In the following section we discuss our historical financial results for the years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2021 and 2022. You should read the following discussion and analysis together with our audited consolidated financial statements as of and for the years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2022, and the accompanying notes included in the Accountant's Report in Appendix I to this document. Our consolidated financial statements have been prepared in accordance with IFRS.

This discussion and analysis contain forward-looking statements that reflect our current views with respect to future events and our financial performance and involves risks and uncertainties. These statements are based on our assumptions and analysis in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and predictions depends on a number of risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of any number of factors. In evaluating our business, you should carefully consider the information provided in this document, including "Risk Factors" and "Business".

OVERVIEW

We are Domino's Pizza's exclusive master franchisee in the China mainland, the Hong Kong Special Administrative Region of China and the Macau Special Administrative Region of China. Our brand, Domino's Pizza, is one of the most widely-recognized consumer brands in the world, according to the Frost & Sullivan Report. Our global franchisor, Domino's Pizza, Inc., is the world's largest pizza company in terms of 2021 global retail sales.

Our comprehensive business model features (a) a menu that is both global and local, supported by our supply chain management, logistics management and quality assurance systems, (b) differentiated delivery expertise with a 30-minute delivery promise and a fleet of dedicated riders, enabling high-quality food delivered in a timely and reliable manner, (c) technologies to better serve customers and enhance our operations and (d) a store economic model that provides the foundation for our fast-growing store network and improving profitability in the Track Record Period. This business model is purpose-built for serving Chinese consumers delicious, value for money pizza through online channels, with an emphasis on delivery, which we believe differentiates us from our competitors.

Leveraging our unique, focused business model, we have delivered a track record of consistent and rapid growth during the Track Record Period. We are the fastest growing among China's top five pizza brands, as well as the third largest in terms of 2021 revenue, according to the Frost & Sullivan Report. Over the course of the Track Record Period, the number of Domino's Pizza stores in our network grew from 188 as of January 1, 2019 to 508 as of June 30, 2022, representing an increase of 170%. As of the Latest Practicable Date, we directly operated 569 stores across 14 cities in the China mainland, including Beijing, Shanghai, Guangzhou, Shenzhen, Hangzhou and Wuxi. Besides the expansion of our store network, our established stores have been continually generating more sales. For every quarter in the Track Record Period, we have recorded positive SSSG of more than 4%, including during the first six months of 2020 and 2022 when the COVID-19 pandemic severely impacted China's catering industry.

For the years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2021 and 2022, we recorded revenue of RMB836.6 million, RMB1.1 billion, RMB1.6 billion, RMB766.6 million and RMB908.8 million, respectively, representing a year-on-year increase of 32.0% from 2019 to 2020, a year-on-year increase of 45.9% from 2020 to 2021 and a year-on-year increase of 18.6% from June 30, 2021 to June 30, 2022. With our delivery-focused business model, during the Track Record Period, delivery orders contributed significantly to our revenue. Sales from delivery orders generated revenue of RMB586.0 million, RMB822.4 million, RMB1.2 billion, RMB559.2 million and RMB649.8 million in 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022, respectively, representing 70.0%, 74.5%, 73.2%, 72.9% and 71.5% of our total revenue in the same periods, respectively, which, viewed together, are significantly higher than the industry average of 40% to 50% from 2019 to 2021, according to the Frost & Sullivan Report.

We had net loss of RMB181.6 million, RMB274.1 million, RMB471.1 million, RMB205.2 million and RMB95.5 million in 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022, respectively, which is recorded as loss for the year attributable to owners of the Company. We incurred adjusted net loss (non-IFRS measure) of RMB168.2 million in 2019, RMB199.8 million in 2020, RMB143.3 million in 2021, RMB61.7 million for the six months ended June 30, 2021 and RMB68.9 million for the six months ended June 30, 2022. We had negative adjusted EBITDA (non-IFRS measure) of RMB33.2 million and RMB17.6 million for 2019 and 2020, respectively, and positive adjusted EBITDA (non-IFRS measure) of RMB62.7 million, RMB32.5 million and RMB55.6 million for the year ended December 31, 2021 and the six months ended June 30, 2021 and 2022, respectively.

We intend for this financial information section to provide readers with information that will assist in understanding our results of operations, including metrics that management uses to assess our Company's performance. Throughout this section, we discuss the following performance and financial metrics: total number of stores in our network, SSSG, revenue, raw materials and consumables cost, staff compensation expense, depreciation of right-of-use assets, depreciation of plant and equipment, amortization of intangible assets, utilities expenses, advertising and promotion expenses, store operation and maintenance expenses, variable lease rental payment, short-term rental and other related expenses, other expenses, fair value change of financial liabilities at fair value through profit or loss, finance costs, net, loss before income tax, income tax (expense)/credit, loss for the year attributable to owners of the Company, adjusted EBITDA (non-IFRS measure) and adjusted net loss (non-IFRS measure).

BASIS OF PRESENTATION

The historical financial information of our Group has been prepared in accordance with International Financial Reporting Standards ("**IFRSs**"). The historical financial information has been prepared under the historical cost convention, as modified by the revaluation of financial liabilities measured at fair value through profit or loss ("**FVPL**") which are carried at fair value.

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the historical financial information are disclosed in Note 4 of the Accountant's Report in Appendix I to this document.

As of December 31, 2019, 2020 and 2021 and June 30, 2022, we recorded net current liabilities of RMB209.6 million, RMB202.5 million, RMB65.0 million and RMB64.1 million, respectively. As of October 31, 2022, we had net current liabilities of RMB120.3 million. We generated net cash inflows from operating activities amounting to RMB124.3 million, RMB103.5 million, RMB332.1 million and RMB167.6 million for the years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2022, respectively. Our Directors have reviewed our cash flow forecast, which covers a period of not less than twelve months from June 30, 2022. In preparing the cash flow forecast, our Directors have considered our Group's capital expenditures plans (including the new stores opening plan in the forecast period), estimated cash flows provided by operations, existing cash on hand and other available source of funds.

Based on the above considerations, our historical performance and management's operating and financing plans, the Directors believe that we will have sufficient working capital to finance our operations and to meet our financial obligations as and when they fall due for not less than twelve months from June 30, 2022. Consequently, the historical financial information has been prepared on a going concern basis, which contemplates the realization of assets and settlement of liabilities in the normal course of business.

MAJOR FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations are affected by general factors affecting the catering industry and food delivery services in China, which include changes in consumer tastes and dining preferences, the outbreak of any food-borne illnesses, changes in the regulatory, legal and public policy landscapes, and general economic and business conditions in China. Unfavorable changes in any of these factors could negatively affect the demand for our products and services and materially and adversely affect our results of operations.

Our results of operations are also affected by certain company-specific factors, including our ability to achieve the following:

Expand our store network

Our business growth depends on the scale and expansion of our store network. During the Track Record Period, we realized a rapid growth in the number of our Domino's Pizza stores. As of December 31, 2019, 2020 and 2021 and June 30, 2022, we had 268, 363, 468 and 508 stores, respectively. The following table sets forth the total number of stores in our network and their movement for the period indicated.

	Year ended December 31,			Six months ended June 30,
	2019	2020	2021	2022
Number of stores at the beginning of the period	188	268	363	468
Number of new stores opened during the period	83	98	108	46
Number of stores closed[1] during the period	3	3	3	6
Number of stores at the end of the period	268	363	468	508

Note:

(1) Refers to the total number of permanent store closures, which we define as the number of stores that closed and were not subsequently reopened within six months of closing in either the same location or a nearby location serving the same 30-minute delivery radius. Of the 15 stores that we closed during the Track Record Period, three were closed for strategic and commercial reasons, while 12 were closed because we chose not to renew our leases. The 12 stores that were closed because we chose not to renew our leases were ultimately relocated to nearby location serving the same 30-minute delivery radius (in each case more than six months after the initial closure).

Our initial emphasis of our business operations was on Beijing and Shanghai, where we have established significant presence and accumulated a large customer base. We collectively refer to our markets other than Beijing and Shanghai as our "new growth markets".

The following table sets forth the breakdown of the total number of stores in our network by geographical location as of the dates indicated.

	As of December 31,			As of June 30,
	2019	2020	2021	2022
Beijing	81	100	124	136
Shanghai	99	121	143	147
Shenzhen	24	44	64	67
Guangzhou	7	21	41	44
Tianjin	17	25	35	39
Hangzhou	17	22	26	29
Nanjing	14	18	18	23
Suzhou	8	9	9	10
Wuxi	1	3	7	7
Ningbo	–	–	1	2
Foshan	–	–	–	3
Dongguan	–	–	–	1
Total	**268**	**363**	**468**	**508**

The following table sets forth average daily sales per store by market during the Track Record Period:

	For the year ended December 31,			For the six months ended June 30,	
	2019	2020	2021	2021	2022
Average daily sales per store(1) (RMB)					
By market					
Beijing and Shanghai	12,009	12,122	12,781	12,968	13,974
New growth markets	5,892	6,002	7,617	7,616	8,705
All markets	**10,292**	**9,962**	**10,692**	**10,854**	**11,462**

Notes:

(1) Average daily sales per store is calculated by dividing the revenues generated from the relevant store for a particular period by the aggregate number of days of operation of such store during the same period.

(2) New growth markets refer to Shenzhen, Guangzhou, Hangzhou, Tianjin, Nanjing, Suzhou, Wuxi, Ningbo, Foshan, Dongguan, Zhuhai and Zhongshan.

The decrease in our overall average daily sales per store from 2019 to 2020 was primarily attributable to an increase in the proportion of new stores in new growth markets in our store network as we grew rapidly. In addition, despite the increase in same-store sales over this period, new stores in new growth markets typically ramp up their average daily sales per store from a lower base after they are opened than stores in Beijing and Shanghai. The increase in average daily sales per store from 2020 to 2021 was primarily attributable to our strong sales growth over the period across all markets and the improving initial average daily sales per store in new growth markets. This outpaced the impact from the increase in the proportion of new stores over the same period. Additionally, sales volume was bolstered by the general recovery of consumer demand as the adverse impact of the COVID-19 pandemic eased, as well as the increased popularity of delivery services following a shift in consumer habits – a trend that was accelerated by the COVID-19 pandemic. Our average daily sales per store increased for the six months ended June 30, 2022, compared to that for the six months ended June 30, 2021, mainly due to our strong sales growth over the period across all markets, and the continued improving initial average daily sales per store in new growth markets.

We generally record higher average daily sales per store in Beijing and Shanghai than in our new growth markets, primarily due to our longer operating history, higher store density and stronger brand awareness in both cities. At the same time, our average daily sales per store increased substantially faster in our new growth markets, with an overall increase of 47.7% from 2019 to June 30, 2022, primarily attributed to the fact that we expanded into new markets where there was widely untapped consumer demand and gradually improved our brand awareness, and the fact that our stores ramped up sales quickly as we continued to build out our footprint and penetrate in these new growth markets.

We expect to significantly expand our presence and increase penetration in Beijing, Shanghai and our new growth markets in China as we continue to capitalize on the significant white space in the China pizza market and leverage our strong brand value and customer favorability in China. For details of our expansion strategy, see “Business – Our growth strategies – Rapidly increase the number of our stores”, “Business – Our Domino’s Pizza store network – Growth of our store network” and “Future plans and use of proceeds”.

Continually grow same-store sales

SSSG, as defined in “Glossary of Technical Terms,” is an important indicator of the overall strength of our business. We consistently recorded positive SSSG of more than 4% in every quarter during the Track Record Period, including during the first six months of 2020 and 2022 when the COVID-19 pandemic severely impacted China’s catering industry. The following table sets forth the number of same stores and our SSSG during the Track Record Period.

	For the year ended December 31,				For the six months ended June 30,	
	2019	**2020**	**2020**	**2021**	**2021**	**2022**
Number of same stores	217		301		360	
Same-store sales[(1)] (RMB'000)	712,958	776,906	989,579	1,174,452	593,342	675,988
SSSG	**9.0%**		**18.7%**		**13.9%**	

Note:

(1) Same-store sales represent the revenue of all stores that qualify as same stores during the period, provided that for a given same store in a given period, only the sales it generates after it qualifies as a same store are included.

Our same-store sales increased by 9.0% from RMB713.0 million in 2019 to RMB776.9 million in 2020, and increased further by 18.7% from RMB989.6 million in 2020 to RMB1,174.5 million in 2021. The increase in SSSG from 2019 to 2021 was primarily due to increases in our average sales value per order and average orders per store per day. Our same-store sales increased by 13.9% from RMB593.3 million for the six months ended June 30, 2021 to RMB676.0 million for the six months ended June 30, 2022, primarily due to increases in our average sales value per order across all markets and strong growth in average orders per store per day in our new growth markets.

The increase in average sales value per order across all of our markets has primarily been driven by our continued efforts in menu development and localization, active marketing and trade-up strategies in combo offerings, which have enabled us to increase sales value while maintain customer demand. In addition, the increasing brand awareness in new growth markets also encouraged our customers there to purchase more for each order. Moreover, although new growth markets typically have more dine-in customers, the percentage of delivery orders has also been increasing, which also contributed to an increasing sale value per order as delivery orders usually have a higher sale value per order than dine-in orders.

Our average orders per store per day has been primarily driven by increases in our new growth markets, partially offset by decreases in Beijing and Shanghai and the adverse impact of the COVID-19 pandemic. In our new growth markets, the increase in average orders per store per day over the Track Record Period was mainly driven by the rapid ramp-up of stores in those markets as our brand awareness further strengthens and customer demand increases. In Beijing and Shanghai, we recorded a slight decrease in average orders per store per day over the Track Record Period, primarily because we have been expanding into locations that have relatively lower populations compared to our existing locations, resulting in lower order volume relative to existing stores. Across all of our markets, the COVID-19 pandemic adversely impacted average orders per store per day, with a more pronounced effect on our new growth markets, where the proportion of dine-in is relatively higher and thus more susceptible to the impact of lockdowns and other COVID-19 restrictions.

We plan to continually grow our same-store sales by promoting our brand and strengthening our customer loyalty, further enhancing our technology, strengthening our pizza-focused, value for money menu and enhancing our delivery services to achieve sustainable business sustainability and long-term profitability.

Control cost of raw materials and consumables

We purchase raw materials and consumables in the ordinary course of our operations, which include both food ingredients, such as cheese, flour, pizza sauce, pork and chicken, and non-food supplies, such as our pizza packing materials. The prices of such goods can directly affect the cost of food and beverage products we provide to our customers. We have a centralized procurement policy to ensure that we (a) meet our procurement needs, (b) carefully select and vet new suppliers, (c) regularly inspect and evaluate existing suppliers, and (d) negotiate competitive purchase terms with suppliers. For more details on how we maintain the quality of the supplies and negotiate competitive purchase terms, please see "Business – Supply chain management – Procurement and supplier management".

In 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022, our raw materials and consumables cost was RMB228.1 million, RMB310.5 million, RMB425.6 million, RMB203.6 million and RMB247.2 million, respectively, representing 27.3%, 28.1%, 26.4%, 26.6% and 27.2% of our total revenue in the same periods, respectively. The increase in our raw materials and consumables cost from 2019 to June 30, 2022 was in line with our revenue growth.

We plan to further enhance our brand awareness and expand our store network, which we expect will result in more sales. As our sales increase and our procurement volumes increase commensurately, we expect to have increased negotiating power with suppliers and enhance our economies of scale, which we can leverage to reduce our procurement costs as a percentage of total revenue. For more information on our business strategies, please see "Business – Our growth strategies".

Manage staff compensation expense

Our success mainly depends on our ability to attract, motivate and retain a sufficient number of qualified staff. Our staff can be broadly divided into store and central kitchen-level staff and corporate-level staff. Our store and central kitchen-level staff include store managers, our in-store crew, our dedicated delivery riders, and staff who work at our central kitchens to provide support to our daily operations. At the store level, we typically have one store manager, one to two in-store staff working full-time and the remaining staff are working part-time. Our corporate-level staff include senior management personnel, regional managers, and other function teams including store development, IT, marketing, product design, finance, legal and other general administration, who support our overall business in a centralized manner. We need to attract both excellent store-level and corporate-level staff to support the expansion of our store network and execute our business strategies. We also rely on our qualified and well-trained store-level staff to provide high-quality delivery and carryout and dine-in services to maintain the continual sales growth at our stores.

We arrange store-level staff based on the store's sales volume to ensure the normal operations of our stores. With the growth in the number of stores we operate during the Track Record Period, the number of our store-level staff and the amount of our staff compensation expense attributable to store-level staff increased commensurately. In 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022, our store-level salary-based expense was RMB247.6 million, RMB316.0 million, RMB462.6 million, RMB217.9 million and RMB262.3 million, respectively, representing 29.6%, 28.6%, 28.7%, 28.4% and 28.9% of our total revenue in the same periods, respectively.

In conjunction with the expansion of our store network, we typically hire more corporate-level staff incrementally to support an increasing number of stores, and we provide share-based incentives to reward and maintain high-quality talents. In 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022, our staff compensation expense attributable to our corporate-level staff was RMB88.3 million, RMB153.2 million, RMB240.9 million, RMB124.6 million and RMB74.6 million, respectively, representing 10.6%, 13.9%, 14.9%, 16.3% and 8.2% of our total revenue in the same periods, respectively. The increase of staff compensation expense attributable to our corporate-level staff from 2019 to 2021 was mainly driven by the rising number of corporate-level staff in 2020 and 2021, who supported the operations of a broader store network, the increase of their merit-based salaries, and the increase in share-based compensation resulted from the increase in total equity value of our Group and the RSUs granted and vested. The decrease of staff compensation expense attributable to our corporate-level staff from the first half of 2021 to the first half of 2022 was the result of the decrease in share-based compensation, partially offset by a slight increase in merit-based salaries and the increase in the number of corporate-level staff in line with our expansion. The decrease in share-based compensation was mainly driven by the cancellation of stock appreciation right ("**SAR**") awards of our executives in part and in full during these two periods respectively, which resulted in a one-off reversal of the corresponding accumulated share-based compensation provided since its inception. The value of the SAR awards has grown significantly since they were granted in line with the value appreciation of our business. Our corporate-level salary-based expense was RMB79.3 million, RMB120.0 million, RMB150.0 million, RMB74.0 million and RMB77.9 million in 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022, respectively, representing 9.5%, 10.9%, 9.3%, 9.6% and 8.6% of our total revenue in the same periods, respectively.

