred arising from their performance of their obligations under the Underwriting Agreements and any breach by our Company of the Underwriting Agreements.

Activities by Syndicate Members

We describe below a variety of activities that underwriters of the Hong Kong Public Offering and, together referred to as "Syndicate Members", may each individually undertake, and which do not form part of the underwriting or the stabilizing process. When engaging in any of these activities, it should be noted that the Syndicate Members are subject to restrictions, including the following:

The Syndicate Members (except for Goldman Sachs (Asia) L.L.C., as the Stabilization Manager, its affiliates or any person acting for it) must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to stabilizing or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and all of them must comply with all applicable laws, including the market misconduct provisions of the SFO, the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In relation to the Shares, those activities could include acting as agent for buyers and sellers of the Shares, entering into transactions with those buyers and sellers in a principal capacity, proprietary trading in the Shares and entering into over the counter or listed derivative transactions or listed and unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have the Shares as their or part of their underlying assets. Those activities may require hedging activity by those entities involving, directly or indirectly, buying and selling the Shares. All such activities could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in the Shares, in baskets of securities or indices including the Shares, in units of funds that may purchase the Shares, or in derivatives related to any of the foregoing.

In relation to issues by Syndicate Members or their affiliates of any listed securities having the Shares as their or part of their underlying assets, whether on the Stock Exchange or on any other stock exchange, the rules of the relevant exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the Shares in most cases.

All of these activities may occur both during and after the end of the stabilizing period described in the sections headed "Structure and Conditions of the Global Offering—The International Offering—Over-allotment Option" and "Structure and Conditions of the Global Offering—The International Offering—Stabilization". These activities may affect the market price or value of the Shares, the liquidity or trading volume in the Shares and the volatility of their share price, and the extent to which this occurs from day to day cannot be estimated.

Hong Kong Underwriters' Interests in our Company

Save as disclosed in this Prospectus and save for its obligations under the Hong Kong Underwriting Agreement, none of the Hong Kong Underwriters has any shareholding interests in our Company or the right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in our Company.

Following the completion of the Capitalization Issue and the Global Offering, the Underwriters and their affiliated companies may hold a certain portion of the Shares as a result of fulfilling their obligations under the Underwriting Agreements.

Other Services to our Company

Certain of the Joint Global Coordinators, the Hong Kong Underwriters or their respective affiliates have, from time to time, provided and expect to provide in the future investment banking and other services to our Company and our respective affiliates, for which such Joint Global Coordinators, Hong Kong Underwriters or their respective affiliates have received or will receive customary fees and commissions.

Other Services Provided by the Joint Global Coordinators, the Joint Bookrunners and the Underwriters

The Joint Global Coordinators, the Joint Bookrunners and the Underwriters may in their ordinary course of business provide financing to investors subscribing for the Offer Shares offered by this Prospectus. Such Joint Global Coordinators, Joint Bookrunners and Underwriters may enter into hedges and/or dispose of such Offer Shares in relation to the financing which may have a negative impact on the trading price of our Shares.

Over-Allotment and Stabilization

Details of the arrangements relating to the stabilization and Over-allotment Option are set forth in the sections headed "Structure and Conditions of the Global Offering — The International Offering — Stabilization", and "Structure and Conditions of the Global Offering — The International Offering — Over-allotment Option".

Sponsor's Independence

Each of the Joint Sponsors satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

THE GLOBAL OFFERING

This Prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. The Global Offering comprises:

(i) the Hong Kong Public Offering of initially 38,208,000 Offer Shares in Hong Kong as described below in the paragraph headed "— The Hong Kong Public Offering" below; and

(ii) the International Offering of initially 386,322,000 Offer Shares, consisting of the offering of our Shares (i) in the United States to QIBs in reliance on Rule 144A or another available exemption; and (ii) outside the United States in reliance on Regulation S under the U.S. Securities Act. At any time from the date of the International Underwriting Agreement until 30 days after the last day for the lodging of applications under the Hong Kong Public Offering, the Joint Global Coordinators, as representative of the International Underwriters, have an option to require us to issue and allot up to 63,679,000 additional Offer Shares, representing approximately 15.00% of the initial number of Offer Shares to be offered in the Global Offering, at the Offer Price to, among other things, cover over-allocations in the International Offering, if any. If the Over-allotment Option is exercised in full, the additional Offer Shares will represent approximately 1.19% of the Company's enlarged share capital immediately following the completion of the Capitalization Issue and the Global Offering and the exercise of the Over-allotment Option. In the event that the Over-allotment Option is exercised, a press announcement will be made.

Investors may apply for Offer Shares under the Hong Kong Public Offering or apply for or indicate an interest for Offer Shares under the International Offering, but may not do both.

The Offer Shares will represent approximately 8.01% of the enlarged issued share capital of the Company immediately after completion of the Capitalization Issue and the Global Offering without taking into account the exercise of the Over-allotment Option. If the Over-allotment Option is exercised in full, the Offer Shares will represent approximately 9.10% of the enlarged issued share capital of the Company immediately after completion of the Capitalization Issue and the Global Offering and the exercise of the Over-allotment Option as set out in the paragraph headed "— The International Offering — Over-allotment Option" below.

The number of Offer Shares to be offered under the Hong Kong Public Offering and the International Offering may be subject to reallocation as described in the paragraph headed "— The Hong Kong Public Offering — Reallocation and clawback" below.

THE HONG KONG PUBLIC OFFERING

Number of Offer Shares initially offered

Our Company is initially offering 38,208,000 Offer Shares for subscription by the public in Hong Kong at the Offer Price, representing approximately 9.00% of the total number of Offer Shares initially available under the Global Offering.

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. The Hong Kong Offer Shares will represent approximately 0.72% of the Company's registered share capital immediately after completion of the Capitalization Issue and the Global Offering, assuming that the Over-allotment Option is not exercised. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities.

Completion of the Hong Kong Public Offering is subject to the conditions as set out in the paragraph headed "— The International Offering — Conditions of the Hong Kong Public Offering" below.

Allocation

Allocation of Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

The total number of Offer Shares initially available under the Hong Kong Public Offering (after taking account of any reallocation referred to below) is to be divided into two pools for allocation purposes: 19,104,000 Offer Shares for pool A and 19,104,000 Offer Shares for pool B. The Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for Offer Shares with an aggregate price of HK$5 million (excluding the brokerage, SFC transaction levy and Stock Exchange trading fee payable) or less. The Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for Offer Shares with an aggregate price of more than HK$5 million (excluding the brokerage, SFC transaction levy and Stock Exchange trading fee payable) and up to the total value in pool B. Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If Offer Shares in one (but not both) of the pools are undersubscribed, the surplus Offer Shares will be transferred to the other pool to satisfy demand in this other pool and be allocated accordingly. For the purpose of this paragraph only, the "price" for Offer Shares means the price payable on application therefore (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of Offer Shares from either pool A or pool B but not from both pools. Multiple or suspected multiple applications and any application for more than 19,104,000 Offer Shares are liable to be rejected.

Reallocation and clawback

The allocation of Shares between the Hong Kong Public Offering and the International Offering is subject to adjustment. Paragraph 4.2 of Practice Note 18 of the Listing Rules requires a clawback mechanism to be put in place, which would have the effect of increasing the number of Hong Kong Offer Shares to certain percentages of the total number of Offer Shares to be offered in the Global

Offering if certain prescribed total demand levels in the Hong Kong Public Offering are reached. We have applied for, and the Hong Kong Stock Exchange has granted to us, a waiver from strict compliance with paragraph 4.2 of Practice Note 18 of the Listing Rules to the effect as further described below (the "**Mandatory Reallocation**"):

(i) 38,208,000 Offer Shares are initially available in the Hong Kong Public Offering, representing approximately 9% of the Offer Shares initially available under the Global Offering;

in the event that the International Offer Shares are fully subscribed or oversubscribed,

(ii) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 10 times or more but less than 35 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of Offer Shares available under the Hong Kong Public Offering will be 55,189,000 Offer Shares, representing approximately 13% of the Offer Shares initially available under the Global Offering;

(iii) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 35 times or more but less than 70 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of Offer Shares available under the Hong Kong Public Offering will be 72,171,000 Offer Shares, representing approximately 17% of the Offer Shares initially available under the Global Offering; and

(iv) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 70 times or more than the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of Offer Shares available under the Hong Kong Public Offering will be 140,095,000 Offer Shares, representing approximately 33% of the Offer Shares initially available under the Global Offering.

The Offer Shares to be offered in the Hong Kong Public Offering and the International Offering may, in certain circumstances, be reallocated as between these offerings at the discretion of the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and the Joint Sponsors. Subject to the foregoing paragraph, the Joint Global Coordinators and the Joint Sponsors may in their discretion reallocate Offer Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering. In addition, if the Hong Kong Public Offering is not fully subscribed for, the Joint Global Coordinators and the Joint Sponsors have the authority to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Offering, in such proportions as the Joint Global Coordinators and the Joint Sponsors deem appropriate.

In addition to any Mandatory Reallocation which may be required, the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and the Joint Sponsors may, at their discretion, reallocate Offer Shares initially allocated for the International Offering to the Hong Kong Public Offering to satisfy valid applications in Pool A and Pool B under the Hong Kong Public Offering. In the event that (i) the International Offer Shares are undersubscribed and the Hong Kong Offer Shares are fully subscribed or oversubscribed irrespective of the number of times; or (ii) the International Offer Shares are fully subscribed or oversubscribed and the Hong Kong Offer Shares are fully subscribed or oversubscribed as to less than 10 times of the number of Hong Kong Offer Shares initially available under the Hong Kong Public Offering provided that the Offer Price would be set at HK$14.80 (low end of the indicative Offer Price range set out in this Prospectus), up to 38,208,000 Offer Shares may be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of the Offer Shares available under the Hong Kong Public Offer will be increased to 76,416,000 Offer Shares, representing approximately 18% of the number of the Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option).

Applications

Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the application submitted by him that he and any person(s) for whose benefit he is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or it has been or will be placed or allocated Offer Shares under the International Offering.

The listing of the Offer Shares on the Stock Exchange is sponsored by the Joint Sponsors. Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum price of HK$17.80 per Share in addition to any brokerage, SFC transaction levy and Stock Exchange trading fee payable on each Offer Share. If the Offer Price, as finally determined in the manner described in the paragraph headed "— The International Offering — Pricing of the Global Offering" below, is less than the maximum price of HK$17.80 per Share, appropriate refund payments (including the brokerage, SFC transaction levy and Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set out below in the section headed "How to Apply for Hong Kong Offer Shares".

References in this Prospectus to applications, Application Forms, application monies or the procedure for application relate solely to the Hong Kong Public Offering.

THE INTERNATIONAL OFFERING

Number of Offer Shares offered

Subject to reallocation as described above and the Over-allotment Option, the International Offering will consist of an aggregate of 386,322,000 Offer Shares to be initially offered by us.

Allocation

The International Offering will include selective marketing of Offer Shares to institutional and professional investors and other investors anticipated to have a sizeable demand for such Offer Shares. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Allocation of Offer Shares pursuant to the International Offering will be effected in accordance with the "book-building" process described in the paragraph headed "— The International Offering — Pricing of the Global Offering" below and based on a number of factors, including the level and timing of demand, the total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Offer Shares, and/or hold or sell its Offer Shares, after the listing of the Offer Shares on the Stock Exchange. Such allocation is intended to result in a distribution of the Offer Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of our Company and our Shareholders as a whole.

The Joint Global Coordinators (for themselves and on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the International Offering, and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Joint Global Coordinators so as to allow them to identify the relevant application under the Hong Kong Public Offering and to ensure that it is excluded from any application of Offer Shares under the Hong Kong Public Offering.

Over-allotment Option

In connection with the Global Offering, we are expected to grant an Over-allotment Option to the International Underwriters exercisable by the Joint Global Coordinators on behalf of the International Underwriters.

Pursuant to the Over-allotment Option, the Joint Global Coordinators have the right, exercisable at any time from the date of the International Underwriting Agreement until 30 days after the last day for the lodging of applications under the Hong Kong Public Offering, to require our Company to issue and allot up to 63,679,000 additional Offer Shares, representing approximately 15% of the initial Offer Shares, at the Offer Price to cover, among other things, over-allocation in the International Offering, if any. If the Over-allotment Option is exercised in full, the additional Offer Shares will represent approximately 1.19% of the Company's enlarged share capital immediately following the completion of the Capitalization Issue and the Global Offering and the full exercise of the Over-allotment Option. In the event that the Over-allotment Option is exercised, an announcement will be made.

Stabilization

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the underwriters may bid for, or purchase, the securities in the secondary market, during a specified period of time, to retard and, if possible, prevent, any decline in the market price of the securities below the Offer Price. In Hong Kong and certain other jurisdictions, the price at which stabilization is effected is not permitted to exceed the Offer Price.

In connection with the Global Offering, the Stabilization Manager or any person acting for them, on behalf of the Underwriters, may over-allocate or effect short sales or any other stabilizing transactions with a view to stabilizing or maintaining the market price of the Shares at a level higher than that which might otherwise prevail in the open market. Short sales involve the sale by the Stabilization Manager of a greater number of Shares than the Underwriters are required to purchase in the Global Offering. "Covered" short sales are sales made in an amount not greater than the Over-allotment Option. The Stabilization Manager may close out the covered short position by either exercising the Over-allotment Option to purchase additional Shares or purchasing Shares in the open market. In determining the source of the Shares to close out the covered short position, the Stabilization Manager will consider, among others, the price of Shares in the open market as compared to the price at which they may purchase additional Shares pursuant to the Over-allotment Option. Stabilizing transactions consist of certain bids or purchases made for the purpose of preventing or retarding a decline in the market price of the Shares while the Global Offering is in progress. Any market purchases of the Shares may be effected on any stock exchange, including the Stock Exchange, any over-the-counter market or otherwise, provided that they are made in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Stabilization Manager or any person acting for it to conduct any such stabilizing activity, which if commenced, will be done at the absolute discretion of the Stabilization Manager and may be discontinued at any time. Any such stabilizing activity is required to be brought to an end within 30 days after the last day for the lodging of applications under the Hong Kong Public Offering. The number of the Shares that may be over-allocated will not exceed the number of the Shares that may be sold under the Over-allotment Option, namely, 63,679,000 Shares, which is approximately 15.00% of the number of Offer Shares initially available under the Global Offering, in the event that the whole or part of the Over-allotment Option is exercised.

In Hong Kong, stabilizing activities must be carried out in accordance with the Securities and Futures (Price Stabilizing) Rules. Stabilizing actions permitted pursuant to the Securities and Futures (Price Stabilizing) Rules include:

a) over-allocation for the purpose of preventing or minimising any reduction in the market price;

b) selling or agreeing to sell the Shares so as to establish a short position in them for the purpose of preventing or minimising any deduction in the market price;

c) subscribing, or agreeing to subscribe, for the Shares pursuant to the Over-allotment Option, in order to close out any position established under (a) or (b) above;

d) purchasing, or agreeing to purchase, the Shares for the sole purpose of preventing or minimising any reduction in the market price;

e) selling the Shares to liquidate a long position held as a result of those purchases; and

f) offering or attempting to do anything described in (b), (c), (d) and (e) above.

Stabilizing actions by the Stabilization Manager, or any person acting for it, will be entered into in accordance with the laws, rules and regulations in place in Hong Kong on stabilization.

As a result of effecting transactions to stabilize or maintain the market price of the Shares, the Stabilization Manager, or any person acting for it, may maintain a long position in the Shares. The size of the long position, and the period for which the Stabilization Manager, or any person acting for it, will maintain the long position is at the discretion of the Stabilization Manager and is uncertain. In the event that the Stabilization Manager liquidates this long position by making sales in the open market, this may lead to a decline in the market price of the Shares.

Stabilizing action by the Stabilization Manager, or any person acting for it, is not permitted to support the price of the Shares for longer than the stabilizing period, which begins on the day on which trading of the Shares commences on the Stock Exchange and ends on the thirtieth day after the last day for the lodging of applications under the Hong Kong Public Offering. The stabilizing period is expected to end on Wednesday, 17 October 2018. As a result, demand for the Shares, and their market price, may fall after the end of the stabilizing period. These activities by the Stabilization Manager may stabilize, maintain or otherwise affect the market price of the Shares. As a result, the price of the Shares may be higher than the price that otherwise may exist in the open market. Any stabilizing action taken by the Stabilization Manager, or any person acting for it, may not necessarily result in the market price of the Shares staying at or above the Offer Price either during or after the stabilizing period. Bids for or market purchases of the Shares by the Stabilization Manager, or any person acting for it, may be made at a price at or below the Offer Price and therefore at or below the price paid for the Shares by purchasers. A public announcement in compliance with the Securities and Futures (Price Stabilizing) Ordinance will be made within seven days of the expiration of the stabilizing period.

Pricing of the Global Offering

The International Underwriters will be soliciting from prospective investors indications of interest in acquiring Offer Shares in the International Offering. Prospective professional and institutional investors will be required to specify the number of Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as “book-building”, is expected to continue up to, and to cease on or around, the last day for lodging applications under the Hong Kong Public Offering.

Pricing for the Offer Shares for the purpose of the various offerings under the Global Offering will be fixed on the Price Determination Date, which is expected to be on or around Tuesday, September 18, 2018 and in any event on or before Thursday, September 20, 2018, by agreement between the Joint Global Coordinators (on behalf of the Underwriters) and the Company and the number of Offer Shares to be allocated under various offerings will be determined shortly thereafter.

The Offer Price will not be more than HK$17.80 per Share and is expected to be not less than HK$14.80 per Share unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. **Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this Prospectus.**

The Joint Global Coordinators, on behalf of the Underwriters, may, where considered appropriate, based on the level of interest expressed by prospective professional and institutional investors during the book-building process, and with the consent of our Company, reduce the number of Offer Shares offered in the Global Offering and/or the indicative Offer Price range below that stated in this Prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, our Company will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering, cause there to be published in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) and to be posted on the website of the Stock Exchange (**www.hkexnews.hk**) and on the website of our Company (**www.haidilao.com**) notices of the reduction. Upon issue of such a notice, the number of Offer Shares offered in the Global Offering and/or the revised Offer Price range will be final and conclusive and the Offer Price, if agreed upon by the Joint Global Coordinators, for themselves and on behalf of the Underwriters, and our Company, will be fixed within such revised Offer Price range. Applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering. Such notice will also include confirmation or revision, as appropriate, of the Global Offering statistics as currently set out in this Prospectus, and any other financial information which may change as a result of such reduction. In the absence of any such notice so published, the Offer Price, if agreed upon with our Company and the Joint Global Coordinators (for themselves and on behalf of the Underwriters), will under no circumstances be set outside the Offer Price range as stated in this Prospectus.

In the event of a reduction in the number of Offer Shares being offered under the Global Offering, the Joint Global Coordinators may at its discretion reallocate the number of Offer Shares to be offered under the Hong Kong Public Offering and the International Offering, provided that the number of Shares comprised in the Hong Kong Public Offering shall not be less than 9% of the total number of Offer Shares in the Global Offering. The Offer Shares to be offered in the International Offering and the Offer Shares to be offered in the Hong Kong Public Offering may, in certain circumstances and subject certain conditions, be reallocated as between these offerings at the discretion of the Joint Global Coordinators.

The net proceeds of the Global Offering accruing to our Company (after deduction of underwriting commissions and other expenses payable by our Company in relation to the Global Offering, assuming the Over-allotment Option is not exercised) are estimated to be approximately HK$6,034.1 million, assuming an Offer Price per Share of HK$14.80, or approximately HK$7,269.4 million, assuming an Offer Price per Share of HK$17.80 (or if the Over-allotment Option is exercised in full, approximately HK$6,948.2 million, assuming an Offer Price per Share of HK$14.80, or approximately HK$8,368.8 million, assuming an Offer Price per Share of HK$17.80).

The final Offer Price, the indications of interest in the Global Offering, the results of applications and the basis of allotment of Offer Shares available under the Hong Kong Public Offering, are expected to be announced on Monday, September 24, 2018 in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) and to be posted on the website of the Stock Exchange (**www.hkexnews.hk**) and on the website of our Company (**www.haidilao.com**).

Hong Kong Underwriting Agreement

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is conditional upon the International Underwriting Agreement being signed and becoming unconditional.

Our Company expects to enter into the International Underwriting Agreement relating to the International Offering on or around the Price Determination Date.

These underwriting arrangements, and the respective Underwriting Agreements, are summarized in the section headed "Underwriting".

Shares will be eligible for CCASS

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and our Company complies with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Conditions of the Hong Kong Public Offering

Acceptance of all applications for Offer Shares pursuant to the Hong Kong Public Offering will be conditional on:

(i) the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Offer Shares being offered pursuant to the Global Offering (including the additional Offer Shares which may be made available pursuant to the exercise of the Over-allotment Option) (subject only to allotment);

(ii) the Offer Price having been fixed on or around the Price Determination Date;

(iii) the execution and delivery of the International Underwriting Agreement on or around the Price Determination Date; and

(iv) the obligations of the Underwriters under each of the respective Underwriting Agreements becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements.

If, for any reason, the Offer Price is not agreed between our Company and the Joint Global Coordinators (on behalf of the Underwriters) on or before September 20, 2018, the Global Offering will not proceed and will lapse.

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will be published by our Company in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) on the next day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in the section headed "How to Apply for Hong Kong Offer Shares". In the meantime, all application monies will be held in separate bank account(s) with the receiving banks or other licensed bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

Share certificates for the Offer Shares are expected to be issued on Monday, September 24, 2018 but will only become valid certificates of title at 8:00 a.m. on Wednesday, September 26, 2018 provided that (i) the Global Offering has become unconditional in all respects; and (ii) the right of termination as described in the section headed "Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Grounds for Termination" has not been exercised.

Dealings in the Shares

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Wednesday, September 26, 2018, it is expected that dealings in the Shares on the Stock Exchange will commence at 9:00 a.m. on Wednesday, September 26, 2018.

The Shares will be traded in board lots of 1,000 Shares each and the stock code of the Shares will be 6862.

1. HOW TO APPLY

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest in International Offer Shares.

To apply for Hong Kong Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **White Form eIPO** service at **www.eipo.com.hk**; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

The Company, the Joint Global Coordinators, the **White Form eIPO** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Hong Kong Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act);
- are not a legal or natural person of the PRC;
- are not an existing Shareholder and/or his/her/its close associate;
- are not a core connected person of the Company and will not become a core connected person of the Company immediately upon completion of the Global Offering; and
- have not been allocated and have not applied for or indicated interest in any Offer Share under the International Offering.

If you apply online through the White Form eIPO service, in addition to the above, you must also: (i) have a valid Hong Kong identity card number; and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the Application Form must be signed by a duly authorised officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Joint Global Coordinators may accept it at its discretion and on any conditions it thinks fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of White Form eIPO service for the Hong Kong Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if you:

- are an existing beneficial owner of Shares in the Company and/or its/his/her close associate;
- are a core connected person (as defined in the Listing Rules) of the Company or will become a core connected person of the Company immediately upon completion of the Global Offering; and
- have been allocated or have applied for any International Offer Shares or otherwise participate in the International Offering.

3. APPLYING FOR HONG KONG OFFER SHARES WHICH APPLICATION CHANNEL TO USE

For Hong Kong Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through **www.eipo.com.hk**.

For Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

WHERE TO COLLECT THE APPLICATION FORMS

You can collect a **WHITE** Application Form and a prospectus during normal business hours between 9:00 a.m. from Wednesday, September 12, 2018 until 12:00 noon on Monday, September 17, 2018 from:

(i) any of the following offices of the Joint Global Coordinators:

CMB International Capital Limited
45/F, Champion Tower
3 Garden Road
Central
Hong Kong

Goldman Sachs (Asia) L.L.C.
59/F, Cheung Kong Center
2 Queen's Road Central
Central
Hong Kong

China International Capital Corporation Hong Kong Securities Limited
29th Floor, One International Finance Centre
1 Harbour View Street Central
Hong Kong

(ii) any of the following branches of the receiving banks:

(a) **Bank of China (Hong Kong) Limited**

Hong Kong Island	Sheung Wan Branch	Shop 1-4, G/F, Tung Hip Commercial Building, 244-248 Des Voeux Road Central, Hong Kong
	King's Road Branch	131-133 King's Road, North Point, Hong Kong
Kowloon	Kwun Tong Plaza Branch	G1 Kwun Tong Plaza, 68 Hoi Yuen Road, Kwun Tong, Kowloon
	Mei Foo Mount Sterling Mall Branch	Shop N47-49, G/F, Mount Sterling Mall, Mei Foo Sun Chuen, Kowloon
New Territories	City One Sha Tin Branch	Shop Nos.24-25, G/F, Fortune City One Plus, No.2 Ngan Shing Street, Sha Tin, New Territories

(b) **Wing Lung Bank Limited**

Hong Kong Island	Head Office	45 Des Voeux Road Central
Kowloon	Mongkok Branch	B/F Wing Lung Bank Centre, 636 Nathan Road
New Territories	Tsuen Wan Branch	251 Sha Tsui Road

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. from Wednesday, September 12, 2018 until 12:00 noon on Monday, September 17, 2018 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

TIME FOR LODGING APPLICATION FORMS

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to BANK OF CHINA (HONG KONG) NOMINEES LIMITED — HAIDILAO PUBLIC OFFER for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving banks listed above, at the following times:

- Wednesday, September 12, 2018 — 9:00 a.m. to 5:00 p.m.
- Thursday, September 13, 2018 — 9:00 a.m. to 5:00 p.m.
- Friday, September 14, 2018 — 9:00 a.m. to 5:00 p.m.
- Saturday, September 15, 2018 — 9:00 a.m. to 1:00 p.m.
- Monday, September 17, 2018 — 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Monday, September 17, 2018, the last application day or such later time as described in "Effect of Bad Weather on the Opening of the Applications Lists" in this section.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the **White Form eIPO** service, among other things, you:

(i) undertake to execute all relevant documents and instruct and authorise the Company and/or the Joint Global Coordinators (or their agents or nominees), as agents of the Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Memorandum and the Articles of Association;

(ii) agree to comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Memorandum and the Articles of Association;

(iii) confirm that you have read the terms and conditions and application procedures set out in this Prospectus and in the Application Form and agree to be bound by them;

(iv) confirm that you have received and read this Prospectus and have only relied on the information and representations contained in this Prospectus in making your application and will not rely on any other information or representations except those in any supplement to this Prospectus;

(v) confirm that you are aware of the restrictions on the Global Offering in this Prospectus;

(vi) agree that none of the Company, the Joint Global Coordinators, the Joint Bookrunners, the Underwriters, their respective directors, officers, employees, partners, agents, advisors and any other parties involved in the Global Offering is or will be liable for any information and representations not in this Prospectus (and any supplement to it);

(vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering nor participated in the International Offering;

(viii) agree to disclose to the Company, our Hong Kong Share Registrar, receiving banks, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Underwriters and/or their respective advisors and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;

(ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of the Company, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners and the Underwriters nor any of their respective officers or advisors will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this Prospectus and the Application Forms;

(x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;

(xi) agree that your application will be governed by the laws of Hong Kong;

(xii) represent, warrant and undertake that (i) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;

(xiii) warrant that the information you have provided is true and accurate;

(xiv) agree to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;

(xv) authorise the Company to place your name(s) or the name of the HKSCC Nominees on the Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and the Company and/or its agents to send any Share certificate(s) and/or e-Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you are eligible to collect the Share certificate(s) and/or refund cheque(s) in person;

(xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;

(xvii) understand that the Company and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;

(xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC or to the **White Form eIPO** Service Provider by you or by any one as your agent or by any other person; and

(xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC; and (ii) you have due authority to sign the Application Form or give electronic application instructions on behalf of that other person as their agent.

ADDITIONAL TERMS AND CONDITIONS FOR YELLOW APPLICATION FORM

You may refer to the **YELLOW** Application Form for details.

5. APPLYING THROUGH THE WHITE FORM eIPO SERVICE

GENERAL

Individuals who meet the criteria in "Who can apply" in this section may apply through the **White Form eIPO** service for the Offer Shares to be allotted and registered in their own names through the designated website at **www.eipo.com.hk**.

Detailed instructions for application through the **White Form eIPO** service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to the Company. If you apply through the designated website, you authorise the **White Form eIPO** service to apply on the terms and conditions in this Prospectus, as supplemented and amended by the terms and conditions of the **White Form eIPO service**.

TIME FOR SUBMITTING APPLICATIONS UNDER THE WHITE FORM eIPO SERVICE

You may submit your application to the **White Form eIPO** service at **www.eipo.com.hk** (24 hours daily, except on the last application day) from 9:00 a.m. on Wednesday, September 12, 2018 until 11:30 a.m. on Monday, September 17, 2018 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Monday, September 17, 2018 or such later time under the "Effect of Bad Weather on the Opening of the Applications Lists" in this section.

NO MULTIPLE APPLICATIONS

If you apply by means of **White Form eIPO** service, once you complete payment in respect of any electronic application instruction given by you or for your benefit through the **White Form eIPO** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an electronic application instruction under **White Form eIPO** service more than once and obtaining different payment reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **White Form eIPO** service or by any other means, all of your applications are liable to be rejected.

SECTION 40 OF THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

For the avoidance of doubt, the Company and all other parties involved in the preparation of this Prospectus acknowledge that each applicant who gives or causes to give electronic application instructions is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

ENVIRONMENTAL PROTECTION

The obvious advantage of **White Form eIPO** is to save the use of paper via the self-serviced and electronic application process. Computershare Hong Kong Investor Services Limited, being the designated **White Form eIPO** Service Provider, will contribute HK$2 for each "HAIDILAO INTERNATIONAL HOLDING LTD." **White Form eIPO** application submitted via the website **www.eipo.com.hk** to support the funding of "Dongjiang River Source Tree Planting" project initiated by Friends of the Earth (HK).

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give electronic application instructions to apply for the Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these electronic application instructions through the CCASS Phone System by calling +852 2979 7888 or through the CCASS Internet System (**https://ip.ccass.com**) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input electronic application instructions for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Centre
1/F, One & Two Exchange Square
8 Connaught Place, Central
Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to the Company, the Joint Global Coordinators and our Hong Kong Share Registrar.

GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

Where you have given electronic application instructions to apply for the Hong Kong Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

(i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this Prospectus;

(ii) HKSCC Nominees will do the following things on your behalf:

- agree that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
- agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;
- undertake and confirm that you have not applied for or taken up or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering nor participated in the International Offering;
- declare that only one set of electronic application instructions has been given for your benefit;
- (if you are an agent for another person) declare that you have only given one set of electronic application instructions for the other person's benefit and are duly authorised to give those instructions as their agent;
- confirm that you understand that the Company, the Directors and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;

- authorise the Company to place HKSCC Nominees' name on the Company's register of members as the holder of the Hong Kong Offer Shares allocated to you and to send Share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
- confirm that you have read the terms and conditions and application procedures set out in this Prospectus and agree to be bound by them;
- confirm that you have received and/or read a copy of this Prospectus and have relied only on the information and representations in this Prospectus in causing the application to be made, save as set out in any supplement to this Prospectus;
- agree that none of the Company, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Underwriters, their respective directors, officers, employees, partners, agents, advisors and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this Prospectus (and any supplement to it);
- agree to disclose your personal data to the Company, our Hong Kong Share Registrar, the receiving banks, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Underwriters and/or its respective advisors and agents;
- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of the Company agreeing that it will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this Prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this Prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this Prospectus ;
- agree that once HKSCC Nominees' application is accepted, neither that application nor your electronic application instructions can be revoked, and that acceptance of that application will be evidenced by the Company's announcement of the Hong Kong Public Offering results;

- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving electronic application instructions to apply for Hong Kong Offer Shares;

- agree with the Company, for itself and for the benefit of each Shareholder (and so that the Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving electronic application instructions) to observe and comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Memorandum and the Articles of Association; and

- agree that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong.

EFFECT OF GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

By giving electronic application instructions to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to the Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;

- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies(including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and

- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the WHITE Application Form and in this Prospectus.

MINIMUM PURCHASE AMOUNT AND PERMITTED NUMBERS

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions for a minimum of 1,000 Hong Kong Offer Shares. Instructions for more than 1,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

TIME FOR INPUTTING ELECTRONIC APPLICATION INSTRUCTIONS[1]

CCASS Clearing/Custodian Participants can input electronic application instructions at the following times on the following dates:

- Wednesday, September 12, 2018 — 9:00 a.m. to 8:30 p.m.
- Thursday, September 13, 2018 — 8:00 a.m. to 8:30 p.m.
- Friday, September 14, 2018 — 8:00 a.m. to 8:30 p.m.
- Saturday, September 15, 2018 — 8:00 a.m. to 1:00 p.m.
- Monday, September 17, 2018 — 8:00 a.m. to 12:00 noon

CCASS Investor Participants can input electronic application instructions from 9:00 a.m. on Wednesday, September 12, 2018 until 12:00 noon on Monday, September 17, 2018 (24 hours daily, except on Monday, September 17, 2018, the last application day).

The latest time for inputting your electronic application instructions will be 12:00 noon on Monday, September 17, 2018, the last application day, or such later time as described in "Effect of Bad Weather on the Opening of the Application Lists" in this section.

NO MULTIPLE APPLICATIONS

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any electronic application instructions to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

SECTION 40 OF THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

For the avoidance of doubt, the Company and all other parties involved in the preparation of this Prospectus acknowledge that each CCASS Participant who gives or causes to give electronic application instructions is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Note:

(1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants and/or CCASS Investor Participants.

PERSONAL DATA

The section of the Application Form headed "Personal Data" applies to any personal data held by the Company, the Hong Kong Share Registrar, the receiving banks, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Underwriters and any of their respective advisors and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Offer Shares by giving electronic application instructions to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through the service **White Form eIPO** service is also only a facility provided by the **White Form eIPO** service to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. The Company, the Directors, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **White Form eIPO** service will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their electronic application instructions, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of electronic application instructions, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC's Customer Service Centre to complete an input request form for electronic application instructions before 12:00 noon on Monday, September 17, 2018.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC or through **White Form eIPO** service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on electronic application instructions). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

"Unlisted company" means a company with no equity securities listed on the Stock Exchange.

"Statutory control" means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital)

9. HOW MUCH ARE THE HONG KONG PUBLIC OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **White Form eIPO** service in respect of a minimum of 1,000 Hong Kong Offer Shares. Each application or electronic application instruction in respect of more than 1,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at **www.eipo.com.hk**.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see the section headed "Structure and Conditions of the Global Offering — The Hong Kong Public Offering — Allocation".

10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warming signal number 8 or above; or
- a "black" rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Monday, September 17, 2018. Instead they will open between 11:45 a.m. and 12:00 noon on the next Business Day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Monday, September 17, 2018 or if there is a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in "Expected Timetable", an announcement will be made in such event.

11. PUBLICATION OF RESULTS

The Company expects to announce the final Offer Price, the level of indication of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares on Monday, September 24, 2018 in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) on the Company's website at **www.haidilao.com** and the website of the Stock Exchange at **www.hkexnews.hk**.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and date and in the manner specified below.

- in the announcement to be posted on the Company's website at **www.haidilao.com** and the Stock Exchange's website at **www.hkexnews.hk** by no later than 9:00 a.m. on Monday, September 24, 2018;
- from the designated results of allocations website at **www.iporesults.com.hk** (alternatively: English **https://www.eipo.com.hk/en/Allotment**; Chinese **https://www.eipo.com.hk/zh-hk/Allotment**) with a "search by ID" function on a 24-hour basis from 8:00 a.m. on Monday, September 24, 2018 to 12:00 midnight on Sunday, September 30, 2018;
- by telephone enquiry line by calling +852 2862 8669 between 9:00 a.m. and 10:00 p.m. from Monday, September 24, 2018, to Thursday, September 27, 2018;
- in the special allocation results booklets which will be available for inspection during opening hours on Monday, September 24, 2018, Wednesday, September 26, 2018 and Thursday, September 27, 2018 at all the receiving banks designated branches.

If the Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in "Structure and Conditions of the Global Offering".

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Hong Kong Offer Shares will not be allotted to you:

(i) **If your application is revoked:**

By completing and submitting an Application Form or giving electronic application instructions to HKSCC or to the **White Form eIPO** service, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with the Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this Prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this Prospectus.

If any supplement to this Prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) **If the Company or its agents exercise their discretion to reject your application:**

The Company, the Joint Global Coordinators, the **White Form eIPO** service and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) **If the allotment of Hong Kong Offer Shares is void:**

The allotment of Hong Kong Offer Shares will be void if the Listing Committee of the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies the Company of that longer period within three weeks of the closing date of the application lists.

(iv) **If:**

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Offer Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your electronic application instructions through the **White Form eIPO** service are not completed in accordance with the instructions, terms and conditions on the designated website;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- the Company or the Joint Global Coordinators believe that by accepting your application, it/they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Hong Kong Public Offer Shares initially offered under the Hong Kong Public Offering.

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum offer price of HK$17.80 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with "Structure and Conditions of the Global Offering — Conditions of the Hong Kong Public Offering" in this Prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on or before Monday, September 24, 2018.

14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one Share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made on **YELLOW** Application Forms or by electronic application instructions to HKSCC via CCASS where the Share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- Share certificate(s) for all the Hong Kong Offer Shares allotted to you (for **YELLOW** Application Forms, Share certificates will be deposited into CCASS as described below); and

- refund cheque(s) crossed "Account Payee Only" in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/ passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on dispatch/collection of Share certificates and refund cheque(s) as mentioned below, any refund cheques and Share certificates are expected to be posted on or before Monday, September 24, 2018. The right is reserved to retain any Share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier's order(s).

Share certificates will only become valid at 8:00 a.m. on Wednesday, September 26, 2018 provided that the Global Offering has become unconditional and the right of termination described in the "Underwriting" has not been exercised. Investors who trade Shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

Personal Collection

(i) ***If you apply using a WHITE Application Form***

If you apply for 1,000,000 or more Hong Kong Pubic Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or Share certificate(s) from Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Monday, September 24, 2018 or such other date as notified by us in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Share Registrar.

If you do not collect your refund cheque(s) and/or Share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) and/or Share certificate(s) will be sent to the address on the relevant Application Form on or before Monday, September 24, 2018, by ordinary post and at your own risk.

(ii) ***If you apply using a YELLOW Application Form***

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Monday, September 24, 2018, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- **If you apply through a designated CCASS participant (other than a CCASS investor participant)**

For Hong Kong Public Offering Shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Public Offering Shares allotted to you with that CCASS participant.

- **If you are applying as a CCASS investor participant**

The Company will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in the manner described in "11. Publication of Results" above. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Monday, September 24, 2018 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(iii) ***If you apply through the White Form eIPO Service***

If you apply for 1,000,000 or more Hong Kong Offer Shares and your application is wholly or partially successful, you may collect your Share certificate(s) from Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Monday, September 24, 2018, or such other date as notified by the Company in the newspapers as the date of despatch/collection of Share certificates/e-Refund payment instructions/refund cheques.

If you do not collect your Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Monday, September 24, 2018, by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

(iv) ***If you apply via Electronic Application Instructions to HKSCC***

Allocation of Hong Kong Offer Shares

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives electronic application instructions or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Monday, September 24, 2018, or, on any other date determined by HKSCC or HKSCC Nominees.

- The Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, the Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner specified in "11. Publication of Results" above on Monday, September 24, 2018. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Monday, September 24, 2018 or such other date as determined by HKSCC or HKSCC Nominees.

- If you have instructed your broker or custodian to give electronic application instructions on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.

- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Monday, September 24, 2018. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Monday, September 24, 2018.

15. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional advisors for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

The following is the text of a report set out on pages I-1 to I-96, received from the Company's reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, for the purpose of incorporation in the prospectus.

Deloitte. 德勤

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF HAIDILAO INTERNATIONAL HOLDING LTD. AND CMB INTERNATIONAL CAPITAL LIMITED AND GOLDMAN SACHS (ASIA) L.L.C.

Introduction

We report on the historical financial information of Haidilao International Holding Ltd. (the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-96, which comprises the consolidated statements of financial position of the Group as at December 31, 2015, 2016 and 2017 and June 30, 2018, the statements of financial position of the Company as at December 31, 2015, 2016 and 2017 and June 30, 2018, and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for the three years ended December 31, 2017 and the six months ended June 30, 2018 (the "Track Record Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-4 to I-96 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated September 12, 2018 (the "Prospectus") in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Directors' responsibility for the Historical Financial Information

The directors of the Company (the "Directors") are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information, and for such internal control as the Directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Company's and the Group's financial position as at December 31, 2015, 2016 and 2017 and June 30, 2018, and of the Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Group which comprises the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the six months ended June 30, 2017 and other explanatory information (the "Stub Period Comparative Financial Information"). The directors of the Company are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the International Auditing and Assurance Standards Board. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing issued by the International Auditing and Assurance Standards Board and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to Note 13 to the Historical Financial Information which contains information about the dividends paid by the Company and the Company's subsidiaries in respect of the Track Record Period.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
September 12, 2018

HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Preparation of the Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The consolidated financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, have been prepared in accordance with the accounting policies which conform with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB") and were audited by us in accordance with International Standards on Auditing issued by International Auditing and Assurance Standards Board ("Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		For the year ended December 31,			For the six months ended June 30,	
	Notes	**2015**	**2016**	**2017**	**2017**	**2018**
		RMB'000	**RMB'000**	**RMB'000**	**RMB'000** (unaudited)	**RMB'000**
Revenue	5	5,756,682	7,807,686	10,637,170	4,756,065	7,342,644
Other income	6	35,663	62,094	90,753	40,037	26,986
Raw materials and consumables used		(2,599,740)	(3,179,281)	(4,313,230)	(1,949,182)	(3,066,327)
Staff costs		(1,571,877)	(2,044,292)	(3,119,699)	(1,390,723)	(2,202,717)
Property rentals and related expenses		(269,482)	(298,367)	(414,862)	(179,347)	(272,301)
Utilities expenses		(221,483)	(262,985)	(348,577)	(148,862)	(254,635)
Depreciation and amortization		(239,179)	(285,918)	(359,839)	(162,997)	(293,570)
Travelling and related expenses		(67,214)	(84,483)	(119,598)	(47,985)	(72,387)
Listing expenses		—	—	—	—	(20,659)
Other expenses		(268,113)	(372,422)	(444,998)	(160,933)	(301,373)
Share of profit of an associate		—	—	482	—	5,205
Other gains and losses	7	8,072	12,012	26,062	8,186	18,826
Finance costs	8	(3,221)	(8,167)	(8,614)	(6,282)	(8,774)
Profit before tax		560,108	1,345,877	1,625,050	757,977	900,918
Income tax expense	9	(149,426)	(367,686)	(430,708)	(204,828)	(253,507)
Profit for the year/period	10	410,682	978,191	1,194,342	553,149	647,411

	Notes	For the year ended December 31, 2015	2016	2017	For the six months ended June 30, 2017	2018
		RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Other comprehensive income (expense)						
Items that may be reclassified subsequently to profit or loss:						
Exchange difference arising on translation of foreign operations		148	5,539	(30,507)	(13,868)	6,156
Total comprehensive income for the year/period		410,830	983,730	1,163,835	539,281	653,567
Profit for the year/period attributable to:						
Owners of the Company		272,693	735,169	1,027,845	424,804	646,488
Non-controlling interests		137,989	243,022	166,497	128,345	923
		410,682	978,191	1,194,342	553,149	647,411
Total comprehensive income attributable to:						
Owners of the Company		272,013	740,708	997,338	410,936	651,602
Non-controlling interests		138,817	243,022	166,497	128,345	1,965
		410,830	983,730	1,163,835	539,281	653,567
EARNINGS PER SHARE						
Basic (RMB)	14	0.06	0.16	0.21	0.09	0.13

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	As at December 31,			As at June 30,
		2015	2016	2017	2018
		RMB'000	RMB'000	RMB'000	RMB'000
Non-current Assets					
Property, plant and equipment	15	796,628	943,041	2,085,428	2,760,541
Intangible assets	16	19,219	14,954	10,619	31,876
Investment in an associate	17	—	—	4,482	9,687
Amount due from a related party	39	305,319	410,518	—	—
Financial assets at fair value through profit or loss ("FVTPL")	22	6,494	6,937	—	12,585
Deferred tax assets	18	42,177	49,000	52,754	67,420
Rental deposits		52,719	68,398	120,848	163,962
		1,222,556	1,492,848	2,274,131	3,046,071
Current Assets					
Inventories	19	41,065	49,707	95,118	325,439
Trade and other receivables and prepayments	21	175,473	246,678	497,616	568,538
Amounts due from related parties	39	748,336	502,242	444,213	43,559
Financial assets at FVTPL	22	52,954	7,323	78,857	12,674
Other financial assets	23	7,000	7,636	16,201	—
Pledged bank deposits	24	1,639	36,213	47,657	1,147
Bank balances and cash	24	157,595	406,876	282,032	531,103
		1,184,062	1,256,675	1,461,694	1,482,460
Current Liabilities					
Trade payables	25	100,272	119,768	168,719	411,562
Other payables	26	284,743	363,979	510,735	589,665
Amounts due to related parties	39	154,319	212,505	1,202,588	651,185
Dividend payable		—	—	—	128,416
Tax payable		45,490	105,366	79,752	67,020
Borrowings	27	414,391	567,451	347,764	1,094,241
Contract liabilities	29	245,204	273,249	308,579	372,426
		1,244,419	1,642,318	2,618,137	3,314,515
Net Current Liabilities		**(60,357)**	**(385,643)**	**(1,156,443)**	**(1,832,055)**
Total Assets less Current Liabilities		**1,162,199**	**1,107,205**	**1,117,688**	**1,214,016**

	Notes	As at December 31, 2015	As at December 31, 2016	As at December 31, 2017	As at June 30, 2018
		RMB'000	RMB'000	RMB'000	RMB'000
Non-current Liabilities					
Deferred tax liabilities	18	3,290	21,743	13,398	1,027
Borrowings	27	—	11,111	9,456	17,241
Provisions	28	1,991	2,611	3,853	3,822
		5,281	35,465	26,707	22,090
Net Assets		**1,156,918**	**1,071,740**	**1,090,981**	**1,191,926**
Capital and Reserves					
Share capital	30	—	—	107	107
Reserves		719,228	802,017	1,088,978	1,156,578
Equity attributable to owners of the Company		719,228	802,017	1,089,085	1,156,685
Non-controlling interests	31	437,690	269,723	1,896	35,241
Total Equity		**1,156,918**	**1,071,740**	**1,090,981**	**1,191,926**

STATEMENTS OF FINANCIAL POSITION

	Notes	As at December 31, 2015	As at December 31, 2016	As at December 31, 2017	As at June 30, 2018
		RMB'000	RMB'000	RMB'000	RMB'000
Non-current Assets					
Investment in a subsidiary	20	—	—	—	—
Current Assets					
Dividend receivable		—	—	—	137,621
Deferred share issue costs		—	—	—	1,799
Bank balances and cash	24	—	—	719	4,212
		—	—	719	143,632
Current liabilities					
Amount due to related parties	39	—	—	612	548
Accrued issue costs/listing fee payable		—	—	—	14,323
Dividend payable		—	—	—	128,416
		—	—	612	143,287
Net Current Assets		—	—	107	345
Net Assets		**—**	**—**	**107**	**345**
Capital and Reserves					
Share capital	30	—	—	107	107
Retained profits	30	—	—	—	238
Total Equity		—	—	107	345

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company								
	Share capital	Other reserve	Merger reserve	Translation reserve	Statutory reserve	Retained profits	Sub-total	Non-controlling interests	Total
	RMB'000	RMB'000 (Note i)	RMB'000 (Note ii)	RMB'000	RMB'000 (Note iii)	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2015	—	177,003	—	(3,243)	63,825	241,499	479,084	319,730	798,814
Profit for the year	—	—	—	—	—	272,693	272,693	137,989	410,682
Other comprehensive (expense) income	—	—	—	(680)	—	—	(680)	828	148
Total comprehensive income for the year	—	—	—	(680)	—	272,693	272,013	138,817	410,830
Additional paid-in capital	—	7,228	—	—	—	—	7,228	4,319	11,547
Appropriation of statutory reserve	—	—	—	—	5,824	(5,824)	—	—	—
Dividends recognized as distribution (Note 13)	—	—	—	—	—	(15,843)	(15,843)	(11,202)	(27,045)
Net return to Sichuan Haidilao (Note v)	—	—	—	—	—	(15,111)	(15,111)	(9,029)	(24,140)
Deemed distribution and acquisition of non-controlling interests as part of the Group Reorganization (Note iv)	—	(6,260)	(1,883)	—	—	—	(8,143)	(4,945)	(13,088)
At December 31, 2015	**—**	**177,971**	**(1,883)**	**(3,923)**	**69,649**	**477,414**	**719,228**	**437,690**	**1,156,918**
Profit for the year	—	—	—	—	—	735,169	735,169	243,022	978,191
Other comprehensive income	—	—	—	5,539	—	—	5,539	—	5,539
Total comprehensive income for the year	—	—	—	5,539	—	735,169	740,708	243,022	983,730
Additional paid-in capital	—	680	—	—	—	—	680	320	1,000
Appropriation of statutory reserve	—	—	—	—	4,113	(4,113)	—	—	—
Dividends recognized as distribution (Note 13)	—	—	—	—	—	(633,932)	(633,932)	(380,041)	(1,013,973)
Net return to Sichuan Haidilao (Note v)	—	—	—	—	—	(25,964)	(25,964)	(15,515)	(41,479)
Deemed distribution and acquisition of non-controlling interests as part of the Group Reorganization (Note iv)	—	(32,432)	33,729	—	—	—	1,297	(15,753)	(14,456)
At December 31, 2016	**—**	**146,219**	**31,846**	**1,616**	**73,762**	**548,574**	**802,017**	**269,723**	**1,071,740**

	Attributable to owners of the Company								
	Share capital	Other reserve	Merger reserve	Translation reserve	Statutory reserve	Retained profits	Sub-total	Non-controlling interests	Total
	RMB'000	RMB'000 (Note i)	RMB'000 (Note ii)	RMB'000	RMB'000 (Note iii)	RMB'000	RMB'000	RMB'000	RMB'000
At December 31, 2016	**—**	**146,219**	**31,846**	**1,616**	**73,762**	**548,574**	**802,017**	**269,723**	**1,071,740**
Profit for the year	—	—	—	—	—	1,027,845	1,027,845	166,497	1,194,342
Other comprehensive expense	—	—	—	(30,507)	—	—	(30,507)	—	(30,507)
Total comprehensive income for the year	—	—	—	(30,507)	—	1,027,845	997,338	166,497	1,163,835
Ordinary shares issued/paid-up (Note 30)	107	—	—	—	—	—	107	—	107
Additional paid-in capital	—	6,260	—	—	—	—	6,260	3,740	10,000
Appropriation of statutory reserve	—	—	—	—	50,808	(50,808)	—	—	—
Dividends recognized as distribution (Note 13)	—	—	—	—	—	(468,700)	(468,700)	(283,071)	(751,771)
Net return to Sichuan Haidilao (Note v)	—	—	—	—	—	(20,223)	(20,223)	(12,084)	(32,307)
Capitalization of statutory reserve (Note vi)	—	36,744	—	—	(36,744)	—	—	—	—
Deemed distribution and acquisition of non-controlling interests as part of the Group Reorganization (Note iv)	—	(189,223)	(38,491)	—	—	—	(227,714)	(142,909)	(370,623)
At December 31, 2017	**107**	**—**	**(6,645)**	**(28,891)**	**87,826**	**1,036,688**	**1,089,085**	**1,896**	**1,090,981**
Profit for the period	—	—	—	—	—	646,488	646,488	923	647,411
Other comprehensive income	—	—	—	5,114	—	—	5,114	1,042	6,156
Total comprehensive income for the period	**—**	**—**	**—**	**5,114**	**—**	**646,488**	**651,602**	**1,965**	**653,567**
Contribution from a non-controlling shareholder	—	—	—	—	—	—	—	31,380	31,380
Dividends recognized as distribution (Note 13)	—	—	—	—	—	(584,002)	(584,002)	—	(584,002)
At June 30, 2018	**107**	**—**	**(6,645)**	**(23,777)**	**87,826**	**1,099,174**	**1,156,685**	**35,241**	**1,191,926**

	Attributable to owners of the Company							Non-controlling interests	Total
	Share capital	Other reserve	Merger reserve	Translation reserve	Statutory reserve	Retained profits	Sub-total		
	RMB'000	RMB'000 (Note i)	RMB'000 (Note ii)	RMB'000	RMB'000 (Note iii)	RMB'000	RMB'000	RMB'000	RMB'000
For the six months ended June 30, 2017 (unaudited)									
At December 31, 2016	**—**	**146,219**	**31,846**	**1,616**	**73,762**	**548,574**	**802,017**	**269,723**	**1,071,740**
Profit for the period	—	—	—	—	—	424,804	424,804	128,345	553,149
Other comprehensive expense	—	—	—	(13,868)	—	—	(13,868)	—	(13,868)
Total comprehensive income for the period	—	—	—	(13,868)	—	424,804	410,936	128,345	539,281
Additional paid-in capital	—	6,260	—	—	—	—	6,260	3,740	10,000
Dividends recognized as distribution (Note 13)	—	—	—	—	—	(382,029)	(382,029)	(231,736)	(613,765)
Net return to Sichuan Haidilao (Note v)	—	—	—	—	—	(17,816)	(17,816)	(10,645)	(28,461)
Capitalization of statutory reserve (Note vi)	—	36,744	—	—	(36,744)	—	—	—	—
Deemed distribution and acquisition of non-controlling interests as part of the Group Reorganization (Note iv)	—	—	(1,469)	—	—	—	(1,469)	(543)	(2,012)
At June 30, 2017	**—**	**189,223**	**30,377**	**(12,252)**	**37,018**	**573,533**	**817,899**	**158,884**	**976,783**

Notes:

i. Other reserves represent the share capital or paid-in capital of subsidiaries which were attributable to owners of the Company acquired by the Company as part of the Group Reorganization as detailed in Note 1.

ii. Merger reserve represents the difference between the consideration and the paid-in capital and non-controlling interests of the subsidiaries acquired by the Group during the Group Reorganization, as defined and detailed in Note 1.

iii. According to the People's Republic of China ("PRC") Company Law and the Articles of Association of the PRC subsidiaries of the Group, these companies are required to transfer 10% of their respective after-tax profits, calculated in accordance with the relevant accounting principles and financial regulations applicable to entities established in the PRC, to the statutory surplus reserve until the reserve balance reaches 50% of the registered capital. The statutory surplus reserve can be utilized, upon approval of the relevant authorities, to offset accumulated losses or to increase registered capital of these companies, provided that such fund is maintained at a minimum of 25% of the registered capital.

iv. On March 16, 2015, Xin Pai (Shanghai) Catering Management Co., Ltd. 新派(上海)餐飲管理有限公司 ("Shanghai Xinpai") acquired 100% equity interests in Xiamen Haidilao Catering Management Co., Ltd. 廈門海底撈餐飲管理有限公司 ("Xiamen Haidilao") at a consideration of RMB13,088,000 as detailed in Note 1. The paid-in capital and non-controlling interests of Xiamen Haidilao was RMB6,260,000 and RMB4,945,000, respectively. The difference between the consideration and the paid-in capital of Xiamen Haidilao and non-controlling interests was RMB1,883,000, which was recognized in merger reserve.

On June 17, 2016, New Pai Ltd. acquired 100% equity interests in Hai Di Lao Holdings Pte. Ltd. ("Haidilao Singapore") at a cash consideration of Singapore Dollar ("SGD") 3,000,000 (equivalent to RMB14,389,000) as detailed in Note 1. The paid-in capital and non-controlling interests of Haidilao Singapore was RMB9,719,000 and RMB4,319,000. The difference between the consideration and the paid-in capital of Haidilao Singapore and non-controlling interests was RMB351,000 (debit balance), which was recognized in merger reserve.

On October 18, 2016, Haidilao Singapore acquired 100% equity interests in Haidilao Catering (USA), Inc. at a cash consideration of USD10,000 (equivalent to RMB67,000) as detailed in Note 1. The paid-in capital and non-controlling interests of Haidilao Catering (USA), Inc. was USD3,778,000 (equivalent to RMB22,713,000) and RMB11,434,000, respectively. The difference between the consideration and the paid-in capital of Haidilao Catering (USA), Inc. and non-controlling interests was RMB34,080,000 (credit balance), which was recognized in merger reserve.

During the year ended December 31, 2017, Shanghai Xinpai acquired 100% equity interests of seven companies and all assets and business of Zhengzhou Branches (as defined and detailed in Note 1) at a total cash consideration of RMB95,376,000; and Sichuan Xinpai Catering Management Co., Ltd. 四川新派餐飲管理有限公司 ("Sichuan Xinpai") acquired 100% equity interests in three companies and 51% equity interests in Jiaozuo Qingfeng Haidilao Catering Co., Ltd. at a total cash consideration of RMB272,903,000. The paid-in capital and non-controlling interests of the above companies was RMB188,543,000 and RMB141,997,000, respectively. The difference between the consideration and the paid-in capital of the companies acquired and the non-controlling interests was RMB37,739,000 (debit balance), which was recognized in merger reserve. On February 1, 2017, Zhengzhou first branch and Zhengzhou third branch were transferred to Sichuan Xinpai at a total cash consideration of RMB2,012,000 (unaudited), and the difference between the consideration and the non-controlling interests was RMB1,469,000 (debit balance) (unaudited), which was recognized in merger reserve.

On December 7, 2017, Sichuan Xinpai acquired 100% equity interests in Meikemeican Catering Management (Shanghai) Co., Ltd. 每客美餐餐飲管理(上海)有限公司 ("Shanghai Meike Meican") at a cash consideration of RMB2,344,000 as detailed in Note 1. The paid-in capital of Shanghai Meike Meican and non-controlling interest was RMB680,000 and RMB912,000, respectively. The difference between the consideration and the paid-in capital and non-controlling interests of Shanghai Meike Meican was RMB752,000 (debit balance), which was recognized in merger reserve.

v. The net return to Sichuan Haidilao Catering Co., Ltd. 四川海底撈餐飲股份有限公司 ("Sichuan Haidilao") represents the funding transferred from the Sichuan Haidilao Branches (as defined in Note 1) to Sichuan Haidilao prior to the completion of Group Reorganization (details of which are set out in Note 1).

vi. Before the Group Reorganization, certain subsidiaries of Sichuan Haidilao capitalized statutory reserve amounting to RMB38,491,000 according to the written resolutions of shareholders.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Prior to the Group Reorganization as detailed and defined in Note 1, Sichuan Haidilao Branches (as defined in Note 1) were operated under Sichuan Haidilao and no separate bank accounts were maintained by Sichuan Haidilao Branches. The treasury functions of Sichuan Haidilao Branches were centrally administrated under Sichuan Haidilao. The net cash flows generated by Sichuan Haidilao Branches were kept in the bank accounts of Sichuan Haidilao, which is reflected in "Net cash used in Sichuan Haidilao Branches" under cash flow. Accordingly, the funds provided for or withdrawn from Sichuan Haidilao were presented as movements in the equity while there are no cash and cash equivalents balance for Sichuan Haidilao Branches.

For the purpose of presenting a completed set of historical financial information of the Group, the following comprises the information of cash inflow/outflow of the Group and Sichuan Haidilao Branches received/paid by Sichuan Haidilao prior to the completion of Group Reorganization.