We expect our overall staff compensation expense to rise in the future as we continue to expand our store network which requires additional staffing to support our daily operations, while our overall staff compensation expense as a percentage of total revenue to decline primarily as our corporate-level staff accumulate more abundant experience and become well-equipped to support the operations of a larger number of stores.

Control rental expenses

We do not own any real estate and all of our premises including our stores, central kitchens and offices are located on leased properties. Our rental expenses include depreciation of right-of-use assets and variable lease rental payment, short-term rental and other related expenses. During the Track Record Period, our rental expenses amounted to RMB105.5 million, RMB136.6 million, RMB180.0 million, RMB85.3 million and RMB105.2 million in 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022, respectively, representing 12.6%, 12.4%, 11.2%, 11.1% and 11.6% of our total revenue in the same periods, respectively. The increase of rental expenses was mainly driven by the expansion of our store network from a total of 268 stores as of December 31, 2019 to a total of 508 stores as of June 30, 2022. The decrease in our rental expenses as a percentage of total revenue from 2019 to 2021 was mainly due to the strong growth of our revenue and our strengthened negotiating power to negotiate more favorable lease terms as we enhanced our brand recognition. Our rental expenses as a percentage of revenue remained relatively stable for the six months ended June 30, 2022, compared to that for the six months ended June 30, 2021.

We anticipate our rental expenses to grow as we continue to expand our geographic coverage. Leveraging our increased brand recognition, we expect our rental expenses as a percentage of our total revenue to decrease as we negotiate more favorable lease terms in the future, and as our excellent taste, value-for-money and timely delivery of pizza continue to drive the growth of our same-store sales.

IMPACT OF COVID-19 ON OPERATIONS

Industry background of the COVID-19 pandemic

The COVID-19 pandemic has materially and adversely affected the global economy. In response, countries and regions around the world, including China, have imposed widespread lockdowns, closure of workplaces and restrictions on mobility and travel to contain the spread of COVID-19. Since the initial outbreak of COVID-19 and up to the Latest Practicable Date, travel restrictions and quarantine requirements had been imposed from time to time by local governments to counter regional outbreaks, including those of new variants, such as the Delta and Omicron variants.

Due to the adverse impact of COVID-19, the size of China's catering industry declined in 2020 to RMB3,952.7 billion, according to the Frost & Sullivan Report. As China's economy gradually improved since the second half of 2020 thanks to its successful mitigation effort, China's catering industry is expected to grow steadily and reach RMB8,279.9 billion in 2026, representing a CAGR of 12.0% from 2021 to 2026, according to the Frost & Sullivan Report. In terms of dining options, the penetration rate of food delivery increased from 6.5% in 2016 to 18.1% in 2020, as COVID-19 accelerated the transformation of consumers' dining preference towards delivery.

Impact on our business and financial performance

Despite the negative impact of COVID-19 on China's catering industry, the pandemic and the relevant government measures have not had a material adverse impact on our business and financial performance. Furthermore, the COVID-19 pandemic accelerated the consumer adoption of food delivery as a regular dining habit. As our business focuses on delivery, our overall performance remained relatively resilient against the backdrop of the pandemic. Our total revenue increased every period during the Track Record Period and our same-store sales consistently grew every quarter during the Track Record Period. In particular, our revenue generated from food delivery increased significantly. During the Track Record Period, our revenue from delivery orders increased by 40.3% from RMB586.0 million in 2019 to RMB822.4 million in 2020, further increased by 43.5% from RMB822.4 million in 2020 to RMB1.2 billion in 2021 and further increased by 16.2% from RMB559.2 million for the six months ended June 30, 2021 to RMB649.8 million for the six months ended June 30, 2022.

However, from time to time, local governments in China have imposed and may continue to impose travel restrictions and quarantine requirements to counter regional outbreaks, which adversely impacted our operation. For example, in accordance with local public health guidelines, 30 of our stores suspended operations for a few days in February and March of 2020. Despite the temporary adverse impact, our non-delivery services overall still demonstrate resilience since the COVID-19 outbreak. The total revenue derived from our non-delivery orders in each year of the Track Record Period displays a positive growth trajectory. In 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022, our revenue from non-delivery orders was RMB250.6 million, RMB281.7 million, RMB431.2 million, RMB207.4 million and RMB259.0 million, respectively, representing 30.0%, 25.5%, 26.8%, 27.1% and 28.5% of our total revenue, respectively. In 2020, 2021 and the six months ended June 30, 2022, 44, 34 and 329 of our stores closed temporarily for an average of 14, 5 and 28 days, respectively, due to the impact of the COVID-19 pandemic and the related control measures.

In 2022, as a result of the recent outbreak of COVID-19 in certain regions of China, operations at some of our stores in Shanghai, Shenzhen and Beijing have been adversely impacted since mid-March of 2022 as a result of local governments' implementation of temporary lockdown and travel restrictions, which resulted in temporary store closure and staffing shortage. In April 2022, almost all of our stores in Shanghai were closed, for both dine-in and delivery, as a result of citywide lock-downs. Since mid-April, our stores in Shanghai have gradually been allowed to reopen. As of June 30, 2022, almost all of our stores in Shanghai are operating. In Shenzhen, our stores in the city were closed for one week in March. After the one-week citywide lockdown, our business returned to normal in Shenzhen. In Beijing, all dine-in services were suspended from May 1, 2022 to June 6, 2022 as a result of the COVID-19 control measures imposed by the local government. However, we continued to offer delivery services to our customers in Beijing during that time. Due primarily to the impact of the COVID-19 pandemic and related control measures, our revenues in the first half of 2022 were approximately RMB55 million to RMB65 million lower than our management forecasts for the period. In addition to store closures, we are experiencing staff shortages in

Shanghai because of the heightened health check requirements and citywide lockdown imposed by the local government there. The recent COVID-19 surge in China has also caused supply chain disruptions. Operations at our central kitchen in Shanghai were negatively impacted, and it became necessary for us to enlist our central kitchens in Sanhe, Hebei Province and Dongguan, Guangdong province to service stores originally covered by that central kitchens, resulting in higher logistics expense. In May 2022, our central kitchen in Shanghai resumed production.

Despite these closures, staff shortages and supply chain disruptions, we did not experience a material increase in our operational costs. Additionally, we received COVID-19 related government grants in 2020, 2021 and the first half of 2022. The total amount of government grants we received, which includes certain exemptions on value-added tax granted by the PRC government authorities and additional COVID-19 government grants granted by the PRC government, was RMB14.4 million, RMB2.8 million and RMB4.3 million in 2020, 2021 and the first half of 2022, respectively.

To mitigate the impact of the COVID-19 pandemic on our business and protect our employees and customers, we have implemented the following measures:

- *Establishing a designated working group*. At the beginning of the COVID-19 pandemic, we established a designated working group to plan for and implement emergency measures to counter the adverse impact of the COVID-19 pandemic. Our designated working group promptly records evolving and emerging local government policies to ensure swift responses and strict regulatory compliance.

- *Improving our delivery service*. To ensure our customers can comfortably enjoy our food products, for each delivery order, we offer our customers a contactless delivery option. We continue to improve our omnichannel presence, enabling our customers to easily place delivery orders from us.

- *Continually ensuring customer and employee safety*. We deeply care about the health of our customers and employees. We have issued guidance to direct our staff to safely return to work. We also adopted daily body temperature checks of our staff and implemented health and sanitation guidelines to prevent the spread of COVID-19 in our stores and central kitchens. Additionally, we regularly schedule on-site training at our stores and central kitchens to reinforce preventive measures against the spread of COVID-19.

In general, our business and financial performance has not been materially and adversely affected by COVID-19 or the emergence of new COVID-19 variants, include the Alpha, Beta, Gamma, Delta and Omicron variants. Since the second half of 2020 and up to the Latest Practicable Date, although certain stores had temporarily suspended operations in accordance with local public health guidelines, the temporary suspensions had no material impact on our results of operations or financial performance.

Impact on other aspects of our operations

Apart from the impact on our business and financial performance, the following aspects of our operations had also been affected by the COVID-19 pandemic to varying degrees:

- *Staffing*. As a result of the travel restrictions and quarantine requirements that applied to some of our staff, we experienced temporary staffing shortage at some of our stores in February and March of 2020, and from March to June of 2022.

- *Store expansion plan*. Due to the closure of workplaces and travel restrictions across China during the first half of 2020, the opening and renovation of a few stores experienced temporary delay. Nevertheless, the development, construction and decoration of new Domino's Pizza stores were all completed as we scheduled in the original plan.

Recovery and protection measures

We have proactively taken measures to mitigate the impact of the COVID-19 pandemic on our business and to protect our employees and customers. Such measures include:

- *Establishing a designed working group.* At the beginning of the COVID-19 pandemic, we established a designated working group to plan for and implement emergency measures to counter the adverse impact of the COVID-19 pandemic. Our designated working group promptly records evolving and emerging local government policies to ensure swift responses and strict regulatory compliance.

- *Improving our delivery service.* To ensure our customers can comfortably enjoy our food products, for each delivery order, we offer our customers a contactless delivery option. We continue to improve our omnichannel presence, enabling our customers to easily place delivery orders from us.

- *Continually ensuring customer and employee safety.* We deeply care about the health of our customers and employees. We have issued guidance to direct our staff to safely return to work from their hometowns. We also adopted daily body temperature checks of our staff and implemented health and sanitation guidelines to prevent the spread of COVID-19 in our stores and central kitchens. Additionally, we regularly schedule on-site training at our stores and central kitchens to reinforce preventive measures against the spread of COVID-19.

Conclusion

Despite the impact of the COVID-19 pandemic on our operations outlined above, we still managed to achieve continual revenue growth in each period of the Track Record Period, partly as a result of the promptness in implementing our COVID-19 recovery and protection measures and our brand recognition and loyal customer base. In addition, we achieved positive SSSG of more than 4% in every quarter of the Track Record Period, including during the first six months of 2020 and 2022 when the COVID-19 pandemic severely impacted China's catering industry.

However, there is no comparable recent events that provide guidance as to the effect the COVID-19 pandemic may have or how it will evolve. The extent to which COVID-19 impacts our results will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of COVID-19, the scope and duration of the restricted measures to contain COVID-19 or treat its impact, evolvement of variants of the virus and effectiveness of the vaccines, among others. Hence, there is no guarantee that COVID-19 will not have any material and adverse impact on our business operations, our growth and expansion plans. For details on risks related to the COVID-19 pandemic, please refer to "Risk factors – Risks relating to our business and industry – We are susceptible to outbreak, epidemic or pandemic of infectious or contagious diseases such as the COVID-19 pandemic, diseases of animals, food-borne illnesses as well as negative publicity relating to such incidents".

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Some of our accounting policies require us to apply estimates and assumptions as well as complex judgments relating to accounting items. The estimates and associated assumptions, which we believe are reasonable under the circumstances, are based on our historical experience and other factors, and form the basis of our judgements about matters that are not readily apparent from other sources. When reviewing our financial results, you should consider: (a) our selection of critical accounting policies, (b) the judgement and other uncertainties affecting the application of such policies and (c) the sensitivity of reported results to changes in conditions and assumptions. The determination of these items requires management judgements based on information and financial data that may change in future periods, and as a result, actual results could differ from those estimates.

Set forth below are discussions of the accounting policies that we believe are of critical importance to us or involve the most significant estimates, assumptions and judgments used in the preparation of our financial statements. Other significant accounting policies, estimates, assumptions and judgments, which are important for understanding our financial condition and results of operations, are set forth in detail in Notes 2 and 4 of the Accountant's Report in Appendix I to this document.

Significant accounting policies

Revenue recognition

We recognize revenue when control of goods has been transferred and services have been rendered. Revenue is measured at the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of our Group's activities. Revenue is shown net of returns, value-added tax and discounts, and after eliminating sales within our Group.

We generate revenue from sales of food and beverages through self-developed website and app, third-party platforms and retail stores. Sales of food and beverages are recognised in the consolidated statements of comprehensive income at the point in time, upon when food and beverages are accepted by customers.

We have established a customer loyalty incentive program which allows customers to earn award credits from each order. The award credits can be redeemed to deduct payment in the next order. We also provide coupons to customers as compensation of late delivery, which can be redeemed for free food in the next order. Award credits and coupons for customers are accounted for as separate performance obligations and the fair value of the consideration received or receivable is allocated among the food and beverages sold, award credits and coupons based on their stand-alone selling price ("**SSP**"). The SSP of the food and beverages is directly observable and determined by the price that they are sold separately. The SSP of award credits and coupons is measured by reference to the amount for which the award credits and coupons could be sold separately considering the breakage based on our best estimation. Such consideration is not recognized as revenue at the time of the initial sale transaction, but is deferred in "contract liabilities" and recognized as revenue when the award credits and coupons are redeemed and our obligations have been fulfilled. During the Track Record Period, the amount of contract liabilities relating to award credits was RMB10.1 million, RMB15.1 million, RMB21.3 million and RMB23.9 million as of December 31, 2019, 2020, 2021 and June 30, 2022, respectively, while the amount of contract liabilities relating to late coupons was RMB0.6 million, RMB0.7 million, RMB0.8 million and RMB1.3 million in the same periods, respectively.

Any consideration payable to customers or third parties with no distinct good or service received from those customers is recognised as a reduction of the revenue.

Plant and equipment

All plant and equipment are stated at historical cost less accumulated depreciation and impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to us and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Depreciation of the plant and equipment is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

Leasehold improvements	Over the lease terms or useful life of 6 years, whichever the shorter
Machinery and equipment	5-10 years
Office equipment	5 years
Motor vehicles	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of the reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognised within "other (losses)/gains, net" in the consolidated statements of comprehensive income.

Intangible assets

Before July 2017, we were the majority shareholder of DPZ China. DPZ China held 100% equity interests in Pizzavest China Ltd. which was Domino's Pizza's master franchisee in the China mainland, the Hong Kong Special Administrative Region of China and the Macau Special Administrative Region of China. In July 2017, new ordinary shares were issued to a third party as consideration to acquire the remaining equity interests in DPZ China (the "**Acquisition**"). After the Acquisition, DPZ China became a wholly-owned subsidiary of our Company.

As of the completion date of the Acquisition, intangible assets of the master franchise fee as identified from the Acquisition were recognized at the fair value of approximately RMB954.4 million. Goodwill of approximately RMB360.5 million, which represented the excess of total consideration over the fair value of the identified net assets acquired, was also recognized.

Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over our interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the amount of the non-controlling interest in the acquiree. Goodwill on acquisition of subsidiaries is included in intangible assets.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("**CGUs**"), that is expected to benefit from the synergies of the combination. The recoverable amount of the group of CGUs, which is allocated to the whole group, are determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a 10-year period. Considering our store expansion plan, we plans to continue to grow our presence in China by expanding our geographic coverage and deepening our market penetration. As a result, we expect that we will be in a period of rapid development for the next few years, before reaching a more stable stage in the next decade. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

For the years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2022, the key assumptions are:

	Year ended December 31,			**Six months ended June 30,**
	2019	**2020**	**2021**	**2022**
	%	%	%	%
Revenue growth rate	11.4-39.3	11.4-37.8	9.2-27.6	9.2-26.9
Pre-tax discount rate	19.9	19.1	18.3	18.3
Terminal growth rate	3.0	2.5	2.5	2.5

When the foregoing key assumptions are applied in the impairment testing, as of December 31, 2019, 2020 and 2021 and June 30, 2022, the headroom, which is the excess of the recoverable amount of a CGU over the carrying amount of that CGU, of our Group's CGUs containing goodwill for the periods presented are RMB1,095.3 million, RMB1,603.9 million, RMB3,385.9 million and RMB3,731.1 million, respectively.

Based on the results of the impairment assessment, our Directors concluded that no impairment on goodwill has to be recognized as of the respective balance sheet dates.

Sensitivity analysis

Had the estimated key assumptions during the forecast period been changed as shown below, the headroom would have been decreased to the following amounts:

	As of December 31,			As of June 30,
	2019	2020	2021	2022
	(in RMB thousands)			
Revenue amount decreases by 10%	529,908	945,344	2,015,856	2,338,269
Discount rate increases by 1 percentage point	738,763	1,182,263	2,794,033	3,142,854
Terminal growth rate decreases by 0.5 percentage point	1,010,376	1,523,340	3,233,686	3,572,554

Therefore, our Directors also concluded that any reasonable possible changes in key assumptions would not lead to impairment of the goodwill as of the respective balance sheet dates.

Master Franchise Agreement

Master Franchise Agreement, or MFA, acquired in a business combination is recognized at its fair value on the acquisition date. MFA is amortised on the straight-line basis over estimated useful lives of 30 years, which is also the contractual term of the MFA with renewal terms considered.

We should pay additional store franchise fee for each new opening store. Store franchise fees are recognized at cost and amortised on the straight-line bases over estimated operation period of the new store.

According to the MFA, royalty fees are based on a fixed percentage of revenue and the expenses are recognized in "Store operation and maintenance expenses" as incurred.

Acquired software and website

Acquired software and website are recognized at cost and amortized on the straight-line basis over estimated useful lives of 1-10 years. The acquired software and website is well-developed and used for financial reporting and business operation. The estimated useful life will not exceed the authorized use period of the acquired software and website. Based on the current functionalities of this software and website and our daily operation needs, we consider a useful life of 1-10 years to be the best estimation of useful life under our current financial reporting and business operation needs.

Self-developed website and app

Costs incurred on development projects are capitalized as intangible assets when recognition criteria are met, including (a) it is technically feasible to complete the website and app so that it will be available for use; (b) management intends to complete the website and app and use or sell it; (c) there is an ability to use or sell the website and app; (d) it can be demonstrated how the website and app will generate probable future economic benefits; (e) adequate technical, financial and other resources to complete the development and to use or sell the website and app are available; and (f) the expenditure attributable to the website and app during its development can be reliably measured. Other development costs that do not meet those criteria are expensed as incurred.

We capitalized development expenditure of self-developed website and app and the website and app are amortised on the straight-line basis over estimated useful lives of 10 years. The proprietary website and app is developed for pizza ordering. There is no expiry date for the proprietary website and app, and we can use and maintain the website and app as long as they can meet our pizza ordering needs. Based on the current functionalities of this website and app, we consider a useful life of 10 years to be the best estimation under current our business needs.

Research expenditure and development expenditure that do not meet the criteria above are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Leases

We lease various offices, stores and central kitchens. Rental contracts for our offices are made for a term of three to six years with extension options. Rental contracts for our stores are typically made for a term of five to eight years with extension options, which we generally managed to extend for another four years on average during the Track Record Period. Rental contracts for our central kitchens are made for a term of five to ten years with extension options. Details of extension options are described below.

Contracts may contain both lease and non-lease components. We allocate the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which we are a lessee, we have elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments (if applicable):

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by us under residual value guarantees;
- the exercise price of a purchase option if we are reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects us exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for our leases, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, we:

- where possible, use recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- use a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by us, which does not have recent third party financing; and
- make adjustments specific to the lease, e.g. term, country, currency and security.

We are exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following (if applicable):

- the amount of the initial measurement of lease liabilities;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If we are reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise information technology equipment and small items of office furniture.

Extension and termination options are included in a number of our property leases. These terms are used to maximise operational flexibility in terms of managing contracts. In determining the lease term, we consider all facts and circumstances that create an economic incentive to exercise an extension option. Extension options are only included in the lease term if the lease is reasonably certain to be extended.

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("**lease modification**") that is not accounted for as a separate lease. In this case, the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are any rent concessions which arose as a direct consequence of the COVID-19 pandemic and which satisfied the conditions set out in IFRS 16 Leases. In such cases, we took advantage of the practical expedient set out in IFRS 16 and recognised the change in consideration as if it were not a lease modification.

Convertible Senior Ordinary Shares

We issued convertible Senior Ordinary Shares which give holders a right for redemption into cash after specified time or a right for conversion into ordinary shares of our Company upon initial public offering ("**IPO**") automatically or any time at holders' option. The convertible Senior Ordinary Shares will be automatically converted into ordinary shares upon occurrence of certain events outside the control of our Company.

We designate convertible Senior Ordinary Shares as financial liabilities at FVPL. They are initially recognized at fair value. Any directly attributable transaction costs are recognized as expense in profit or loss.

Subsequent to initial recognition, the convertible Senior Ordinary Shares are carried at fair value with changes in fair value recognised as "fair value change of financial liabilities at FVPL" in the consolidated statements of comprehensive income. The component of fair value changes relating to our Company's own credit risk is recognised in other comprehensive income. Amounts recorded in other comprehensive income related to credit risk are not subject to recycling in profit or loss, but are transferred to retained earnings when realized.

In relation to the valuation of the fair value measurement of financial liabilities, our Directors, based on the professional advice received, adopted the following procedures: (i) reviewed the terms of the Pre-IPO Shareholders' Agreement; (ii) engaged an independent business valuer, provided the necessary financial and non-financial information so as to enable the valuer to perform valuation procedures and discussed with the valuer on relevant assumptions; (iii) carefully considered all information, especially those non-market related information input, such as the fair value of the ordinary shares of our Company, possibilities under different scenarios, time to liquidation and discount for lack of marketability, which require management assessments and estimates; and (iv) reviewed the valuation working papers and results prepared by the valuer. Based on the above procedures, our Directors are of the view that the valuation analysis performed by the valuer is fair and reasonable, and the financial statements of our Group are properly prepared.

Details of the fair value measurement of financial liabilities, particularly the fair value hierarchy, the valuation methodology, key assumptions and the sensitivity of key assumptions to fair value are disclosed in Note 3.3 and Note 25 to the Accountant's Report set out in Appendix I to this document, which was reported on by the Reporting Accountant in accordance with Hong Kong Standard on Investment Circular Reporting Engagement 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants. The Reporting Accountant's opinion on the historical financial information of our Group for the Track Record Period as a whole is set out on page I-1 of Appendix I to this document.

In relation to the valuation of the financial liabilities classified within level 3 of the fair value measurement, the Sole Sponsor has conducted relevant due diligence work, including but not limited to, (i) review of relevant notes in the Accountant's Report as contained in Appendix I of this document and relevant documents prepared by the valuer; (ii) discussed with the Company and the valuer about the key basis and assumptions for the valuation of the financial liabilities; and (iii) discussed with the Reporting Accountant about the audit procedures they performed in accordance with International Standards on Auditing regarding the valuation of the financial liabilities for the purpose of reporting on the Historical Financial Information of the Group, as a whole. Having considered the work done by the Directors and the Reporting Accountant and the relevant due diligence conducted as described above, nothing has come to the Sole Sponsor's attention that would cause the Sole Sponsor to question the valuation analysis performed by the valuer on the financial liabilities classified within level 3 of the fair value measurement.

Impairment of plant and equipment, Master Franchise Agreement and right-of-use assets

We assess whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Non-financial assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, including, among others, the economic impact of the unprecedented COVID-19 pandemic on our operations and the region in which we operate. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

SUMMARY OF OUR CONSOLIDATED RESULTS OF OPERATIONS

The following table sets forth a summary of our consolidated results of operations for the periods presented, both in absolute amount and as percentages of our total revenue. This information should be read together with our consolidated financial statements and related notes. The results of operations in any particular period are not necessarily indicative of our future trends.

	For the Year Ended December 31,						For the six months ended June 30,			
	2019		2020		2021		2021		2022	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*	*RMB*	*%*	*RMB*	*%*
	(in RMB thousands, except for percentage data)									
							(Unaudited)			
Revenue	836,629	100.0	1,104,053	100.0	1,611,327	100.0	766,559	100.0	908,789	100.0
Raw materials and consumables cost	(228,065)	(27.3)	(310,505)	(28.1)	(425,580)	(26.4)	(203,574)	(26.6)	(247,193)	(27.2)
Staff compensation expense	(335,873)	(40.1)	(469,224)	(42.5)	(703,458)	(43.7)	(342,589)	(44.7)	(336,908)	(37.1)
Depreciation of right-of-use assets	(98,612)	(11.8)	(128,426)	(11.6)	(162,049)	(10.1)	(76,574)	(10.0)	(90,984)	(10.0)
Depreciation of plant and equipment	(57,737)	(6.9)	(76,932)	(7.0)	(98,656)	(6.1)	(46,859)	(6.1)	(56,673)	(6.2)
Amortization of intangible assets	(36,111)	(4.3)	(40,210)	(3.6)	(43,031)	(2.7)	(20,842)	(2.7)	(23,477)	(2.6)
Utilities expenses	(42,963)	(5.1)	(53,807)	(4.9)	(71,702)	(4.4)	(33,733)	(4.4)	(37,305)	(4.1)
Advertising and promotion expenses	(61,535)	(7.4)	(86,274)	(7.8)	(121,861)	(7.6)	(59,625)	(7.8)	(53,873)	(5.9)
Store operation and maintenance expenses	(53,730)	(6.4)	(75,715)	(6.9)	(101,826)	(6.3)	(48,226)	(6.3)	(57,676)	(6.3)
Variable lease rental payment, short-term rental and other related expenses	(6,875)	(0.8)	(8,146)	(0.7)	(17,975)	(1.1)	(8,698)	(1.1)	(14,231)	(1.6)
Other expenses	(45,034)	(5.4)	(56,332)	(5.1)	(56,988)	(3.5)	(21,992)	(2.9)	(45,211)	(5.0)
Fair value change of financial liabilities at fair value through profit or loss	–	–	(13,933)	(1.3)	(201,300)	(12.5)	(83,384)	(10.9)	(1,079)	(0.1)
Other income	2,421	0.3	15,910	1.4	4,424	0.3	3,134	0.4	19,889	2.2
Other (losses)/gain, net	(3,047)	(0.4)	(6,196)	(0.6)	(1,776)	(0.1)	3,229	0.4	(1,587)	(0.2)
Finance costs, net	(51,018)	(6.1)	(61,940)	(5.6)	(87,671)	(5.4)	(40,941)	(5.3)	(48,218)	(5.3)
Loss before income tax	**(181,550)**	**(21.7)**	**(267,677)**	**(24.2)**	**(478,122)**	**(29.7)**	**(214,115)**	**(27.9)**	**(85,737)**	**(9.4)**
Income tax (expense)/credit	–	–	(6,373)	(0.6)	7,059	0.4	8,892	1.2	(9,738)	(1.1)
Loss for the year attributable to owners of the Company	**(181,550)**	**(21.7)**	**(274,050)**	**(24.8)**	**(471,063)**	**(29.2)**	**(205,223)**	**(26.8)**	**(95,475)**	**(10.5)**

NON-IFRS MEASURES

To supplement our consolidated financial statements that are presented in accordance with IFRS, we also use adjusted net loss (non-IFRS measure) and adjusted EBITDA (non-IFRS measure) as additional financial measures, which are not required by, or presented in accordance with, IFRS. We believe that these non-IFRS measures facilitate comparisons of operating performance from period to period and company to company. We believe that these measures provide useful information to investors and others in understanding and evaluating our results of operations in the same manner as they help our management. However, our presentation of adjusted net loss (non-IFRS measure) and adjusted EBITDA (non-IFRS measure) may not be comparable to similarly titled measures presented by other companies. The use of such non-IFRS measures has limitations as an analytical tool, and you should not consider them in isolation from, or as substitute for analysis of, our results of operations or financial condition as reported under IFRS.

Reconciliation of our Non-IFRS Measures with IFRS Measures

The following table sets forth a reconciliation of our adjusted net loss (non-IFRS measure) and adjusted EBITDA (non-IFRS measure) for the years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2021 and 2022 to the nearest measure prepared in accordance with IFRS, which is net loss for the year.

	For the year ended December 31,			For the six months ended June 30,	
	2019	2020	2021	2021	2022
	(in RMB thousands)				
				(Unaudited)	
Reconciliation of net loss and adjusted net loss (non-IFRS measure) and adjusted EBITDA (non-IFRS measure)					
Net loss for the year[(1)]	(181,550)	(274,050)	(471,063)	(205,223)	(95,475)
Add:					
Fair value change of financial liabilities at fair value through profit or loss[(2)]	–	13,933	201,300	83,384	1,079
Share-based compensation					
– Directors' compensation, stock appreciation rights and RSUs[(3)]	8,932	33,202	90,821	50,684	(3,338)
– Guarantee fee for shareholders[(4)]	4,408	16,876	16,126	8,116	12,269

	For the year ended December 31,			For the six months ended June 30,	
	2019	2020	2021	2021	2022
	(in RMB thousands)				
				(Unaudited)	
Listing expenses(5)	–	–	10,296	–	16,599
Issuance cost of convertible Senior Ordinary Shares(6)	–	10,226	9,235	1,368	–
Adjusted Net Loss (non-IFRS measure)	**(168,210)**	**(199,813)**	**(143,285)**	**(61,671)**	**(68,866)**
Add:					
Depreciation and amortization(7)	93,848	117,142	141,687	67,701	80,150
Income tax expense/(credit)(8)	–	6,373	(7,059)	(8,892)	9,738
Finance cost(9)	41,179	58,707	71,352	35,384	34,553
Adjusted EBITDA (non-IFRS measure)	**(33,183)**	**(17,591)**	**62,695**	**32,522**	**55,575**

Notes:

(1) Net loss for the year is recorded as loss for the year attributable to owners of the Company.

(2) Fair value change of financial liabilities at fair value through profit or loss represents the losses arising from change in fair value to convertible Senior Ordinary Shares. Such changes are non-cash in nature. Upon the Listing, all convertible Senior Ordinary Shares will be automatically converted into ordinary shares which will no longer be recognized as financial liabilities at fair value through profit or loss.

(3) Directors' compensation, stock appreciation rights and RSUs are adjusted for as the items are non-cash in nature.

(4) Guarantee fee for shareholders represents fees associated with the guarantee by Good Taste Limited and James Marshall for the borrowings from a bank by our Group. Guarantee fee for shareholders is non-cash in nature. We have fully repaid the balance of such bank borrowings by the end of March 2022.

(5) Listing expenses relate to the Global Offering of our company.

(6) Issuance cost of convertible Senior Ordinary Shares represents the professional expense in connection with our issuance of convertible Senior Ordinary Shares in 2020 and 2021.

(7) The amount of depreciation and amortization presented represents the depreciation of plant and equipment and the amortization of intangible asset and does not include depreciation of right-of-use assets which approximates the rental expense of capitalized lease contracts.

(8) Income tax expense/(credit) represents PRC corporate income tax in connection with profits generated by our wholly owned subsidiaries, Dash Beijing, Domino's Pizza (Dongguan) Co., Ltd. and Domino's Pizza (Ningbo) Co., Ltd., and the recognition of deferred income tax.

(9) Finance cost represents interest (expense)/income from financing activities.

Adjusted EBITDA (non-IFRS measure)

We define adjusted EBITDA (non-IFRS measure) as net loss for the period adjusted by adding back fair value change of financial liabilities at fair value through profit or loss, share-based compensation, listing expenses, issuance cost of convertible Senior Ordinary Shares, depreciation and amortization (excluding depreciation of right-of-use assets), income tax expense/(credit) and finance cost.

During the Track Record Period, our adjusted EBITDA (non-IFRS measure) was negative RMB33.2 million in 2019, negative RMB17.6 million in 2020, positive RMB62.7 million in 2021, positive RMB32.5 million for the six months ended June 30, 2021 and positive RMB55.6 million for the six months ended June 30, 2022. During the Track Record Period, our stores continued to perform strongly with increased revenue and well managed cost. However, our business is still in a fast growing stage and we need to reserve more resources to prepare for continued growth, which in turn caused us to incur more corporate expenses relative to our revenue growth. Therefore, a decrease of adjusted EBITDA (non-IFRS measure) was observed in 2020. As our revenue and operational efficiency continue to improve, we achieved a positive adjusted EBITDA (non-IFRS measure) in 2021 and the six months ended June 30, 2022.

Adjusted net loss (non-IFRS measure)

We define adjusted net loss (non-IFRS measure) as net loss for the period adjusted by adding back fair value change of financial liabilities at fair value through profit or loss, share-based compensation, listing expenses and issuance cost of convertible Senior Ordinary Shares.

We incurred significant adjusted net losses (non-IFRS measure) during the Track Record Period, primarily because historically we made substantial initial investments to drive rapid growth of our store network and enhance brand awareness, which we believe are indispensable to establish competitive advantages in the catering industry and capitalize on the significant white space in the pizza market in China as we improve our profitability. During the Track Record Period, our adjusted net loss (non-IFRS measure) was RMB168.2 million in 2019, RMB199.8 million in 2020, RMB143.3 million in 2021, RMB61.7 million for the six months ended June 30, 2021 and RMB68.9 million for the six months ended June 30, 2022. The fluctuation in our adjusted net loss (non-IFRS measure) from 2019 to June 30, 2022 was mainly attributable to our strategic effort to expand our store network and enhance our brand awareness.

MAJOR COMPONENTS OF OUR RESULTS OF OPERATIONS

Revenue

During the Track Record Period, we generated revenue from the operation of restaurants. During the same period, we operated our business in China and generated all of our revenue from customers in China. Our revenue can be categorized by the location of stores, ordering channel and dining option.

The following table sets forth our revenue by region, both in absolute amounts and as percentages of our total revenue, for the periods indicated.

	Year ended December 31,						Six months ended June 30,			
	2019		2020		2021		2021		2022	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*	*RMB*	*%*	*RMB*	*%*
	(in RMB thousands, except for percentage data)						*(Unaudited)*			
Beijing and Shanghai	702,158	83.9	869,203	78.7	1,146,956	71.2	554,059	72.3	579,769	63.8
New growth markets[1]	134,471	16.1	234,850	21.3	464,371	28.8	212,500	27.7	329,020	36.2
Total	**836,629**	**100**	**1,104,053**	**100**	**1,611,327**	**100**	**766,559**	**100**	**908,789**	**100**

Note:

(1) New growth markets include Shenzhen, Guangzhou, Hangzhou, Tianjin, Nanjing, Suzhou, Wuxi, Ningbo, Foshan, Dongguan, Zhuhai and Zhongshan.

In terms of dining options, our revenue is primarily generated from delivery orders and non-delivery orders, which comprise carryout and dine-in orders. During the Track Record Period, delivery orders contributed significantly to our revenue. The following table sets forth our revenue by dining options, both in absolute amounts and as percentages of our total revenue, for the periods indicated.

	Year ended December 31,						Six months ended June 30,			
	2019		2020		2021		2021		2022	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*	*RMB*	*%*	*RMB*	*%*
	(in RMB thousands, except for percentage data)						*(Unaudited)*			
Delivery	586,009	70.0	822,359	74.5	1,180,171	73.2	559,171	72.9	649,803	71.5
Non-delivery	250,620	30.0	281,694	25.5	431,156	26.8	207,388	27.1	258,986	28.5
Total	**836,629**	**100**	**1,104,053**	**100**	**1,611,327**	**100**	**766,559**	**100.0**	**908,789**	**100.0**

In terms of order channels, our revenue is generated through orders placed on online channels, third-party online channels and offline channels. The table below sets forth a breakdown of our revenue by order channel, both in absolute amounts and as percentages of our total revenue, for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2019		2020		2021		2021		2022	
	(in RMB thousands, except percentages)									
							(Unaudited)			
Revenue:										
By order placement channel										
Our own online channels	270,475	32.3%	483,786	43.8%	784,127	48.7%	362,304	47.3%	470,935	51.8%
Third-party channels	442,382	52.9%	571,994	51.8%	761,987	47.3%	375,843	49.0%	383,815	42.2%
Offline channels	123,773	14.8%	48,273	4.4%	65,212	4.0%	28,412	3.7%	54,040	6.0%
Total	**836,629**	**100.0%**	**1,104,053**	**100.0%**	**1,611,327**	**100.0%**	**766,559**	**100.0%**	**908,789**	**100.0%**

Raw materials and consumables cost

Our raw materials mainly consist of food ingredients, including cheese, flour, pizza sauce, pork and chicken. Our consumables mainly consist of utensils, containers and packaging materials necessary for the operation of our Domino's Pizza stores. In 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022, our raw materials and consumables cost was RMB228.1 million, RMB310.5 million, RMB425.6 million, RMB203.6 million and RMB247.2 million, respectively, representing 27.3%, 28.1%, 26.4%, 26.6% and 27.2% of our total revenue in the same periods, respectively. Over the Track Record Period, the cost of raw materials represented approximately 90% of our total raw materials and consumables cost, while the cost of consumables represented the remaining 10%. For example, in the six months ended June 30, 2022, raw materials and consumables accounted for approximately 88.3% and 11.7%, respectively, of total our raw materials and consumables cost. Within raw materials, meat products, dairy products and sauces accounted for approximately 65%-70% of our total cost of raw materials over the Track Record Period.