	For the year ended December 31,			For the six months ended June 30,	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Operating activities					
Profit before tax	560,108	1,345,877	1,625,050	757,977	900,918
Adjustments for:					
Finance costs	3,221	8,167	8,614	6,282	8,774
Interest income	(2,655)	(3,710)	(4,663)	(2,183)	(773)
Share of profit of an associate	—	—	(482)	—	(5,205)
Depreciation of property, plant and equipment	236,049	281,395	355,377	160,772	289,686
Amortization of intangible assets	3,130	4,523	4,462	2,225	3,884
Loss on disposals of property, plant and equipment	2,882	3,594	10,903	7,809	3,007
Gain on fair value changes of financial assets at FVTPL	(2,544)	(2,957)	(24,577)	(7,539)	(7,062)
Foreign exchange (gain) loss	(849)	(2,348)	3,742	1,671	(11,298)
Operating cash flows before movements in working capital	799,342	1,634,541	1,978,426	927,014	1,181,931
Increase in inventories	(11,925)	(8,642)	(45,411)	(3,922)	(230,321)
(Increase) decrease in trade receivables	(8,721)	(34,057)	(109,307)	27,005	64,538

	For the year ended December 31,			For the six months ended June 30,	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Increase in rental deposits, other receivables and prepayments	(277,371)	(52,827)	(194,081)	(77,750)	(178,574)
Decrease (increase) in held for trading investments	3,096	441	(7,510)	(27,244)	34,985
Increase in amount due from related parties	—	—	—	—	(23,175)
Increase (decrease) in trade payables	5,853	19,496	48,951	(11,991)	242,843
Increase in other payables	56,480	86,914	150,812	17,376	68,378
Increase in provisions	673	620	1,242	62	—
Increase in contract liabilities	155,079	28,045	35,330	24,833	63,847
Increase in amounts due to related parties	78,500	35,710	9,685	6,454	71,727
Cash generated from operations	801,006	1,710,241	1,868,137	881,837	1,296,179
Income taxes paid	(159,017)	(296,180)	(468,421)	(264,798)	(293,271)
Net cash from operating activities	641,989	1,414,061	1,399,716	617,039	1,002,908
Investing activities					
Interest received	194	398	1,250	362	454
Purchase of financial assets at FVTPL	(56,494)	(841,900)	(221,609)	(16,452)	(965,185)
Proceeds from disposals of financial assets at FVTPL	590	890,047	182,162	16,708	990,859
Purchase of other financial assets	(10,657)	(27,437)	(254,121)	(61,514)	(75,696)
Proceeds on disposals of other financial assets	4,713	26,874	246,123	63,340	92,216
Investment in an associate	—	—	(4,000)	—	—
Purchase of property, plant and equipment	(399,925)	(429,466)	(1,242,904)	(311,999)	(901,446)
Proceeds on disposals of property, plant and equipment	12,241	5,173	8,381	1,839	14,841
Purchase of intangible assets	(12,512)	(226)	(173)	(28)	(25,151)
Loans to related parties	(836,634)	(1,575,413)	(766,751)	(613,628)	(6,784)
Collection of loans to related parties	384,203	705,574	498,211	172,401	430,695
Withdrawal of pledged bank deposits	—	—	35,076	35,076	46,500
Placement of pledged bank deposits	(1,639)	(34,500)	(46,500)	—	—
Net cash used in investing activities	(915,920)	(1,280,876)	(1,564,855)	(713,895)	(398,697)
Financing activities					
Dividend paid	—	—	—	—	(460,890)
Repayments of bank borrowings	(76,563)	(104,866)	(263,902)	(57,891)	(448,206)
New borrowings raised	234,374	269,037	42,560	11,852	1,202,468
Loans from related parties	5,357	—	1,492,260	531,001	712,688
Repayments of loans from related parties	—	(56)	(796,778)	(161)	(1,403,623)
Proceeds from issue of shares	—	—	107	—	—
Proceeds from capital injection	11,547	1,000	10,000	10,000	—
Proceeds from contribution of a non-controlling shareholder	—	—	—	—	31,380
Interest paid	(3,036)	(7,313)	(8,681)	(6,995)	(7,788)
Acquisition of subsidiaries under the Group Reorganization (Note 1)	(13,088)	(67)	(370,623)	(2,012)	—
Net cash from (used in) financing activities	158,591	157,735	104,943	485,794	(373,971)
Net (decrease) increase in cash and cash equivalents	(115,340)	290,920	(60,196)	388,938	230,240
Net cash used in Sichuan Haidilao Branches	(24,140)	(41,479)	(32,307)	(28,461)	—
Cash and cash equivalents at beginning of the year/period	297,128	157,595	406,876	406,876	282,032
Effect of foreign exchange rate charges	(53)	(160)	(32,341)	(16,049)	18,831
Cash and cash equivalents at end of the year/period	157,595	406,876	282,032	751,304	531,103

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GENERAL INFORMATION, GROUP REORGANIZATION, BASIS OF PREPARATION AND PRESENTATION OF THE HISTORICAL FINANCIAL INFORMATION

General Information

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on July 14, 2015 under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands with the name of Newpai International Investment Ltd.. Pursuant to a special resolution of the Company dated March 14, 2018, the Company's name was changed to Haidilao International Holding Ltd.. The addresses of the Company's registered office and the principal place of business are disclosed in the section "Corporate Information" in the Prospectus. Mr. Zhang Yong and his spouse namely Ms. Shu Ping have historically and throughout the Track Record Period been controlling the entities now comprising the Group on a collective basis (the "Controlling Shareholders").

The Company is an investment holding company. Its subsidiaries are engaged in restaurants operation and relevant delivery business located in the PRC and overseas.

Items included in the financial statements of each of the Group's entities are recorded using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Historical Financial Information is presented in RMB, which is also the functional currency of the Company and its subsidiaries in the PRC.

No statutory audited financial statements were issued for the Company since the Company is incorporated in a jurisdiction where there is no statutory audit requirement.

Group Reorganization and Basis of Preparation and Presentation of the Historical Financial Information

The Historical Financial Information has been prepared based on the accounting policies set out in Note 3 which conform with IFRSs issued by the IASB and the conventions applicable for Group Reorganization (details are set out below).

Historically and up to the completion of the equity transfers of the relevant entities and acquisition of branches as mentioned below, the Group's restaurant operation and relevant delivery businesses were carried out by branches and subsidiaries of (a) Sichuan Haidilao, a joint stock company established in the PRC which held equity interests in certain subsidiaries established in the PRC engaged in restaurant operation, certain branches and subsidiaries established in the PRC engaged in other businesses and a subsidiary established in the USA namely Haidilao Catering (USA), Inc. which is engaged in restaurant operation; (b) Haidilao Singapore, a limited liability company incorporated in Singapore which held equity interests in certain subsidiaries in the PRC and outside PRC and all of them are engaged in restaurant operation; and (c) Shanghai Meike Meican, which was a direct wholly-owned subsidiary of Jianyang Jingyuan Investment Co., Ltd. 簡陽市靜遠投資有限公

司 ("Jingyuan Investment") engaged in catering delivery business. Sichuan Haidilao, Haidilao Singapore (which was a wholly-owned subsidiary of New High Lao International Investment Limited ("New High Lao") before June 17, 2016) and Jingyuan Investment are companies controlled by the Controlling Shareholders.

The Group underwent a series of group reorganization (the "Group Reorganization") that involves equity transfers of Haidilao Singapore, Shanghai Meike Meican and certain subsidiaries of Sichuan Haidilao and acquisition of branches of Sichuan Haidilao engaging in restaurant operations to the Company or its subsidiaries. Details of the steps are set out below:

i. On March 16, 2015, Shanghai Xinpai, a wholly-owned subsidiary of Haidilao Singapore, acquired 100% equity interests in Xiamen Haidilao from Sichuan Haidilao at a cash consideration of RMB13,088,000. Upon completion of the acquisition, Xiamen Haidilao became a wholly-owned subsidiary of Haidilao Singapore. The consideration was settled during the year ended December 31, 2015.

ii. The Company was incorporated in the Cayman Islands on July 14, 2015. At the date of incorporation, shares were allotted to the Controlling Shareholders and other parties. The Controlling Shareholders had an effective interest of 62.70% over the Company.

iii. New Pai Ltd. was incorporated in the British Virgin Islands (the "BVI") by the Company on July 15, 2015 and 1 share was allotted and subscribed by the Company. Since then, New Pai Ltd. became a wholly-owned subsidiary of the Company.

iv. On June 17, 2016, New Pai Ltd. acquired 100% equity interests of Haidilao Singapore from New High Lao at a cash consideration of SGD3,000,000 (equivalent to RMB14,389,000). The amount was not yet settled as at December 31, 2017.

v. On October 18, 2016, Haidilao Singapore acquired 100% equity interest in Haidilao Catering (USA), Inc. from Sichuan Haidilao at a cash consideration of USD10,000 (equivalent to RMB67,000). The consideration was settled during the year ended December 31, 2016.

vi. During the year ended December 31, 2017, Shanghai Xinpai acquired 100% equity interests of seven companies from Sichuan Haidilao, including Shanghai Laopai Catering Management Co., Ltd. 上海撈派餐飲管理有限公司, Jiangsu Haidilao Catering Management Co., Ltd. 江蘇海底撈餐飲管理有限責任公司, Suzhou Laopai Catering Co., Ltd. 蘇州撈派餐飲有限公司, Hangzhou Laopai Catering Co., Ltd. 杭州撈派餐飲有限公司, Wuhan Laopai Catering Management Co., Ltd. 武漢撈派餐飲管理有限公司, Ningbo Haidilao Catering Management Co., Ltd. 寧波海底撈餐飲管理有限公司 and Shenzhen Haidilao Catering Co., Ltd. 深圳市海底撈餐飲有限責任公司, at a total cash consideration of RMB81,670,000, as well as acquired all assets and business of six Zhengzhou branches of Sichuan Haidilao (collectively referred as "Zhengzhou Branches") from Sichuan Haidilao at a total cash consideration of RMB13,706,000. The consideration of these acquisitions were settled during the year ended December 31, 2017.

vii. In February 2017, two Chengdu branches of Sichuan Haidilao (collectively referred as "Chengdu Branches"; Zhengzhou Branches and Chengdu Branches are collectively referred to as "Sichuan Haidilao Branches") were transferred from Sichuan Haidilao to Jianyang Hailao Catering Management Co., Ltd. 簡陽市海撈餐飲管理有限公司 which was a subsidiary of Sichuan Haidilao at nil consideration. In August 2017, Sichuan Xinpai, a subsidiary of Haidilao Singapore, acquired 100% equity interests in three companies from Sichuan Haidilao, including Haihongda (Beijing) Catering Management Co., Ltd. 海鴻達(北京)餐飲管理有限公司, Jianyang Hailao Catering Management Co., Ltd. 簡陽市海撈餐飲管理有限公司 and Tianjin Haidilao Catering Management Co., Ltd. 天津市海底撈餐飲管理有限公司 and 51% equity interests in Jiaozuo Qingfeng Haidilao Catering Co., Ltd. 焦作市清風海底撈餐飲有限責任公司 at a total cash consideration of RMB272,903,000. The aggregate consideration was settled during the year ended December 31, 2017.

viii. On December 7, 2017, Sichuan Xinpai acquired 100% equity interests of Shanghai Meike Meican and its subsidiaries from Jingyuan Investment at a cash consideration of RMB2,344,000. The consideration was settled during the year ended December 31, 2017.

Prior to the transfers/acquisitions of the equity interests in the above mentioned branches or subsidiaries to the Group, all equity interests attributable to parties other than the Controlling Shareholders are treated as non-controlling interests. Non-controlling interests were acquired and derecognized during the Track Record Period following the equity transfers of the relevant entities to the Company as aforementioned. As at December 31, 2017, the non-controlling interests of the Group is the 49% interest held by a non-controlling shareholder of Jiaozuo Qingfeng Haidilao Catering Co., Ltd. 焦作市清風海底撈餐飲有限公司.

The Company became the holding company of the subsidiaries of Sichuan Haidilao engaged in restaurant operation, Sichuan Haidilao Branches, Haidilao Singapore and Shanghai Meike Meican after the completion of the Group Reorganization. The businesses carried out by the Company and its subsidiaries resulting from the Group Reorganization have been under the common control of the Controlling Shareholders throughout the Track Record Period, therefore the subsidiaries of Sichuan Haidilao engaged in restaurant operation, Sichuan Haidilao Branches, Haidilao Singapore and Shanghai Meike Meican are treated as part of the Group throughout the Track Record Period. Accordingly, the Historical Financial Information of the Group has been prepared on the basis as if the Company had always been the holding company of the companies comprising the Group using the principles of merger accounting.

The consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the Group for each of the three years ended December 31, 2017 include the results, changes in equity and cash flows of the companies now comprising the Group (including Sichuan Haidilao Branches) as if the current group structure had been in existence throughout the Track Record Period, or since their respective dates of incorporation, where there is a shorter period, and Sichuan Haidilao Branches had been operated by the Group throughout the Track Record Period.

The consolidated statements of financial position of the Group as at December 31, 2015 and 2016 have been prepared to present the assets and liabilities of the companies now comprising the Group (including Sichuan Haidilao Branches) at the carrying amounts shown in the financial statements of the group entities, as if the current group structure had been in existence at those dates taking into account their respective dates of incorporation, where applicable, and Sichuan Haidilao Branches had been transferred to the Group at those dates.

Historically and prior to the equity transfers as above mentioned, certain restaurant operations of Sichuan Haidilao were carried out by Sichuan Haidilao Branches. Sichuan Haidilao also held equity interests in subsidiaries engaging in restaurant operations and subsidiaries engaging in businesses other than restaurant operations (the "Non-Listing Business"). Accordingly, the financial information of Sichuan Haidilao Branches, derived from the distinct accounting records prepared in accordance with the accounting policies of the Group that conform with IFRSs, were consolidated in the Group. In addition, certain management activities related to the restaurant operations of Sichuan Haidilao Branches and subsidiaries of Sichuan Haidilao (collectively referred to as the "Listing Business") were carried out by Sichuan Haidilao prior to the Group Reorganization. To the extent the expenses that are specifically identified to the Listing Business, such items are included in the Historical Financial Information throughout the Track Record Period. To the extent the expenses that are common to the Listing Business and the Non-Listing Business, these items are allocated between the Listing Business and the Non-Listing Business. Items that do not meet the criteria above are not included in the Historical Financial Information of the Group.

Prior to the completion of the Group Reorganization, the treasury functions of Sichuan Haidilao Branches were centrally administrated by Sichuan Haidilao. All the transactions of Sichuan Haidilao Branches were settled by Sichuan Haidilao and therefore, the net cash flows generated by Sichuan Haidilao Branches was presented as net returns to Sichuan Haidilao in the consolidated statements of changes in equity.

As at December 31, 2015, 2016 and 2017 and June 30, 2018, the Group's net current liabilities amounted to RMB60,357,000, RMB385,643,000, RMB1,156,443,000 and RMB1,832,055,000, respectively. In the opinion of the Directors, the Group will have sufficient funds available from the operating activities to meet their financial obligations in the foreseeable future. The Group also monitors the utilization and repayment of bank borrowings to ensure the Group with sufficient funds. As at June 30, 2018, the Group had unused bank facilities of RMB518 million. The Historical Financial Information has been prepared on a going concern basis.

2. ADOPTION OF NEW AND REVISED IFRSs

Application of IFRSs

For the purpose of preparing and presenting the Historical Financial Information for the Track Record Period, the Group has applied all International Accounting Standards ("IASs"), IFRSs and amendments that are effective for the Group's accounting periods beginning on or after January 1, 2018, including IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers and the related Amendments, consistently throughout the Track Record Period.

New and amendments to IFRSs in issue but not yet effective

At the date of this report, the IASB has issued the following new and amendments to IFRSs and interpretations that are not yet effective. The Group has not early applied the following new and amendments to IFRSs that have been issued but are not yet effective:

IFRS 16	Leases[1]
IFRS 17	Insurance Contracts[3]
IFRIC 23	Uncertainty over Income Tax Treatments[1]
Amendments to IFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to IFRSs	Annual Improvements to IFRS Standards 2015 - 2017 Cycle[1]

1 Effective for annual periods beginning on or after January 1, 2019

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

3 Effective for annual periods beginning on or after January 1, 2021

Except for the new and amendments to IFRSs and interpretations mentioned below, the Directors consider that the application of all other new and amendments to IFRSs and Interpretations will have no material impact on the consolidated financial statements in the foreseeable future.

IFRS 16 Leases

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede IAS 17 Leases and the related interpretations when it becomes effective.

IFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognized for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest expense and lease payments, as well as the impact of lease modifications, amongst others. The Group currently presented operating lease payments as operating cash flows. Upon application of IFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows by the Group.

In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

The Group is a lessee of restaurants, offices and staff quarters, the leases of which are currently classified as operating leases. The Group's current accounting policy for such leases is set out in Note 3. As at June 30, 2018, the Group had non-cancellable minimum operating lease commitments of RMB3,637,695,000 as disclosed in Note 34, which are not reflected in the consolidated statements of financial position. Given that the total non-cancellable operating lease commitments account for 109% of the total liabilities of the Group as at June 30, 2018, the Directors expect that the adoption of IFRS 16 as compared with the current accounting policy would result in significant impact on the Group's right-of-use assets and related lease liability. The combination of straight-line depreciation of the right-of-use asset and the effective interest rate method applied to the lease liability will result in a higher total charge to the statement of profit or loss in the initial year of the lease, and decreasing expenses during the latter part of the lease term, but there is no impact on the total expenses recognised over the lease term. Based on facts and circumstances as at June 30, 2018, the Directors of the Group do not expect the application of IFRS 16 will have a material impact on the financial performance of the Group.

In addition, the Group currently considers refundable rental deposits paid of RMB163,962,000 as at June 30, 2018 as rights under leases to which IAS 17 applies. Based on the definition of lease payments under IFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortized cost and such adjustments are considered as additional lease payments. Adjustments to refundable rental deposits paid would be included in the carrying amount of right-of-use assets.

Furthermore, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. The Group will elect to apply IFRS 16 retrospectively with cumulative effect of initially applying the standard recognized at the date of initial application without restating comparative. The Group will recognize the right-of-use asset at the date of initial application at an amount equal to the lease liability, which is measured at the present value of the remaining lease payments discounted using the lessee's incremental borrowing rate at the date of initial application, and adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the consolidated statement of financial position immediately before the date of initial application.

3. SIGNIFICANT ACCOUNTING POLICIES

The Historical Financial Information has been prepared in accordance with the accounting policies which confirm with IFRSs issued by the IASB. In addition, the Historical Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") and by the Hong Kong Companies Ordinance.

The Historical Financial Information has been prepared on the historical cost basis, except for certain financial instruments which are measured at fair value at the end of each reporting period as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the Historical Financial Information is determined on such a basis, except for leasing transactions that are within the scope of IAS 17 Leases and measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2 Inventories or value in use in IAS 36 Impairment of Assets.

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The Historical Financial Information incorporates the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year/period are included in the consolidated statements of profit or loss and other comprehensive income from the date the Company gains controls until the date when the Company ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intra-group assets, liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Merger accounting for business combination involving businesses under common control

The Historical Financial Information incorporates the financial statements items of the combining businesses in which the common control combination occurs as if they had been combined from the date when the combining businesses first came under the control of the controlling party.

The net assets of the combining businesses are consolidated using the existing carrying values from the controlling party's perspective. No amount is recognized in respect of goodwill or bargain purchase gain at the time of common control combination.

The consolidated statements of profit or loss and other comprehensive income include the results of each of the combining businesses from the earliest date presented or since the date when the combining businesses first came under the common control, where there is a shorter period.

Investment in an associate

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in the Historical Financial Information using the equity method of accounting. The financial statements of the associate used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate is initially recognized in the consolidated statements of financial position at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate. Changes in net assets of the associate other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate.

The requirements of IAS 39 are applied to determine whether it is necessary to recognize any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment is tested for impairment in accordance with IAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognized in the Historical Financial Information only to the extent of interests in the associate that are not related to the Group.

Investment in a subsidiary

Investment in a subsidiary is stated in the statements of financial position of the Company at cost less accumulated impairment losses, if any.

Revenue recognition

Revenue is recognized to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. Specifically, the Group uses a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

The Group recognizes revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to customers.

A performance obligation represents a good and service (or a bundle or goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control of the asset may be transferred over time or at a point in time. Control of the asset is transferred over time if:

- the customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs; or

- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or

- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If the control of the asset transfers over time, revenue is recognized over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognized at a point in time when the customer obtains control of the asset.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with IFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

The Group recognizes a refund liability if the Group receives consideration from a customer and expects to refund some or all of that consideration to the customer. A refund liability is measured at the amount of consideration received (or receivable) for which the Group does not expect to be entitled (i.e. amounts not included in the transaction price). The refund liability (and corresponding change in the transaction price and, therefore, the contract liability) is updated at the end of each reporting period for changes in circumstances.

The Group generates revenues from restaurant operation, delivery business and sales of condiment products and food ingredients.

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for discounts and sales related taxes.

Revenue is recognized when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below:

For restaurant operation and delivery business for which the control of services is transferred at a point in time, revenue is recognized when the related services have been rendered to customers.

Revenue from the sales of condiment products and food ingredients for which the control of goods is transferred at a point in time, is recognized when the goods are delivered and titles have passed.

The Group operates a customer loyalty scheme through which award credits are granted to the customers on consuming in the restaurants that entitle them to consume by offsetting the reward credits on future purchases and consumptions in the restaurants. These award credits provide a right to consume by offsetting the reward credits to customers that they would not receive without future purchases and consumptions in the restaurants. The reward credits have a two-year valid period after the grant of reward credits. The promise to provide the right to the customer is therefore a separate performance obligation.

The transaction price is allocated between the restaurant operation service provided and the award credits on a relative stand-alone selling price basis. The stand-alone selling price of each award credit is estimated based on the right to be given when the award credits are redeemed by the customer and the likelihood of redemption, as evidenced by the Group's historical experience.

A contract liability is recognized for revenue relating to the loyalty scheme at the time of the initial sales transaction. Revenue from the loyalty scheme is recognized when the award credits are redeemed by the customer. Revenue for award credits that are not expected to be redeemed is recognized in proportion to the pattern of rights exercised by customers.

Prepaid cards and vouchers issued by the Group, which can be utilized in the future consumption in restaurants by the customers, are recognized as contract liabilities.

Advance from customers for which the services have not been rendered are recognized as liabilities until the relevant services are performed and was classified as contract liabilities.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Operating lease payments are recognized as an expense on a straight-line basis over the lease term. Contingent rental arising under operating leases are recognized as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognized as a liability. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognized at the rates of exchanges prevailing on the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences arising on the settlement of monetary items and on the retranslation of monetary items are recognized in profit or loss in the period in which they arise.

For the purpose of presenting the Historical Financial Information, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (RMB) using exchange rates prevailing at the end of each reporting period. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All the Group's borrowing costs are recognized in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the related costs for which the grants are intended to compensate.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable.

Retirement benefit costs

Payments to defined contribution retirement benefit schemes, state-managed retirement benefit schemes and the Mandatory Provident Fund Scheme are recognized as an expense when employees have rendered service entitling them to the contributions.

Short-term employee benefits

Short-term employee benefits are recognized at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognized as an expense unless another IFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognized for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year/period. Taxable profit differs from "profit before tax" as reported in the consolidated statements of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the Historical Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and an associate, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realized, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of each reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of each reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity, respectively.

Property, plant and equipment

Property, plant and equipment other than renovation in progress as described below are stated at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Renovation in progress is carried at cost, less any recognized impairment loss. Renovation in progress is classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property, plant and equipment, commences when the assets are ready for their intended use.

Depreciation is recognized so as to write off the cost of items of property, plant and equipment other than renovation in progress less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortization and any accumulated impairment losses. Amortization for intangible assets with finite useful lives is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss in the period when the asset is derecognized.

Impairment of tangible and intangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

When it is not possible to estimate the recoverable amount of an asset individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognized immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Inventories

Inventories, representing condiment products, food ingredients and beverages, are stated at the lower of cost and net realizable value. Cost of inventories are determined on a weighted average method. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of each reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Financial instruments

Financial assets and financial liabilities are recognized when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognized financial assets are subsequently measured in their entirety at either amortized cost or fair value.

Classification of financial assets

Debt instruments that meet the following conditions are subsequently measured at amortized cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL.

Amortized cost and effective interest method

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period.

For financial instruments other than purchased or originated credit-impaired financial assets, the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses ("ECL"), through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

The amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. On the other hand, the gross carrying amount of a financial asset is the amortized cost of a financial asset before adjusting for any loss allowance.

Interest income is recognized using the effective interest method for debt instruments measured subsequently at amortized cost. For financial instruments other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognized by applying the effective interest rate to the amortized cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognized by applying the effective interest rate to the gross carrying amount of the financial asset.

Interest income is recognized in profit or loss and is included in the "other income" line item.

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortized cost or fair value through other comprehensive income ("FVTOCI") or designated as FVTOCI are measured at FVTPL. Specifically:

- Investments in equity instruments are classified as at FVTPL, unless the Group designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition.

- Debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria are classified as at FVTPL. In addition, debt instruments that meet either the amortized cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases. The Group has not designated any debt instruments as at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognized in profit or loss. The net gain or loss recognized in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "other gains and losses" line item.

Impairment of financial assets

The Group recognizes a loss allowance for ECL on financial assets which are subject to impairment under IFRS 9 (including trade and other receivables, amount due from related parties, other financial assets, pledged bank deposits, bank balances and cash and loan commitment). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of a financial instrument. In contrast, 12 months ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognizes lifetime ECL for trade receivables and trade nature amount due from related parties. The ECL on these assets are assessed individually.

For all other financial instruments, the Group recognizes lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12m ECL. The assessment of whether lifetime ECL should be recognized is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date or an actual default occurring.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, and other similar organizations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating results of the debtor;

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Despite the aforegoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if (i) the financial instrument has a low risk of default, (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a financial asset to have low credit risk when it has an internal or external credit rating of "investment grade" as per globally understood definition.

The Group considers that default has occurred when the instrument is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

The Group measures ECL on an individual basis, or on a collective basis for portfolios of financial instruments that share similar economic risk characteristics. Where lifetime ECL is measured on a collective basis to cater for cases where evidence of significant increases in credit risk at the individual instrument level may not yet be available, the financial instruments are grouped on the basis of nature of financial instruments, past-due status and nature of collaterals for receivables.

For undrawn loan commitments, the ECL is the present value of the difference between the contractual cash flows that are due to the Group if the holder of the loan commitments draws down the loan, and the cash flows that the Group expects to receive if the loan is drawn down.

The Group recognizes an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade and other receivables and amount due from related parties where the corresponding adjustment is recognized through a loss allowance account.

The Group's average loss rate when considering the impairment of financial assets is insignificant.

Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset measured at amortized cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Group are recognized at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held-for-trading, or (iii) designated as at FVTPL, are subsequently measured at amortized cost using the effective interest method.

All financial liabilities are subsequently measured at amortized cost using the effective interest method.

Financial liabilities subsequently measured at amortized cost

The financial liabilities (including borrowings, amounts due to related parties, trade payables, dividend payable and other payables) are subsequently measured at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortized cost of a financial liability.

Derecognition of financial liabilities

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of each reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Useful lives of property, plant and equipment

The Group determines the estimated useful lives of its property, plant and equipment in determine the related depreciation charge. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions.

The Group will increase the depreciation charge where useful lives are shorter than previously estimated lives, or will write-off or write-down obsolete assets that have been abandoned or sold. As at December 31, 2015, 2016 and 2017 and June 30, 2018, the carrying amount of property, plant and equipment is RMB796,628,000, RMB943,041,000, RMB2,085,428,000 and RMB2,760,541,000, respectively. Details of the useful lives of property, plant and equipment are disclosed in Note 15.

Contract liabilities

The contract liability related to customer loyalty scheme substantially reflects the amount of revenue attributable to the award credits earned by the members of the Group under the customer loyalty scheme. The transaction price is allocated between the restaurant operation service provided and the award credits on a relative stand-alone selling price basis. The stand-alone selling price of each award credit is estimated based on the right to be given when the award credits are redeemed by the customer and the likelihood of redemption, as evidenced by the Group's historical experience. Any change in estimate would affect profit or loss in future years. As at December 31, 2015, 2016 and 2017 and June 30, 2018, contract liabilities of RMB168,930,000, RMB196,188,000, RMB220,050,000 and RMB269,681,000 were recognized, respectively.

Deferred taxes

As at December 31, 2015, 2016 and 2017 and June 30, 2018, no deferred tax asset has been recognized on the tax losses of RMB21,469,000, RMB41,853,000, RMB93,368,000 and RMB187,778,000, respectively, due to the unpredictability of future profit streams. The realizability of the deferred tax asset mainly depends on whether sufficient future taxable profits or taxable temporary differences will be available in the future. In cases where the actual future taxable profits generated are more than expected, or change in facts and circumstances which result in revision of future taxable profits estimation, recognition of deferred tax assets may arise, which would be recognized in profit or loss for the period in which such recognition takes place.

Social insurance and housing provident funds contribution or equivalent

The Group has a large labor force with relatively high mobility. Certain of these employees may not participate in the social insurance and housing provident funds in their places of employments. Instead, they may participate in other legitimate social insurance schemes themselves and the Group would reimburse their contribution. The Directors, taking into consideration the advices from the Group's PRC legal advisers, consider the likelihood that the Group would be required by the relevant local authorities to pay any shortfall for social insurance and housing provident funds is low if employees have participated and contributed under the other legitimate social insurance schemes. The Group considered the provision made based on applicable social insurance and housing provident funds contribution or equivalent are sufficient as at December 31, 2015, 2016 and 2017 and June 30, 2018.

On July 20, 2018, the General Office of the State Council issued the document "The reform plan of the tax collection and management system of the National Taxation and Local Taxation" (the "Document"), which will be implemented on January 1, 2019. In assessing the implication of the Document, if any, on the Historical Financial Information, the Directors consider that there are no changes on existing laws and regulations on social insurance and housing provident funds or equivalent, and the Group's provisions for social insurance and housing provident fund contribution or equivalent in the Historical Financial Information are adequate.