The increase in our raw materials and consumables cost is primarily attributable to (i) the growth in the scale of operations, which has increased our need for raw materials and consumables, (ii) changes in our product mix as a result of new product launches and updates to our menu, and (iii) fluctuations in the cost of the raw materials and consumables that we purchase. In particular, with respect to fluctuations in cost, we purchase the vast majority of our raw materials and consumables from domestic suppliers, and therefore are primarily affected by cost fluctuations in the Chinese markets. For details about our procurement needs, see "Business – Supply Chain Management – Procurement and supplier management – Our procurement needs." See also "Industry overview – Cost of raw materials and labor – Cost of raw materials" for an overview of how the costs of certain raw materials in China have fluctuated.

Staff compensation expense

Our staff compensation expense consists of salary-based expense and share-based compensation. In 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022, our staff compensation expense was RMB335.9 million, RMB469.2 million, RMB703.5 million, RMB342.6 million and RMB336.9 million, respectively, representing 40.1%, 42.5%, 43.7%, 44.7% and 37.1% of our total revenue in the same periods, respectively.

Our staff compensation expense can be further divided into staff compensation expense attributable to store and central kitchen-level staff and staff compensation expense attributable to corporate-level staff which includes both salary-based expense and share-based compensation. The following table sets forth a breakdown of our staff compensation expense at the store and central kitchen level and the corporate level for the periods indicated.

	Year ended December 31,			**Six months ended June 30,**	
	2019	**2020**	**2021**	**2021**	**2022**
	(in RMB thousands)				
				(Unaudited)	
Store and Central Kitchen Level					
Cash-based compensation expenses for full-time store staff	101,572	138,083	202,736	92,305	125,885
Cash-based compensation expenses for part-time store staff	110,823	133,384	197,714	94,786	107,441
Expenses relating to outsourced riders(1)	23,583	31,373	46,328	23,013	20,258
Cash-based compensation expenses for central kitchen staff	11,618	13,169	15,818	7,840	8,732
Subtotal	**247,597**	**316,009**	**462,596**	**217,943**	**262,316**
Corporate Level					
Cash-based compensation expenses for full-time staff	79,345	120,013	150,042	73,962	77,930
Share-based compensation	8,932	33,202	90,821	50,684	(3,338)
Subtotal	**88,277**	**153,215**	**240,863**	**124,646**	**74,592**
Total staff compensation expense	**335,873**	**469,224**	**703,458**	**342,589**	**336,908**

Note:

(1) Represents service fees paid to third-party delivery service providers. Such fees are paid principally on the basis of the numbers orders delivered by riders allocated to us by such third-party delivery service providers.

For the years ended December 31, 2019, 2020 and 2021, we recognized share-based compensation of RMB8.9 million, RMB33.2 million and RMB90.8 million, respectively. The increase in share-based compensation from 2019 to 2021 was mainly the result of the increase in total equity value of our Group during the respective years. We recorded share-based compensation of RMB50.7 million for the six months ended June 30, 2021 as the total equity value of our Group continued to increase. We recorded a reversal in share-based compensation of negative RMB3.3 million for the six months ended June 30, 2022, primarily due to the cancellation of SAR awards of our executives in part and in full during the six months ended June 30, 2021 and 2022 respectively, which resulted in a one-off reversal of the corresponding accumulated share-based compensation expense provided since its inception.

Depreciation of right-of-use assets

Our depreciation of right-of-use assets represents the depreciation of capitalized lease incurred by long-term leased properties in accordance with IFRS 16. We lease various offices, stores and central kitchens, and typically enter into rental contracts for fixed periods and may have the options to renew such contracts.

The table below sets forth the depreciation of right-of-use assets by the type of properties for the periods indicated.

	Year ended December 31,			Six months ended June 30,	
	2019	**2020**	**2021**	**2021**	**2022**
	(in RMB thousands)				
				(Unaudited)	
Depreciation of right-of-use assets					
Leased properties – stores and central kitchens	94,149	123,951	157,384	74,719	88,791
Leased properties – offices	4,463	4,475	4,665	1,855	2,193
Total	**98,612**	**128,426**	**162,049**	**76,574**	**90,984**

In 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022, our depreciation of right-of-use assets was RMB98.6 million, RMB128.4 million, RMB162.0 million, RMB76.6 million and RMB91.0 million, respectively, representing 11.8%, 11.6%, 10.1%, 10.0% and 10.0% of our total revenue in the same periods, respectively.

Depreciation of plant and equipment

Our depreciation of plant and equipment mainly includes the depreciation of (a) leasehold improvements and (b) machinery and equipment. In 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022, our depreciation of plant and equipment was RMB57.7 million, RMB76.9 million, RMB98.7 million, RMB46.9 million and RMB56.7 million, respectively, representing 6.9%, 7.0%, 6.1%, 6.1% and 6.2% of our total revenue in the same periods, respectively.

Amortization of intangible assets

Our amortization of intangible assets mainly consists of the amortization of (a) the intangible assets recorded under our MFA, which include the master franchise fee and store franchise fee and (b) our development and license of software and website. In 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022, our amortization of intangible assets was RMB36.1 million, RMB40.2 million, RMB43.0 million, RMB20.8 million and RMB23.5 million, respectively, representing 4.3%, 3.6%, 2.7%, 2.7% and 2.6% of our total revenue in the same periods, respectively.

Utilities expenses

Our utilities expenses primarily include electricity, water and gas charges paid by us for our Domino's Pizza stores, central kitchens and offices, with the vast majority of such utilities expenses incurred in connection with the operation of our stores. In 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022, our utility expenses were RMB43.0 million, RMB53.8 million, RMB71.7 million, RMB33.7 million and RMB37.3 million, respectively, representing 5.1%, 4.9%, 4.4%, 4.4% and 4.1% of our total revenue in the same periods, respectively. The increase in utilities expense over the Track Record Period was primarily due to the growth of our operations as we have opened more stores. The following table sets forth a breakdown of our utilities expenses for the periods indicated, in both absolute amounts and as a percentage of our total utilities expenses:

	Year ended December 31,						Six months ended June 30,			
	2019		2020		2021		2021		2022	
	(in RMB thousands, except for percentages)									
							(Unaudited)			
Utilities expenses:										
Stores	41,579	96.8%	52,045	96.7%	69,657	97.2%	32,802	97.2%	36,424	97.6%
Central kitchens	1,157	2.7%	1,665	3.1%	1,887	2.6%	838	2.5%	832	2.2%
Offices	227	0.5%	97	0.2%	158	0.2%	93	0.3%	49	0.1%
Total	42,963	100%	53,807	100%	71,702	100%	33,733	100.0%	37,305	100.0%

Advertising and promotion expenses

Our advertising and promotion expenses are primarily incurred in connection with (a) digital marketing, (b) marketing through offline channels and (c) our loyalty program. We engage in marketing activities through a diverse mix of online and offline media, as well as through our loyalty program. For details on our marketing and promotion, please see "Business – Marketing and promotion". As we remain focused on growing our presence in China, including by expanding to new markets and acquiring customers across all markets to drive sales, we have prioritized our advertising and promotion efforts and have incurred expenses commensurately.

In 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022, our advertising and promotion expenses were RMB61.5 million, RMB86.3 million, RMB121.9 million, RMB59.6 million and RMB53.9 million, respectively, representing 7.4%, 7.8%, 7.6%, 7.8% and 5.9% of our total revenue in the same periods, respectively. The decrease in our advertising and promotion and expenses as a percentage of revenue in the six months ended June 30, 2022 was primarily attributable to the impact of the COVID-19 pandemic and related control measures, which resulted in temporary store closures, temporary suspensions of dine-in services and delayed store openings in Shanghai and other cities. Accordingly, we reduced our advertising and promotion efforts in affected areas. As the COVID-19 pandemic improves, we expect our advertising and promotion expenses, as a percentage of revenue, will become more similar to historic levels. In the near future, as we strengthen brand awareness by leveraging both offline and online marketing activities, we expect our advertising and promotion expenses, as a percentage of revenue, to remain in line with those in the Track Record Period. In the medium and long term, we expect advertising and promotion expenses to decrease as a percentage of revenue among its targeted customers and markets as we continue to open up new stores nationwide. With a national store network, our brand marketing activities will benefit a larger number of stores across markets in China, helping us achieve economies of scale and making our advertising and promotion activities and more cost-effective.

The following table sets forth a breakdown of our advertising and promotion expenses for the periods indicated, in both absolute amounts and as a percentage of our total advertising and promotion expenses:

	For the year ended December 31,						For the six months ended June 30,			
	2019		2020		2021		2021		2022	
	(in RMB thousands, except for percentages)									
							(Unaudited)			
Advertising and promotion expenses:										
Digital marketing[1]	27,186	44.2%	41,241	47.8%	62,763	51.5%	31,423	52.7%	27,490	51.0%
Marketing through offline channels	28,997	47.1%	38,003	44.0%	51,267	42.1%	24,533	41.1%	21,616	40.1%
Loyalty program	5,020	8.2%	6,625	7.7%	7,250	5.9%	3,448	5.8%	4,092	7.6%
Others	333	0.5%	406	0.5%	581	0.5%	221	0.4%	675	1.3%
Total	61,535	100.0%	86,274	100.0%	121,862	100.0%	59,625	100.0%	53,873	100.0%

Note:

(1) Digital marketing expenses primarily comprise (i) fees payable to third-party platforms of approximately one percent to six percent of the price of each order fulfilled by third-party ordering platforms, (ii) fees payable to third-party platforms for other advertising and promotion activities, which fees did not account for a material portion of our total advertising and promotion expenses during the Track Record Period, (iii) livestreaming fees, and (iv) other online marketing fees.

Other expenses

Our other expenses consist of (a) telecommunication and information technology related expenses, (b) travelling and related expenses, (c) professional service expenses, (d) auditor's remuneration, (e) listing expenses and (f) others, including training fee, business meal, stamp duty tax and other office expenses.

The following table sets forth the details of our other expenses for the periods indicated.

	Year ended December 31,			Six months ended June 30,	
	2019	2020	2021	2021	2022
	(in RMB thousands)				
				(Unaudited)	
Telecommunication and information technology related expenses[1]	14,853	23,183	16,583	7,939	12,111
Travelling and related expenses	12,587	13,826	9,782	4,605	3,144
Professional service expenses[2]	9,761	9,465	7,797	3,702	4,506
Auditor's remuneration	1,476	1,946	2,301	1,153	1,420
Listing expenses	–	–	10,296	–	16,599
Others	6,357	7,912	10,229	4,593	7,431
Total	**45,034**	**56,332**	**56,988**	**21,992**	**45,211**

Notes:

(1) Telecommunication and information technology related expenses mainly include rental expenses for cloud services, telephone bills and information technology maintenance fee.

(2) Professional service expenses represent fees paid to independent, professional service providers in connection with legal, market research, recruitment and tax services. We pay legal fees primarily in connection with day-to-day legal services provided by both PRC counsel and offshore counsel. We incur market research fees for market surveys conducted by reputable market consulting service providers. We pay recruitment fees primarily in connection with services provided by talent search service providers. Our tax consulting fees primarily represent tax consulting and settlement services provided by international and PRC-based tax consulting service providers. The table below sets forth a breakdown of these professional service expenses, both in absolute amounts and as a percentage of our professional service expenses:

	Year ended December 31,						Six months ended June 30,			
	2019		2020		2021		2021		2022	
	(in RMB thousands, except for percentages)									
							(Unaudited)			
Professional services expenses:										
Legal services	3,640	37.3%	1,870	19.8%	1,673	21.4%	905	24.5%	758	16.8%
Market research services	2,877	29.5%	2,830	29.9%	1,650	21.2%	953	25.7%	1,280	28.4%
Recruitment services	1,541	15.8%	2,877	30.4%	2,674	34.3%	943	25.5%	1,150	25.5%
Tax services	1,703	17.4%	1,888	19.9%	1,800	23.1%	900	24.3%	1,319	29.3%
Total	9,761	100.0%	9,465	100.0%	7,797	100.0%	3,702	100.0%	4,506	100.0%

In 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022, our other expenses were RMB45.0 million, RMB56.3 million, RMB57.0 million, RMB22.0 million and RMB45.2 million, respectively, representing 5.4%, 5.1%, 3.5%, 2.9% and 5.0% of our total revenue in the same periods, respectively.

Fair value change of financial liabilities at fair value through profit or loss

We designate convertible Senior Ordinary Shares as financial liabilities at FVPL.

The following table sets forth the details of fair value change of financial liabilities at FVPL for the periods indicated.

	Year ended December 31,			**Six months ended June 30,**	
	2019	**2020**	**2021**	**2021**	**2022**
	(in RMB thousands)				
				(Unaudited)	
Convertible Senior Ordinary Shares[(1)]	–	(13,933)	(201,300)	(83,384)	(1,079)

Note:

(1) Upon the Listing, all convertible Senior Ordinary Shares will be automatically converted into ordinary shares which will no longer be recognized as financial liabilities at fair value through profit or loss.

In 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022, our fair value change of financial liabilities at FVPL was nil, a loss of RMB13.9 million, a loss of RMB201.3 million, a loss of RMB83.4 million and a loss of RMB1.1 million, respectively, representing nil, 1.3%, 12.5%, 10.9% and 0.1% of our total revenue in the same periods, respectively.

Store operation and maintenance expenses

Our store operation and maintenance expenses primarily include royalty expenses and store operating expenses and store maintenance expenses. In 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022, our store operation and maintenance expenses were RMB53.7 million, RMB75.7 million, RMB101.8 million, RMB48.2 million and RMB57.7 million, respectively, representing 6.4%, 6.9%, 6.3%, 6.3% and 6.3% of our total revenue in the same periods, respectively. The following table sets forth a breakdown of our store operating and maintenance expenses for the periods indicated, both in absolute amounts and as a percentage of our total store operating and maintenance expenses:

	Year ended December 31,						Six months ended June 30,			
	2019		2020		2021		2021		2022	
	(in RMB thousands, except for percentages)									
							(Unaudited)			
Store operating and maintenance expenses:										
Royalty expenses(1)	24,509	45.6%	33,759	44.6%	49,332	48.4%	23,516	48.8%	27,797	48.2%
Store operating expenses(2)	19,963	37.2%	31,394	41.5%	40,433	39.7%	19,070	39.5%	23,252	40.3%
Store maintenance expenses(3)	4,849	9.0%	6,281	8.3%	8,815	8.7%	3,968	8.2%	4,457	7.7%
Others	4,409	8.2%	4,281	5.7%	3,246	3.2%	1,672	3.5%	2,170	3.8%
Total	53,730	100.0%	75,715	100.0%	101,826	100.0%	48,226	100.0%	57,676	100.0%

Notes:

(1) Represent royalty expenses incurred pursuant to the terms of the Master Franchise Agreement.

(2) Primarily represent expenses related to logistic fees, cleaning fees, office supplies, and other day-to-day expenses incurred in our store operations.

(3) Primarily represent store maintenance fees (related to regular disinfection, fire equipment inspection and others), equipment maintenance fees, and vehicle maintenance fees.

Finance costs, net

Our finance costs, net primarily comprise interest expenses, guarantee fee for bank borrowings and issuance cost of convertible Senior Ordinary Shares, offset by interest income on cash at bank and net foreign exchange (losses)/gains on financing activities. Interest expenses mainly include those from our borrowings, those from our lease liabilities and those from our long-term payables.

The following table sets forth the details of our finance costs, net for the periods indicated.

	Year ended December 31,			Six months ended June 30,	
	2019	2020	2021	2021	2022
	(in RMB thousands)				
				(Unaudited)	
Interest income on cash at bank	1,594	1,159	1,860	1,008	890
Interest expenses	(42,773)	(59,866)	(73,212)	(36,392)	(35,443)
– Bank borrowings	(1,049)	(10,401)	(14,171)	(7,305)	(8,760)
– Lease liabilities	(29,713)	(37,360)	(48,659)	(23,672)	(26,326)
– Long-term payables	(12,011)	(12,105)	(10,382)	(5,415)	(357)
Guarantee fee for bank borrowings[1]	(4,408)	(16,876)	(16,126)	(8,116)	(12,269)
Issuance cost of convertible Senior Ordinary Shares	–	(10,226)	(9,235)	(1,368)	–
Net foreign exchange (losses)/gains on financing activities	(5,431)	23,869	9,042	3,927	(1,396)
Total	**(51,018)**	**(61,940)**	**(87,671)**	**(40,941)**	**(48,218)**

Note:

(1) Guarantee fee for bank borrowings represents fees associated with the guarantee by Good Taste Limited and James Marshall for the borrowings from a bank by our Group. We have fully repaid the balance of such bank borrowings by the end of March 2022. In addition, we have secured a credit facility from another bank, with a term of three years from the first drawdown to supplement the working capital needs when necessary.

In 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022, we incurred RMB51.0 million, RMB61.9 million, RMB87.7 million, RMB40.9 million and RMB48.2 million of finance costs, net, respectively, representing 6.1%, 5.6%, 5.4%, 5.3% and 5.3% of our total revenue in the same periods, respectively.

TAXATION

In 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022, we had income tax (expense)/credit of nil, RMB(6.4) million, RMB7.1 million, RMB8.9 million and RMB(9.7) million, respectively. The fluctuation in income tax (expense)/credit was mainly driven by (a) current income tax expenses incurred at certain subsidiaries which commenced generating taxable income since 2020 and (b) the recognition of deferred income tax assets on temporary differences based on the estimated future available taxable income. As of the Latest Practicable Date, we did not have any material dispute with any tax authority.

We are subject to various rates of income tax under different jurisdictions. The following summarizes major factors affecting our applicable tax rates in the BVI, the Cayman Islands, Hong Kong and China, which we believe are significant.

BVI

We are incorporated as a business company with limited liability under the BVI Business Companies Act and are not subject to tax on income or capital gains. Further, payment of dividends by the Company to its shareholders is not subject to any withholding tax under the laws of the BVI.

Cayman Islands

Our subsidiary, Pizzavest China Ltd., has not been subject to any taxation in the Cayman Islands.

Hong Kong

Our subsidiary in Hong Kong is subject to a profit tax rate of 16.5%. During the Track Record Period, Hong Kong profits tax had not been provided as our subsidiaries have no estimated assessable profits earned in or derived from Hong Kong.

China mainland

Under the PRC Enterprise Income Tax Law, our PRC subsidiaries, and controlled entities and their subsidiaries were subject to statutory tax rate of 25%, subject to preferential tax treatments available to qualified enterprises in certain encouraged sectors of the economy. Domino's Pizzavest (Ningbo) Co., Ltd. and Domino's Pizza (Dongguan) Co., Ltd. are qualified as small and micro businesses and enjoy preferential income tax rate as approved by the local tax authorities effective from the date of the respective dates of their establishments. The tax rates applied for the year ended December 31, 2021 and the six months ended June 30, 2022 are 2.5% on taxable income for the first RMB1.0 million, 10% of tax rate on taxable income for the subsequent RMB1.0 million to RMB3.0 million and 25% of tax rate on taxable income over RMB3.0 million respectively.

BUSINESS SUSTAINABILITY

Overview

We are a restaurant chain operator built upon a global brand in an early stage of rapid expansion in China. Since 2018, the first full year during which our current chief executive officer and most of our current core executive management team joined our Company, we have experienced a transformational change in terms of our growth strategy and results. In particular, under the leadership of our current chief executive officer, we have (i) added a leadership team with substantial experience in the Chinese catering industry, (ii) adopted tailored localization strategies, (iii) implemented an actionable store expansion plan, (iv) become more focused on a delivery-centric business model, and (v) strengthened our development with respect to both our menu and our technology. At the core of this transformational change is our belief that, given the significant whitespace and growth potential of the China pizza market, developing a broad, nationwide store network is key to the long-term success and competitiveness of our business.

Under the leadership of our current management team, we have been focused on growing Domino's Pizza into a national brand in China by opening new stores in existing and new markets, while closely monitoring our profitability. As a result, during the Track Record Period, we (i) rapidly expanded our store network, (ii) maintained consistent and improving store-level profitability, and (iii) improved our group-level adjusted EBITDA (non-IFRS measure). Although we incurred net losses and adjusted net losses (non-IFRS measure) during the Track Record Period, we are focused on improving our group-level bottom-line profitability as we continue to execute our store growth strategy. We plan to continue to increase our revenue while controlling our costs and expenses, which we expect will improve our bottom-line profitability in the future.

Our historical performance

Our track record of growth and improving profitability

To illustrate the scale of our transformation since our current executive officer and management team joined our Company, the table below sets forth certain of our key financial and operating metrics during the Track Record Period.

	As of and for the year ended December 31,			As of and for the six months ended June 30,	
	2019	2020	2021	2021	2022
Number of stores	268	363	468	415	508
Revenue (RMB'000)	836,629	1,104,053	1,611,327	766,559	908,789
SSSG	7.3%	9.0%	18.7%	22.6%	13.9%
Adjusted EBITDA (non-IFRS measure) (RMB'000)	(33,183)	(17,591)	62,695	32,522	55,575
Adjusted EBITDA margin (non-IFRS measure)	(4.0%)	(1.6%)	3.9%	4.2%	6.1%

We believe the metrics shown in the above table demonstrate that we have achieved:

- *Rapid growth of our store network and revenue.* Our nationwide presence grew from five cities at the beginning of 2018 to 12 cities as of June 30, 2022. The total number of our stores increased from 188 at the beginning of the Track Record Period to 468 as of December 31, 2021, representing a three-year CAGR of 35.5%, and further increased to 508 stores as of June 30, 2022. Our stores have also recorded increasing sales, as demonstrated by our consistently-positive SSSG throughout every quarter of the Track Record Period, despite a decrease in the first half of 2022 that was primarily attributable to the effects of the COVID-19 pandemic. This has driven a significant increase in our revenue.

- *Improving store-level profitability*. We were profitable at the store level, meaning our aggregate store earnings covered our aggregate store costs, as demonstrated by our positive and improving store-level operating profit margin during the Track Record Period. See "Business – The operating performance of our Domino's Pizza stores" for more details.

- *Improving group-level adjusted EBITDA (non-IFRS measure)*. We saw steady improvement in our adjusted EBITDA (non-IFRS measure) during the Track Record Period, which improved from negative RMB33.2 million in 2019 to positive RMB62.7 million in 2021. Our adjusted EBITDA (non-IFRS measure) remained positive in June 30, 2022, and amounted to RMB55.6 million.

Impact of the COVID-19 pandemic on our business sustainability

Like other Domino's franchisees around the world, we have always been focused on delivery, and our business model is designed to provide quality delivery services. The COVID-19 pandemic accelerated the growth in demand for food delivery services. As a delivery-focused company, we benefitted from this trend, as stronger delivery and carryout sales drove the continued growth of our revenue, average daily sales, SSSG and other key performance indicators, as well as our brand recognition, throughout the Track Record Period. We believe, if and when the COVID-19 pandemic subsides, there would be no adverse impact to our business and operations, on the basis that (i) the COVID-19 pandemic has accelerated the consumer adoption of food delivery, resulting in a shift in consumer habits in favor of delivery, according to the Frost & Sullivan Report, (ii) the COVID-19 pandemic had the effect of increasing consumer recognition of our brand, and we believe this effect will be lasting in the long term due to the strength of our products and services, and (iii) the delivery segment of the China pizza market is expected to grow faster than the overall China pizza market, according to Frost & Sullivan. As a result, we believe that the stronger brand awareness, larger store network and large customer base we built up are lasting and will remain in the longer term and expected to continue to drive our growth even after the COVID-19 pandemic subsides.

Our net loss and adjusted net loss (non-IFRS measure)

Despite our rapid growth and improving profitability, we recorded net losses of RMB181.6 million, RMB274.1 million, RMB471.1 million and RMB95.5 million in 2019, 2020, 2021 and the six months ended June 30, 2022, respectively. In the same periods, we recorded adjusted net losses (non-IFRS measure) of RMB168.2 million, RMB199.8 million, RMB143.3 million and RMB68.9 million, respectively.

The net losses and adjusted net losses (non-IFRS measure) we incurred during the Track Record Period were primarily the result of our current core executive management's strategic decision to prioritize the expansion of our store network. In particular, beginning in 2018, when most of our current core executive management joined our Company, we have been focused on rapidly expanding our store network by accelerating the pace at which we open new stores and enter new markets. As a result, since 2018, the number of our stores, as well the number of cities in which we have a presence, has each increased more rapidly as compared to the period from 2010 (the year in which we acquired the master franchise) to 2018. At the same time, we have been monitoring our bottom line to ensure our expansion is sustainable, and have kept our annual adjusted net losses (non-IFRS measure) at between approximately RMB140 million and RMB200 million during the Track Record Period.

Because of our strategic decision, to prioritize store growth while monitoring profitability, (1) at the store level, our store network has a high proportion of new stores and stores in new growth markets, which are initially unprofitable because it take time to ramp up their sales and pay back the costs of opening them; and (2) at the corporate level, we have made significant investments in our business to support our expansion, such as in our talent pool for store development, regional store management and IT functions, as well as brand-building activities. These two factors were the key reasons for our net losses and adjusted net losses (non-IFRS measure) during the Track Record Period. Each is described in more detail below.

Ramp-up of new stores and new growth markets

During the Track Record Period, we executed on our growth strategies and opened 320 new stores. As a result, as of June 30, 2022, stores that have been opened for three and a half years or less represented approximately 63% of our total stores. In addition, as part of our strategy to build a nationwide store network, we have been focused on expanding in our new growth markets, which are cities other than Beijing and Shanghai. At the end of 2019, 2020, 2021 and the first half of 2022, stores in our new growth markets represented approximately 33%, 39%, 43% and 44%, respectively, of our total stores. The high proportion of new stores and stores in new growth markets contributed to our net loss and adjusted net loss (non-IFRS measure) primarily because:

- *Sales in new stores and new growth markets remain in a ramp-up stage.* New stores typically have lower average daily sales per store compared to older stores during an initial ramp-up period. Similarly, stores in new growth markets typically have lower average daily sales per order compared to stores in Beijing and Shanghai. It takes time for these newer stores and new growth market stores to increase their sales to a level that approaches that of older stores and stores in Beijing and Shanghai. For example, stores opened in 2019 generated average daily sales per store of RMB7,415 in 2019, which was less than the group average of RMB10,292 in that year. However, by the first half of 2022, stores opened in 2019 had ramped up, and generated average daily sales per store of RMB11,062, which was similar to the group average of RMB11,462 in the same period. As we strategically accelerated the pace at which we opened new stores during the Track Record Period, we had a larger proportion of stores undergoing ramp-up, and our average daily sales per store was not as high as it would have been if we had opened stores at a slower pace and had a higher proportion of mature stores in our store network. For more information, including a tabular breakdown of average daily sales per store by store vintage and by market, see "Business – Our Domino's Pizza Stores – The operating performance of our Domino's Pizza stores – Key performance indicators – Average daily sales per store".

- *New stores take time to achieve cash investment payback.* From a payback perspective, the majority of our stores have not been open for a long enough time to achieve cash investment payback. Our cash investment payback period has been improving, but as most of our new stores have been open for less than three years, they have not been open for long enough to achieve cash investment payback. As of June 30, 2022, approximately 9% of the stores opened during the Track Record Period had achieved cash investment payback. For more information, see "Business – Our Domino's Pizza Stores – The operating performance of our Domino's Pizza stores – Initial breakeven and Cash investment payback period of our stores".

- *New stores have yet to cover their share of corporate-level expenses.* As new stores take time to ramp up sales and achieve cash investment payback as described above, it takes time for these stores to generate sufficient sales to cover their share of corporate-level costs. Although our stores collectively generated sufficient sales to cover their store-level costs and expenses, as demonstrated by our positive and steadily improving store-level operating profit during the Track Record Period, the high proportion of new stores in our store network means our stores, on a collective basis, were not yet able to cover their corporate-level costs and expenses.

Corporate-level investments in support of a nationwide store network

During the Track Record Period, we made substantial investments at the corporate level to support the rapid growth of our business and store network such as investing in our talent pool for store development, regional store management and IT functions, as well as brand-building activities. We believe that these corporate-level investments bring benefits shared by all of our stores. However, because our store network has not yet reached the scale and maturity needed to fully cover our corporate-level investments, these investments contributed to our net loss and adjusted net loss (non-IFRS measure) during the Track Record Period.

The corporate-level investments we made in our business are primarily reflected in our corporate overhead, which amounted to RMB157.4 million, RMB213.0 million, RMB239.2 million and RMB124.8 million, representing 18.8%, 19.3%, 14.8% and 13.7% of our revenue, in 2019, 2020, 2021 and the first half of 2022, respectively. During the Track Record Period, the following four items accounted for substantially all of our corporate overhead:

- *Corporate-level cash compensation expenses.* Cash-based compensation expenses for our corporate-level full-time staff amounted to RMB79.3 million, RMB120.0 million, RMB150.0 million and RMB77.9 million, representing 50.4%, 56.3%, 62.7% and 62.4% of our total corporate overhead in 2019, 2020, 2021 and the six months ended June 30, 2022, respectively. The majority of these costs were incurred in connection with compensating our store development and regional store management staff and IT and technology staff.

- *Corporate-level depreciation and amortization.* These expenses amounted to RMB41.4 million, RMB45.0 million, RMB48.0 million and RMB25.1 million, representing 26.3%, 21.1%, 20.1% and 20.1% of our total corporate overhead in 2019, 2020, 2021 and the six months ended June 30, 2022, respectively. Corporate-level depreciation and amortization primarily represents (i) the amortization arising from the revaluation of the Master Franchise Agreement in connection with our corporate restructuring in 2017, which amounted to RMB32.0 million in 2019 and 2020, RMB31.8 million in 2021, and RMB15.9 million in the six months ended June 30, 2022, and (ii) the amortization of certain IT-related investments in connection with the enhancement of our digital platform and overall enterprise-level operational efficiency.

- *Corporate-level advertising and promotion expenses*. These expenses amounted to RMB2.9 million, RMB9.0 million, RMB14.5 million and RMB4.6 million, representing 1.9%, 4.2%, 6.1% and 3.7% of our total corporate overhead in 2019, 2020, 2021 and the six months ended June 30, 2022, respectively. We incurred these expenses primarily in connection with marketing and promoting our brand, as well as additional marketing activities that we undertook as we entered new markets.

- *Corporate-level other expenses.* These expenses amounted to RMB29.0 million, RMB34.2 million, RMB21.6 million and RMB14.8 million, representing 18.4%, 16.1%, 9.0%, and 11.8% of our total corporate overhead, in 2019, 2020, 2021 and the first half of 2022, respectively. The main components of our corporate-level other expenses were (i) recruitment fees, which we paid to recruitment agencies to help us hire talents to support our rapid growth, (ii) marketing survey expenses, which we incurred by engaging market research firms to conduct market surveys to enable us to better understand our brand and our market, and (iii) travelling expenses, which we incurred primarily for our store development team's travel to onsite locations in support of store openings. See "Financial information – Major components of our results of operations – Other expenses".

During the Track Record Period, although our corporate overhead decreased as a percentage of our revenue, it increased in absolute amounts along with the growth of our store network. The increase in the absolute amount of our corporate overhead was mainly attributable to the increase in corporate-level cash-based staff compensation expenses and advertising and promotion expenses.

Cash-based compensation expenses for our corporate-level full-time staff increased in absolute amounts during the Track Record Period primarily because we were investing in our human capital to lay the foundations for a nationwide store network. As a result, we increased the headcount and/or compensation of our corporate-level staff, including (i) store development and regional store management staff to enable us to open and operate more stores, (ii) sales and marketing staff to build our brand, (iii) IT and technology staff to develop and support our online channels and backend infrastructure and (iv) general administration, management and other staff to support our significantly larger operations. The increase in absolute amounts was also attributable to merit-based salary increases. In the future, we expect our cash-based corporate-level staff compensation expenses to increase in absolute amounts but decrease as a percentage of revenue as the number of stores increases, which will enable us to realize economies of scale.

Our corporate-level advertising and promotion expenses increased in absolute amounts during the Track Record Period primarily because of our brand-building activities, particularly in new cities. In the future, we expect our corporate-level advertising and promotion expenses to increase in absolute amounts but decrease as a percentage of revenue as the number of stores increases, which will enable us to realize economies of scale and strengthen our brand organically.

For more information about how we will control our corporate-level costs in the future, see "– Measures to improve our profitability – Reduce corporate-level costs and expenses as a percentage of revenue by realizing economies of scale" below.

Measures to improve our profitability

During the Track Record Period, we (i) increased our scale by opening new stores and entering new cities, (ii) maintained our store-level profitability, as demonstrated by our store-level operating profit, and (iii) improved our group-level adjusted EBITDA (non-IFRS measure), which turned positive in 2021.

We plan to improve our group-level bottom-line profitability by driving revenues while reducing our costs and expenses. To that end, we will primarily pursue four key strategies: we will drive revenues by (i) increasing our revenue per store and (ii) increasing the total number of our stores; at the same time, we will reduce costs and expenses by (iii) continuing to control store-level costs and expenses and (iv) reducing our corporate costs as a percentage of revenue by realizing economies of scale. Assuming the successful execution of these strategies, we expect our group-level bottom-line profitability will improve as we realize greater economies of scale in the future.

Drive revenue growth by increasing revenue per store

We believe that, as we continue to build our brand, enhance our technology, refine our menu and strengthen our delivery leadership, there will be four core drivers of continued growth in average daily sales per store, each of which is supported by historical trends:

- *Newer stores will continue to ramp up their sales.* Historically, our new stores have a track record of ramping up their average daily sales per store after opening. Stores opened in 2019, 2020 and 2021 all achieved aggregate increases in their average daily sales per store over the Track Record Period. For example, stores in 2019 increased average daily sales from RMB7,415 in 2019 to RMB9,203 in 2021, before further increasing to RMB11,062 for the first half of 2022. Given the high proportion of new stores in our store network, we expect that our stores will continue to ramp-up their average daily sales per store.

- *Older stores will continue to increase sales.* In addition to the ramp-up of newer stores, we believe older stores will also increase their average daily sales per store. For example, stores opened before 2019 saw their average daily sales per store increase from RMB10,857 in 2019 to RMB13,844 in 2021, before further increasing to RMB15,277 in the first half of 2022, with similar trends for stores of other vintages. We believe that, as we continue to pursue our menu development and localization, active marketing and trade-up strategies, older stores will continue to increase their sales.

- *Stores in new growth markets ramp up faster than in Beijing and Shanghai.* The ramp-up of stores in our new growth markets has historically been faster than in Beijing and Shanghai. For example, from 2019 to 2021, stores opened in 2019 in Beijing and Shanghai increased their average daily sales per store at a CAGR of 9.1%, while stores opened in 2019 in our new growth markets increased their average daily sales per store at a CAGR of 16.5%. Similar trends apply to stores of other vintages. As we expect to expand quicker in our new growth markets, we expect our stores in such markets to drive our overall average daily sales per store.