5. REVENUE AND SEGMENT INFORMATION

During the Track Record Period, the Group's revenue which represents the amount received and receivable from the restaurant operation, delivery business and sales of condiment products and food ingredients, net of discounts and sales related taxes, are as follows:

	For the year ended December 31,			For the six months ended June 30,	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Restaurant operation	5,653,089	7,635,596	10,388,097	4,646,684	7,152,037
Delivery business	74,073	146,118	218,762	97,730	133,357
Sales of condiment products and food ingredients	29,520	25,972	30,311	11,651	57,250
Total	5,756,682	7,807,686	10,637,170	4,756,065	7,342,644

Information reported to Mr. Zhang Yong, who is identified as the chief operating decision maker (the "CODM") of the Company, in order to allocate resources and to assess performance, focuses on the operating results of the Group as a whole as the Group's resources are integrated and no discrete operating segment financial information is reviewed. Accordingly, no operating segment information is presented.

No revenue from individual customer contributing over 10% of total revenue of the Group.

The following tables set forth the breakdown of the Group's revenue during the Track Record Period and the breakdown of the Group's non-current assets as at December 31, 2015, 2016 and 2017 and June 30, 2018 based on locations of operations:

	Revenue					Non-current assets (Note)			
	For the year ended December 31,			For the six months ended June 30,		As at December 31,			As at June 30,
	2015	2016	2017	2017	2018	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
The PRC	5,450,089	7,345,069	9,909,357	4,474,788	6,793,793	758,107	881,668	1,898,940	2,535,707
Overseas	306,593	462,617	727,813	281,277	548,851	110,459	144,725	322,437	430,359
Total	5,756,682	7,807,686	10,637,170	4,756,065	7,342,644	868,566	1,026,393	2,221,377	2,966,066

Note:
Non-current assets exclude financial assets and deferred tax assets.

6. OTHER INCOME

	For the year ended December 31,			For the six months ended June 30,	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Interest income on:					
- bank deposits	194	398	1,250	362	454
- loans to a related party	2,423	3,239	2,846	1,631	—
- other financial assets	38	73	567	190	319
	2,655	3,710	4,663	2,183	773
Government grant (Note)	22,078	49,426	74,861	33,220	17,097
Others	10,930	8,958	11,229	4,634	9,116
	35,663	62,094	90,753	40,037	26,986

Note:
The amounts represent the subsidies received from the local governments for the Group's local business development. There were no unfulfilled conditions in the years/periods in which they were recognized.

7. OTHER GAINS AND LOSSES

	For the year ended December 31,			For the six months ended June 30,	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Loss on disposal of property, plant and equipment, net	(2,882)	(3,594)	(10,903)	(7,809)	(3,007)
Net foreign exchange gain (loss)	849	2,348	(3,742)	(1,671)	11,298
Net gain arising on financial assets at FVTPL	2,544	2,957	24,577	7,539	7,062
Compensation claim income	1,381	1,857	5,694	3,193	575
Others	6,180	8,444	10,436	6,934	2,898
	8,072	12,012	26,062	8,186	18,826

8. FINANCE COSTS

	For the year ended December 31,			For the six months ended June 30,	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Interests on borrowings	3,221	8,167	8,614	6,282	8,774

9. INCOME TAX EXPENSE

	For the year ended December 31,			For the six months ended June 30,	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Current tax:					
- current year/period					
- PRC Enterprise Income Tax ("EIT")	169,804	353,117	419,286	198,227	264,941
- other jurisdictions	5,612	4,485	23,734	21,270	13,390
	175,416	357,602	443,020	219,497	278,331
- under/(over) provision in prior year/period					
- PRC EIT	2,607	—	—	—	1,793
- other jurisdictions	(120)	(1,508)	(206)	(98)	415
	2,487	(1,508)	(206)	(98)	2,208
	177,903	356,094	442,814	219,399	280,539
Deferred tax (Note 18)	(28,477)	11,592	(12,106)	(14,571)	(27,032)
	149,426	367,686	430,708	204,828	253,507

The Company is a tax exempted company incorporated in the Cayman Islands.

Under the Law of the PRC on Enterprise Income Tax ("EIT Law") and Implementation Regulation of the EIT Law, the statutory EIT rate of PRC subsidiaries of the Group is 25% during the Track Record Period.

Under the EIT Law, withholding tax is also imposed on dividends declared and paid to non-PRC resident in respect of profits earned by the PRC subsidiaries from January 1, 2008 onwards. As at December 31, 2015, 2016 and 2017 and June 30, 2018, a deferred tax liability of RMB2,537,000, RMB20,852,000, RMB12,500,000 and nil was recognized in respect of the undistributed earnings expected to be distributed in the foreseeable future with the tax rate of 5%. Deferred tax liabilities have not been provided for the remaining undistributed earnings amounting to RMB66,513,000, RMB83,950,000, RMB684,683,000 and RMB1,503,331,000 as at December 31, 2015, 2016 and 2017 and June 30, 2018, respectively, as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not be reversed in the foreseeable future.

The Company's subsidiaries incorporated overseas are subject to overseas profits tax at 10% to 35% on estimated assessable profit for the Track Record Period.

The income tax expense for the Track Record Period can be reconciled to the profit before tax per the consolidated statements of profit or loss and other comprehensive income as follows:

	For the year ended December 31,			For the six months ended June 30,	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Profit before tax	560,108	1,345,877	1,625,050	757,977	900,918
Tax at 25%	140,027	336,469	406,263	189,494	225,230
Tax effect of expenses not deductible for tax purposes	4,518	10,399	11,027	2,690	6,364
Tax effect of income not taxable for tax purposes	(630)	(490)	(884)	(342)	(1,301)
Tax effect of tax losses not recognized	3,843	6,190	17,846	9,417	29,627
Utilization of tax losses previously not recognized	(808)	(1,094)	(4,968)	(2,371)	(6,024)
Withholding tax	2,537	20,852	12,500	12,500	—
Under/(over) provision in respect of prior years/periods	2,487	(1,508)	(206)	(98)	2,208
Effect of different tax rates of subsidiaries operating in other jurisdictions	(2,548)	(3,132)	(10,870)	(6,462)	(2,597)
Income tax expense for the year/period	149,426	367,686	430,708	204,828	253,507

10. PROFIT FOR THE YEAR/PERIOD

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

	For the year ended December 31,			For the six months ended June 30,	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Depreciation of property, plant and equipment	236,049	281,395	355,377	160,772	289,686
Amortization of intangible assets	3,130	4,523	4,462	2,225	3,884
Total depreciation and amortization	239,179	285,918	359,839	162,997	293,570
Operating lease rentals in respect of					
- office premises and staff quarters (minimum lease payments)	15,229	14,588	33,396	10,919	25,429
- restaurants					
- minimum lease payments	237,745	259,434	334,033	149,274	213,597
- contingent rent (Note)	16,508	24,345	47,433	19,154	33,275
	254,253	283,779	381,466	168,428	246,872
Total property rentals	269,482	298,367	414,862	179,347	272,301
Directors' emoluments (Note 11)	13,909	27,216	27,775	10,924	12,261
Other staff cost					
Salaries and other allowance	1,318,273	1,711,834	2,594,158	1,169,880	1,866,581
Employee welfare	190,951	225,099	372,973	157,306	233,622
Retirement benefit contribution	48,744	80,143	124,793	52,613	90,253
Total staff costs	1,571,877	2,044,292	3,119,699	1,390,723	2,202,717
Auditor's remuneration	952	1,329	2,206	—	1,990
Listing expenses	—	—	—	—	20,659

Note:

The contingent rent refers to the operating rentals based on pre-determined percentages of revenue less minimum rentals of the respective leases.

11. EMOLUMENTS OF DIRECTORS AND CHIEF EXECUTIVE

Mr. Zhang Yong, Mr. Shi Yonghong and Ms. Shu Ping were appointed as directors of the Company on July 14, 2015. Mr. Shao Zhidong and Mr. Tong Xiaofeng were appointed as directors of the Company on January 17, 2018. Mr. Zhang Yong was the chief executive of the Company and his emolument disclosed below included those for services rendered by him as the chief executive of the group entities.

Mr. Chua Sin Bin, Mr. Hee Theng Fong and Mr. Qi Daqing were appointed as independent non-executive directors of the Company on May 2, 2018.

The emoluments paid or payable to the directors and chief-executive of the Company (including emoluments for services as employee/directors of the group entities prior to becoming the directors of the Company) by entities comprising the Group during the Track Record Period are disclosed below:

	For the year ended December 31, 2015				
	Directors' fee	Salaries and allowances	Performance-based bonuses	Retirement benefit scheme contributions	Total
	RMB'000	RMB'000	RMB'000 (Note)	RMB'000	RMB'000
Mr. Zhang Yong (張勇)	—	4,384	—	39	4,423
Mr. Shi Yonghong (施永宏)	—	6,611	—	39	6,650
Mr. Shao Zhidong (邵志東)	—	625	—	16	641
Mr. Tong Xiaofeng (佟曉峰)	—	586	—	14	600
Ms. Shu Ping (舒萍)	—	1,556	—	39	1,595
	—	13,762	—	147	13,909

	For the year ended December 31, 2016				
	Directors' fee	Salaries and allowances	Performance-based bonuses	Retirement benefit scheme contributions	Total
	RMB'000	RMB'000	RMB'000 (Note)	RMB'000	RMB'000
Mr. Zhang Yong (張勇)	—	19,486	—	39	19,525
Mr. Shi Yonghong (施永宏)	—	4,613	—	39	4,652
Mr. Shao Zhidong (邵志東)	—	1,004	—	17	1,021
Mr. Tong Xiaofeng (佟曉峰)	—	735	—	17	752
Ms. Shu Ping (舒萍)	—	1,227	—	39	1,266
	—	27,065	—	151	27,216

	For the year ended December 31, 2017				
	Directors' fee	Salaries and allowances	Performance-based bonuses	Retirement benefit scheme contributions	Total
	RMB'000	RMB'000	RMB'000 (Note)	RMB'000	RMB'000
Mr. Zhang Yong (張勇)	—	14,063	—	15	14,078
Mr. Shi Yonghong (施永宏)	—	4,571	—	49	4,620
Mr. Shao Zhidong (邵志東)	—	1,965	—	19	1,984
Mr. Tong Xiaofeng (佟曉峰)	—	1,787	—	19	1,806
Ms. Shu Ping (舒萍)	—	1,172	4,066	49	5,287
Total	—	23,558	4,066	151	27,775

	For the six months ended June 30, 2017 (Unaudited)				
	Directors' fee	Salaries and allowances	Performance-based bonuses	Retirement benefit scheme contributions	Total
	RMB'000	RMB'000	RMB'000 (Note)	RMB'000	RMB'000
Mr. Zhang Yong (張勇)	—	7,032	—	—	7,032
Mr. Shi Yonghong (施永宏)	—	2,152	—	17	2,169
Mr. Shao Zhidong (邵志東)	—	645	—	6	651
Mr. Tong Xiaofeng (佟曉峰)	—	455	—	6	461
Ms. Shu Ping (舒萍)	—	594	—	17	611
Total	—	10,878	—	46	10,924

	For the six months ended June 30, 2018				
	Directors' fee	Salaries and allowances	Performance-based bonuses	Retirement benefit scheme contributions	Total
	RMB'000	RMB'000	RMB'000 (Note)	RMB'000	RMB'000
Mr. Zhang Yong (張勇)	—	7,050	—	—	7,050
Mr. Shi Yonghong (施永宏)	—	2,608	—	17	2,625
Mr. Shao Zhidong (邵志東)	—	1,285	—	6	1,291
Mr. Tong Xiaofeng (佟曉峰)	—	676	—	6	682
Ms. Shu Ping (舒萍)	—	596	—	17	613
Total	—	12,215	—	46	12,261

Note: Performance-based bonuses were determined based on the individual's performance.

There was no arrangement under which a director waived or agreed to waive any remuneration during the Track Record Period.

No emoluments were paid to any of the independent non-executive directors during the Track Record Period.

12. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Group during the Track Record Period included 2, 2, 3, 2 (unaudited) and 2 Directors, details of whose remuneration are set out in Note 11. Details of the remuneration for the remaining 3, 3, 2, 3 (unaudited) and 3 individuals for the Track Record Period were as follows:

	For the year ended December 31,			For the six months ended June 30,	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Salaries and allowance	16,866	15,119	10,333	6,338	8,411
Contributions to retirement benefits schemes	180	172	120	54	52
	17,046	15,291	10,453	6,392	8,463

The emoluments of the remaining 3, 3, 2, 3 (unaudited) and 3 individuals are within the following bands (presented in Hong Kong dollars ("HKD")):

	For the year ended December 31,			For the six months ended June 30,	
	2015	2016	2017	2017	2018
				(unaudited)	
HKD2,000,001 to HKD2,500,000	—	—	—	3	—
HKD2,500,001 to HKD3,000,000	—	—	—	—	1
HKD3,500,001 to HKD4,000,000	—	—	—	—	2
HKD4,500,001 to HKD5,000,000	1	—	—	—	—
HKD5,500,001 to HKD6,000,000	—	2	1	—	—
HKD6,000,001 to HKD6,500,000	—	1	1	—	—
HKD7,500,001 to HKD8,000,000	1	—	—	—	—
HKD8,000,001 to HKD8,500,000	1	—	—	—	—
Total	3	3	2	3	3

During the Track Record Period, no emoluments were paid by the Group to any of the Directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the Directors has waived any emoluments during the Track Record Period.

13. DIVIDENDS

On May 19, 2015, a final dividend of RMB27,045,000 was declared to Sichuan Haidilao and non-controlling interests for the year ended December 31, 2014 by certain subsidiaries of Sichuan Haidilao. The dividend was presented as dividends to the Controlling Shareholders and non-controlling interests of RMB15,843,000 and RMB11,202,000, respectively in the consolidated statements of changes in equity.

On June 15, 2016, a final dividend of RMB1,013,973,000 was declared to Sichuan Haidilao and non-controlling interests for the year ended December 31, 2015 by certain subsidiaries of Sichuan Haidilao. The dividend was presented as dividends to the Controlling Shareholders and non-controlling interests of RMB633,932,000 and RMB380,041,000, respectively in the consolidated statements of changes in equity.

On June 15, 2017, a final dividend of RMB613,765,000 was declared to Sichuan Haidilao and non-controlling interests for the year ended December 31, 2016 by certain subsidiaries of Sichuan Haidilao. On August 8, 2017, a dividend of RMB132,702,000 was declared to Sichuan Haidilao and non-controlling interests by certain subsidiaries of Sichuan Haidilao. On November 30, 2017, a dividend of RMB5,304,000 was declared to Jingyuan Investment. The dividends were presented as dividends to the Controlling Shareholders and non-controlling interests of RMB468,700,000 and

RMB283,071,000, respectively in the consolidated statements of changes in equity for the year ended December 31, 2017, and were representing as dividends to the Controlling Shareholders and non-controlling interests of RMB382,029,000 (unaudited) and RMB231,736,000 (unaudited), respectively in the consolidated statements of changes in equity for the period ended June 30, 2017.

On June 10, 2018, a final dividend of USD88,816,000 (equivalent to RMB584,002,000, with the dividend per share of approximately USD5,329 (equivalent to RMB35,039)) was declared to Shareholders for the year ended December 31, 2017 by the Company. RMB455,586,000 was paid by June 30, 2018, and the remaining balance amounting to RMB128,416,000 was recorded as dividend payable.

For dividend declared by the subsidiaries, the rate of dividend and the number of shares ranking for the above dividend are not presented as such information is not considered meaningful having regard to the purpose of this report.

Other than the above, no dividend was paid or declared by the Company since its incorporation or by group entities for the Track Record Period.

14. EARNINGS PER SHARE

The calculation of the basic earnings per share for the Track Record Period is based on the following data:

	For the year ended December 31,			For the six months ended June 30,	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Earnings					
Profit for the year/period attributable to owners of the Company	272,693	735,169	1,027,845	424,804	646,488

	For the year ended December 31,			For the six months ended June 30,	
	2015	2016	2017	2017	2018
				(unaudited)	
Weighted average number of ordinary shares for the purpose of basic earnings per share calculation ('000)	4,675,667	4,703,264	4,795,376	4,715,834	4,875,470

The weighted average number of ordinary shares for the purpose of basic earnings per share is based on 4,875,470,000 shares after taking into account the effect on share subdivision as mentioned in note 42 and on the assumption that the Capitalization Issue (as defined in note 42) is completed on January 1, 2015, and adjusted retrospectively for the capital contributions by the Controlling Shareholders to the Group during the Track Record Period.

No diluted earnings per share for the Track Record Period was presented as there were no potential ordinary shares in issue during the Track Record Period.

15. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Leasehold improvement	Machinery	Motor vehicles	Furniture and fixtures	Renovation in progress	Total
	RMB'000 (Note)	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
COST							
At January 1, 2015	—	678,638	63,017	8,100	287,365	54,216	1,091,336
Exchange adjustments	—	787	1	(28)	351	—	1,111
Additions	10,655	17,741	20,271	2,023	119,546	231,333	401,569
Transfer	—	266,013	—	—	—	(266,013)	—
Disposals	—	(9,348)	(5,775)	(439)	(18,983)	—	(34,545)
At December 31, 2015	10,655	953,831	77,514	9,656	388,279	19,536	1,459,471
Exchange adjustments	—	7,297	31	327	1,848	7	9,510
Additions	—	40,413	13,841	3,226	95,285	275,961	428,726
Transfer	—	206,321	—	—	—	(206,321)	—
Disposals	—	—	(8,731)	(874)	(29,938)	—	(39,543)
At December 31, 2016	10,655	1,207,862	82,655	12,335	455,474	89,183	1,858,164
Exchange adjustments	—	(156)	5	(228)	(64)	—	(443)
Additions	—	132,829	35,652	19,828	221,641	1,108,316	1,518,266
Transfer	—	717,129	—	—	—	(717,129)	—
Disposals	—	(5,530)	(17,581)	(2,074)	(53,330)	—	(78,515)
At December 31, 2017	10,655	2,052,134	100,731	29,861	623,721	480,370	3,297,472
Exchange adjustments	—	(1,007)	(31)	57	(105)	(33)	(1,119)
Additions	360	280,739	23,572	12,195	151,544	516,407	984,817
Transfer	—	379,041	—	—	—	(379,041)	—
Disposals	—	(8,328)	(5,535)	(1,789)	(23,785)	—	(39,437)
At June 30, 2018	11,015	2,702,579	118,737	40,324	751,375	617,703	4,241,733
DEPRECIATION							
At January 1, 2015	—	263,109	35,530	3,238	144,250	—	446,127
Exchange adjustments	—	34	—	(8)	63	—	89
Charge for the year	464	150,427	10,324	1,697	73,137	—	236,049
Eliminated on disposals	—	(3,696)	(3,496)	(287)	(11,943)	—	(19,422)

	Buildings	Leasehold improvement	Machinery	Motor vehicles	Furniture and fixtures	Renovation in progress	Total
	RMB'000 (Note)	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At December 31, 2015	464	409,874	42,358	4,640	205,507	—	662,843
Exchange adjustments	—	1,501	4	21	136	—	1,662
Charge for the year	506	183,368	11,553	1,442	84,526	—	281,395
Eliminated on disposals	—	—	(6,772)	(489)	(23,516)	—	(30,777)
At December 31, 2016	970	594,743	47,143	5,614	266,653	—	915,123
Exchange adjustments	—	562	—	20	193	—	775
Charge for the year	506	243,802	11,085	3,933	96,051	—	355,377
Eliminated on disposals	—	(345)	(13,574)	(928)	(44,384)	—	(59,231)
At December 31, 2017	1,476	838,762	44,654	8,639	318,513	—	1,212,044
Exchange adjustments	—	509	13	10	519	—	1,051
Charge for the period	260	208,370	8,318	3,114	69,624	—	289,686
Eliminated on disposals	—	(116)	(3,421)	(328)	(17,724)	—	(21,589)
At June 30, 2018	1,736	1,047,525	49,564	11,435	370,932	—	1,481,192
CARRYING AMOUNT							
At December 31, 2015	10,191	543,957	35,156	5,016	182,772	19,536	796,628
At December 31, 2016	9,685	613,119	35,512	6,721	188,821	89,183	943,041
At December 31, 2017	9,179	1,213,372	56,077	21,222	305,208	480,370	2,085,428
At June 30, 2018	9,279	1,655,054	69,173	28,889	380,443	617,703	2,760,541

Note:

In the opinion of the Directors, allocations of the carrying amounts between the leasehold land and buildings elements cannot be made reliably and therefore the entire carrying amounts of the buildings is presented as property, plant and equipment.

The above items of property, plant and equipment, other than renovation in progress, are depreciated over their useful lives, after taking into account the estimated residual value, on a straight-line basis at the following rates per annum:

Buildings	4.75%
Leasehold improvement	20% or lease term, whichever is shorter
Machinery	19% - 33%
Motor vehicles	9.5% - 24.75%
Furniture and fixtures	19% - 31.67%

16. INTANGIBLE ASSETS

	Software
	RMB'000
COST	
At January 1, 2015	10,494
Exchange adjustments	28
Additions	12,512
At December 31, 2015	23,034
Exchange adjustments	41
Additions	226
At December 31, 2016	23,301
Exchange adjustments	(32)
Additions	173
At December 31, 2017	23,442
Exchange adjustments	44
Additions	25,151
At June 30, 2018	48,637
ACCUMULATED AMORTIZATION	
At January 1, 2015	684
Exchange adjustments	1
Charge for the year	3,130
At December 31, 2015	3,815
Exchange adjustments	9
Charge for the year	4,523
At December 31, 2016	8,347
Exchange adjustments	14
Charge for the year	4,462
At December 31, 2017	12,823
Exchange adjustments	54
Charge for the period	3,884
At June 30, 2018	16,761
CARRYING AMOUNT	
At December 31, 2015	19,219
At December 31, 2016	14,954
At December 31, 2017	10,619
At June 30, 2018	31,876

The above intangible assets have finite useful lives. Such intangible assets are amortized on a straight-line basis over 3 to 5 years.

17. INVESTMENT IN AN ASSOCIATE

	As at December 31,			As at June 30,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Cost of investment in an associate	—	—	4,000	4,000
Share of post-acquisition profits and other comprehensive income	—	—	482	5,687
	—	—	4,482	9,687

Details of the Group's associate at the end of each reporting period are as follows:

Name of associate	Place and date of establishment	Registered capital	Proportion of ownership interest and voting rights held by the Group as at 31 December 2015	31 December 2016	31 December 2017	30 June 2018	Principal activity
			%	%	%	%	
馥海(上海)食品科技有限公司	The PRC August 23, 2017	RMB10,000,000	Nil	Nil	40	40	Manufacturing of instant hot pot products

18. DEFERRED TAX ASSETS/LIABILITIES

For the purpose of presentation in the consolidated statements of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for the financial reporting purpose:

	As at December 31,			As at June 30,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Deferred tax assets	42,177	49,000	52,754	67,420
Deferred tax liabilities	(3,290)	(21,743)	(13,398)	(1,027)
	38,887	27,257	39,356	66,393

The followings are the major deferred tax assets and liabilities recognized and movements thereon during the Track Record Period:

	Deferred revenue	Changes in fair value of financial assets	Undistributable profits of subsidiaries	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2015	9,602	(78)	(457)	1,337	10,404
Credit (charge) to profit or loss (Note 9)	32,634	(8)	(2,080)	(2,069)	28,477
Exchange adjustments	—	—	—	6	6
At December 31, 2015	42,236	(86)	(2,537)	(726)	38,887
Credit (charge) to profit or loss (Note 9)	6,828	37	(18,315)	(142)	(11,592)
Exchange adjustments	—	—	—	(38)	(38)
At December 31, 2016	49,064	(49)	(20,852)	(906)	27,257
Credit (charge) to profit or loss (Note 9)	6,370	(2,233)	8,352	(383)	12,106
Exchange adjustments	4	—	—	(11)	(7)
At December 31, 2017	55,438	(2,282)	(12,500)	(1,300)	39,356
Credit to profit or loss (Note 9)	11,984	2,127	12,500	421	27,032
Exchange adjustments	(2)	—	—	7	5
At June 30, 2018	67,420	(155)	—	(872)	66,393

Deferred tax assets have not been recognized in respect of the following items:

	As at December 31,			As at June 30,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Tax losses	21,469	41,853	93,368	187,778

The unrecognized tax losses will expire as follow:

	As at December 31,			As at June 30,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
2020	—	—	9	9
2021	—	8,757	702	71
2022	—	—	24,872	7,962
2023	1,712	1,712	—	21,571
2024	14,361	14,361	5,974	3,959
2025	5,373	4,232	4,232	3,235
2026	—	5,550	11,690	8,980
2027	—	—	14,589	14,589
2028	—	—	—	25,881
2029	—	—	—	—
2030	23	23	23	5
2031	—	7,218	5,502	4,757
2032	—	—	15,271	15,271
2033	—	—	—	3,415
Indefinite	—	—	10,504	78,073
	21,469	41,853	93,368	187,778

No deferred tax asset has been recognized in relation to those tax losses due to the unpredictability of future profit streams of these loss-making subsidiaries and it is not probable that taxable profit will be available against which the tax losses can be utilized.

19. INVENTORIES

	As at December 31,			As at June 30,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Condiment products	12,153	12,526	24,392	26,864
Food ingredients	24,033	30,819	57,078	243,658
Beverage	2,938	3,214	4,829	9,227
Other materials	1,941	3,148	8,819	45,690
	41,065	49,707	95,118	325,439

20. INVESTMENT IN A SUBSIDIARY

	As at December 31,			As at June 30,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Unlisted share, at cost	—	—	—	—

Investment in a subsidiary represents the investment in New Pai Ltd. for its authorized share capital of USD1 as at December 31, 2015, 2016 and 2017 and June 30, 2018.

21. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	As at December 31,			As at June 30,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables	29,587	63,644	172,951	108,413
Other receivables and prepayments:				
Prepaid rental expenses	54,220	67,367	69,911	82,375
Loans to employees (Note)	38,390	19,850	22,805	23,592
Prepayment to suppliers	29,635	16,511	48,611	141,608
Prepaid operating expenses	17,730	26,319	59,942	25,434
Input value-added tax recoverable	2,729	35,907	108,734	161,396
Deferred share issue costs	—	—	—	1,799
Others	3,182	17,080	14,662	23,921
Subtotal	145,886	183,034	324,665	460,125
Total trade and other receivables and prepayments	175,473	246,678	497,616	568,538

Note:

Loans to employees are non-interest bearing and principally repayable within 12 months. The amounts were secured by certain assets pledged by the employees or guaranteed by other employees.

Majority of trade receivables were from payment platforms for which are normally settled within 0 to 30 days. The following is an aged analysis of trade receivables presented based on the date of rendering of services.

	As at December 31,			As at June 30,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
0 to 30 days	29,587	63,644	172,951	108,413

There were no trade receivables past due but not impaired.

22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at December 31,			As at June 30,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Held for trading investments:				
- Equity securities listed on Shanghai Stock Exchange	2,563	2,186	30,377	2,674
- Equity securities listed on Shenzhen Stock Exchange	391	437	3,888	—
	2,954	2,623	34,265	2,674
Financial products issued by banks (Note i)	50,000	4,700	44,592	10,000
Unquoted equity shares (Note ii)	6,494	6,937	—	12,585
Total	59,448	14,260	78,857	25,259
Analyzed as:				
Non-current	6,494	6,937	—	12,585
Current	52,954	7,323	78,857	12,674
	59,448	14,260	78,857	25,259

Notes:

i As at December 31, 2015, 2016 and 2017, the financial products issued by banks are short-term investments with no predetermined or guaranteed return and are not principal protected. These financial assets are with expected rates of return (not guaranteed), depending on the market price of underlying financial instruments, including listed shares, bonds, debentures and other financial assets.

As at June 30, 2018, the financial products issued by banks are short-term investments denominated in RMB with no predetermined or guaranteed return and are principal protected. These financial assets are with expected rates of return (not guaranteed), depending on the fluctuation of market interest of USD3M-LIBOR.

ii At December 31, 2015 and 2016, the investment in unquoted equity investment represents 3% unquoted equity interests in a company incorporated in Israel.

In February 2017, the Group disposed the investment to Highsea International Investment Ltd., a company controlled by the Controlling Shareholders at cash consideration of USD1,000,000. The amount was not yet settled at June 30, 2018. No gain and loss is recognized as the consideration equals to the carrying amount of the investment.

At June 30, 2018, the investment in unquoted equity investment represents the unquoted equity interests in a company incorporated in Australia, in which the equity interest held by the Group is less than 1%.

23. OTHER FINANCIAL ASSETS

	As at December 31,			As at June 30,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Reverse repurchase of national debts	7,000	7,636	16,201	—

The reverse repurchase of national debts were short-term investments with fixed annual interest rates ranging from 2.1% to 7.2% per annum.

24. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

The Group

	As at December 31,			As at June 30,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Bank balances and cash				
- Cash on hand	22,643	14,157	12,373	6,909
- Bank balances (Note i)	134,952	392,719	269,659	524,194
	157,595	406,876	282,032	531,103
Pledged bank deposits (Note ii)	1,639	36,213	47,657	1,147
	159,234	443,089	329,689	532,250

Notes:

i. Bank balances carry interest at market rates which range from 0.001% to 0.35%, 0.001% to 0.35%, 0.001% to 0.35% and 0.001% to 0.35% per annum as at December 31, 2015, 2016 and 2017 and June 30, 2018, respectively.

The bank balances denominated in RMB were deposited with banks in the PRC and the conversion of such balances into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

ii. As at December 31, 2015, 2016 and 2017 and June 30, 2018 bank deposits of nil, RMB34,500,000, RMB46,500,000 and nil respectively are pledged to banks to secure the bank borrowings granted to the Group (Note 27). These pledged bank deposits carry fixed interest rate at nil, 1.95%, 1.88% to 1.95% and nil per annum as at December 31, 2015, 2016 and 2017 and June 30, 2018, respectively.