- *Sales in new growth markets are catching up to Beijing and Shanghai.* Average daily sales per store in our new growth markets are approaching the levels of our stores in Beijing and Shanghai across stores of all vintages. This trend has accelerated over time. For example, for stores opened in 2022, average daily sales per store in our new growth markets was similar to that in Beijing and Shanghai. As our brand awareness in new growth markets grows, we expect this trend to continue in the future.

For more information about average daily sales per store, including breakdowns by store vintage and market, see "Business – Our Domino's Pizza Stores – The operating performance of our Domino's Pizza stores – Key performance indicators – Average daily sales per store".

As average daily sales per store ramps up, we expect that our cash investment payback period will shorten. Our typical cash investment payback period shortened during the Track Record Period across all of our markets. The average cash investment payback period of stores in Beijing and Shanghai that opened in 2021 is expected to be 32 months, while the typical cash investment payback period of stores in our new growth markets that opened in the same period is expected to be 45 months.

Drive revenue by increasing the number of stores

In addition to continually growing sales at our existing stores and in our existing markets, we plan to continue to open new stores in existing markets and explore opportunities to enter more new markets. We plan to open approximately 120 and 180 new stores in 2022 and 2023 primarily in Tier 1, New Tier 1 and Tier 2 cities with proximity to our three existing central kitchens located in Northern China, Eastern China and Southern China and also any new central kitchens to be established. Given the vast number of potential store locations in China, we expect we will continue to open new stores at a rapid pace in 2024 and 2025.

We believe, based on market analyses, that our store expansion is supported by sufficient customer demand. The China pizza market is expected to grow at a CAGR of 13.6% from 2021 to 2026, and the pizza delivery segment is expected to grow at a CAGR of 19.9% in the same period. The China pizza market also remains underserved, with just 10.9 pizza stores per million people, as compared to 28.1 and 28.3 stores per million people in Japan and South Korea, respectively. We believe we are well-positioned to capture a significant portion of this growth given our global image as a pizza expert, together with our expertise and positioning in delivery. Historically, we have a track record of capturing a significant share of the growth in the China pizza market, having more than doubled our market share from 2017 to 2021. Additionally, we have grown faster than the overall market during the Track Record Period. Our revenues grew 32.0% in 2020 and 45.9% in 2021, while the overall pizza market contracted by 8% in 2020 and grew by 19.3% in 2021.

We have successfully executed our store expansion strategy during the Track Record Period. The total number of our stores increased from 188 at the beginning of the Track Record Period to 468 as of December 31, 2021, representing a three-year CAGR of 35.5%, before further increasing to 508 as of June 30, 2022. As of the Latest Practicable Date, we have opened 101 of the 120 stores that we plan to open in 2022 and have signed the leases and commenced the furnishing and preparatory work for the remaining 19 stores. We expect to meet our store opening target for 2022.

We have experienced success opening new stores in new growth markets. For example, in September 2021, we entered one new city, namely Ningbo, Zhejiang province. Our first store in Ningbo had an initial breakeven period of one month, and a cash investment payback period of approximately three and a half months, which was substantially lower than our group average at the time. Similarly, in April 2022, we expanded into Dongguan, Guangdong province. Our first store in Dongguan had an initial breakeven period of one month, which was also substantially lower than our group average at the time. We believe the success of these stores is testament to our ability to identify opportunities in new markets for new stores as we implement our store expansion plan.

By opening more stores, we expect to further strengthen our brand awareness, increase the penetration of delivery and carryout services and further drive sales growth, thereby further increasing our revenue. However, in the short term, the opening of new stores will cause us to have cash outflows, and these new stores may not immediately improve our profitability due to the time it takes for their sales to ramp up and for them to achieve initial breakeven and cash investment payback.

For details about our planned store network expansion, see "Business – Our growth strategies – Rapidly increase the number of our stores", "Business – Our Domino's Pizza stores – Our Domino's Pizza store network – Growth of our store network" and "Future plans and use of proceeds".

Control store-level costs and expenses

Because we successfully increased our revenue while controlling store-level costs, we were already profitable at the store level during the Track Record Period. To maintain our store-level profitability, in addition to increasing revenue per store (as discussed above), we intend to control our store-level costs and expenses, which generally remained flat as a percentage of revenue during the Track Record Period. In particular, we intend to control the following costs:

- *Store-level staff compensation expense.* We arrange store-level staff for each store based on the store's sales volume to ensure the normal operations of our stores. With the growth in the number of stores we operated during the Track Record Period, the number of our store-level staff increased commensurately. In 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022, store-level salary-based expense was RMB247.6 million, RMB316.0 million, RMB462.6 million, RMB217.9 million and RMB262.3 million, respectively, representing 29.6%, 28.6%, 28.7%, 28.4% and 28.9% of our total revenue in the same periods, respectively, despite a general increase in labor costs in China. During the Track Record Period, we directly operated 268, 363, 468 and 508 stores in 2019, 2020, 2021 and June 30, 2022, respectively. Our sales order volume experienced continual increase along with our store expansion, which together drove the rise of our store-level salary-based expense during the Track Record Period. We plan to closely monitor the staffing at our stores and strive to achieve operational efficiency through improving our technology. For example, we will continue to leverage our smart staffing and smart order dispatch systems. Our smart staffing system assigns staff to stores based on anticipated need, which helps prevent overstaffing and in turn enables us to control our store-level compensation expense. Similarly, our smart order dispatch system identifies optimal routes for delivery, including by aggregating multiple delivery orders in a single trip, enabling our riders to make deliveries more efficiently, and enabling us to control the number of riders and the related expenses. As we refine these systems and implement other technologies, we expect we will better control our store-level staff compensation expense.

- *Rental expenses.* During the Track Record Period, our store-level rental expenses, which include depreciation of right-of-use assets and variable lease rental payment, short-term rental and other related expenses, as a percentage of total revenue in the respective period were 12.1% in 2019, 11.9% in 2020, 10.9% in 2021, 10.9% for the six months ended June 30, 2021 and 11.3% for the six months ended June 30, 2022. The decrease in our rental expenses as a percentage of total revenue from 2019 to 2021 was mainly due to the strong growth of our revenue and our strengthened negotiating power to negotiate more favorable lease terms as we enhanced our brand recognition. With a growing network of our stores in the future, we expect the rental expenses as a percentage of revenue to further decrease as our continued nationwide growth and strengthening brand will enhance our bargaining power in lease negotiations, which will enable us to secure lower rents and further optimize our lease term structures.

- *Raw materials and consumables cost.* During the Track Record Period, our raw materials and consumables cost, represented 27.3%, 28.1%, 26.4%, 26.6% and 27.2% of our total revenue in 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022, respectively. The fluctuation in raw materials and consumables cost was in line with our revenue growth. As we continue to increase the scale of our operations, we believe that we will be able to effectively control our raw materials and consumables cost as a percentage of revenue by implementing the following measures: (i) strengthening our relationship with quality suppliers to secure competitive pricing of raw materials and consumables; (ii) leveraging centralized procurement and strong brand recognition to increase bargaining power over suppliers of raw materials and consumables, thereby optimizing procurement costs; (iii) upgrading our ERP system to ensure our inventory is accurately assessed and procurement effort is matched to the actual needs of our stores; and (iv) constantly monitoring the market prices of raw materials and strategically optimize inventory levels and procurement cost through bulk orders or prepayments.

Reduce corporate-level costs and expenses as a percentage of revenue by realizing economies of scale

As our business continues to grow, we expect to realize economies of scale and reduce corporate-level costs and expenses as a percentage of revenue to attain group-level, bottom-line profitability. During the Track Record Period, we made substantial investments at the corporate level, including by hiring more staff to support the expansion of our store network and developing our IT infrastructure. These corporate-level investments enabled us, among others, to (i) accelerate the pace at which we open new stores and enter new markets, (ii) develop and enhance our own online channels, and (iii) strengthen our brand across all of our markets.

In the future, as our business continues to mature, we expect to make corporate-level investments at a more moderate pace. As a result, our corporate overhead will decrease as a percentage of revenue, as shown by the trend during the Track Record Period, with our corporate overhead decreasing from 18.8% of revenue in 2019 to 14.8% in 2021, and further to 13.7% in the first half of 2022. In particular, we will control the four key components of our corporate overhead as follows.

Corporate-level staff compensation expenses

In 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022, our corporate-level cash-based compensation expense was RMB79.3 million, RMB120.0 million, RMB150.0 million, RMB74.0 million and RMB77.9 million, respectively, representing 9.5%, 10.9%, 9.3%, 9.6% and 8.6% of our total revenue in the same periods, respectively. Our corporate-level cash-based compensation expense primarily represents salaries paid to our corporate-level store development operations staff, IT and technology staff, sales and marketing staff and general administration, management and other staff. During the Track Record Period, corporate-level cash-based compensation expenses increased due primarily to an increase in headcount to support our rapid expansion, as well as an increase in salary levels to ensure that we continue to offer competitive remuneration in line with market trends. The number of corporate-level full-time staff as of December 31, 2019, 2020, 2021 and June 30, 2022, was 255, 303, 344 and 351, respectively. In 2021 and the six months ended June 30, 2022, the amount of cash-based compensation paid to our senior executive officers was RMB26.6 million and 10.2 million, respectively. We expect that corporate-level staff compensation expenses will decrease as a percentage of revenue as our business matures. In particular, we expect that, as the number of stores increases, the earnings generated by those stores will be more than sufficient to cover the costs of our corporate-level staff. For example, we expect that the cash-based staff compensation expense for our store development and regional store management staff and our IT and technology staff, which accounted for a majority of our corporate-level cash-based compensation expense during the Track Record Period, will grow at a slower pace than revenue for the reasons set out below.

The table below sets forth a breakdown of our corporate-level cash-based staff compensation expense by function, in both absolute amounts and as percentages of total revenue, for the periods indicated:

	For the year ended December 31,						For the six months ended June 30,			
	2019		2020		2021		2021		2022	
	(in RMB thousands, except for percentages)									
Corporate-level cash-based compensation expense										
By function										
Store development and regional store management	36,654	4.4%	46,900	4.2%	57,882	3.6%	28,000	3.7%	32,176	3.5%
Sales and marketing	8,770	1.0%	10,134	0.9%	11,865	0.7%	5,826	0.8%	6,521	0.7%
IT and technology	4,672	0.6%	18,664	1.7%	21,100	1.3%	9,433	1.2%	10,737	1.2%
General administration, management and others	29,249	3.5%	44,315	4.0%	59,195	3.7%	30,703	4.0%	28,496	3.1%
Total	79,345	9.5%	120,013	10.9%	150,042	9.3%	73,962	9.6%	77,930	8.6%

During the Track Record Period, corporate-level cash-based expenses for store development and regional store management staff represented 4.4%, 4.2%, 3.6%, 3.7% and 3.5% of our total revenue in 2019, 2020, 2021 and the first half of 2021 and 2022, respectively. These expenses are linked to the number of stores that we open and operate, and we expect that they will increase in absolute amounts as we open more stores in the future. However, we also expect that these costs will decrease as a percentage of revenue in the future. Historically, after most of our current core executive management team joined our Company in 2018, we made a strategic decision to accelerate the pace at which we open stores. As a result, we opened an increasing number of new stores in each year of the Track Record Period, having opened 83 stores in 2019, 98 stores in 2020, 108 stores in the first half of 2022. To support this accelerated pace of store openings, we increased the number of store development and regional store management staff commensurately. In 2020, 2021 and the twelve months ended June 30, 2022, the number of our store development and regional store management staff as at the end of the year or period increased by 21.6%, 17.8% and 13.0%, respectively as compared to the end of the previous year or period. In the near future, we plan to increase the number of stores that we open in each year. However, the rate of this increase is expected to moderate as we approach a nationwide scale. When that happens, we expect that our hiring of such staff will continue to moderate in the future. Moreover, we expect operational efficiencies to be realized as our store density increases, which will enable each regional operational manager to oversee more stores. This in turn will enable our corporate-level staff compensation costs to decrease a percentage of revenue.

Our corporate-level compensation expenses relating to our IT and technology staff represented 0.6%, 1.7%, 1.3%, 1.2% and 1.2% of our total revenue in 2019, 2020, 2021 and the first half of 2021 and 2022, respectively. The increase in 2020 was primarily because we significantly enlarged our IT team in 2020 in connection with developing our proprietary app and website and CDP. This enlarged IT team successfully enhanced our IT infrastructure, enabling us to improve the user experience. In 2020, 2021 and the twelve months ended June 30, 2022, the number of our IT and technology staff as at the end of the year or period increased by 26.5%, nil and nil, respectively as compared to the end of the previous year or period. Now that we have successfully developed and deployed a set of core technologies, the number of our IT and technology staff has remained stable, and we expect our need for IT and technology staff and the related cash-based staff compensation expense will increase incrementally in absolute amounts and continue to decrease as a percentage of revenue in the future, enabling our corporate-level staff compensation costs to decrease as a percentage of revenue.

During the Track Record Period, the corporate-level cash-based expenses for general administration, management and other staff represented 3.5%, 4.0%, 3.7%, 4.0% and 3.1% of our total revenue in 2019, 2020, 2021 and the first half of 2021 and 2022, respectively. During the Track Record Period, as we accelerated the pace at which we increased the scale of our operations, we also increased the headcount and compensation of our general administration, management and other staff to ensure that we have sufficient talent to support our increased scale. In 2020, 2021 and the twelve months ended June 30, 2022, the number of our general administration, management and other staff as at the end of the year or period increased by 9.8%, 14.9% and 10.1%, respectively as compared to the end of the previous year or period. As corporate-level cash based expenses for general administration, management and other staff are linked to the number of stores that we operate and the overall size of our business, we expect these expenses to increase in absolute amounts in the future. However, we expect these costs will decrease as a percentage of revenue due to economies of scale, which we expect will be realized as the number of stores increases and their aggregate sales are able to cover the cost of these staff.

To control our corporate-level staff compensation expense, we will remain disciplined and prudent with respect to the rate at which we increase our headcount, and continue to find opportunities to control costs once our stores are ramped up. For example, we began prudently moderating the number of IT staff we hire after we built up our IT infrastructure. We will also optimize our staff structure. For example, we are aiming to have regional operational managers oversee more stores, which will enable us to continue increasing our operational efficiency. We expect that these measures will enable us to control our corporate-level compensation expense such that it grows at a slower rate than revenue.

Corporate-level depreciation and amortization

In 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022, our corporate-level depreciation and amortization was RMB41.4 million, RMB45.0 million, RMB48.0 million, RMB23.4 million and RMB25.1 million, respectively, representing 5.0%, 4.1%, 3.0%, 3.0% and 2.8% of our total revenue in the same periods, respectively. Our corporate-level depreciation and amortization has been consistently decreasing as a percentage of revenue over the Track Record Period. We expect this to continue in the future, as the majority of our corporate-level depreciation and amortization consists of the amortization arising from the revaluation of our Master Franchise Agreement, which is relatively fixed, and which amounted to RMB32.0 million in 2019 and 2020, RMB31.8 million in 2021, and RMB15.9 million in the six months ended June 30, 2021 and 2022, respectively. Other than the amortization of the Master Franchise Agreement, our corporate-level depreciation and amortization primarily includes (i) the depreciation of leasehold improvement, office furniture and electronic equipment incurred in our offices, which we expect to remain relatively stable in the future, as well as (ii) the amortization of our acquired software, self-developed website and app, which we expect to remain relatively fixed in the future. We therefore expect that our corporate-level depreciation and amortization will remain stable in absolute terms in the future, and will continue to decrease as a percentage of revenue.

Corporate-level other expenses

In 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022, our corporate-level other expenses amounted to RMB29.0 million, RMB34.2 million, RMB21.6 million, RMB9.4 million and RMB14.8 million, representing 3.5%, 3.1%, 1.3%, 1.2% and 1.6% of our revenue in the same periods, respectively. We expect that corporate-level other expenses will grow more moderately than revenues, primarily because the key components of corporate-level other expenses, namely recruitment fees, travelling expenses and market survey fees, are relatively fixed compared to our revenue.

Corporate-level advertising and promotion expenses

In 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022, our corporate-level advertising and promotion expenses was RMB2.9 million, RMB9.0 million, RMB14.5 million, RMB8.6 million and RMB4.6 million, respectively, representing 0.4%, 0.8%, 0.9%, 1.1% and 0.5% of our total revenue in the same periods, respectively. Although historically these expenses increased as a percentage of revenue, driven by our entry into new markets, we expect our corporate-level advertising and promotion expenses to decrease as a percentage of revenue as our brand strengthens organically through the growth of our store network. In particular, as our brand strengthens, we will be better able to control our corporate-level advertising and promotion expenses by being able to be more selective about what sort of brand building activities we pursue.

Corporate-level finance costs

In 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022, our corporate-level finance costs amounted to RMB46.6 million, RMB34.8 million, RMB62.3 million, RMB31.5 million and RMB35.9 million, respectively, representing 5.6%, 3.2%, 3.9%, 4.1% and 4.0% of our revenue in the same periods, respectively. During the Track Record Period, our corporate-level finance costs primarily represented the interest expense incurred in connection with our (i) lease liabilities and (ii) borrowings drawn upon the RMB210.0 million bank facility that we entered into in October 2019, which had an effective interest rate of between 4.85% and 6.9825% during the Track Record Period and is guaranteed by Dash Beijing, one of our subsidiaries. We expect that our corporate-level finance costs will grow more moderately than revenue in the future, primarily because (i) as our sales ramp up, the interest expense from lease liabilities, which are largely correlated with our store numbers, will decrease as a percentage of revenue, and (ii) in March 2022, we replaced the bank facility we entered into in October 2019 with a new RMB200 million bank facility with a lower effective interest rate of 4.8500% and a three-year term. We also expect that, as we continue to scale up in size, we will have more negotiating power to achieve better borrowing terms with banks.

Our profitability outlook

Upon the successful implementation of the foregoing measures, we believe we are well-positioned to achieve sustainable profitability in the future. We anticipate that, in three to five years, we will have a sufficient number of ramped-up stores to generate the sales needed to cover our corporate overhead and depreciation and amortization expenses arising from the opening of new stores. Our expectation is based on the forecasted pace of our store openings, increase in per-store and aggregate revenue, and reduction of our costs and expenses as a percentage of revenue.

Notwithstanding the foregoing, we expect to remain loss-making for at least another three years. Our net losses may increase in absolute amounts in 2022 as compared to 2021 primarily due to (i) our continued geographical expansion into new cities where our profitability tends to be lower due to the lack of strong brand awareness and the impact of capital expenditures related to store openings, and (ii) our continued corporate-level investments in support of a nationwide store network, including with respect to our talent pool for store development, regional store management and IT functions, as well as our brand-building activities. In the longer-term, our future profitability is uncertain and subject to various factors, including our ability to continue to effectively expand our nationwide store network and grow revenues in a cost-effective way and to execute on the strategies described above. See "Risk Factors – We incurred net losses during the Track Record Period and may not be able to maintain or increase the sales volume of our existing stores, control our costs and expenses and achieve or maintain profitability in the future."

Our net current liabilities position

During the Track Record Period, we recorded net current liabilities of RMB209.6 million, RMB202.5 million, RMB65.0 million and RMB64.1 million as of December 31, 2019, 2020 and 2021 and June 30, 2022, respectively. Each of these net current liabilities positions was primarily the result of our store expansion during the Track Record Period, during which we primarily used our cash generated from operating activities, proceeds from our pre-IPO investors and borrowings to finance the capital expenditure of such expansion, which mostly translated into non-current assets. Our non-current assets mainly included right-of-use assets, leasehold improvements, machinery and equipment, motor vehicles and intangible assets. As of December 31, 2019, 2020, 2021 and June 30, 2022, the percentage of non-current assets to total assets were approximately 92.7%, 85.8%, 75.2% and 78.0%. As of October 31, 2022, we had net current liabilities of RMB120.3 million.

We believe that our net current liabilities position will improve with net cash inflows generated from operating activities once our newly opened stores begin to generate a profit and with the net proceeds from the Global Offering. We plan to continue to improve our net current liabilities position by improving our economies of scale as our store network continues to grow. In addition, we will continue to improve our net current liabilities position by leveraging our central kitchen and centralized procurement of both raw materials and equipment to improve our operational efficiency and control costs. We also expect to take advantage of our enhanced brand awareness to negotiate with landlords for more favorable lease terms in the future to control our costs. Furthermore, we will continue to closely monitor our liquidity position to ensure that it is in line with our business operations and expansion plan. We will also manage the level of our cash and current assets to ensure the availability of sufficient cash flows to meet any planned or unexpected cash requirements arising from our operations. During the Track Record Period, the Group witnessed sustained improvement in its net current liabilities position. Between December 31, 2020 and December 31, 2021, net current liabilities decreased significantly from RMB202.5 million to RMB65.0 million before further decreasing to RMB64.1 million as of June 30, 2022, primarily as a result of (i) an increase in cash and cash equivalents as a result of fundraising from our Pre-IPO Investors in 2021, and (ii) the net cash generated from operating activities in 2021 and the six months ended June 30, 2022. Our net current liabilities position could also improve through the use of our unutilized banking facilities when needed, which facilities amounted to RMB100.0 million as of June 30, 2022, with a term of three years from the first drawdown.

Liquidity and working capital

As of June 30, 2022, we had cash and cash equivalents of RMB576.9 million. Taking into account our cash on hand, cash generated from operating activities, available banking facility and the estimated net proceeds we expect to receive from the Global Offering, our Directors are of the view that we will have sufficient working capital to meet our present requirements and for at least the next twelve months from the date of this document.

In the worst-case scenario, under which we are not able to become profitable in the foreseeable future because our new stores take longer than expected to ramp up, we will pause the opening of new stores and only focus on ramping up existing stores. For the year ended December 31, 2021 and the six months ended June 30, 2022, we had a positive net cash inflow from our operating activities (the net cash generated from operating activities less lease-related cash outflow from financing activities (cash outflow from payment of the principal and interest elements of lease liabilities)) of RMB136.4 million and RMB70.7 million respectively, which were primarily driven by revenue growth and enhanced store-level profitability during the period as we continued to expand our store network.

In addition, in the extreme scenario where we have to completely suspend all of our business operations and hence do not generate any revenue after June 30, 2022 due to unforeseeable circumstances or force majeure events and assuming, without taking into account any additional financial resources that we may obtain after the Listing, that we:

- cease all operations from July 1, 2022 onward, which assumes that from July 1, 2022 onward, we will not earn or incur (a) any revenue and costs in relation to store operations and maintenance, (b) any expenses in relation to advertising and promotion, and (c) any expenses in relation to the central kitchen;
- do not open any new stores and hence do not incur any capital expenditure and rental expenses for new stores;
- keep all the existing stores, office and central kitchen and settle lease payments when they fall due;
- do not lay off any of our employees or reduce their salaries, and make all their salaries payments;
- continue to make payment of all interest expenses when they fall due;
- settle all of our outstanding trade payables as of June 30, 2022;
- receive the settlement of all of our trade receivables as of June 30, 2022 by taking into account our historical settlement patterns;
- sell all of our inventories as of June 30, 2022 at a 25% discount;
- use 10% of the net proceeds from the Global Offering as our working capital based on the mid-point of the offer price range;

- use our unutilized banking facilities when needed, which facilities were RMB100.0 million as of October 31, 2022; and

- use our standby line of credit, which amounted to RMB100.0 million as of October 31, 2022, when needed,

we would have sufficient cashflow for our business to remain financially viable for at least twelve months ending June 30, 2023. The abovementioned analysis is for illustrative purposes only and our Directors estimate that the likelihood of such a situation occuring is extremely remote.

Conclusion

Based on the foregoing, and taking into account our existing profitability in Beijing and Shanghai, our improving profitability in our new growth markets, our results of operations and cash flows, our Directors believe that our Group has a sustainable business.

Taking into account the foregoing, the view of the Directors, and the due diligence work conducted by the Sole Sponsor including but not limited to (i) reviewing the Accountant's Report set out in Appendix I to this document, (ii) the financial due diligence conducted on the historical financial information of the Group during the Track Record Period and discussions with the Company's management, (iii) discussions with the Company's management and the industry consultant regarding the China pizza market, (iv) written confirmation provided by the Company in respect of working capital sufficiency and (v) discussions with the Company's management regarding the expansion plan of the Group, nothing has come to the Sole Sponsor's attention that would cause the Sole Sponsor to question with the reasonableness of the Directors' view that the Group has a sustainable business.

The foregoing forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. These forward-looking statements involve known and unknown risks, uncertainties and other factors, some of which are beyond our control, which may cause the actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. For related risks, see "Risk factors – Risks related to our business and industry – Although we have grown rapidly, we cannot assure you that we will continue to grow at the same pace, or at all", "Risk factors – Risks related to our business and industry – Opening new stores could adversely affect our financial condition" and "Risk factors – Risks related to our business and industry – We incurred net losses during the Track Record Period and may not be able to maintain or increase the sales volume of our existing stores, control our costs and expenses and achieve or maintain profitability in the future".

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

Six months ended June 30, 2022 compared to six months ended June 30, 2021

Revenue

Our revenue increased by 18.6% from RMB766.6 million for the six months ended June 30, 2021 to RMB908.8 million for the six months ended June 30, 2022, mainly attributable to (a) the increase in average daily sales per store in both Beijing and Shanghai, where we have a longer operating history, and our new growth markets, to which we have recently expanded, and (b) the growth in the number of new stores, which increased from 415 as of June 30, 2021 to 508 as of June 30, 2022. Our total sales in Beijing and Shanghai grew 4.6% from RMB554.1 million for the six months ended June 30, 2021 to RMB579.8 million for the six months ended June 30, 2022 and contributed 63.8% of our total revenue for the six months ended June 30, 2022, while our total sales in our new growth markets grew 54.8% from RMB212.5 million for the six months ended June 30, 2021 to RMB329.0 million for the six months ended June 30, 2022 and contributed 36.2% of our total revenue for the six months ended June 30, 2022.

In Beijing and Shanghai, revenues increased 4.6% from RMB554.1 million for the six months ended June 30, 2021 to RMB579.8 million for the six months ended June 30, 2022, which was mainly driven by a 7.8% increase in average daily sales per store, coupled with an increasing number of stores in operation as we added 34 new stores in these two cities from June 30, 2021 to June 30, 2022. In addition, the growth of revenues generated from stores in Beijing and Shanghai for the first half of 2022 was adversely impacted by COVID-19, as some of our stores located in the two cities were temporarily closed in compliance with local government policies.

In our new growth markets, revenues increased 54.8% from RMB212.5 million for the six months ended June 30, 2021 to RMB329.0 million for the six months ended June 30, 2022, which was mainly driven by a 14.3% increase in average daily sales per store, primarily attributable to increases in both average orders per store per day, which grew from 91 for the six months ended June 30, 2021 to 100 for the six months ended June 30, 2022, and average sales value per order, which grew from RMB83.6 for the six months ended June 30, 2021 to RMB87.2 for the six months ended June 30, 2022. This was coupled with an increasing number of stores in operation as we added 59 new stores to our new growth markets from June 30, 2021 to June 30, 2022.

Underlying our revenue growth was our continued menu development, timely delivery, excellent product taste and improved brand recognition, which enabled us to achieve SSSG of 13.9% across all markets, SSSG of 10.7% in Beijing and Shanghai, and SSSG of 22.1% in our new growth markets during the period.

Raw materials and consumables cost

Our raw materials and consumables cost increased by 21.4% from RMB203.6 million for the six months ended June 30, 2021 to RMB247.2 million for the six months ended June 30, 2022, which is in line with our revenue growth. Our raw materials and consumables cost as a percentage of revenue remained relatively stable during the period.

Staff compensation expense

Our staff compensation expense slightly decreased from RMB342.6 million for the six months ended June 30, 2021 to RMB336.9 million for the six months ended June 30, 2022, primarily due to a decrease in share-based compensation, partially offset by (a) the overall merit-based increase in salary and (b) the expansion of our store network which led to an increased level of staffing. The decrease in share-based compensation was mainly driven by the cancellation of SAR awards of our executives in part and in full during these two periods respectively, which resulted in a one-off reversal of the corresponding accumulated share-based compensation provided since its inception. The value of the SAR awards has grown significantly since they were granted in line with the value appreciation of our business. Excluding the share-based compensation, our staff compensation expense as a percentage of revenue decreased as our revenue continued to ramp up.

Depreciation of right-of-use assets

Our depreciation of right-of-use assets increased by 18.8% from RMB76.6 million for the six months ended June 30, 2021 to RMB91.0 million for the six months ended June 30, 2022, mainly attributable to the expansion of our store network. Our depreciation of right-of-use assets as a percentage of total revenue remained stable during the same period.

Depreciation of plant and equipment

Our depreciation of plant and equipment increased by 20.9% from RMB46.9 million for the six months ended June 30, 2021 to RMB56.7 million for the six months ended June 30, 2022, which was primarily due to increased equipment needs in conjunction with the expansion of our store network. Our depreciation of plant and equipment as a percentage of total revenue remained relatively stable during the same period.

Amortization of intangible assets

Our amortization of intangible assets increased by 12.6% from RMB20.8 million for the six months ended June 30, 2021 to RMB23.5 million for the six months ended June 30, 2022. The increase was primarily driven by the license costs of software and website. Our amortization of intangible assets as a percentage of total revenue remained relatively stable during the same period.

Utilities expenses

Our utilities expenses increased by 10.6% from RMB33.7 million for the six months ended June 30, 2021 to RMB37.3 million for the six months ended June 30, 2022, which was mainly attributable to the expansion of our store network which demands additional usage of utilities. Our utilities expenses as a percentage of total revenue remained relatively stable for the same period.

Advertising and promotion expenses

Our advertising and promotion expenses decreased by 9.6% from RMB59.6 million for the six months ended June 30, 2021 to RMB53.9 million for the six months ended June 30, 2022. The decrease was mainly driven by the impact of the COVID-19 pandemic and related control measures, including lockdowns and travel restrictions imposed by local governments from time to time to contain the spread of COVID-19 in the first half of 2022. These measures led to temporary store closures, temporary suspensions of dine-in services, and delayed store openings in Shanghai and other cities. Accordingly, we reduced our advertising and promotion efforts in affected areas. Our advertising and promotion expenses as a percentage of total revenue decreased from 7.8% for the six months ended June 30, 2021 to 5.9% for the six months ended June 30, 2022 for the same reasons. As the COVID-19 pandemic improves, we expect our advertising and promotion expenses, as a percentage of revenue, will become more similar to historic levels.

Store operation and maintenance expenses

Our store operation and maintenance expenses increased by 19.6% from RMB48.2 million for the six months ended June 30, 2021 to RMB57.7 million for the six months ended June 30, 2022. The increase in store operation and maintenance expenses was mainly due to the expansion of our store network. Our store operation and maintenance expenses as a percentage of total revenue remained relatively stable for the same period.

Variable lease rental payment, short-term rental and other related expenses

Our variable lease rental payment, short-term rental and other related expenses increased by 63.6% from RMB8.7 million for the six months ended June 30, 2021 to RMB14.2 million for the six months ended June 30, 2022. The increase was mainly driven by the expansion of our store network. Our variable lease rental payment, short-term rental and other related expenses as a percentage of total revenue remained relatively stable for the same period.

Other expenses

Our other expenses increased by 105.6% from RMB22.0 million for the six months ended June 30, 2021 to RMB45.2 million for the six months ended June 30, 2022, primarily due to the listing expenses in conjunction with the Listing. Our other expenses as a percentage of total revenue increased from 2.9% for the six months ended June 30, 2021 to 5.0% for the six months ended June 30, 2022 primarily for the same reason.

Fair value change of financial liabilities at fair value through profit or loss

The fair value change of financial liabilities at fair value through profit or loss decreased from RMB83.4 million for the six months ended June 30, 2021 to RMB1.1 million for the six months ended June 30, 2022. The fair value change of financial liabilities at fair value through profit or loss during the first half of 2021 was mainly the result of an increased balance of convertible senior ordinary shares as we received additional investments from Domino's Pizza LLC during the first half of 2021, coupled with a significant appreciation in the value of our business in light of our rapid store expansion and revenue growth. In comparison, the fair value change of financial liabilities at fair value through profit or loss for the first half of 2022 was primarily driven by the facts that (a) there was no addition to the balance of the convertible senior ordinary share and (b) the appreciation in the value of our business was limited against the backdrop of COVID-19 and relevant government measures during the first half of 2022.

Other income

Other income increased by 534.6% from RMB3.1 million for the six months ended June 30, 2021 to RMB19.9 million for the six months ended June 30, 2022. The increase was mainly due to our receipt of tax subsidies related to COVID-19 for the first half of 2022, which are one-off in nature. Other income as a percentage of total revenue increased from 0.4% for the six months ended June 30, 2021 to 2.2% for the six months ended June 30, 2022 for the same reason.

Other (losses)/gain net

Other (losses)/gain net changed from a gain of RMB3.2 million for the six months ended June 30, 2021 to a loss of RMB1.6 million for the six months ended June 30, 2022, primarily driven by the gain on termination of lease contracts in connection with the reallocation of stores in 2021 and the increase in loss on disposal of plant and equipment due to store closures in the first half of 2022. Other (losses)/gain, net as a percentage of total revenue were positive 0.4% and negative 0.2% for the six months ended June 30, 2021 and 2022, respectively, for the same reason.

Finance costs, net

Our finance costs, net increased by 17.8% from RMB40.9 million for the six months ended June 30, 2021 to RMB48.2 million for the six months ended June 30, 2022, mainly attributable to the accelerated recognition of guarantee fee for bank borrowing which we repaid early in March 2022 and replaced with a bank facility with lower interest rates and no other associated costs. Our finance costs, net as a percentage of total revenue remained relatively stable for the same period.

Loss before income tax

Primarily driven by the foregoing, our loss before income tax decreased by 60.0% from RMB214.1 million for the six months ended June 30, 2021 to RMB85.7 million for the six months ended June 30, 2022.

Income tax (expense)/credit

Our income tax (expense)/credit fluctuated from an income tax credit of RMB8.9 million for the six months ended June 30, 2021 to an income tax expense of RMB9.7 million for the six months ended June 30, 2022, which was primarily due to income tax expenses incurred at certain subsidiaries which generated more taxable income.

Loss for the year attributable to owners of the Company

As a result of the foregoing, our loss for the year attributable to owners of the Company decreased by 53.5% from RMB205.2 million for the six months ended June 30, 2021 to RMB95.5 million for the six months ended June 30, 2022.

Year ended December 31, 2021 compared to year ended December 31, 2020

Revenue

Our revenue increased by 45.9% from RMB1.1 billion in 2020 to RMB1.6 billion in 2021, mainly attributable to (a) the increase in average daily sales per store in both Beijing and Shanghai, where we have a longer operating history, and our new growth markets, to which we have recently expanded, and (b) the growth in the number of new stores, which increased from 363 as of December 31, 2020 to 468 as of December 31, 2021. Our total sales in Beijing and Shanghai grew 32% from 2020 to 2021 and contributed 71.2% of our total revenue in 2021, while our total sales in our new growth markets grew 97.7% from 2020 to 2021 and contributed 28.8% of our total revenue in 2021.

In Beijing and Shanghai, revenues increased 32.0% from RMB0.9 billion in 2020 to RMB1.1 billion in 2021, which was mainly driven by a 5.4% increase in average daily sales per store, coupled with an increasing number of stores in operation as we added 46 new stores in these two cities.

In our new growth markets, revenues increased 97.7% from RMB0.2 billion in 2020 to RMB0.5 billion in 2021, which was mainly driven by a 26.9% increase in average daily sales per store, primarily attributable to increases in both average orders per store per day, which grew from 75 in 2020 to 89 in 2021, and average sales value per order, which grew from RMB80.0 in 2020 to RMB85.6 in 2021. This was coupled with an increasing number of stores in operation as we added 59 new stores to our new growth markets in 2021.