As at December 31, 2015, 2016 and 2017 and June 30, 2018 bank deposits that are non-interest bearing amounting to RMB1,088,000, RMB1,137,000, RMB1,157,000 and RMB1,147,000, respectively are pledged to a bank to secure the rental payments to the lessors.

As at December 31, 2015, 2016 and 2017 and June 30, 2018, bank deposits of RMB551,000, RMB576,000, nil and nil, respectively are pledged to a bank, carrying interest at 1.8% per annum, to secure the payments to the suppliers for the equipment provided to the Group.

The Group

	As at December 31,			As at June 30,
	2015	**2016**	**2017**	**2018**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Pledged bank deposits, cash and bank denominated in:				
- RMB	65,598	223,913	178,653	137,202
- USD	59,851	132,854	79,006	314,599
- New Taiwan Dollar ("TWD")	10,443	17,986	35,230	21,119
- South Korean Won ("KRW")	1,818	8,263	12,650	22,570
- Japanese Yen ("JPY")	3,719	10,170	8,606	8,964
- HKD	—	—	4,555	2,620
- SGD	17,805	49,903	10,480	22,609
- Australian Dollar ("AUD")	—	—	509	621
- Canadian Dollar ("CAD")	—	—	—	1,946
	159,234	443,089	329,689	532,250

The Company

	As at December 31,			As at June 30,
	2015	**2016**	**2017**	**2018**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Cash and bank balances denominated in:				
- USD	—	—	719	4,212

25. TRADE PAYABLES

Trade payables are non-interest bearing and majority of which are not with explicit credit term. It is the Group's general practice to settle trade payables in 30-60 days. An aged analysis of the Group's trade payables, as at the end of each reporting period, based on the invoice date, is as follows:

	As at December 31,			As at June 30,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Within 60 days	95,857	109,529	152,485	396,163
61 to 180 days	3,761	3,953	9,963	8,851
181 to 360 days	654	4,355	2,743	3,845
More than 1 year	—	1,931	3,528	2,703
	100,272	119,768	168,719	411,562

26. OTHER PAYABLES

	As at December 31,			As at June 30,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Staff cost payable	194,295	291,378	439,718	469,617
Other taxes payables	39,261	20,918	31,474	41,261
Renovation fee payables	32,851	24,319	20,330	29,896
Accrued issue costs/listing fee payable	—	—	—	14,323
Interest payable	185	1,039	972	1,958
Others	18,151	26,325	18,241	32,610
	284,743	363,979	510,735	589,665

27. BORROWINGS

	As at December 31,			As at June 30,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Secured	375,429	509,192	347,764	830,609
Unsecured	38,962	69,370	9,456	280,873
	414,391	578,562	357,220	1,111,482

	As at December 31,			As at June 30,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
The carrying amounts of the above borrowings are repayable				
-Within one year	414,391	567,451	347,764	1,094,241
-Within a period of more than one year but not exceeding two years	—	11,111	—	—
-Within a period of more than two years but not exceeding five years	—	—	9,456	17,241
	414,391	578,562	357,220	1,111,482
Less: Amounts due within one year shown under current liabilities	(414,391)	(567,451)	(347,764)	(1,094,241)
Amounts shown under non-current liabilities	—	11,111	9,456	17,241

Note:

As at December 31, 2015, 2016 and 2017 and June 30, 2018, borrowings of RMB375,429,000, RMB474,692,000, RMB301,264,000 and RMB39,700,000, respectively are secured by the bank deposits of Sichuan Haidilao (Note 39 (b)).

As at December 31, 2015, 2016 and 2017 and June 30, 2018, borrowings of nil, RMB34,500,000, RMB46,500,000, and nil respectively are secured by the bank deposits of the Group (Note 24).

As at December 31, 2015, 2016 and 2017 and June 30, 2018, borrowings of RMB38,962,000, RMB69,370,000, nil and RMB66,166,000, respectively are guaranteed by Mr. Zhang Yong.

As at December 31, 2015, 2016 and 2017 and June 30, 2018, borrowings of nil, nil, nil and RMB39,307,000, respectively are guaranteed by Haidilao Singapore.

As at June 30, 2018, borrowings of RMB685,436,000 is secured by equity interests of Shanghai Xinpai and Sichuan Xinpai.

The exposure of the Group's borrowings are as follows:

	As at December 31,			As at June 30,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Fixed-rate borrowings	—	11,111	24,008	348,480
Variable-rate borrowings	414,391	567,451	333,212	763,002
	414,391	578,562	357,220	1,111,482

As at December 31, 2016 and 2017 and June 30, 2018, fixed-rate borrowings of RMB11,111,000, RMB24,008,000 and nil, respectively, carry interest at 3.35% per annum.

As at June 30, 2018, fixed-rate borrowings of RMB329,000,000 carry interest at 3.96% per annum.

As at June 30, 2018, fixed-rate borrowings of RMB19,480,000 carry interest at 3.30% per annum.

As at December 31, 2015, 2016 and 2017 and June 30, 2018, variable-rate borrowings of RMB414,391,000, RMB567,451,000, RMB323,756,000 and RMB706,454,000 respectively, carry interest at London Interbank Offered Rate plus 0.5% to 2.25% per annum. Interest rates are reset quarterly.

As at December 31, 2015, 2016 and 2017 and June 30, 2018, variable-rate borrowings of nil, nil, RMB9,456,000 and RMB17,241,000 carry interest as Taipei Interbank Offered Rate plus 1.82% per annum. Interest rates are reset quarterly.

As at December 31, 2015, 2016 and 2017 and June 30, 2018, variable-rate borrowings of nil, nil, nil and RMB39,307,000 carry interest as Singapore Swap Offered Rate plus 1.5% per annum or Bank's cost of funds plus 1.5%, whichever is higher. Interest rates are reset quarterly.

28. PROVISIONS

	As at December 31,			As at June 30,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Provisions for restoration	1,991	2,611	3,853	3,822

The movements of provision during the Track Record Period are as follows:

	As at December 31,			As at June 30,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Balance at beginning of the year/period	1,318	1,991	2,611	3,853
Additional provisions in the year/period	692	516	1,186	—
Exchange adjustment	(19)	104	56	(31)
Balance at end of the year/period	1,991	2,611	3,853	3,822

The provisions relate to costs to be incurred to restore the leasehold properties according to lease agreements.

29. CONTRACT LIABILITIES

	As at January 1,	As at December 31,			As at June 30,
	2015	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Customer loyalty scheme (Note i)	38,408	168,930	196,188	220,050	269,681
Prepaid cards and issued vouchers (Note ii)	51,716	76,250	66,345	83,860	88,102
Advance from customers	—	24	10,716	4,669	14,643
	90,124	245,204	273,249	308,579	372,426

Notes:

i. The estimated award credits which can be used in future purchases and consumptions in the restaurants arising from the customer loyalty scheme at the end of each reporting period represents the transaction price allocated to unsatisfied performance obligation.

ii. The prepaid cards and issued vouchers of the Group are refundable. However, no refund liabilities were recognized during the Track Record Period since the management of the Group expects the amounts to be refunded in the future reporting periods is insignificant.

The following table shows how the amount of the revenue recognized in the reporting period relates to brought forward contract liabilities. There was no revenue recognized during the Track Record Period that related to performance obligations that were satisfied in a prior year.

	For the year ended December 31,			For the six months ended June 30,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Customer loyalty scheme	7,172	49,067	94,664	138,077
Prepaid cards and issued vouchers	27,473	46,223	27,976	23,735
Advance from customers	—	—	10,611	2,163
	34,645	95,290	133,251	163,975

30. SHARE CAPITAL AND RETAINED PROFITS OF THE COMPANY

Share capital

	Number of shares	Nominal amount	Shown in the Historical Financial Information
		USD'000	RMB'000
Ordinary shares of USD0.1 each			
Authorized:			
At date of incorporation on July 14, 2015 (Note i)	100,000	10	
At December 31, 2015 and 2016	100,000	10	
Increase (Note ii)	66,667	7	
At December 31, 2017 and June 30, 2018	166,667	17	
Issued:			
At date of incorporation on July 14, 2015, and issue of shares, not fully paid	100,000	—	—
At December 31, 2015 and 2016, not fully paid	100,000	—	—
Paid-up (Note i)	—	10	63
Issue of new shares, fully paid	66,667	7	44
At December 31, 2017 and June 30, 2018, fully paid	166,667	17	107

Notes:

i. The Company was incorporated on July 14, 2015 with authorized share capital of USD10,000, divided into 100,000 shares of USD0.1 each. These shares were issued on July 14, 2015 and were fully paid up during the year ended December 31, 2017.

ii. According to the resolution of the Directors on April 7, 2017, it was resolved that the authorized capital of the Company be increased from USD10,000 to USD16,666.70, divided into 166,667 shares. The additional shares were issued and fully paid up during the year ended December 31, 2017. The new shares rank pari passu with the existing shares in all aspects.

Retained profits of the Company

	RMB'000
At July 14, 2015 (date of incorporation), December 31, 2015, 2016 and 2017	—
Profit and total comprehensive income for the period	584,240
Dividends recognized as distribution (Note 13)	(584,002)
At June 30, 2018	238

31. NON-CONTROLLING INTERESTS

Name of subsidiary	Principal Place of business	Portion of ownership interests And voting rights held by Non-controlling interests					Profit allocated to Non-controlling interests					Accumulated non-controlling interests			
		As at December 31,			As at June 30,		For the year ended December 31,			For the six months ended June 30,		As at December 31,			As at June 30,
		2015	2016	2017	2017	2018	2015	2016	2017	2017	2018	2015	2016	2017	2018
							RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
海鴻達(北京)餐飲管理有限公司 .	The PRC	37.4%	37.4%	0%	37.4%	0%	23,057	86,285	49,297	39,385	—	133,365	107,577	—	—
天津市海底撈餐飲管理有限公司 .	The PRC	37.4%	37.4%	0%	37.4%	0%	9,905	15,048	10,450	8,443	—	59,161	50,187	—	—
江蘇海底撈餐飲管理有限責任公司.	The PRC	37.4%	37.4%	0%	37.4%	0%	29,069	38,381	24,582	19,496	—	68,957	31,681	—	—
上海撈派餐飲管理有限公司. . . .	The PRC	37.4%	37.4%	0%	37.4%	0%	29,824	35,052	14,959	12,589	—	73,829	30,964	—	—
Ying Hai Holdings Pte. Ltd. . . .	Singapore	0%	0%	0%	0%	49.0%	—	—	—	—	(15)	—	—	—	32,407
Individually immaterial subsidiaries with non-controlling interests. . . .							46,134	68,256	67,209	48,432	938	102,378	49,314	1,896	2,834
							137,989	243,022	166,497	128,345	923	437,690	269,723	1,896	35,241

Summarized financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below. The summarized financial information below represents amounts before intragroup eliminations.

海鴻達(北京)餐飲管理有限公司

	As at December 31,	
	2015	2016
	RMB'000	RMB'000
Current assets	342,625	253,693
Non-current assets	151,284	176,221
Current liabilities	(137,358)	(142,309)
Equity attributable to owners of the Company	223,186	180,028
Non-controlling interests	133,365	107,577

	For the year ended December 31,		For the period ended June 30,	From January 1, 2017 to August 15,
	2015	2016	2017	2017*
	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Revenue	1,870,442	2,093,960	1,132,662	2,373,303
Expenses	(1,808,801)	(1,863,278)	(1,027,367)	(2,158,282)
Profit for the year/period	61,641	230,682	105,295	215,022
Profit attributable to owners of the Company	38,585	144,397	65,910	165,725
Profit attributable to non-controlling interests	23,057	86,285	39,385	49,297
Profit for the year/period	61,641	230,682	105,295	215,022
Dividends paid to non-controlling interests	—	112,073	82,357	98,280
Net cash inflow from operating activities	27,492	21,970	44,854	142,231
Net cash outflow from investing activities	(27,821)	(25,350)	(34,923)	(132,368)
Net cash (outflow) inflow	(329)	(3,380)	9,931	9,863

* This non-controlling interests was acquired by the Group on August 15, 2017.

天津市海底撈餐飲管理有限公司

	As at December 31,	
	2015	2016
	RMB'000	RMB'000
Current assets	163,163	134,330
Non-current assets	8,505	14,727
Current liabilities	(13,503)	(14,882)
Non-current liabilities	—	—
Equity attributable to owners of the Company	99,004	83,988
Non-controlling interests	59,161	50,187

	For the year ended December 31,		For the period ended June 30,	From January 1, 2017 to August 15,
	2015	2016	2017	2017*
	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Revenue	230,046	236,045	129,802	260,372
Expenses	(203,565)	(195,815)	(107,229)	(214,462)
Profit for the year/period	26,481	40,230	22,573	45,911
Profit attributable to owners of the Company	16,576	25,182	14,130	35,461
Profit attributable to non-controlling interests	9,905	15,048	8,443	10,450
Profit for the year/period	26,481	40,230	22,573	45,911
Dividends paid to non-controlling interests	—	24,022	14,309	17,914
Net cash inflow (outflow) from operating activities	2,482	2,197	(1,245)	1,543
Net cash inflow (outflow) from investing activities	(4,298)	(2,673)	3,910	(519)
Net cash (outflow) inflow	(1,816)	(475)	2,665	1,024

* This non-controlling interests was acquired by the Group on August 15, 2017.

江蘇海底撈餐飲管理有限責任公司

	As at December 31,	
	2015	2016
	RMB'000	RMB'000
Current assets	172,848	75,002
Non-current assets	36,687	34,059
Current liabilities	(25,180)	(24,363)
Equity attributable to owners of the Company	115,398	53,017
Non-controlling interests	68,957	31,681

	For the year ended December 31,		For the period ended June 30,	From January 1, 2017 to August 15,
	2015	2016	2017	2017*
	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Revenue	500,304	567,453	301,808	681,110
Expenses	(422,587)	(464,843)	(249,685)	(559,276)
Profit for the year/period	77,717	102,610	52,123	121,834
Profit attributable to owners of the Company	48,647	64,230	32,627	97,253
Profit attributable to non-controlling interests	29,069	38,381	19,496	24,582
Profit for the year/period	77,717	102,610	52,123	121,834
Dividends paid to non-controlling interests	—	75,657	40,985	49,005
Net cash inflow from operating activities	9,222	1,882	5,393	68,040
Net cash outflow from investing activities	(10,468)	(2,469)	(4,379)	(67,377)
Net cash (outflow) inflow	(1,246)	(587)	1,014	663

* This non-controlling interests was acquired by the Group on August 15, 2017.

上海撈派餐飲管理有限公司

	As at December 31, 2015 RMB'000	As at December 31, 2016 RMB'000
Current assets	202,747	111,939
Non-current assets	28,230	19,395
Current liabilities	(33,597)	(48,552)
Equity attributable to owners of the Company	123,551	51,818
Non-controlling interests	73,829	30,964

	For the year ended December 31,		For the period ended June 30,	From January 1, 2017 to August 15,
	2015	2016	2017	2017*
	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Revenue	632,929	632,081	284,773	572,115
Expenses	(553,194)	(538,371)	(251,115)	(509,044)
Profit for the year/period	79,735	93,710	33,658	63,071
Profit attributable to owners of the Company	49,911	58,658	21,069	48,112
Profit attributable to non-controlling interests	29,824	35,052	12,589	14,959
Profit for the year/period	79,735	93,710	33,658	63,071
Dividends paid to non-controlling interests	—	77,917	33,419	37,115
Net cash inflow from operating activities	5,125	1,028	1,198	33,075
Net cash outflow from investing activities	(5,273)	(2,032)	(2,237)	(33,102)
Net cash outflow	(149)	(1,005)	(1,039)	(27)

* This non-controlling interest was acquired by the Group on August 15, 2017.

Ying Hai Holdings Pte. Ltd.

	As at June 30, 2018
	RMB'000
Current assets	66,174
Non-current assets	—
Current liabilities	(34)
Non-current liabilities	(4)
Equity attributable to owners of the Company	33,729
Non-controlling interests	32,407

	From March 5, 2018 to June 30, 2018*
	RMB'000
Revenue	—
Expenses	(30)
Profit for the period	(30)
Profit attributable to owners of the Company	(15)
Profit attributable to non-controlling interests	(15)
Profit for the period	(30)
Dividends paid to non-controlling interests	—
Net cash inflow from investing activities	5
Net cash inflow from financing activities	64,040
Net cash inflow	64,045

* This company was established on March 5, 2018.

32. RETIREMENT BENEFIT SCHEMES

The Group participates in defined contribution retirement schemes organized by the relevant local government authorities in the PRC and other jurisdictions where the Group operates. Certain employees of the Group eligible for participating in the retirement schemes are entitled to retirement benefits from the schemes. The Group is required to make contributions to the retirement schemes up to the time of retirement of the eligible employees, excluding those employees who resign before their retirement, at a percentage that is specified by the local government authorities.

The total expense recognized in profit or loss of approximately RMB48,891,000, RMB80,294,000, RMB124,944,000, RMB52,659,000 (unaudited) and RMB90,299,000 for the years ended December 31, 2015, 2016 and 2017 and six months ended June 30, 2017 and 2018, respectively, represents contributions payable to these plans by the Group at rates specified in the rules of the plans.

33. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statements of cash flows from financing activities:

			Non-cash changes	
	At January 1, 2015	Financing cash flows	Interest accruals	At December 31, 2015
	RMB'000	RMB'000 (Note)	RMB'000	RMB'000
Borrowings (Note 27)	256,580	157,811	—	414,391
Interest payable (Note 26)	—	(3,036)	3,221	185
Amounts due to related parties (Note 39)	—	5,357	—	5,357
	256,580	160,132	3,221	419,933

			Non-cash changes			
	At January 1, 2016	Financing cash flows	Interest accruals	Exchange differences	Acquisition of a subsidiary under common control	At December 31, 2016
	RMB'000	RMB'000 (Note)	RMB'000	RMB'000	RMB'000	RMB'000
Borrowings (Note 27)	414,391	164,171	—	—	—	578,562
Interest payable (Note 26) .	185	(7,313)	8,167	—	—	1,039
Amounts due to related parties (Note 39)	5,357	(56)	—	351	14,389	20,041
	419,933	156,802	8,167	351	14,389	599,642

			Non-cash changes			
	At January 1, 2017	Financing cash flows	Interest accruals	Exchange differences	Dividend payable	At December 31, 2017
	RMB'000	RMB'000 (Note)	RMB'000	RMB'000	RMB'000	RMB'000
Borrowings (Note 27)	578,562	(221,342)	—	—	—	357,220
Interest payable (Note 26) .	1,039	(8,681)	8,614	—	—	972
Amounts due to related parties (Note 39)	20,041	695,482	—	261	5,304	721,088
	599,642	465,459	8,614	261	5,304	1,079,280

			Non-cash changes				
	At January 1, 2018	Financing cash flows	Interest accruals	Exchange differences	Dividend recognized as distribution	Reclassification	At June 30, 2018
	RMB'000	RMB'000 (Note)	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Borrowings (Note 27) . . .	357,220	754,262	—	—	—	—	1,111,482
Interest payable (Note 26)	972	(7,788)	8,774	—	—	—	1,958
Amounts due to related parties (Note 39)	721,088	(690,935)	—	(698)	—	(5,304)	24,151
Dividend payable	—	(460,890)	—	—	584,002	5,304	128,416
	1,079,280	(405,351)	8,774	(698)	584,002	—	1,266,007

For the six months ended June 30, 2017 (unaudited)

	At January 1, 2017	Financing cash flows	Non-cash changes: Interest accruals	At June 30, 2017
	RMB'000	RMB'000 (Note)	RMB'000	RMB'000
Borrowings (Note 27)	578,562	(46,039)	—	532,523
Interest payable (Note 26)	1,039	(6,995)	6,282	326
Amounts due to related parties (Note 39)	20,041	530,840	—	550,881
	599,642	477,806	6,282	1,083,730

Note:

The cash flows represents new borrowings raised, repayments of bank borrowings, loans from related parties, repayments of loans from related parties and interest paid.

34. OPERATING LEASES

The Group as lessee

At the end of each reporting period, the Group had contracted with lessors for one to twenty years with predetermined annual incremental rental adjustments for the following future minimum lease payments which fall due as follows:

	As at December 31,			As at June 30,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Minimum lease payments under operating leases:				
Within one year	241,438	262,728	367,433	435,418
In the second to fifth years inclusive	826,199	897,241	1,306,157	2,114,217
Over five years	620,459	610,307	949,076	1,088,060
	1,688,096	1,770,276	2,622,666	3,637,695

The above operating lease payments commitments represent rental payable by the Group for premises leased for restaurants, offices and staff quarters. Monthly rental was fixed for certain leases.

The operating lease rentals for certain restaurants are determined by applying the higher of a pre-determined percentage to revenue of the respective restaurants ("Prorated Rental") or a fixed amount pursuant to the terms and conditions as set out in the respective rental agreements. As the future revenue of these restaurants could not be reliably determined, the relevant contingent rent has not been included above and only the minimum lease commitments have been included in the above table.

Most of these leases are contracted with rent-free period of 3 to 6 months for renovation purpose and the Group has the option to renew most of the lease agreements at prevailing market rentals before expiring.

35. CAPITAL COMMITMENTS

As at December 31, 2015, 2016 and 2017 and June 30, 2018, the Group had the following capital commitments:

	As at December 31,			As at June 30,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Contracted but not provided for plant and equipment	32,851	24,319	127,362	347,186

36. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Categories of the financial instruments

The Group

	As at December 31,			As at June 30,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets:				
Amortized cost (including cash and bank balances, pledged bank deposits and other financial assets)	1,291,048	1,464,059	1,000,521	731,735
Financial assets at FVTPL	59,448	14,260	78,857	25,259
Financial liabilities:				
Amortized cost	720,169	962,518	1,768,070	2,381,432

The Company

	As at December 31,			As at June 30,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets:				
Amortized cost (including cash and bank balances)	—	—	719	141,833
Financial liabilities:				
Amortized cost	—	—	612	143,287

Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, amount due from related parties, financial assets at FVTPL, other financial assets, pledged bank deposits, bank balances and cash, trade payables, amount due to related parties, other payables and borrowings. The Company's financial instruments are bank balances and cash. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk, credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Foreign currency risk

The Group and the Company undertake certain transactions in foreign currencies, which expose the Group to foreign currency risk. The Group and the Company do not use any derivative contracts to hedge against its exposure to currency risk. The management manages its currency risk by closely monitoring the movement of the foreign currency rates and considers hedging significant foreign currency exposure should such need arise.

The carrying amounts of the Group's foreign currency denominated monetary assets as at the end of each reporting period are as follows:

	Assets			
	As at December 31,			As at June 30,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
SGD	4,293	47,995	8,442	11,110
USD	61	61	782	7,294
RMB	—	—	93	29

	Liabilities			
	As at December 31,			As at June 30,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
USD	—	—	611	128,964
SGD	—	14,389	14,649	23,155

The carrying amounts of the Company's foreign currency denominated monetary assets as at the end of each reporting period are as follows:

	Assets			
	As at December 31,			As at June 30,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
USD	—	—	719	141,833

	Liabilities			
	As at December 31,			As at June 30,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
USD	—	—	611	138,820
HKD	—	—	—	547

The Group and the Company currently do not have a foreign exposure hedging policy. However, the management of the Group and the Company will monitor foreign exchange exposure closely and consider the usage of hedging instruments when the need arises.

Sensitivity analysis

The following table details the Group's and the Company's sensitivity to a 10% decrease in the functional currency of the relevant group entities against the foreign currency. 10% is the sensitivity rate used in management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items, and adjusts their translation at the end of the reporting period for a 10% change in foreign currency rates. A positive (negative) number below indicates an increase (decrease) in post-tax profit for the year/period where the functional currency of relevant group entities weakening against the relevant foreign currencies. For a 10% strengthen of the functional currency of relevant group entities, there would be an equal and opposite impact on the profit after tax.

	The Group			
	For the year ended December 31,			For the six months ended June 30,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
SGD	365	2,405	(528)	(1,000)
USD	5	5	16	(12,219)
RMB	—	—	8	2

	The Company			
	For the year ended December 31,			For the six months ended June 30,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
USD	—	—	11	301
HKD	—	—	—	(55)

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate bank borrowings (see Note 27 for details of these borrowings). The Group aims at keeping borrowings at variable rates. The Group is also exposed to cash flow interest risk in relation to variable-rate bank balances (Note 24) and variable-rate bank borrowings (Note 27) which carry prevailing market interests. The management of the Group manages the interest rate risk by maintaining a balanced portfolio of fixed rate and floating rate borrowings. The Group currently does not have a specified policy to manage their interest rate risk but will closely monitor their interest rate risk exposure in the future.

No sensitivity analysis on interest rate risk is presented as management consider the sensitivity on interest rate risk on bank balances, pledged bank deposits and borrowings is insignificant.

Credit risk

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognized financial assets as stated in the consolidated statements of financial position (including trade receivables, other receivables, other financial assets, amounts due from related parties, pledged bank balances and bank balances and cash) and loan commitment with a related party (note 38(C)). The Company is exposed to credit risk arising from dividend receivable from a subsidiary and bank balances and cash.

The management of the Group considers (i) reverse repurchase of national debts with a high credit rating and secured by high-credit-quality national debts during the Track Record Period and (ii) pledged bank deposits and bank balances that are deposited with state-owned banks or financial institutions with high credit rating to be low credit risk financial assets. In addition, trade receivables in connection with bills settled through payment platforms such as Unionpay, Alipay or WeChat Pay are also with high credit rating and no past due history. The management of the Group considers these assets are short-term in nature and the probability of default is negligible on the basis of high-credit-rating issuers during the Track Record Period, and accordingly, no loss allowance was recognized during the Track Record Period.

The Group has concentration of credit risk on amounts due from related parties as at December 31, 2015, 2016 and 2017 and June 30, 2018 with details set out in Note 38. The management of the Group has made periodic assessments as well as individual assessment on recoverability based on historical settlement records and adjusts for forward-looking information. In view of the strong financial capability of these related parties and considered the future prospects of the industry in which these related parties operate, the management of the Group does not consider there is a risk of default and does not expect any losses from non-performance by these related parties, and accordingly, no impairment was recognized in respect of the amounts due from related parties and the related loan commitment.

In determining the ECL for other receivables, the management of the Group has taken into account the historical default experience and forward-looking information, as appropriate, for example the Group has considered the consistently low historical default rate and collateral value of the securities in connection with loans to employees, and concluded that credit risk inherent in the Group's outstanding other receivables is insignificant. The management of the Group has assessed that other receivables have not had a significant increase in credit risk since initial recognition and risk of default is insignificant, and therefore, no impairment has been recognised.

There has been no change in the estimation techniques or significant assumptions made throughout the Track Record Period.

Liquidity risk

As at December 31, 2015, 2016 and 2017 and June 30, 2018, the Group's net current liabilities amounted to RMB60,357,000, RMB385,643,000, RMB1,156,443,000 and RMB1,832,055,000, respectively. In management of liquidity risk, the Group's management monitors and maintains a reasonable level of cash and cash equivalents which deemed adequate by the management to finance the Group's operations and mitigate the impacts of fluctuations in cash flows. The Group relies on the cash generated from operating activities and bank borrowing as the main source of liquidity. For the years ended December 31, 2015, 2016 and 2017 and six months ended June 30, 2018, the Group had net cash generated from operating activities of approximately RMB641,989,000, RMB1,414,061,000, RMB1,399,716,000, RMB1,002,908,000, respectively. As at June 30, 2018, the Group had unused bank facilities of RMB518 million. In addition, the management of the Group monitors the utilization of borrowings and ensures compliance with borrowing covenants, if any. The Directors believe that the Group and the Company will have sufficient funds available from the operating activities to meet their financial obligations in the foreseeable future.

The following details the Group's and the Company's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company can be required to pay. The table includes both interests and principal cash flows.

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	Weighted average effective interest rate	On demand or within 2 months	Over 2 months but within 1 year	Over 1 year but within 2 years	Over 2 years	Total undiscounted cash flows	Carrying amount
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at December 31, 2015							
Financial liabilities							
Trade payables	—	100,272	—	—	—	100,272	100,272
Other payables	—	185	17,987	33,015	—	51,187	51,187
Borrowings	1.43%	—	417,381	—	—	417,381	414,391
Amounts due to related parties	—	154,319	—	—	—	154,319	154,319
Total		254,776	435,368	33,015	—	723,159	720,169
As at December 31, 2016							
Financial liabilities							
Trade payables	—	119,768	—	—	—	119,768	119,768
Other payables	—	1,039	16,932	33,712	—	51,683	51,683
Borrowings	1.50%	—	572,840	11,470	—	584,310	578,562
Amounts due to related parties	—	212,505	—	—	—	212,505	212,505
Total		333,312	589,772	45,182	—	968,266	962,518
As at December 31, 2017							
Financial liabilities							
Trade payables	—	168,719	—	—	—	168,719	168,719
Other payables	—	972	9,500	29,071	—	39,543	39,543
Borrowings	2.31%	—	353,353	233	9,689	363,275	357,220
Amounts due to related parties	—	511,343	691,245	—	—	1,202,588	1,202,588
Total		681,034	1,054,098	29,304	9,689	1,774,125	1,768,070
As at June 30, 2018							
Financial liabilities							
Trade payables	—	411,562	—	—	—	411,562	411,562
Other payables	—	23,447	25,444	29,896	—	78,787	78,787
Borrowings	3.92%	86,064	1,041,798	431	17,539	1,145,832	1,111,482
Amounts due to related parties	—	651,185	—	—	—	651,185	651,185
Dividend payable	—	128,416	—	—	—	128,416	128,416
Total		1,300,674	1,067,242	30,327	17,539	2,415,782	2,381,432

The Company's financial liabilities are non-interest bearing and repayable on demand.

37. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

The following table gives information about how the fair values of financial assets at FVTPL of the Group is determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorized (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

Fair value hierarchy as at December 31, 2015

	Level 1	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets at FVTPL				
Held for trading investments	2,954	—	—	2,954
Financial products issued by banks	—	—	50,000	50,000
Unquoted equity shares	—	—	6,494	6,494
Total	2,954	—	56,494	59,448

Fair value hierarchy as at December 31, 2016

	Level 1	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets at FVTPL				
Held for trading investments	2,623	—	—	2,623
Financial products issued by banks	—	—	4,700	4,700
Unquoted equity shares	—	—	6,937	6,937
Total	2,623	—	11,637	14,260

Fair value hierarchy as at December 31, 2017

	Level 1	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets at FVTPL				
Held for trading investments	34,265	—	—	34,265
Financial products issued by banks	—	—	44,592	44,592
Total	34,265	—	44,592	78,857

Fair value hierarchy as at June 30, 2018

	Level 1	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets at FVTPL				
Held for trading investments	2,674	—	—	2,674
Financial products issued by banks	—	—	10,000	10,000
Unquoted equity shares	—	—	12,585	12,585
Total	2,674	—	22,585	25,259

	Fair value as at							
	December 31,			June 30,		Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Financial assets	2015	2016	2017	2018	Fair value hierarchy			
	RMB'000	RMB'000	RMB'000	RMB'000				
Financial products issued by banks	50,000	4,700	44,592	10,000	Level 3	Discounted cash flow. Future cash flows are estimated based on estimated return.	Estimated return (Note)	The higher the estimated return, the higher the fair value, vice versa
Unquoted equity shares	6,494	6,937	—	—	Level 3	Discounted cash flow. Future cash flows are estimated based on estimated return.	Estimated return	The higher the estimated return, the higher the fair value, vice versa
Unquoted equity shares	—	—	—	12,585	Level 2	Recent transaction price.	N/A	N/A
Held for trading investments	2,954	2,623	34,265	2,674	Level 1	Quoted bid prices in an active market.	N/A	N/A

Note:

A 5% decrease in the estimated return rates holding all other variables constant would decrease the carrying amount of the short-term investments by RMB18,000, RMB1,000, RMB7,000 and RMB3,000 as at December 31, 2015, 2016, and 2017 and June 30, 2018.

A 5% increase in the estimated return rates holding all other variables constant would increase the carrying amount of the short-term investments by RMB18,000, RMB1,000, RMB7,000 and RMB3,000 as at December 31, 2015, 2016, and 2017 and June 30, 2018.

Reconciliation of Level 3 Measurements

The following table represents the reconciliation of Level 3 Measurements throughout the Track Record Period:

	Unquoted equity shares	Financial products issued by banks
	RMB'000	RMB'000
At January 1, 2015	—	—
Purchase	6,494	50,000
Redemption	—	(590)
Net gain	—	590
At December 31, 2015	6,494	50,000
Purchase	—	841,900
Redemption	—	(890,047)
Net gain	—	2,847
Exchange difference	443	—
At December 31, 2016	6,937	4,700
Purchase	—	221,609
Redemption/disposal	(6,937)	(182,162)
Net gain	—	445
At December 31, 2017	—	44,592
Purchase	—	952,600
Redemption	—	(990,859)
Net gain	—	3,667
At June 30, 2018	—	10,000

38. CAPTIAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern, while to maximize the return to the owners of the Company through optimization of debt and equity balances. The Group's overall strategy remains unchanged during the Track Record Period.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in Notes 27 and 39 and equity attributable to owners of the Company, comprising issued share capital, retained profits and other reserves.

The management of the Group reviews the capital structure regularly. As part of this review, the management of the Group considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the management, the Group will balance its overall capital structure through the payment of dividends, new shares issues as well as raising of borrowings.

39. RELATED PARTY DISCLOSURES

(A) Related party transactions

During the Track Record Period, the Group has entered into the following transactions with related parties:

Purchase of goods/services from related parties

		For the year ended December 31,			For the six months ended June 30,	
Relationship	**Nature of transaction**	**2015**	**2016**	**2017**	**2017**	**2018**
		RMB'000	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**
Related companies controlled by the Controlling Shareholders	Purchase of food ingredients	1,497,127	1,941,569	2,742,899	1,178,400	1,112,151
Related companies controlled by Controlling Shareholders	Purchase of property, plant and equipment	—	14,587	1,243,756	341,326	575,750
Related companies controlled by the Controlling Shareholders	Purchase of condiment products	437,707	589,211	901,727	428,535	532,676
A related company controlled by the Controlling Shareholders	Decoration project management service	11,428	18,018	46,450	10,953	45,156
Related companies controlled by the Controlling Shareholders.	Human resource consulting service	980	22,920	35,973	13,258	20,871
An associate invested by the Controlling Shareholders . .	Purchase of software	—	—	17,995	4,579	5,061
A related company controlled by the Controlling Shareholders	Purchase of software	—	—	—	—	868
Related companies controlled by the Controlling Shareholders.	Rental expenses	3,784	3,853	5,219	2,671	2,595
A related company controlled by the Controlling Shareholders.	Management service	—	1,110	3,930	1,129	205
Related companies controlled by the Controlling shareholders	Storage service	—	2,348	1,828	888	36,694

Relationship	Nature of transaction	For the year ended December 31,			For the six months ended June 30,	
		2015	2016	2017	2017	2018
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Key management personnel of the Group	Rental expenses	840	1,200	1,200	600	600
A related company controlled by the Controlling shareholders	Financial advisory services	—	—	—	—	750
A related company controlled by the Controlling shareholders	Software maintenance service	—	—	—	—	222
An associate invested by the Controlling shareholders	Purchase of food ingredients	—	—	—	—	306
An associate invested by the Controlling shareholders	Software maintenance service	—	—	519	236	76
A related company controlled by the Controlling shareholders	Property management services	—	39	445	171	176

Income from related parties

Relationship	Nature of transaction	For the year ended December 31,			For the six months ended June 30,	
		2015	2016	2017	2017	2018
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
A related company controlled by the Controlling shareholders	Interest income	2,423	3,239	2,846	1,641	—
A related company controlled by the Controlling shareholders	Sales of financial assets at FVTPL	—	—	6,534	6,534	—
A related company controlled by the Controlling shareholders	Logistics services	—	—	824	591	—
A related company controlled by the Controlling shareholders	Market development services	—	—	393	393	—
Related companies controlled by the Controlling shareholders	Sales of food ingredients	—	—	—	—	20,578

The Group is licensed by Sichuan Haidilao to use the trademark of "Haidilao (海底撈)" and the WeChat public account named ("海底撈火鍋") on an exclusive and royalty-free basis for a perpetual term.

The Group owns the proprietary rights to the formulas of Haidilao Customized Products (the "Condiments Formulae") and licenses the Condiments Formulae to Yihai International Holding Ltd. and its subsidiaries (companies controlled by the Controlling Shareholders) and its contracted manufacturers to use for production on a royalty-free basis.

Lease commitments with related parties

	As at December 31,			As at June 30,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Minimum lease payments under operating leases:				
- Related companies controlled by the Controlling Shareholders				
Within one year	3,784	16	5,240	5,240
In the second to fifth years inclusive	—	777	5,839	3,532
Over five years	—	1,029	829	516
	3,784	1,822	11,908	9,288
- Key management personnel of the Group				
Within one year	840	1,200	1,200	600
In the second to fifth years inclusive	2,957	1,200	—	—
	3,797	2,400	1,200	600
	7,581	4,222	13,108	9,888

(B) **Guarantee and collaterals**

As at December 31, 2015, 2016 and 2017 and June 30, 2018, the Group's bank borrowings amounting to RMB375,429,000, RMB474,692,000, RMB301,264,000 and RMB39,700,000 respectively, are secured by the bank deposits of Sichuan Haidilao. The guarantees of 2015 and 2016 were released in 2017 when the borrowings were repaid by the Group. The guarantees of 2017 were released in the six months ended June 30, 2018 when the borrowings were repaid by the Group. The guarantees of 2018 were released in July, 2018 when the borrowings were repaid by the Group.

As at December 31, 2015, 2016 and 2017 and June 30, 2018 the Group's bank borrowings amounting to RMB38,962,000, RMB69,370,000, nil and RMB66,166,000 respectively, were guaranteed by Mr. Zhang Yong. The guarantees of 2015 and 2016 were released in 2017 when the borrowings were repaid by the Group. The guarantees as at June 30, 2018 were released in July, 2018 when the borrowings were repaid by the Group.

(C) **Related party balances**

The Group

Amounts due from related parties:

	As at December 31,			As at June 30,
	2015	**2016**	**2017**	**2018**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Trade nature				
Related companies controlled by the Controlling shareholders (Note iv)	—	—	—	23,175
Non-trade nature				
Related companies controlled by the Controlling shareholders (Note i)	1,042,265	912,259	443,833	20,384
A company controlled by a director of the Company (Note ii)	11,000	—	380	—
A member of key management personnel	390	493	—	—
Mr. Zhang Yong (Note iii)	—	8	—	—
Total	1,053,655	912,760	444,213	43,559
Analyzed as:				
Non-current	305,319	410,518	—	—
Current	748,336	502,242	444,213	43,559
	1,053,655	912,760	444,213	43,559

Notes:

i. The details of non-trade nature amounts due from related companies controlled by the Controlling Shareholders are set out below:

						Maximum balance outstanding during			
						the years ended			the six months ended
	As at January 1,	As at December 31,			As at June 30,	December 31,	December 31,	December 31,	June 30,
Name	**2015**	**2015**	**2016**	**2017**	**2018**	**2015**	**2016**	**2017**	**2018**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**
New High Lao (Note a)	197,772	305,319	410,518	364,250	8,508	305,319	410,518	410,518	364,250
Sichuan Haidilao (Note b)	428,013	731,616	501,592	71,920	4,423	1,745,516	565,480	1,322,879	71,920
Highsea International Investment Ltd..	—	—	—	6,534	6,617	—	—	6,534	6,617
Shuhai (Beijing) Supply Chain Management Co., Ltd.	—	—	14	924	575	—	24	51,184	3,392
Shuyun (Shanghai) Supply Chain Management Co., Ltd.	—	—	12	—	—	8	13	120	121
Beijing Weihai Management and Consulting Co., Ltd.	—	1,034	106	115	54	1,046	1,034	5,728	907
Beijing Haishengtong Finance Consulting Ltd	—	—	—	50	—	—	—	940	68
Jianyang Jinghai Investment Co., Ltd.	—	—	16	16	16	—	244	16	16
Shanghai Yunfan International Trade Ltd.	—	—	—	13	—	—	—	13	340
Shuhai (Beijing) Food Co., Ltd.	—	—	1	11	—	—	6,490	598	11
Yihai (Shanghai) Food Co., Ltd	—	4,292	—	—	46	22,101	4,292	—	53
Beijing Shuyun Dongfang Decoration Project Co., Ltd.	—	4	—	—	145	10,062	4	—	145
Total	625,785	1,042,265	912,259	443,833	20,384				

Notes:

a. Haidilao Singapore provided a facility to New High Lao from December 1, 2013 to November 30, 2017 of USD60,000,000 bearing interest rate at 0.8% per annum, which was unsecured and has no fixed repayment terms. As at December 31, 2015, 2016 and 2017, the loans to New High Lao were USD46,645,000 (equivalent to RMB302,896,000), USD58,398,000 (equivalent to RMB404,856,000) and USD54,443,000 (equivalent to RMB355,742,000), respectively, with interest receivable of RMB2,423,000, RMB5,662,000 and RMB8,508,000, respectively. The loan commitment as at December 31, 2015 and 2016 were RMB389,616,000 and RMB416,220,000, respectively. The loans had been settled by the end of June 30, 2018 and the interest had been settled in July 2018.

b. In June 2015, the subsidiaries of Sichuan Haidilao entered into a cash pooling agreement with Sichuan Haidilao, pursuant to which Sichuan Haidilao took up the treasury function during the years ended December 31, 2015 and 2016. This cash pooling agreement was terminated in August 2017. According to the agreement, cash generated from the operation of subsidiaries under Sichuan Haidilao was collected daily into Sichuan Haidilao's bank accounts, and Sichuan Haidilao made payments to suppliers on behalf of its subsidiaries and branches. Included in the amounts due from Sichuan Haidilao as at 31 December 2015 and 2016 amounting to RMB674,210,000 and RMB432,480,000, respectively, relate to the cash pooling arrangement. The remaining amounts were unsecured, interest-free and repayable on demand.

c. Other amounts due from related companies controlled by the Controlling Shareholders are unsecured, interest-free and repayable on demand.

ii. The Group provided a borrowing of RMB11,000,000 to Beijing Haihai Technology Co., Ltd., a company controlled by Mr. Shi Yonghong, a director of the Company, from August 1, 2015 to June 30, 2016, which was unsecured and interest-free. The loans had been recovered in June 2016. The balance of amount due from Beijing Haihai Technology Co., Ltd. at January 1, 2015 was nil. The maximum balance outstanding during the years ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2018 was RMB11,000,000, RMB12,000,000, RMB380,000 and RMB380,000, respectively.

iii. Amount due from Mr. Zhang Yong is non-trade nature, unsecured, interest-free and repayable on demand. The balance of amount due from Mr. Zhang Yong at January 1, 2015 was nil. The maximum balance outstanding during the years ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2018 was nil, RMB8,000, RMB8,000 and nil, respectively.

iv. As at June 30, 2018, the balances with related companies controlled by the controlling shareholders are unsecured, interest free and repayable with a term of 30-60 days. The amount has not been past due at June 30, 2018. The amount is aged within 30 to 60 days based on invoice date.

Amounts due to related parties:

	As at December 31,			As at June 30,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Trade nature (Note i)				
Related companies controlled by the Controlling Shareholders	140,528	176,238	185,923	257,650
Non-trade nature				
Related company controlled by the Controlling Shareholders - payable on acquisition of property, plant and equipment and decoration project management services (Note ii)	8,434	16,226	295,577	369,384
Related companies controlled by the Controlling Shareholders - others (Note iii & iv)	2,890	17,406	721,088	24,151
Shareholders (Note iv)	2,467	2,635	—	—
Sub-total	13,791	36,267	1,016,665	393,535
Total	154,319	212,505	1,202,588	651,185

Notes:

i. Amounts due to related parties arising from the purchase of food ingredients and condiment products were with a credit term of 30 days. As at December 31, 2015, 2016 and 2017 and June 30, 2018, the amounts were aged within 30 days from the invoice date.

ii. These are payables on acquisitions of property, plant and equipment and decoration project management services from Shuyun Dongfang, a related company controlled by the Controlling Shareholders.

iii. As at December 31, 2017, amounts due to related parties include loans obtained from Sichuan Haidilao with the principal payable of RMB691,245,000. The loans are unsecured, interest-free and had been settled by the end of June 30, 2018.

iv. Other amounts due to related parties and shareholders are non-trade nature, unsecured, interest-free and repayable on demand.

The Company

Amounts due to related parties

	As at December 31,			As at June 30,
	2015	**2016**	**2017**	**2018**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Non-trade nature				
A related company controlled by the Controlling Shareholders (Note i)	—	—	612	—
A subsidiary (Note ii)	—	—	—	548
	—	—	612	548

Notes:

i. As at December 31, 2017, the balances with the related party (New High Lao) are non-trade nature, unsecured, interest-free and with no fixed term of repayment. The balances had been settled by the end of June 30, 2018.

ii. As at June 30, 2018, the balances with the subsidiary controlled by the Company are non-trade nature, unsecured, interest-free and with no fixed term of repayment.

(D) **Remuneration of key management personnel of the Group**

	For the year ended December 31,			For the six months ended June 30,	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Short term employee benefits	20,210	32,223	28,453	10,243	18,202
Performance related bonuses	—	—	4,066	—	—
Retirement benefit contribution	192	197	202	28	41
	20,402	32,420	32,721	10,271	18,243

40. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

Details of the subsidiaries directly and indirectly held by the Company as of the date at report are set out below:

Name of subsidiaries	Place and date of incorporation/ establishment	Issued and fully paid ordinary share capital/registered capital	Equity interest attributable to the Group as at December 31, 2015	December 31, 2016	December 31, 2017	June 30, 2018	Date of the report	Principal activities
			%	%	%	%	%	
New Pai Ltd. (Note i).	The BVI July 15, 2015	Ordinary share capital USD1	100	100	100	100	100	Investment holding
Haidilao Singapore (Note v)	Singapore February 28, 2013	Ordinary share capital SGD3,000,000	100	100	100	100	100	Investment holding
Shanghai Xinpai (Note ii & iii) .	The PRC May 12, 2013	Paid registered capital SGD18,000,000	100	100	100	100	100	Restaurant operation
Sichuan Xinpai (Note ii & iii) .	The PRC September 28, 2016	Paid registered capital SGD67,000,000	Nil	100	100	100	100	Restaurant operation
Singapore Hai Di Lao Dining Pte Ltd. (Note v) . .	Singapore January 17, 2012	Ordinary share capital SGD3,000,000	100	100	100	100	100	Restaurant operation
Haidilao Catering (U.S.A.) Inc. . .	USA March 2, 2011	Ordinary share capital USD100	100	100	100	100	100	Restaurant operation
Haidilao Restaurant California Inc. .	USA May 4, 2016	Ordinary share capital USD2,000,000	Nil	100	100	100	100	Restaurant operation
Haidilao Restaurant Group Inc. . . .	USA June 18, 2016	Ordinary share capital USD100	Nil	100	100	100	100	Restaurant operation

Name of subsidiaries	Place and date of incorporation/ establishment	Issued and fully paid ordinary share capital/registered capital	Equity interest attributable to the Group as at December 31, 2015	December 31, 2016	December 31, 2017	June 30, 2018	Date of the report	Principal activities
			%	%	%	%	%	
Hai Di Lao Fusion Shabu Restaurant Group, Inc . . .	USA June 11, 2015	Ordinary share capital USD1,000,000	100	100	100	100	100	Restaurant operation
Haidilao Japan Co.,Ltd	Japan September 3, 2014	Ordinary share capital JPY50,000,000	100	100	100	100	100	Restaurant operation
Haidilao Korea Co., Ltd	South Korea May 1, 2014	Ordinary share capital KRW6,285,740,000	100	100	100	100	100	Restaurant operation
海底撈火鍋股份有限公司 (Note vi)	Taiwan March 13, 2015	Ordinary share capital TWD115,000,000	100	100	100	100	100	Restaurant operation
台灣海底撈餐飲股份有限公司 . . .	Taiwan July 18, 2017	Ordinary share capital TWD115,000,000	Nil	Nil	100	100	100	Restaurant operation
SINGAPORE HAI DI LAO CATERING PTE. LTD. . . .	Singapore April 6, 2017	Ordinary share capital SGD3,000,000	Nil	Nil	100	100	100	Restaurant operation
HAI DI LAO HONGKONG COMPANY LIMITED (Note vii)	Hong Kong August 6, 2015	Ordinary share capital HKD1,000,000	100	100	100	100	100	Restaurant operation
Hai Di Lao Sydney Proprietary Limited	Australia August 15, 2017	Ordinary share capital AUD1	Nil	Nil	100	100	100	Restaurant operation
Hai Di Lao Melbourne Proprietary Limited	Australia August 15, 2017	Ordinary share capital AUD1	Nil	Nil	100	100	100	Restaurant operation
UK HAIDILAO PTE. LTD. . . .	UK August 24, 2017	Ordinary share capital GBP500,000	Nil	Nil	100	100	100	Restaurant operation
HAI DI LAO CANADA RESTURANTS GROUP LTD. . .	Canada August 7, 2015	Ordinary share capital CAD100	100	100	100	100	100	Restaurant operation

Name of subsidiaries	Place and date of incorporation/ establishment	Issued and fully paid ordinary share capital/registered capital	Equity interest attributable to the Group as at December 31, 2015	December 31, 2016	December 31, 2017	June 30, 2018	Date of the report	Principal activities
			%	%	%	%	%	
聚海祥順(上海)實業有限公司 (Note ii)	The PRC January 18, 2017	Registered capital SGD100,000	Nil	Nil	100	100	100	Food research and development
上海海雁貿易有限公司 (Note ii)	The PRC December 1, 2017	Paid registered capital SGD2,000,000	Nil	Nil	100	100	100	Trading
Xiamen Haidilao	The PRC March 26, 2013	Paid registered capital RMB10,000,000	100	100	100	100	100	Restaurant operation
鄭州新撈派餐飲管理有限公司	The PRC January 4, 2016	Registered capital RMB1,000,000	Nil	100	100	100	100	Restaurant operation
東莞新撈派餐飲有限公司	The PRC May 19, 2016	Registered capital RMB1,000,000	Nil	100	100	100	100	Restaurant operation
上海撈派餐飲管理有限公司	The PRC October 27, 2011	Paid registered capital RMB18,000,000	100	100	100	100	100	Restaurant operation
江蘇海底撈餐飲管理有限責任公司	The PRC October 9, 2011	Paid registered capital RMB16,000,000	100	100	100	100	100	Restaurant operation
蘇州撈派餐飲有限公司	The PRC August 31, 2011	Paid registered capital RMB6,100,000	100	100	100	100	100	Restaurant operation
杭州撈派餐飲有限公司	The PRC October 26, 2010	Paid registered capital RMB5,100,000	100	100	100	100	100	Restaurant operation
寧波海底撈餐飲管理有限公司	The PRC August 17, 2012	Paid registered capital RMB5,700,000	100	100	100	100	100	Restaurant operation
武漢撈派餐飲管理有限公司	The PRC January 14, 2013	Paid registered capital RMB11,200,000	100	100	100	100	100	Restaurant operation
深圳市海底撈餐飲有限責任公司	The PRC February 1, 2012	Paid registered capital RMB3,800,000	100	100	100	100	100	Restaurant operation
海鴻達(北京)餐飲管理有限公司	The PRC January 26, 2011	Paid registered capital RMB125,000,000	100	100	100	100	100	Restaurant operation
簡陽市海撈餐飲管理有限公司	The PRC April 7, 2016	Paid registered capital RMB10,000,000	Nil	100	100	100	100	Restaurant operation
天津市海底撈餐飲管理有限公司	The PRC August 29, 2011	Paid registered capital RMB100,000,000	100	100	100	100	100	Restaurant operation

Name of subsidiaries	Place and date of incorporation/ establishment	Issued and fully paid ordinary share capital/registered capital	Equity interest attributable to the Group as at December 31, 2015	December 31, 2016	December 31, 2017	June 30, 2018	Date of the report	Principal activities
			%	%	%	%	%	
焦作市清風海底撈餐飲有限責任公司	The PRC September 25, 2008	Paid registered capital RMB600,000	51	51	51	51	51	Restaurant operation
庚派(上海)企業管理諮詢有限公司 (Note x)	The PRC January 10, 2017	Paid registered capital RMB10,000,000	Nil	Nil	100	Nil	Nil	Management consulting
Shanghai Meike Meican	The PRC October 29, 2014	Paid registered capital RMB1,000,000	100	100	100	100	100	Delivery business
西安每客美餐餐飲管理有限公司. .	The PRC February 21, 2017	Registered capital RMB1,000,000	Nil	Nil	100	100	100	Delivery business
合肥每客美餐餐飲管理有限公司. .	The PRC April 11, 2017	Registered capital RMB500,000	Nil	Nil	100	100	100	Delivery business
南京每客美餐餐飲管理有限公司. .	The PRC May 8, 2017	Registered capital RMB1,000,000	Nil	Nil	100	100	100	Delivery business
鄭州每客美餐餐飲管理有限公司. .	The PRC July 11, 2017	Registered capital RMB1,000,000	Nil	Nil	100	100	100	Delivery business
廈門每客美餐餐飲管理有限公司. .	The PRC June 2, 2017	Registered capital RMB2,000,000	Nil	Nil	100	100	100	Delivery business
石家莊每客美餐餐飲管理有限公司.	The PRC July 25, 2017	Registered capital RMB1,000,000	Nil	Nil	100	100	100	Delivery business
武漢每客美餐餐飲管理有限公司. .	The PRC September 4, 2017	Registered capital RMB1,000,000	Nil	Nil	100	100	100	Delivery business
杭州每客美餐餐飲管理有限公司. .	The PRC August 30, 2017	Registered capital RMB1,000,000	Nil	Nil	100	100	100	Delivery business
深圳優鼎優餐飲管理有限公司 (Note ix)	The PRC December 16, 2014	Paid registered capital RMB2,185,349	Nil	Nil	100	100	100	Delivery business
天津每客美餐科技有限公司	The PRC August 16, 2017	Registered capital RMB1,000,000	Nil	Nil	100	100	100	Delivery business
福州每客美餐餐飲管理有限公司. .	The PRC December 7, 2017	Registered capital RMB1,000,000	Nil	Nil	100	100	100	Delivery business
廣州每客美餐餐飲管理有限公司. .	The PRC December 8, 2017	Registered capital RMB1,000,000	Nil	Nil	100	100	100	Delivery business

Name of subsidiaries	Place and date of incorporation/ establishment	Issued and fully paid ordinary share capital/registered capital	Equity interest attributable to the Group as at December 31, 2015	December 31, 2016	December 31, 2017	June 30, 2018	Date of the report	Principal activities
			%	%	%	%	%	
每客美餐(北京)餐飲管理有限公司	The PRC July 14, 2017	Registered capital RMB1,000,000	Nil	Nil	100	100	100	Delivery business
濟南每客美餐餐飲管理有限公司	The PRC January 5, 2018	Registered capital RMB1,000,000	Nil	Nil	Nil	100	100	Delivery business
青島每客美餐餐飲管理有限公司	The PRC January 3, 2018	Registered capital RMB1,000,000	Nil	Nil	Nil	100	100	Delivery business
無錫每客美餐餐飲管理有限公司	The PRC January 12, 2018	Registered capital RMB1,000,000	Nil	Nil	Nil	100	100	Delivery business
常州每客美餐餐飲管理有限公司	The PRC January 18, 2018	Registered capital RMB1,000,000	Nil	Nil	Nil	100	100	Delivery business
長沙每客美餐餐飲管理有限公司	The PRC March 16, 2018	Registered capital RMB1,000,000	Nil	Nil	Nil	100	100	Delivery business
Haute Hotpots Corporation	USA January 2, 2018	Registered capital N/A	Nil	Nil	Nil	100	100	Restaurant operation
Macau Haidilao Restaurant Limited	Macau April 10, 2018	Registered capital Macau Pataca100,000	Nil	Nil	Nil	100	100	Restaurant operation
Haidilao Hot Pot Industry Inc.	USA May 11, 2018	Registered capital N/A	Nil	Nil	Nil	100	100	Restaurant operation
Haidilao Hot Pot Fremont Inc.	USA June 1, 2018	Registered capital N/A	Nil	Nil	Nil	100	100	Restaurant operation
Hai Di Lao Malaysia Sdn.Bhd	Malaysia May 14, 2018	Registered capital Malaysia Ringgit1	Nil	Nil	Nil	100	100	Restaurant operation
Ying Hai Holdings Pte.Ltd. (Note xi)	Singapore March 5, 2018	Paid registered capital USD10,000,000 Registered capital USD20,000,000	Nil	Nil	Nil	51	51	Research and development
北京瀛海智慧自動化科技有限公司 (Note xii)	The PRC May 16, 2018	Registered capital RMB130,000,000	Nil	Nil	Nil	51	51	Research and development
Haidilao International Food Services Pte. Ltd.	Singapore August 18, 2018	Ordinary share capital SGD1	Nil	Nil	Nil	Nil	100	Logistics and wholesale trade

Name of subsidiaries	Place and date of incorporation/ establishment	Issued and fully paid ordinary share capital/registered capital	Equity interest attributable to the Group as at December 31, 2015	December 31, 2016	December 31, 2017	June 30, 2018	Date of the report	Principal activities
			%	%	%	%	%	
Haidilao Hot Pot Century City Inc	USA August 3, 2018	Registered capital N/A	Nil	Nil	Nil	Nil	100	Restaurant operation
Hai Di Lao Viet Nam Co., Ltd . .	Vietnam August 6, 2018	Registered capital Vietnam Dong 22,290,000,000	Nil	Nil	Nil	Nil	100	Restaurant operation

Notes:

(i) This subsidiary is directly held by the Company. All other subsidiaries are indirectly held by the Company.

(ii) These companies are wholly foreign owned enterprises with limited liability established in the PRC. Other subsidiaries established in the PRC are wholly domestic owned companies.

(iii) The statutory financial statements of Shanghai Xinpai for each of the two years ended December 31, 2015 and 2016, were prepared in accordance with the Accounting Standards for Business Enterprises and financial regulations applicable the PRC and were audited by Deloitte Touche Tohmatsu Certified Public Accountants LLP, certified public accountants registered in the PRC. The statutory financial statements of Shanghai Xinpai for the year ended December 31, 2017 were prepared in accordance with the Accounting Standards for Business Enterprises and financial regulations applicable in the PRC and were audited by Zhongxingcai Guanghua Certified Public Accountants LLP, certified public accountants registered in the PRC.

(iv) The statutory financial statements of Sichuan Xinpai for the year ended December 31, 2017 were prepared in accordance with the Accounting Standards for Business Enterprises and financial regulations applicable in the PRC and were audited by Zhongxingcai Guanghua Certified Public Accountants LLP, certified public accountants registered in the PRC.

(v) The statutory financial statements of Haidilao Singapore and Singapore Hai Di Lao Dining Pte. Ltd. for each of the three years ended December 31, 2015, 2016 and 2017, were prepared in accordance with the provisions of the Companies Act, Chapter 50 and Financial Reporting Standards in Singapore and were audited by Deloitte & Touche LLP, Singapore, chartered accountants registered in Singapore.

(vi) The statutory financial statements of 海底撈火鍋股份有限公司 for the period ended December 31, 2015 and each of the years ended December 31, 2016 and 2017 were prepared in accordance with IFRSs and financial regulations applicable in Taiwan and were audited by Deloitte & Touche LLP, Taiwan, certified public accountants registered in Taiwan.

(vii) The statutory financial statements of Hai Di Lao Hongkong Company Limited for the period ended December 31, 2016 and the year ended December 31, 2017 were prepared in accordance with Hong Kong Financial Reporting Standards and were audited by RIW C.P.A. Limited, certified public accountants registered in Hong Kong.

(viii) No statutory financial statements have been prepared for other subsidiaries of the Company for each of the three years ended December 31, 2015, 2016 and 2017 as there were no statutory audit requirements for these subsidiaries or the first set of statutory financial statements were not yet due to issue.

(ix) During the year ended December 31, 2017, the Group acquired the equity interest in 深圳優鼎優餐飲管理有限公司 from the sibling of Mr. Zhang Yong at nil consideration. The assets and liabilities at acquisition date is insignificant.

(x) 庚派(上海)企業管理諮詢有限公司 had been deregistered on June 14, 2018.

(xi) On March 5, 2018, Haidilao Singapore and Panasonic Asia Pacific Pte. Ltd., a third party company, set up a new company named Ying Hai Holdings Pte. Ltd., in which Haidilao Singapore took 51% equity interests while Panasonic Asia Pacific Pte. Ltd. took 49% equity interests.

(xii) 北京瀛海智慧自動化科技有限公司 is the subsidiary of Ying Hai Holdings Pte. Ltd.

41. NON-CASH TRANSACTIONS

The Group's dividend amounting to RMB27,045,000, RMB1,013,973,000, RMB746,467,000, RMB613,765,000 (unaudited) and nil respectively, during the years ended December 31, 2015, 2016 and 2017 and six months ended June 30, 2017 and 2018, respectively, which were settled by offsetting against the amount due from Sichuan Haidilao. The remaining dividend amounting to RMB5,304,000 as at December 31, 2017 was included in amounts due to related parties and had been paid during the six months ended June 30, 2018.

42. SUBSEQUENT EVENTS

Save as elsewhere disclosed in this report, events and transactions took place subsequent to June 30, 2018 are detailed as below.

On September 6, 2018, written resolutions of the shareholder of the Company were passed to approve the matters set out in the section headed "4. Resolutions of the Shareholders of our Company dated September 6, 2018" in Appendix IV to this Prospectus. It was resolved, among other things:

(i) every issued share of USD0.1 in the share capital of the Company be subdivided into 20,000 shares of par value USD0.000005 each such that the Company shall have an authorized and issued share capital of USD16,666.70 divided into 3,333,340,000 shares.

(ii) the authorized share capital of the Company be and is hereby increased from USD16,666.70 divided into 3,333,340,000 shares of USD0.000005 each to USD50,000 divided into 10,000,000,000 Shares of USD0.000005 each.

(iii) conditional upon the share premium account of the Company being credited as a result of the issue of the Offer Shares (as defined in the Prospectus) pursuant to the Global Offering (as defined in the Prospectus), the Directors be authorized to capitalize an amount of US$7,710.65 standing to the credit of the share premium account of the Company by applying such sum in paying up in full at par a total of 1,542,130,000 shares for allotment and issue to the persons whose names appear on the register of shareholders of the Company on the date of these resolutions in accordance with their respective shareholding (as nearly as possible without involving fractions) in the Company or as each of them may direct (the "Capitalization Issue") and any Director be and is hereby authorized to effect the Capitalization Issue and to allot and issue shares pursuant thereto.

43. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company, the Group or any subsidiaries in respect of any period subsequent to June 30, 2018.

The information set forth in this Appendix does not form part of the accountants' report on the historical financial information of the Group prepared by the reporting accountants of our Company, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, as set out in Appendix I, and is included herein for information purposes only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this Prospectus and the "Accountants' Report" set forth in Appendix I to this Prospectus.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to the owners of the Company prepared in accordance with Rule 4.29 of the Listing Rules is for illustrative purpose only, and is set out below to illustrate the effect of the Global Offering on the consolidated net tangible assets of the Group attributable to the owners of the Company as of June 30, 2018, as if the Global Offering had taken place on such date.

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group attributable to the owners of the Company as of June 30, 2018 or at any future dates following the Global Offering. It is prepared based on the audited consolidated net tangible assets of the Group attributable to the owners of the Company as of June 30, 2018 as derived from the Accountants' Report as set out in Appendix I to this Prospectus and adjusted as described below.

	Audited consolidated net tangible assets of the Group attributable to the owners of the Company as of June 30, 2018(1)	Estimated net proceeds from the Global Offering(2)	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company per share	
	RMB'000	RMB'000	RMB'000	RMB(3)	HK$(4)
Based on an Offer Price of HK$14.8 per share	1,124,809	5,275,729	6,400,538	1.21	1.39
Based on an Offer Price of HK$17.8 per share	1,124,809	6,351,405	7,476,214	1.41	1.62

Notes:

(1) The audited consolidated net tangible assets of the Group attributable to the owners of the Company as of June 30, 2018 has been calculated based on the audited consolidated net assets of the Group attributable to the owners of the Company of RMB1,156,685,000 after deducting intangible assets of RMB31,876,000 attributable to the owners of the Company, extracted from the Accountants' Report, the text of which is set out in Appendix I to this Prospectus.

(2) The estimated net proceeds from the Global Offering are based on 424,530,000 shares at the Offer Price of HK$14.8 and HK$17.8 per share, respectively, after deduction of the estimated underwriting fees and other related expenses incurred or expected to be incurred by us, other than those expenses which had been recognized in profits or loss prior to June 30, 2018. The calculation of such estimated net proceeds does not take into account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option, or any Shares which may be issued or repurchased by the Company pursuant to the general mandates granted to the Directors to issue or repurchase Shares referred to in the section headed "General Mandate to Issue Shares" or the section headed "General Mandate to Repurchase Shares" in the Prospectus. The estimated net proceeds from the Global Offering are converted from Hong Kong Dollars into Renminbi at an exchange rate of HK$1 to RMB0.87079, which was the PBOC rate prevailing on September 3, 2018. No representation is made that Hong Kong Dollars amounts have been, could have been or may be converted to Renminbi, or vice versa, at that rate or at any other rates or at all.

(3) The number of shares used for the calculation of unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company per share is based on 5,300,000,000 shares in issue immediately upon completion of the Global Offering. It does not take into account any share which may be issued upon the exercise of the Over-allotment Option, or any Shares which may be issued or repurchased by the Company pursuant to the general mandates granted to the Directors to issue or repurchase Shares referred to in the section headed "General Mandate to Issue Shares" or the section headed "General Mandate to Repurchase Shares" in this Prospectus.

(4) The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company per share is converted from Renminbi into Hong Kong Dollars at the rate of RMB0.87079 to HK$1 which was the PBOC rate prevailing on September 3, 2018. No representation is made that the RMB amounts have been, could have been or could be converted to Hong Kong Dollars, or vice versa, at that rate or at any other rates or at all.

(5) No adjustments has been made to the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of our Company to reflect any trading results or other transactions of the Group entered into subsequent to June 30, 2018.

B. ASSURANCE REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of the independent reporting accountants' assurance report received from Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, in respect of the Group's unaudited pro forma financial information prepared for the purpose of incorporation in this Prospectus.

Deloitte. 德勤

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Directors of Haidilao International Holding Ltd.

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Haidilao International Holding Ltd. (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted consolidated net tangible assets as of June 30, 2018 and related notes as set out on pages II-1 to II-2 of Appendix II to the prospectus issued by the Company dated September 12, 2018 (the "Prospectus"). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on pages II-1 to II-2 of Appendix II to the Prospectus.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the Global Offering (as defined in the Prospectus) on the Group's financial position as of June 30, 2018 as if the Global Offering had taken place at June 30, 2018. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's historical financial information for each of the three years ended December 31, 2017 and the six months ended June 30, 2018, on which an accountants' report set out in Appendix I to the Prospectus has been published.

Directors' Responsibilities for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the "Code of Ethics for Professional Accountants" issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at June 30, 2018 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and

- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the unaudited pro forma financial information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
September 12, 2018

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 14 July, 2015 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the "Companies Law"). The Company's constitutional documents consist of its Memorandum of Association (the "Memorandum") and its Articles of Association (the "Articles").

1. MEMORANDUM OF ASSOCIATION

(a) The Memorandum states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.

(b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on September 6, 2018 with effect from the Listing Date. The following is a summary of certain provisions of the Articles:

(a) Shares

(i) *Classes of shares*

The share capital of the Company consists of ordinary shares.

(ii) *Variation of rights of existing shares or classes of shares*

Subject to the Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy (whatever the number of shares held by them) shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(iii) ***Alteration of capital***

The Company may by ordinary resolution of its members:

(i) increase its share capital by the creation of new shares;

(ii) consolidate all or any of its capital into shares of larger amount than its existing shares;

(iii) divide its shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;

(iv) subdivide its shares or any of them into shares of smaller amount than is fixed by the Memorandum; or

(v) cancel any shares which, at the date of passing of the resolution, have not been taken and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(iv) ***Transfer of shares***

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") or in such other form as the Board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the Board may approve from time to time.

The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the Board may dispense with the execution of the instrument of transfer by the transferee. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect of that share.

The Board may, in its absolute discretion, at any time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

The Board may decline to recognise any instrument of transfer unless a fee (not exceeding the maximum sum as the Stock Exchange may determine to be payable) determined by the Directors is paid to the Company, the instrument of transfer is properly stamped (if applicable), it is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in any newspaper or by any other means in accordance with the requirements of the Stock Exchange, at such times and for such periods as the Board may determine. The register of members must not be closed for periods exceeding in the whole thirty (30) days in any year.

Subject to the above, fully paid shares are free from any restriction on transfer and free of all liens in favour of the Company.

(v) ***Power of the Company to purchase its own shares***

The Company is empowered by the Companies Law and the Articles to purchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by the Stock Exchange.

Where the Company purchases for redemption a redeemable share, purchases not made through the market or by tender must be limited to a maximum price determined by the Company in general meeting. If purchases are by tender, tenders must be made available to all members alike.

(vi) ***Power of any subsidiary of the Company to own shares in the Company***

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

(vii) ***Calls on shares and forfeiture of shares***

The Board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the Board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the Board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the Board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the Board determines.

(b) **Directors**

(i) ***Appointment, retirement and removal***

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification. Further, there are no provisions in the Articles relating to retirement of Directors upon reaching any age limit.

The Directors have the power to appoint any person as a Director either to fill a casual vacancy on the Board or as an addition to the existing Board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and members of the Company may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated if:

(aa) he resigns by notice in writing delivered to the Company;

(bb) he becomes of unsound mind or dies;

(cc) without special leave, he is absent from meetings of the Board for six (6) consecutive months, and the Board resolves that his office is vacated;

(dd) he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;

(ee) he is prohibited from being a director by law; or

(ff) he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The Board may appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the Board may determine and the Board may revoke or terminate any of such appointments. The Board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the Board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed must, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

(ii) ***Power to allot and issue shares and warrants***

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued (a) with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Directors may determine, or (b) on terms that, at the option of the Company or the holder thereof, it is liable to be redeemed.

The Board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of the Stock Exchange and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company are at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the Board is obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the Board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(iii) ***Power to dispose of the assets of the Company or any of its subsidiaries***

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting.

(iv) ***Borrowing powers***

The Board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(v) ***Remuneration***

The ordinary remuneration of the Directors is to be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the Board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors are also entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any Board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such extra remuneration as the Board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the Board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The Board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The Board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the Board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vi) ***Compensation or payments for loss of office***

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(vii) ***Loans and provision of security for loans to Directors***

The Company must not make any loan, directly or indirectly, to a Director or his close associate(s) if and to the extent it would be prohibited by the Companies Ordinance (Chapter 622 of the laws of Hong Kong) as if the Company were a company incorporated in Hong Kong.

(viii) ***Disclosure of interests in contracts with the Company or any of its subsidiaries***

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and upon such terms as the Board may determine, and may be paid such extra remuneration therefor in addition to any remuneration provided for by or pursuant to the Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. The Board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

No Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company must declare the nature of his interest at the meeting of the Board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the Board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the Board approving any contract or arrangement or other proposal in which he or any of his close associates is materially interested, but this prohibition does not apply to any of the following matters, namely:

(aa) any contract or arrangement for giving to such Director or his close associate(s) any security or indemnity in respect of money lent by him or any of his close associates or obligations incurred or undertaken by him or any of his close associates at the request of or for the benefit of the Company or any of its subsidiaries;

(bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

(cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(dd) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company; or

(ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his close associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(c) **Proceedings of the Board**

The Board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it considers appropriate. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(d) **Alterations to constitutional documents and the Company's name**

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

(e) **Meetings of members**

(i) ***Special and ordinary resolutions***

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

Under the Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

(ii) ***Voting rights and right to demand a poll***

Subject to any special rights or restrictions as to voting for the time being attached to any shares, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorized representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where the Company has any knowledge that any shareholder is, under the rules of the Stock Exchange, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(iii) ***Annual general meetings and general meetings requisitioned by shareholders***

The Company must hold an annual general meeting of the Company every year within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of not more than eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of the Stock Exchange.

Extraordinary general meetings may be convened on the requisition of one or more shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the board or the secretary for the purpose of requiring an extraordinary general meeting to be called by the board for the transaction of any business specified in such requisition. Such meeting shall be held within 2 months after the deposit of such requisition. If within 21 days of such deposit, the board fails to proceed to convene such meeting, the requisitionist(s) himself/herself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the board shall be reimbursed to the requisitionist(s) by the Company.

(iv) ***Notices of meetings and business to be conducted***

An annual general meeting must be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear Business Days. All other general meetings must be called by notice of at least fourteen (14) clear days and not less than ten (10) clear Business Days. The notice is exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time and place of the meeting and particulars of resolutions to be considered at the meeting and, in the case of special business, the general nature of that business.

In addition, notice of every general meeting must be given to all members of the Company other than to such members as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to, among others, the auditors for the time being of the Company.

Any notice to be given to or by any person pursuant to the Articles may be served on or delivered to any member of the Company personally, by post to such member's registered address or by advertisement in newspapers in accordance with the requirements of the Stock Exchange. Subject to compliance with Cayman Islands law and the rules of the Stock Exchange, notice may also be served or delivered by the Company to any member by electronic means.

All business that is transacted at an extraordinary general meeting and at an annual general meeting is deemed special, save that in the case of an annual general meeting, each of the following business is deemed an ordinary business:

(aa) the declaration and sanctioning of dividends;

(bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;

(cc) the election of directors in place of those retiring;

(dd) the appointment of auditors and other officers;

(ee) the fixing of the remuneration of the directors and of the auditors;

(ff) the granting of any mandate or authority to the directors to offer, allot, grant options over or otherwise dispose of the unissued shares of the Company representing not more than twenty per cent (20%) in nominal value of its existing issued share capital; and

(gg) the granting of any mandate or authority to the directors to repurchase securities of the Company.

(v) ***Quorum for meetings and separate class meetings***

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

The quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(vi) ***Proxies***

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and is entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy is entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

(f) **Accounts and audit**

The Board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records must be kept at the registered office or at such other place or places as the Board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorised by the Board or the Company in general meeting. However, an exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles; however, subject to compliance with all applicable laws, including the rules of the Stock Exchange, the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

At the annual general meeting or at a subsequent extraordinary general meeting in each year, the members shall appoint an auditor to audit the accounts of the Company and such auditor shall hold office until the next annual general meeting. Moreover, the members may, at any general meeting, by special resolution remove the auditor at any time before the expiration of his terms of office and shall by ordinary resolution at that meeting appoint another auditor for the remainder of his term. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards which may be those of a country or jurisdiction other than the Cayman Islands. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor must be submitted to the members in general meeting.

(g) **Dividends and other methods of distribution**

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the Board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the Board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit.

The Company may also upon the recommendation of the Board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the Board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

(h) **Inspection of corporate records**

Pursuant to the Articles, the register and branch register of members shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK$2.50 or such lesser sum specified by the Board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK$1.00 or such lesser sum specified by the Board, at the office where the branch register of members is kept, unless the register is closed in accordance with the Articles.

(i) **Rights of minorities in relation to fraud or oppression**

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman Islands law, as summarised in paragraph 3(f) of this Appendix.

(j) **Procedures on liquidation**

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

(i) if the Company is wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively; and

(ii) if the Company is wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company is wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(k) **Subscription rights reserve**

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman Islands law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) **Company operations**

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) **Share capital**

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium.

The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and Articles of Association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the "**Court**"), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its Articles of Association, by special resolution reduce its share capital in any way.

(c) **Financial assistance to purchase shares of a company or its holding company**

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

(d) **Purchase of shares and warrants by a company and its subsidiaries**

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its Articles of Association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Companies Law expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's Articles of Association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its Articles of Association, purchase its own shares, including any redeemable shares. However, if the Articles of Association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company is to be treated as cancelled unless, subject to the memorandum and Articles of Association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company is not be treated as a member for any purpose and must not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share must not be voted, directly or indirectly, at any meeting of the company and must not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's Articles of Association or the Companies Law.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or Articles of Association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) **Dividends and distributions**

The Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and Articles of Association, the payment of dividends and distributions out of the share premium account. With the exception of the foregoing, there are no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits.

No dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

(f) **Protection of minorities and shareholders' suits**

The Courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and Articles of Association.

(g) **Disposal of assets**

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) **Accounting and auditing requirements**

A company must cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

An exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

(i) **Exchange control**

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) **Taxation**

Pursuant to the Tax Concessions Law of the Cayman Islands, the Company has obtained an undertaking:

(1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and

(2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from 2 May 2018.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not party to any double tax treaties.

(k) **Stamp duty on transfers**

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) **Loans to directors**

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

(m) **Inspection of corporate records**

Members of the Company have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

(n) **Register of members**

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. A branch register must be kept in the same manner in which a principal register is by the Companies Law required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time.

There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

(o) **Register of Directors and Officers**

The Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within sixty (60) days of any change in such directors or officers.

(p) **Beneficial Ownership Register**

An exempted company is required to maintain a beneficial ownership register at its registered office that records details of the persons who ultimately own or control, directly or indirectly, more than 25% of the equity interests or voting rights of the company or have rights to appoint or remove a majority of the directors of the company. The beneficial ownership register is not a public document and is only accessible by a designated competent authority of the Cayman Islands. Such requirement does not, however, apply to an exempted company with its shares listed on an approved stock exchange, which includes the Stock Exchange. Accordingly, for so long as the shares of the Company are listed on the Stock Exchange, the Company is not required to maintain a beneficial ownership register.

(q) **Winding up**

A company may be wound up (a) compulsorily by order of the Court, (b) voluntarily, or (c) under the supervision of the Court.

The Court has authority to order winding up in a number of specified circumstances including where the members of the company have passed a special resolution requiring the company to be wound up by the Court, or where the company is unable to pay its debts, or where it is, in the opinion of the Court, just and equitable to do so. Where a petition is presented by members of the company as contributories on the ground that it is just and equitable that the company should be wound up, the Court has the jurisdiction to make certain other orders as an alternative to a winding-up order, such as making an order regulating the conduct of the company's affairs in the future, making an order authorising civil proceedings to be brought in the name and on behalf of the company by the petitioner on such terms as the Court may direct, or making an order providing for the purchase of the shares of any of the members of the company by other members or by the company itself.

A company (save with respect to a limited duration company) may be wound up voluntarily when the company so resolves by special resolution or when the company in general meeting resolves by ordinary resolution that it be wound up voluntarily because it is unable to pay its debts as they fall due. In the case of a voluntary winding up, such company is obliged to cease to carry on its business (except so far as it may be beneficial for its winding up) from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court therein, there may be appointed an official liquidator or official liquidators; and the court may appoint to such office such person, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court must declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court.

As soon as the affairs of the company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and how the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting must be called by at least 21 days' notice to each contributory in any manner authorised by the company's Articles of Association and published in the Gazette.

(r) **Reconstructions**

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

(s) **Take-overs**

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(t) **Indemnification**

Cayman Islands law does not limit the extent to which a company's Articles of Association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

4. GENERAL

Conyers Dill & Pearman, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Document Delivered to the Registrar of Companies and Cayman Companies Law" in Appendix V to this prospectus. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR COMPANY AND SUBSIDIARIES

1. Incorporation

Our Company was incorporated in the Cayman Islands on July 14, 2015 as an exempted company with limited liability. Our registered office address is at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman KY1-1111, Cayman Islands. Accordingly, our Company's corporate structure and Memorandum and Articles are subject to the relevant laws of the Cayman Islands. A summary of our Memorandum and Articles of Association is set out in the section headed "Summary of the Constitution of our Company and Cayman Companies Law" in Appendix III to this Prospectus.

Our registered place of business in Hong Kong is at 40/F, Sunlight Tower, 248 Queen's Road East, Wanchai, Hong Kong. We were registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on May 9, 2018 with the Registrar of Companies in Hong Kong. Ms. So Shuk Yi Betty (蘇淑儀) has been appointed as the authorised representative of our Company for the acceptance of service of process in Hong Kong. The address for service of process is 40/F, Sunlight Tower, 248 Queen's Road East, Wanchai, Hong Kong.

As of the date of this Prospectus, our Company's head office is located at 7th Floor, No.1 Building, No. 398 Yard, Zhongdong Road, Dongxiaokou Town, Changping District, Beijing, PRC.

2. Changes in the share capital of our Company

As at the date of the Company's incorporation, the authorized share capital of the Company was divided into 100,000 Shares with par value of US$0.1 each. In July 2017, the Company allotted and issued 66,667 Shares to NP United Holding Ltd for a total subscription price of US$6,666.7. Please refer to the section headed "Share Capital" in this Prospectus for details of our share capital following completion of the Capitalization Issue and the Global Offering.

Save as disclosed above, there has been no alteration in the share capital of our Company since its incorporation.

3. Changes in the share capital of our subsidiaries

The list of our principal subsidiaries is set out under the financial statements in the Accountants' Report as included in Appendix I to this Prospectus. The following sets out the alterations in the registered capital of our subsidiaries that took place within two years preceding the date of this Prospectus.

(i) In April 2017, the registered capital of Suzhou Laopai Catering Management Co., Ltd. (蘇州撈派餐飲有限公司) was increased from RMB5.1 million to RMB6.1 million.

(ii) In April 2017, the registered capital of Shanghai Laopai Catering Management Co., Ltd. (上海撈派餐飲管理有限公司) was increased from RMB5 million to RMB18 million.

(iii) In May 2017, the registered capital of Shenzhen Haidilao Catering Co., Ltd. (深圳市海底撈餐飲有限責任公司) was increased from RMB1 million to RMB3.8 million.

(iv) In May 2017, the registered capital of Hangzhou Laopai Catering Management Co., Ltd. (杭州撈派餐飲有限公司) was increased from RMB1 million to RMB5.1 million.

(v) In May 2017, the registered capital of Ningbo Haidilao Catering Management Co., Ltd. (寧波海底撈餐飲管理有限公司) was increased from RMB5.1 million to RMB5.7 million.

(vi) In May 2017, the registered capital of Jiangsu Haidilao Catering Co., Ltd. (江蘇海底撈餐飲管理有限責任公司) was increased from RMB5 million to RMB16 million.

(vii) In May 2017, the registered capital of Wuhan Laopai Catering Management Co., Ltd. (武漢撈派餐飲管理有限公司) was increased from RMB10 million to RMB11.2 million.

(viii) In June 2017, the registered capital of Haihongda (Beijing) Catering Management Co., Ltd. (海鴻達(北京)餐飲管理有限公司) was increased from RMB100 million to RMB125 million.

(ix) In July 2017, the registered capital of Shenzhen Youdingyou Catering Management Co., Ltd. (深圳優鼎優餐飲管理有限公司) was increased from RMB1 million to RMB2,185,349.

(x) In October 2017, Singapore Hai Di Lao Catering Pte. Ltd. allotted and issued 2,999,999 ordinary shares to Haidilao Singapore for a total subscription price of SGD2,999,999.

(xi) In January 2018, the registered capital of Haidilao Korea Co., Ltd. was increased from KRW1,000,000,000 to KRW3,637,990,000.

(xii) In March 2018, the registered capital of Haidilao Korea Co., Ltd. was increased from KRW3,637,990,000 to KRW6,285,740,000.

(xiii) In April 2018, the registered capital of Shanghai Xinpai was increased from SGD1,000,000 to SGD18,000,000.

(xiv) In May 2018, the registered capital of Sichuan Xinpai was increased from SGD10,000,000 to SGD67,000,000.

(xv) In July 2018, the registered capital of Haihongda (Beijing) Catering Management Co., Ltd. (海鴻達(北京)餐飲管理有限公司) was increased from RMB125 million to RMB325 million.

Save as disclosed above, there has been no alteration in the share capital of any of our principal subsidiaries within the two years immediately preceding the date of this Prospectus.

4. Resolutions of the Shareholders of our Company dated September 6, 2018

Written resolutions of the Shareholders of our Company were passed on September 6, 2018, pursuant to which, among others:

(a) conditional on (1) the Listing Committee granting listing of, and permission to deal in, the Shares in issue and to be issued as stated in this Prospectus and such listing and permission not subsequently having been revoked prior to the commencement of dealing in the Shares on the Stock Exchange; (2) the Offer Price having been determined; (3) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms of the Underwriting Agreements or otherwise, in each case on or before such dates as may be specified in the Underwriting Agreements; and (4) the Underwriting Agreements having been duly executed by the Underwriters and the Company:

(i) the Global Offering was approved, and the proposed allotment and issue of the Offer Shares under the Capitalization Issue and the Global Offering were approved, and the Board was authorised to determine the Offer Price for, and to allot and issue the Offer Shares;

(ii) conditional on the Global Offering becoming unconditional, a general mandate was given to our Directors to exercise all powers of our Company to allot, issue and deal with Shares or securities convertible into Shares and to make or grant offers, agreements or options (including any warrants, bonds, notes and debentures conferring any rights to subscribe for or otherwise receive Shares) which might require Shares to be allotted and issued or dealt with subject to the requirement that the total number of the Shares so allotted and issued or agreed conditionally or unconditionally to be allotted and issued, otherwise than by way of the Global Offering, rights issue or pursuant to the exercise of any subscription rights attaching to any warrants which may be allotted and issued by the Company from time to time or allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles of Association on a specific authority granted by our Shareholders in a general meeting, shall not exceed the sum of (i) 20% of the total number of the Shares in issue immediately following the completion of the Capitalization Issue and the Global Offering and taking no account of Shares to be issued pursuant to the exercise of the Over-allotment Option; and (ii) the total number of Shares purchased by the Company pursuant to the authority granted to the Directors as referred to in (a)(iv) below;

(iii) conditional on the Global Offering becoming unconditional, a general mandate (the "**Repurchase Mandate**") was given to our Directors to exercise all powers of our Company to repurchase its own Shares on the Stock Exchange or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, in accordance with all applicable laws and the requirement of the Listing Rules such number of Shares as will represent up to 10% of the total number of the Shares in issue immediately following the completion of the Capitalization Issue and the Global Offering and taking no account of Shares to be issued pursuant to the exercise of the Over-allotment Option; and

(iv) the general mandate as mentioned in paragraph (iii) above was extended by the addition to the aggregate nominal value of the Shares which may be allotted and issued or agreed to be allotted and issued by our Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the Shares purchased by our Company pursuant to the mandate to purchase Shares referred to in paragraph (iv) above (up to 10% of the total number of the Shares in issue immediately following the completion of the Global Offering;

(b) conditional upon the share premium account of our Company being credited as a result of the issue of the Offer Shares pursuant to the Global Offering, our Directors were authorized to allot and issue on the Listing Date a total of 1,542,130,000 Shares, credited as fully-paid, at par to our Shareholders whose names appear of the register of members of our Company at close of business on September 6, 2018 in proportion to their then respective shareholdings by way of capitalization of the sum of US$7,710.65 standing to the credit of the share premium account of our Company, and such Shares to be allotted and issued pursuant to the Capitalization Issue shall rank pari passu in all respects with the existing issued Shares.

(c) every share of US$0.10 of the Company was subdivided into 20,000 Shares of US$0.000005 each;

(d) the authorised share capital of our Company was increased from US$16,666.70 divided into 3,333,340,000 Shares of US$0.000005 each to US$50,000 divided into 10,000,000,000 Shares of US$0.000005 each;

(e) our Company conditionally approved and adopted the Memorandum and approved and adopted the Articles of Association with effect from the Listing.

Each of the general mandates referred to above will remain in effect until whichever is the earliest of:

- the conclusion of the next annual general meeting of our Company;
- the expiration of the period within which the next annual general meeting of our Company is required to be held by any applicable law or the Articles; or
- the time when such mandate is revoked or varied by an ordinary resolution of the Shareholders in a general meeting.

5. Repurchase of our own securities

The following paragraphs include, among others, certain information required by the Stock Exchange to be included in this Prospectus concerning the repurchase of our own securities.

(a) ***Provision of the Listing Rules***

The Listing Rules permit companies with a primary listing on the Stock Exchange to repurchase their own securities on the Stock Exchange subject to certain restrictions, the most important of which are summarised below:

(i) *Shareholder's approval*

All proposed repurchases of securities (which must be fully paid up in the case of shares) by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders in a general meeting, either by way of general mandate or by specific approval of a particular transaction.

Pursuant to a resolution passed by our Shareholders on September 6, 2018, the Repurchase Mandate was given to our Directors authorising them to exercise all powers of our Company to repurchase Shares on the Stock Exchange, or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, with a total nominal value up to 10% of the total number of our Shares in issue immediately following the completion of the Capitalization Issue and the Global Offering with such mandate to expire at the earliest of (i) the conclusion of the next annual general meeting of our Company (unless otherwise renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions), (ii) the expiration of the period within which our Company's next annual general meeting is required by the Articles of Association or any other applicable laws to be held, and (iii) the date on which it is varied or revoked by an ordinary resolution of our Shareholders in a general meeting.

(ii) *Source of funds*

Purchases must be funded out of funds legally available for the purpose in accordance with the Memorandum and Articles and the applicable laws and regulations of Hong Kong and the Cayman Islands. A listed company may not purchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time. As a matter of Cayman law, any purchases by the Company may be made out of profits or out of the proceeds of a new issue of shares made for the purpose of the purchase or from sums standing to the credit of our share premium account. Any premium payable on the purchase over the par value of the shares to be purchased must have been provided for out of profits or from sums standing to the credit of our share premium account. A purchase may also be paid out of capital if the Company can satisfy the statutory solvency test prescribed by the Cayman Companies Law.

(iii) *Trading restrictions*

The total number of shares which a listed company may repurchase on the Stock Exchange is the number of shares representing up to a maximum of 10% of the aggregate number of shares in issue. A company may not issue or announce a proposed issue of new securities for a period of 30 days immediately following a repurchase (other than an issue of securities pursuant to an exercise of warrants, share options or similar instruments requiring the company to issue securities which were outstanding prior to such repurchase) without the prior approval of the Stock Exchange. In addition, a listed company is prohibited from repurchasing its shares on the Stock Exchange if the purchase price is 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Stock Exchange. The Listing Rules also prohibit a listed company from repurchasing its securities if the repurchase would result in the number of listed securities which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange. A listed company is required to procure that the broker appointed by it to effect a repurchase of securities discloses to the Stock Exchange such information with respect to the repurchase as the Stock Exchange may require.

(iv) *Status of repurchased Shares*

The listing of all purchased securities (whether on the Stock Exchange or otherwise) is automatically cancelled and the relative certificates must be cancelled and destroyed. Under the laws of the Cayman Islands, unless, prior to the purchase the directors of the Company resolve to hold the shares purchased by the Company as treasury shares, shares purchased by the Company shall be treated as cancelled and the amount of the Company's issued share capital shall be diminished by the nominal value of those shares. However, the purchase of shares will not be taken as reducing the amount of the authorised share capital under Cayman law.

(v) *Suspension of repurchase*

A listed company may not make any repurchase of securities after a price sensitive development has occurred or has been the subject of a decision until such time as the price sensitive information has been made publicly available. In particular, during the period of one month immediately preceding the earlier of (a) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of a listed company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules) and (b) the deadline for publication of an announcement of a listed company's results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), the listed company may not repurchase its shares on the Stock Exchange other than in exceptional circumstances. In addition, the Stock Exchange may prohibit a repurchase of securities on the Stock Exchange if a listed company has breached the Listing Rules.

(vi) *Reporting requirements*

Certain information relating to repurchases of securities on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the following

Business Day. In addition, a listed company's annual report is required to disclose details regarding repurchases of securities made during the year, including a monthly analysis of the number of securities repurchased, the purchase price per share or the highest and lowest price paid for all such repurchases, where relevant, and the aggregate prices paid.

(vii) *Core connected persons*

The Listing Rules prohibit a company from knowingly purchasing securities on the Stock Exchange from a "core connected person", that is, a director, chief executive or substantial shareholder of the company or any of its subsidiaries or a close associate of any of them (as defined in the Listing Rules) and a core connected person shall not knowingly sell his securities to the company.

(b) ***Reasons for repurchases***

Our Directors believe that it is in the best interests of our Company and Shareholders for our Directors to have a general authority from the Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share or earnings per Share and will only be made where our Directors believe that such repurchases will benefit our Company and Shareholders.

(c) ***Funding of repurchases***

Repurchase of the Shares must be funded out of funds legally available for such purpose in accordance with the Articles of Association and the applicable laws of the Cayman Islands. Our Directors may not repurchase the Shares on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange.

However, our Directors do not propose to exercise the general mandate to such an extent as would, in the circumstances, have a material and adverse effect on the working capital requirements of the Company or its gearing levels which, in the opinion of our Directors, are from time to time appropriate for the Company.

(d) ***General***

The exercise in full of the Repurchase Mandate, on the basis of 5,300,000,000 Shares in issue immediately following the completion of the Capitalization Issue and the Global Offering (assuming the Over-allotment Option is not exercised), could accordingly result in up to approximately 530,000,000 Shares being repurchased by our Company during the period prior to the earliest of:

- the conclusion of the next annual general meeting of our Company unless renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions;

- the expiration of the period within which our Company's next annual general meeting is required by the Articles of Association or any other applicable laws to be held; or

- the date on which it is varied or revoked by an ordinary resolution of our Shareholders in a general meeting.

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their associates currently intends to sell any Shares to our Company.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws in the Cayman Islands.

If, as a result of any repurchase of Shares, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

Our Directors will not exercise the Repurchase Mandate if the repurchase would result in the number of Shares which are in the hands of the public falling below 25% of the total number of Shares in issue (or such other percentage as may be prescribed as the minimum public shareholding under the Listing Rules or waived by the Stock Exchange).No core connected person of our Company has notified our Company that he or she or it has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of material contracts

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of our Group within the two years preceding the date of this Prospectus and are or may be material:

(a) the Deed of Indemnity;

(b) the Deed of Non-competition;

(c) a cornerstone investment agreement dated September 7, 2018 entered into among the Company, the Joint Global Coordinators, Gaoling Fund, L.P. and YHG Investment, L.P.;

(d) a cornerstone investment agreement dated September 7, 2018 entered into among the Company, the Joint Global Coordinators and Greenwoods Asset Management Limited;

(e) a cornerstone investment agreement dated September 7, 2018 entered into among the Company, the Joint Global Coordinators, Morgan Stanley Asia Limited (as agent on behalf of its discretionary account clients and funds) and Morgan Stanley Investment Management Inc. (as agent on behalf of its discretionary account clients and funds);

(f) a cornerstone investment agreement dated September 7, 2018 entered into among the Company, the Joint Global Coordinators, Snow Lake China Master Fund, Ltd., Snow Lake China Master Long Fund, Ltd. and Snow Lake Asia Master Fund Limited;

(g) a cornerstone investment agreement dated September 7, 2018 entered into among the Company, the Joint Global Coordinators and WF Asian Smaller Companies Fund Limited; and

(h) the Hong Kong Underwriting Agreement.

2. Intellectual property rights

(a) *Trademarks*

As of the Latest Practicable Date, we have been granted an exclusive license of class 43 to use the following registered trademarks in our operations, which are considered to be or may be material to our business:

No.	Trademark	Place of Registration	Registrant	Registration Number	Expiry Date
1	海底捞	PRC	Sichuan Haidilao	983760	April 13, 2027
2	Hi	PRC	Sichuan Haidilao	19179661	April 6, 2027
3	Hi 海底捞	PRC	Sichuan Haidilao	19179791	March 13, 2028
4	海底捞	Hong Kong	Sichuan Haidilao	300658521	June 13, 2026
5	Hi 海底捞	Hong Kong	Sichuan Haidilao	303725046	March 24, 2026
6	海底捞	Macau	Sichuan Haidilao	N/022769	October 9, 2020
7	Hi 海底捞	Macau	Sichuan Haidilao	N/110915	September 26, 2023

No.	Trademark	Place of Registration	Registrant	Registration Number	Expiry Date
8	海底捞	Taiwan	Sichuan Haidilao	1259698	April 15, 2027
9	Hi 海底捞	Taiwan	Sichuan Haidilao	1805563	November 15, 2026
10	海底捞	Australia	Sichuan Haidilao	1326071	October 14, 2019
11	Hi 海底捞	Australia	Sichuan Haidilao	1763050	April 5, 2026
12	海底捞	Canada	Sichuan Haidilao	TMA782347	November 15, 2025
13	Hi 海底捞	Canada	Sichuan Haidilao	TMA984590	November 9, 2032
14	海底捞	Singapore	Sichuan Haidilao	T0911618I	October 14, 2019
15	Hi 海底捞	Singapore	Sichuan Haidilao	40201605858S	April 1, 2026
16	Hi	Singapore	Sichuan Haidilao	40201607952X	May 12, 2026
17	海底捞	South Korea	Sichuan Haidilao	45-0034005	March 2, 2021
18	Hi 海底捞	South Korea	Sichuan Haidilao	41-0384749	January 23, 2027
19	Hi	South Korea	Sichuan Haidilao	41-0386227	February 6, 2027

No.	Trademark	Place of Registration	Registrant	Registration Number	Expiry Date
20	海底捞	Malaysia	Sichuan Haidilao	9018820	October 28, 2019
21	Hi 海底捞	Malaysia	Sichuan Haidilao	2016056898	April 15, 2026
22	海底捞	Japan	Sichuan Haidilao	5325883	May 28, 2020
23	Hi 海底捞	Japan	Sichuan Haidilao	5931094	March 10, 2027
24	Hi	Japan	Sichuan Haidilao	5922215	February 10, 2027
25	海底捞	European Union	Sichuan Haidilao	8618332	October 15, 2019
26	Hi 海底捞	European Union	Sichuan Haidilao	15273469	March 23, 2026
27	海底捞	The United States	Sichuan Haidilao	3861107	October 12, 2020
28	海底捞	Indonesia	Sichuan Haidilao	IDM000311741	January 4, 2020
29	海底捞	Thailand	Sichuan Haidilao	753699	December 21, 2019

As of the Latest Practicable Date, we have been granted an exclusive license of class 43 to use the following trademarks which are currently in the progress of application and considered to be material to our business.

No.	Trademark	Place of Registration	Registrant	Application Number	Application Date
1	Hi 海底捞	The United States	Sichuan Haidilao	86959096	March 31, 2016
2	Hi 海底捞	Indonesia	Sichuan Haidilao	J002016015522	April 4, 2016
3	Hi 海底捞	Thailand	Sichuan Haidilao	1035476	April 1, 2016
4	Hi	The United Kingdom	Sichuan Haidilao	UK00003252042	August 23, 2017
5	Hi 海底捞	The United Kingdom	Sichuan Haidilao	UK00003252046	August 23, 2017

(b) ***Copyrights***

As at the Latest Practicable Date, we had no copyrights which we consider to be or may be material to our Business.

(c) ***Patents***

As of the Latest Practicable Date, we have been granted an exclusive license to use the following patents which we consider to be or may be material to our business:

No.	Patent	Place of Registration	Registrant	Patent Number	Type	Application Date
1	Gas self-exhaust hot pot stove (燃氣灶式自排氣火鍋爐)	PRC	Sichuan Haidilao	2011202823429	Utility	August 4, 2011
2	Induction self-exhaust hot pot stove (電磁爐式自排氣火鍋爐)	PRC	Sichuan Haidilao	2011202823452	Utility	August 4, 2011

As of the Latest Practicable Date, we have applied for the registration of the following patents which we consider to be or may be material to our business:

No.	Patent	Place of Registration	Registrant	Application Number	Type	Application Date
1	Hot pot cleaning device (火鍋盆清洗裝置)	PRC	Haidilao Singapore Hunan Xishuashua Intelligent Washing Equipment Co., Ltd. (湖南洗唰唰智能洗淨設備有限責任公司)	2018205549061	Utility	April 18, 2018
2	Hot pot cleaning device (火鍋盆清洗裝置)	PRC	Haidilao Singapore Hunan Xishuashua Intelligent Washing Equipment Co., Ltd. (湖南洗唰唰智能洗淨設備有限責任公司)	2018103509647	Patent	April 18, 2018

As of the Latest Practicable Date, we owned the following patents which we consider to be material to be or may be material to our business:

No.	Patent	Place of Registration	Registrant	Patent Number	Type	Application Date
1	Washing machine (清洗機)(1)	PRC	Haidilao Singapore Hunan Xishuashua Intelligent Washing Equipment Co., Ltd. (湖南洗唰唰智能洗淨設備有限責任公司)	2018301604506	Design	April 18, 2018
2	Washing machine (清洗機)(2)	PRC	Haidilao Singapore Hunan Xishuashua Intelligent Washin Equipment Co., Ltd. (湖南洗唰唰智能洗淨設備有限責任公司)	2018301604493	Design	April 18, 2018

3. Domain names, mobile applications and WeChat public accounts

As of the Latest Practicable Date, we owned the following domain names which we consider to be material to be or may be material to our business:

No.	Domain Name	Registered Owner	Expiry Date
1	haidilao.com	Haihongda (Beijing) Catering Management Co., Ltd.	October 30, 2024

As of the Latest Practicable Date, we have developed the following mobile application which we consider to be or may be material to our business:

Name	Owner
Haidilao (海底撈)	Haihongda (Beijing) Catering Management Co., Ltd.

As of the Latest Practicable Date, we have been granted an exclusive license to use the following WeChat public account which we consider to be or may be material to our business:

Name	Account	Owner
Haidilao Hot Pot (海底撈火鍋)	haidilaohotpot	Sichuan Haidilao

Save as aforesaid, as of the Latest Practicable Date, there were no other trade or service marks, patents, intellectual or industrial property rights which were material in relation to our business.

C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Particulars of Directors' service contracts and appointment letters

(a) ***Executive Directors and non-executive Directors***

Each of our executive Directors and non-executive Director has entered into a service contract with our Company on September 6, 2018. The initial term of their respective service contract shall commence from the date of the appointment as a Director and continue for a period of three years after or until the third annual general meeting of the Company since the Listing Date, whichever is earlier, and shall be automatically renewed for successive periods of three years (subject always to re-election as and when required under the Articles), until terminated in accordance with the terms and conditions of the service contract or by either party giving to the other not less than 30 days' prior notice in writing.

The annual director's fees of the Directors payable by our Company are as follows:

Executive Directors and non-executive Directors	RMB
Mr. Zhang	14,000,000
Ms. Shu	1,160,000
Mr. Shi Yonghong	4,500,000
Mr. Shao Zhidong	2,180,000
Mr. Tong Xiaofeng	2,400,000

(b) ***Independent non-executive Directors***

Each of our independent non-executive Directors has entered into an appointment letter with our Company on September 6, 2018. The initial term for their appointment letters shall be three years from the date of this Prospectus or until the third annual general meeting of the Company since the Listing Date, whichever is sooner, (subject always to re-election as and when required under the Articles) until terminated in accordance with the terms and conditions of the appointment letter or by either party giving to the other not less than three months' prior notice in writing. Under these appointment letters, each of our independent non-executive Directors will receive an annual director's fee of SGD120,000.

2. Remuneration of Directors

(a) Remuneration and benefits in kind of approximately RMB13.91 million, RMB27.22 million, RMB27.78 million and RMB12.26 million in aggregate were paid and granted by our Group to our Directors in respect of the years ended December 31, 2015, 2016 and 2017 and six months ended June 30, 2018.

(b) Under the arrangements currently in force, our Directors will be entitled to receive remuneration and benefits in kind which, for the year ending December 31, 2018, is expected to be approximately RMB25.95 million in aggregate (excluding discretionary bonus).

3. Disclosure of interests

(a) ***Interests and short positions of our Directors and the chief executive of our Company in the share capital of our Company and its associated corporations following completion of the Capitalization Issue and the Global Offering***

Immediately following completion of the Capitalization Issue and the Global Offering (without taking into account any shares which may be issued pursuant to the exercise of the Over-allotment Option) the interests or short positions of our Directors and chief executive in the Shares, underlying shares and debentures of our Company and its associated corporations, within the meaning of Part XV of the SFO, which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she is taken or deemed to have under such provisions of the SFO), or which will be required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein, or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, will be as follows:

(i) *Interest in the Company*

Name of Directors/ Chief Executive	Nature of Interest	Number of Shares	Approximate Percentage of Interest
Mr. Zhang (1)(2)(6) . .	Founder of a discretionary trust Interest of spouse Interest in a controlled corporation	3,636,001,243	68.6038%
Ms. Shu (1)(3)	Founder of a discretionary trust Interest of spouse Interest in a controlled corporation	3,636,001,243	68.6038%
Mr. Shi Yonghong(4)(5) . . .	Founder of a discretionary trust Interest of spouse Interest in a controlled corporation	868,924,027	16.3948%

Notes:

(1) Ms. Shu is the spouse of Mr. Zhang. Therefore, Ms. Shu is deemed to be interested in the Shares in which Mr. Zhang is interested and Mr. Zhang is deemed to be interested in the Shares in which Ms. Shu is interested under the SFO.

(2) ZY NP Ltd. is an investment holding company incorporated in the BVI. The entire share capital of ZY NP Ltd. is wholly owned by UBS Trustees (B.V.I.) Limited as the trustee of the Apple Trust. Apple Trust is a discretionary trust set up by Mr. Zhang as the settlor and protector on August 22, 2018 for the benefit of himself and Ms. Shu. Mr. Zhang (as the founder of the Apple Trust) and UBS Trustees (B.V.I.) Limited are taken to be interested in the Shares held by ZY NP Ltd. under the SFO.

(3) SP NP Ltd. is an investment holding company incorporated in the BVI. The entire share capital of SP NP Ltd. is wholly owned by UBS Trustees (B.V.I.) Limited as the trustee of the Rose Trust. Rose Trust is a discretionary trust set up by Ms. Shu as the settlor and protector on August 22, 2018 for the benefit of herself and Mr. Zhang. Ms. Shu (as the founder of the Rose Trust) and UBS Trustees (B.V.I.) Limited are taken to be interested in the Shares held by SP NP Ltd. under the SFO.

(4) Ms. Li Haiyan is the spouse of Mr. Shi. Therefore, Ms. Li is deemed to be interested in the Shares in which Mr. Shi is interested and Mr. Shi is deemed to be interested in the Shares in which Ms. Li Haiyan is interested under the SFO.

(5) SYH NP Ltd. and LHY NP Ltd. are both investment holding companies incorporated in the BVI and entire share capital of which is wholly owned by UBS Trustees (B.V.I.) Limited as the trustee of the Cheerful Trust. Cheerful Trust is a discretionary trust set up by Mr. Shi Yonghong and Ms. Li Haiyan as the settlors and protectors on August 22, 2018 for their own benefit. Mr. Shi Yonghong and Ms. Li Haiyan (as the founders of the Cheerful Trust) and UBS Trustees (B.V.I.) Limited are taken to be interested in the Shares held by SYH NP Ltd. and LHY NP Ltd.for the under the SFO.

(6) NP United Holding Ltd. is an investment holding company incorporated in the BVI and is owned as to approximately 51.778% by ZY NP Ltd. and 16.074% by each of SP NP Ltd., SYH NP Ltd. and LHY NP Ltd., respectively. Therefore, Mr. Zhang, ZY NP Ltd. and UBS Trustees (B.V.I.) Limited are deemed to be interested in the Shares in which NP United Holding Ltd is interested under the SFO.

(ii) *Interest in associated corporations*

Name of Directors/ Chief Executive	Name of Associated Corporation	Nature of Interest	Percentage of Shareholding in the Associated Corporation
Mr. Zhang	Fuhai (Shanghai) Food Technology Co., Ltd.(1)	Founder of a discretionary trust Interest of controlled corporation(2)	60%
Ms. Shu	Fuhai (Shanghai) Food Technology Co., Ltd.(1)	Founder of a discretionary trust Interest of controlled corporation(2)	60%

Notes:

(1) Fuhai (Shanghai) Food Technology Co., Ltd. is held as to 40% by the Shanghai Xinpai and 60% by Yihai (Shanghai) Food Co., Ltd., a wholly-owned subsidiary of Yihai, and therefore is an associated corporation of the Company under the SFO.

(2) Yihai is held as of approximately 35.59% by ZYSP YIHAI Ltd. The entire share capital of ZYSP YIHAI Ltd.is wholly owned by UBS Trustees (B.V.I.) Limited as the trustee of the ZYSP Trust, a discretionary trust set up by Mr. Zhang and Ms. Shu Ping as the settlors and protectors on June 1, 2016 for their own benefit. Mr. Zhang and Ms. Shu (as founders of the ZYSP Trust) are deemed to be interested in the shares of Fuhai (Shanghai) Food Technology Co., Ltd. held by Yihai (Shanghai) Food Co., Ltd. under the SFO.

(b) ***Interests and short positions discloseable under Divisions 2 and 3 of Part XV of the SFO***

For information on the persons who will, immediately following the completion of the Capitalization Issue and the Global Offering and taking no account of any Shares which may be issued pursuant to exercise of the Over-allotment Option, having or be deemed or taken to have beneficial interests or short position in our Shares or underlying shares which would fall to be disclosed to our Company under the provisions of 2 and 3 of Part XV of the SFO, or directly or indirectly be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company, see the section headed "Substantial Shareholders" in this Prospectus.

Immediately following completion of the Capitalization Issue and the Global Offering and taking no account of any Shares which may be issued pursuant to exercise of the Over-allotment Option, the following persons directly or indirectly be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of other members of our Group (excluding out Company):

Name	Member of our Group	Nature of Interest	Approximate Percentage of Interest
Mr. Li Tao (李濤)[1]	Jiaozuo Qingfeng Haidilao Catering Co., Ltd.	Beneficial Owner	49%
Panasonic Asia Pacific Pte. Ltd.[2]	Ying Hai Holdings Pte. Ltd.	Beneficial Owner	49%
Panasonic Holding (Netherlands) B. V.[2]	Ying Hai Holdings Pte. Ltd.	Interest in a Controlled Corporation	49%
Panasonic Corporation[2]	Ying Hai Holdings Pte. Ltd.	Interest in a Controlled Corporation	49%

(1) Mr. Li Tao is an Independent Third Party

(2) Panasonic Asia Pacific Pte. Ltd. is a wholly-owned subsidiary of Panasonic Holding (Netherlands) B. V., which is a wholly-owned by Panasonic Corporation, a company listed on the Tokyo Stock Exchange (stock code: 6752). Panasonic Holding (Netherlands) B.V. and Panasonic Corporation are deemed to be interested in the shares of Ying Hai Holdings Pte. Ltd. held by Panasonic Asia Pacific Pte. Ltd. under the SFO. Each of Panasonic Asia Pacific Pte. Ltd., Panasonic Holding (Netherlands) B.V. and Panasonic Corporation is an Independent Third Party.

Save as set out above, as of the Latest Practicable Date, our Directors were not aware of any persons who would, immediately following the completion of the Capitalization Issue and the Global Offering and taking no account of any Shares which may be issued pursuant to exercise of the Over-allotment Option, be interested, directly or indirectly, in 10% or more of the nominal of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group or had option in respect of such Capital.

4. Disclaimers

Save as disclosed in this Prospectus:

(a) there are no existing or proposed service contracts (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)) between the Directors and any member of the Group;

(b) none of the Directors or the experts named in "— Other Information — Qualifications and Consents of Experts" of this Appendix has any direct or indirect interest in the promotion of, or in any assets which have been, within the two years immediately preceding the date of this Prospectus, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group;

(c) taking no account of any Shares which may be taken up under the Global Offering, so far as is known to any Director or chief executive of the Company, no other person (other than a Director or chief executive or substantial shareholder of the Company) will, immediately following completion of the Capitalization Issue and the Global Offering, have interests or short positions in the Shares and underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or (not being a member of the Group), be interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group; and

(d) none of the Directors or chief executive of the Company has any interests or short positions in the Shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered into the register referred to therein, or will be required, pursuant to the Model Code for Securities Transaction by Directors of Listed Issuers, to be notified to the Company and the Stock Exchange once the Shares are listed thereon.

(e) save as disclosed in this Prospectus or in connection with the Underwriting Agreements, none of our Directors nor any of the parties listed in "— Other Information — Qualifications and Consents of Experts" of this Appendix is materially interested in any contract or arrangement subsisting at the date of this Prospectus which is significant in relation to the business of our Group as a whole;

(f) save in connection with the Underwriting Agreements, none of the parties listed in "— Other Information — Qualifications and Consents of Experts" of this Appendix: (i) is interested legally or beneficially in any of our Shares or any shares in any of our subsidiaries; or (ii) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group; and

(g) save as disclosed in this Prospectus, none of our Directors or their respective close associates or any Shareholders of our Company (who to the knowledge of our Directors owns more than 5% of the number of our issued shares) has any interest in our five largest suppliers or our five largest customers.

D. OTHER INFORMATION

1. Estate duty

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of our subsidiaries.

2. Indemnity

The Existing Shareholders have entered into the Deed of Indemnity with our Company, pursuant to which they have agreed to indemnify our Group against any claims, fines and other liabilities arising from the non-compliance incidents as set forth in the section headed "Business — Compliance, Licenses and Permits". The Deed of Indemnity is conditional on the conditions set out in the paragraph headed "Conditions of the Hong Kong Public Offering" in the section headed "Structure and Conditions of the Global Offering" being fulfilled.

3. Litigation

So far as our Directors are aware, no litigation or claim of material importance is pending or threatened against any member of our Group.

4. Joint Sponsors

The Joint Sponsors have made an application on our behalf to the Listing Committee for the listing of, and permission to deal in, the Shares in issue, the Shares to be issued pursuant to the Capitalization Issue and the Global Offering (including the additional Shares which may fall to be issued pursuant to exercise of the Over-allotment Option). All necessary arrangements have been made to enable such Shares to be admitted into CCASS.

Each of the Joint Sponsors will be paid by our Company a fee of US$0.5 million to act as a sponsor to the Company in connection with the Listing.

5. Promoters

The Company has no promoter for the purpose of the Listing Rules.

6. Qualifications and consents of experts

The following experts have each given and have not withdrawn their respective written consents to the issue of this Prospectus with copies of their reports, letters, opinions or summaries of opinions (as the case may be) and the references to their names included herein in the form and context in which they are respectively included.

Name	Qualification
CMB International Capital Limited	A licensed corporation to conduct type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO
Goldman Sachs (Asia) L.L.C.	A licensed corporation to conduct type 1 (dealing in securities), type 4 (advising on securities), type 5 (advising on futures contracts), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO
Jingtian & Gongcheng	Legal advisers as to PRC law
Conyers Dill & Pearman	Cayman Islands attorneys-at-law
Drew & Napier LLC	Legal advisers as to Singapore law
Lee and Li, Attorneys-at-Law	Legal advisers as to Taiwan law
Deloitte Touche Tohmatsu	Certified public accountants
Frost & Sullivan	Independent industry consultant
Taitong Construction Co., Ltd. (太通建設有限公司)	Fire safety consultant

As of the Latest Practicable Date, none of the experts named above had any shareholding interest in our Company or any of our subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

7. Binding effect

This Prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies Ordinance so far as applicable.

8. No material or adverse change

Our Directors believe that there has been no material or adverse change in the financial or trading or prospects of the Group since June 30, 2018 (being the date to which the latest audited consolidated financial statements of the Group were prepared).

9. Bilingual document

The English language and Chinese language versions of this Prospectus are being published separately in reliance upon the exemption provided by section 4 of Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

10. Preliminary expenses

We have not incurred any preliminary expenses.

11. Disclaimers

(a) Save as disclosed in this Prospectus:

(i) within the two years immediately preceding the date of this Prospectus, neither we nor any of our subsidiaries has issued or agreed to issue any share or loan capital fully or partly paid up either for cash or for a consideration other than cash;

(ii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

(iii) within the two years immediately preceding the date of this Prospectus, no commissions, discounts, brokerage or other special terms have been granted in connection with the issue or sale of any shares or loan capital of any member of the Group;

(iv) within the two years immediately preceding the date of this Prospectus, no commission has been paid or payable to any persons for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any shares of the Company or any of its subsidiaries;

(v) no Founder, management or deferred shares of the Company or any of its subsidiaries have been issued or agreed to be issued;

(vi) the Company has no outstanding convertible debt securities or debentures;

(vii) there is no arrangement under which future dividends are waived or agreed to be waived; and

(viii) or is agreed conditionally or unconditionally to be put under option.

(b) Our Directors confirm that there has not been any interruption in the business of the Company which may have or have had a material and adverse effect on the financial position of the Company in the 12 months immediately preceding the date of this Prospectus.

(c) None of the equity and debt securities of the Company, if any, is listed or dealt with in any other stock exchange nor is any listing or permission to deal being or proposed to be sought.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this Prospectus delivered to the Registrar of Companies in Hong Kong for registration were, among other documents:

(a) copies of **WHITE**, **YELLOW** and **GREEN** Application Forms;

(b) the written consents referred to in "Appendix IV — Statutory and General Information — C. Further Information about Our Directors and Substantial Shareholders — 6. Qualifications and Consents of Experts" in to this Prospectus; and

(c) copies of the material contracts referred to in "Appendix IV — Statutory and General Information — B. Further Information about Our Business — 1. Summary of Material Contracts."

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection the Company's principle place of business in Hong Kong at 40/F Sunlight Tower, 248 Queen's Road East, Wanchai, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this Prospectus:

(a) the Memorandum and the Articles and the Articles of Association;

(b) the Accountants' Report and the report on the unaudited pro forma financial information of our Group prepared by Deloitte Touche Tohmatsu, the texts of which are set out in Appendices I and II to this Prospectus;

(c) the audited consolidated financial statements of our Company for the three years ended December 31 2015, 2016 and 2017 and the six months ended June 30, 2018;

(d) the PRC legal opinion issued by Jingtian & Gongcheng, our legal adviser on PRC law, in respect of general matters and property interests of our Group;

(e) the letter of advice prepared by Conyers Dill & Pearman, our legal advisers on Cayman Islands law, summarizing certain aspects of the company law of the Cayman Islands referred to in Appendix III to this Prospectus;

(f) the Singapore legal opinion issued by Drew & Napier LLC, our Singapore Legal Advisers, in respect to general matters of our Singapore subsidiaries;

(g) the Taiwan legal opinion issued by Lee and Li, Attorneys-at-Law, our Taiwan Legal Advisers, in respect to general matters of our Taiwan subsidiaries;

(h) the Cayman Companies Law;

(i) the F&S Report;

(j) the reports issued by Taitong Construction Co., Ltd., the fire safety consultant, in respect of their findings on the fire safety inspection on certain restaurants and standalone delivery service stations which had not obtained relevant fire safety approvals;

(k) the written consents referred to in "Appendix IV — Statutory and General Information — C. Further Information about Our Directors and Substantial Shareholders — 6. Qualifications and Consents of Experts";

(l) the material contracts referred to in "Appendix IV — Statutory and General Information — B. Further Information about our Business — 1. Summary of Material Contracts"; and

(m) the service contracts and the letters of appointment with our Directors referred to in "Appendix IV — Statutory and General Information — C. Further Information about Our Directors and Substantial Shareholders — 1. Particulars of Directors' Service Contracts and Appointment Letters".

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