Underlying our revenue growth was our continued menu development, timely delivery, excellent product taste and improved brand recognition, which enabled us to achieve SSSG of 18.7% across all markets, SSSG of 14.2% in Beijing and Shanghai, and SSSG of 37.7% in our new growth markets during the period.

Raw materials and consumables cost

Our raw materials and consumables cost increased by 37.1% from RMB310.5 million in 2020 to RMB425.6 million in 2021, which is in line with our revenue growth. Our raw materials and consumables cost as a percentage of revenue decreased from 28.1% to 26.4%. The slight percentage decrease was primarily due of a better planned and negotiated procurement of certain raw materials such as cheese in 2021.

Staff compensation expense

Our staff compensation expense increased by 49.9% from RMB469.2 million in 2020 to RMB703.5 million in 2021, primarily due to (a) the overall merit-based increase in salary, (b) the expansion of our store network which led to an increased level of staffing and (c) the increase in share-based compensation recognized primarily resulting from the increase in total equity value of our Group during the period. Our staff compensation expense as a percentage of revenue increased from 42.5% to 43.7% for the same reasons.

Depreciation of right-of-use assets

Our depreciation of right-of-use assets increased by 26.2% from RMB128.4 million in 2020 to RMB162.0 million in 2021, mainly attributable to the expansion of our store network. Our depreciation of right-of-use assets as a percentage of total revenue decreased from 11.6% in 2020 to 10.1% in 2021, mainly due to the strong growth of our revenue and our strengthened negotiating power to negotiate more favorable lease terms as we enhanced our brand recognition.

Depreciation of plant and equipment

Our depreciation of plant and equipment increased by 28.2% from RMB76.9 million in 2020 to RMB98.7 million in 2021, which was primarily due to increased equipment needs in conjunction with the expansion of our store network. Our depreciation of plant and equipment as a percentage of total revenue decreased from 7.0% in 2020 to 6.1% in 2021, mainly due to the strong growth of our revenue.

Amortization of intangible assets

Our amortization of intangible assets increased by 7.0% from RMB40.2 million in 2020 to RMB43.0 million in 2021. The increase was primarily driven by the acquisition of software and website. Our amortization of intangible assets as a percentage of total revenue decreased from 3.6% in 2020 to 2.7% in 2021, primarily due to the strong growth of our revenue achieved in 2021.

Utilities expenses

Our utilities expenses increased by 33.3% from RMB53.8 million in 2020 to RMB71.7 million in 2021, which was mainly attributable to the expansion of our store network which demands additional usage of utilities. Our utilities expenses as a percentage of total revenue remained relatively stable from 2020 to 2021.

Advertising and promotion expenses

Our advertising and promotion expenses increased by 41.2% from RMB86.3 million in 2020 to RMB121.9 million in 2021. The increase was mainly driven by the spending in advertising and promotion to grow our revenue and additional marketing efforts in cities where we opened new stores to enhance our brand awareness in order to acquire customers and drive sales. Our advertising and promotion expenses as a percentage of total revenue remained relatively stable from 2020 to 2021.

Store operation and maintenance expenses

Our store operation and maintenance expenses increased by 34.5% from RMB75.7 million in 2020 to RMB101.8 million in 2021. The increase in store operation and maintenance expenses was mainly due to the increases in royalty expenses, logistics fees and store maintenance fees from 2020 to 2021, which were in line with the expansion of our store network. Our store operation and maintenance expenses as a percentage of total revenue remained relatively stable from 2020 to 2021.

Variable lease rental payment, short-term rental and other related expenses

Our variable lease rental payment, short-term rental and other related expenses increased by 120.7% from RMB8.1 million in 2020 to RMB18.0 million in 2021. The increase was mainly driven by the expansion of our store network. Our variable lease rental payment, short-term rental and other related expenses as a percentage of total revenue remained relatively stable from 2020 to 2021.

Other expenses

Our other expenses increased by 1.2% from RMB56.3 million in 2020 to RMB57.0 million in 2021, primarily due to the listing expenses in conjunction with the Listing, partially offset by a 28.5% decrease in telecommunication and information technology related expenses and a 29.2% decrease in travelling and related expenses. The decrease in telecommunication and information technology related expenses was primarily attributable to a reduction in IT maintenance expenses as the operation of the store-related IT systems that we launched in 2020 stabilized. The decrease in travel and other expenses was primarily attributable to the impact of the COVID-19 pandemic, which restricted travel of the Company's employees both within and outside of China. Our other expenses as a percentage of total revenue decreased from 5.1% to 3.5% from 2020 to 2021 mainly attributable to the strong growth of our revenue.

Fair value change of financial liabilities at fair value through profit or loss

The fair value change of financial liabilities at fair value through profit or loss increased significantly from RMB13.9 million in 2020 to RMB201.3 million in 2021, primarily due to the additional convertible Senior Ordinary Shares issued from our financing activities in 2021 and the increase in the total equity value of our Group.

Other income

Other income decreased by 72.2% from RMB15.9 million in 2020 to RMB4.4 million in 2021. The decrease was mainly due to a relatively higher amount of government grants that we received in 2020 in connection with COVID-19, as compared to those we received in 2021. Other income as a percentage of total revenue decreased from 1.4% in 2020 to 0.3% in 2021 for the same reason.

Other losses, net

Other losses, net decreased by 71.3% from RMB6.2 million in 2020 to RMB1.8 million in 2021, primarily driven by the gain on termination of lease contracts in connection with the reallocation of stores in 2021. Other losses, net as a percentage of total revenue remained relatively stable from 2020 to 2021.

Finance costs, net

Our finance costs, net increased by 41.5% from RMB61.9 million in 2020 to RMB87.7 million in 2021, mainly attributable to the RMB13.3 million increase in interest expenses in connection with our bank borrowing and lease liabilities and the RMB14.8 million decrease in net foreign exchange gains on financing activities. Our finance costs, net as a percentage of total revenue remained relatively stable.

Loss before income tax

Primarily driven by the foregoing, our loss before income tax increased by 78.6% from RMB267.7 million in 2020 to RMB478.1 million in 2021.

Income tax (expense)/credit

Our income tax (expense)/credit fluctuated from an income tax expense of RMB6.4 million in 2020 to an income tax credit of RMB7.1 million in 2021, which was primarily due to the recognition of deferred income tax assets on temporary differences based on the estimated future available taxable income of certain subsidiary in China.

Loss for the year attributable to owners of the Company

As a result of the foregoing, our loss for the year attributable to owners of the Company increased by 71.9% from RMB274.1 million in 2020 to RMB471.1 million in 2021.

Year ended December 31, 2020 compared to year ended December 31, 2019

Revenue

Our revenue increased by 32.0% from RMB836.6 million in 2019 to RMB1.1 billion in 2020. The increase was primarily contributed by (a) the increase in the number of stores, which grew from 268 as of December 31, 2019 to 363 as of December 31, 2020, and (b) to a lesser extent, the increases in average daily sales per store in both Beijing and Shanghai and in our new growth markets, which were adversely impacted by the COVID-19 pandemic.

In 2020, we added 41 new stores in Beijing and Shanghai and 54 new stores in our new growth markets. Our total sales in Beijing and Shanghai grew 23.8% from 2020 to 2021 and contributed 78.7% of our total revenue in 2020, while our total sales in our new growth markets grew 74.6% from 2020 to 2021 and contributed 21.3% of our total revenue in 2020.

In Beijing and Shanghai, average daily sales per store remained relatively flat, increasing from RMB12,009 in 2019 to RMB12,122. In our new growth markets, average daily sales per store increased from RMB5,892 in 2019 to RMB6,002 in 2020. In both Beijing and Shanghai, as well as our new growth markets, average daily sales per store were boosted by increasing average sales value per order, which was partially offset by a decrease in average orders per store per day caused by adverse impact of the COVID-19 pandemic, particularly with respect to new stores, which have a higher percentage of dine-in orders compared to older stores. Despite the impact of the COVID-19 pandemic, our delivery sales remained relatively resilient.

In spite of the adverse impact of the COVID-19 pandemic, our continued efforts on menu development and localization, excellent product taste and improving our brand recognition, as well as the strength of our delivery service and our focused business model helped us remained resilient in 2020. This enabled us to achieve SSSG of 9.0% across all markets, SSSG of 7.7% in Beijing and Shanghai, and SSSG of 18.0% in our new growth markets during the period.

Raw materials and consumables cost

Our raw materials and consumables cost increased by 36.1% from RMB228.1 million in 2019 to RMB310.5 million in 2020. The increase in our raw materials and consumables cost was generally in line with our sales growth. Our raw materials and consumables cost as a percentage of revenue increased from 27.3% in 2019 to 28.1% in 2020, primarily due to the fluctuation of the price of raw materials such as pork in 2020.

Staff compensation expense

Our staff compensation expense increased by 39.7% from RMB335.9 million in 2019 to RMB469.2 million in 2020, primarily due to (a) the overall merit-based increase in salary, (b) the expansion of our store network which led to an increased level of staffing and (c) the RMB24.3 million increase in share-based compensation recognized resulting from the increase in the total equity value of our Group. Our staff compensation expense as a percentage of revenue increased from 40.1% in 2019 to 42.5% in 2020, primarily due to the increase in share-based compensation.

Depreciation of right-of-use assets

Our depreciation of right-of-use assets increased by 30.2% from RMB98.6 million in 2019 to RMB128.4 million in 2020, mainly attributable to the expansion of our store network. Our depreciation of right-of-use assets as a percentage of total revenue remained relatively stable from 2019 to 2020.

Depreciation of plant and equipment

Our depreciation of plant and equipment increased by 33.2% from RMB57.7 million in 2019 to RMB76.9 million in 2020, which was primarily due to increased equipment needs in conjunction with the expansion of our store network. Our depreciation of plant and equipment as a percentage of total revenue remained relatively stable from 2019 to 2020.

Amortization of intangible assets

Our amortization of intangible assets increased by 11.4% from RMB36.1 million in 2019 to RMB40.2 million in 2020. The increase was primarily driven by the development and license costs of software and website. Our amortization of intangible assets as a percentage of total revenue decreased from 4.3% in 2019 to 3.6% in 2020, primarily due to the strong growth of our revenue.

Utilities expenses

Our utilities expenses increased by 25.2% from RMB43.0 million in 2019 to RMB53.8 million in 2020, which was mainly attributable to the expansion of our store network which demands additional usage of utilities. Our utilities expenses as a percentage of total revenue remained relatively stable from 2019 to 2020.

Advertising and promotion expenses

Our advertising and promotion expenses increased by 40.2% from RMB61.5 million in 2019 to RMB86.3 million in 2020. The increase was mainly driven by the spending in advertising and promotion to grow our revenue and additional marketing efforts in cities where we opened new stores to boost our brand awareness in order to acquire customers and drive sales. Our advertising and promotion expenses as a percentage of total revenue remained relatively stable from 2019 to 2020.

Store operation and maintenance expenses

Our store operation and maintenance expenses increased by 40.9% from RMB53.7 million in 2019 to RMB75.7 million in 2020. The increase in store operation and maintenance expenses was primarily due to the increases in royalty expenses and logistics fees from 2019 to 2020. Our store operation and maintenance expenses as a percentage of total revenue remained relatively stable from 2019 to 2020.

Variable lease rental payment, short-term rental and other related expenses

Our variable lease rental payment, short-term rental and other related expenses increased by 18.5% from RMB6.9 million in 2019 to RMB8.1 million in 2020. The increase was mainly driven by the expansion of our store network. Our variable lease rental payment, short-term rental and other related expenses as a percentage of total revenue remained relatively stable from 2019 to 2020.

Other expenses

Our other expenses increased by 25.1% from RMB45.0 million in 2019 to RMB56.3 million in 2020. The increase was primarily attributable to a 56.1% increase in telecommunication and information technology related expenses and a 9.8% increase in travelling and other expenses. The increase in telecommunication and information technology related expenses was primarily attributable to the launch of an update to our store-related IT systems, while the increase in travelling and other expenses was primarily attributable to increased employee travel and related expenses incurred in connection with group-wide activities conducted to celebrate the opening of the Company's 400th store. Our other expenses as a percentage of total revenue remained relatively stable from 2019 to 2020.

Fair value change of financial liabilities at fair value through profit or loss

The fair value change of financial liabilities at fair value through profit or loss significantly increased from nil in 2019 to RMB13.9 million in 2020, primarily due to our issuance of convertible Senior Ordinary Shares in May 2020 and the increase in the total equity value of our Group from the date of issuance to the end of 2020.

Other income

Other income increased significantly from RMB2.4 million in 2019 to RMB15.9 million in 2020, mainly due to our receipt of government grants related to COVID-19. Other income as a percentage of total revenue increased from 0.3% in 2019 to 1.4% in 2020 for the same reason.

Other losses, net

Other losses, net increased by 103.3% from RMB3.0 million in 2019 to RMB6.2 million in 2020, primarily driven by the impairment charge of right-of-use assets in connection with the planned relocation of stores in 2020. Other losses, net as a percentage of total revenue remained relatively stable from 2019 to 2020.

Finance costs, net

Our finance costs, net increased by 21.4% from RMB51.0 million in 2019 to RMB61.9 million in 2020. The increase in finance costs, net was primarily due to (a) the RMB9.4 million increase in interest expenses relating to bank borrowings as a result of the increased balance of our bank borrowings in 2020, (b) the RMB7.6 million increase in interest expenses relating to lease liabilities in connection with the expansion of our store network, (c) the RMB12.5 million increase in guarantee fee from bank borrowings as the guarantee of our bank borrowings was for three months in 2019 and twelve months in 2020 and (d) the RMB10.2 million issuance cost of convertible Senior Ordinary Shares, offset by net foreign exchange gains on financing activities incurred in 2020 which were driven by the fluctuations of the currency exchange ratio between Renminbi and US Dollar. Our finance costs, net as a percentage of total revenue remained relatively stable from 2019 to 2020.

Loss before income tax

Due to the foregoing, our loss before income tax increased by 47.4% from RMB181.6 million in 2019 to RMB267.7 million in 2020.

Income tax expense

Our income tax expense increased from nil in 2019 to RMB6.4 million in 2020. The increase in income tax expense was primarily incurred at our wholly owned subsidiary of Dash Beijing as it commenced generating net profit in 2020.

Loss for the year attributable to owners of the Company

Primarily driven by the foregoing, our loss for the year attributable to owners of the Company increased by 51.0% from RMB181.6 million in 2019 to RMB274.1 million in 2020.

DISCUSSION OF CERTAIN KEY ITEMS OF CONSOLIDATED BALANCE SHEETS

The following table sets forth information from our consolidated balance sheets as of the dates indicated, which has been extracted from the Accountant's Report in Appendix I to this document:

	As of December 31,			As of June 30,
	2019	**2020**	**2021**	**2022**
	(in RMB thousands)			
Total non-current assets	2,079,404	2,273,457	2,378,653	2,421,166
Total current assets	163,753	375,259	784,041	684,222
Total assets	**2,243,157**	**2,648,716**	**3,162,694**	**3,105,388**
Total non-current liabilities	531,953	996,809	1,355,787	1,505,858
Total current liabilities	373,353	577,722	849,030	748,279
Total liabilities	**905,306**	**1,574,531**	**2,204,817**	**2,254,137**
Net current liabilities	**(209,600)**	**(202,463)**	**(64,989)**	**(64,057)**
Net assets	**1,337,851**	**1,074,185**	**957,877**	**851,251**
Total equity and liabilities	**2,243,157**	**2,648,716**	**3,162,694**	**3,105,388**
Share capital	576,620	582,677	651,496	651,496
Share premium	854,976	872,366	1,143,738	1,143,738
Other reserves	29,671	16,608	44,006	32,855
Accumulated losses	(123,416)	(397,466)	(868,529)	(964,004)
Shares held for restricted share units	–	–	(12,834)	(12,834)
Total equity	**1,337,851**	**1,074,185**	**957,877**	**851,251**

The following table sets forth our current assets and liabilities as of the dates indicated.

	As of December 31,			As of June 30,	As of October 31,
	2019	2020	2021	2022	2022
					(unaudited)
	(in RMB thousands)				
Current assets					
Inventories	21,090	25,677	36,517	47,217	43,943
Trade receivables	2,318	3,630	4,581	4,494	3,222
Prepayment, deposits and other receivables	55,871	85,528	84,056	55,353	94,324
Cash and cash equivalents	83,657	257,390	656,672	576,944	440,767
Restricted cash	817	3,034	2,215	214	200
Total current assets	**163,753**	**375,259**	**784,041**	**684,222**	**582,456**
Current liabilities					
Borrowings	–	30,000	180,000	–	–
Lease liabilities	98,503	128,046	141,212	162,941	170,439
Trade payables	83,992	73,743	124,696	141,843	118,290
Contract liabilities	11,767	17,269	23,210	27,063	25,696
Accruals and other payables	179,091	322,291	358,365	401,619	376,314
Current income tax liabilities	–	6,373	21,547	14,813	11,995
Total current liabilities	**373,353**	**577,722**	**849,030**	**748,279**	**702,734**
Net current liabilities	**(209,600)**	**(202,463)**	**(64,989)**	**(64,057)**	**(120,278)**

We recorded net current liabilities of RMB209.6 million, RMB202.5 million, RMB65.0 million and RMB64.1 million as of December 31, 2019, 2020, 2021 and June 30, 2022, respectively. We recorded net current liabilities of RMB120.3 million as of October 31, 2022. These net current liabilities were primarily the result of our store expansion during the Track Record Period and the period from July 1, 2022 to October 31, 2022, during which we primarily used our cash generated from operating activities, proceeds from our pre-IPO investors and borrowings to finance the capital expenditure of such expansion, which mostly translated into non-current assets. The increase in our net current liabilities as of October 31, 2022 was also due to the decrease in our cash and cash equivalents from June 30, 2022 to October 31, 2022 as we used cash to finance our store expansion.

Our net current liabilities were primarily attributable to lease liabilities, trade payables and accruals and other payables. Our net current liabilities remained relatively stable as of December 31, 2019 and 2020. Our net current liabilities decreased from RMB202.5 million as of December 31, 2020 to RMB65.0 million as of December 31, 2021, mainly due to the recognition our borrowings of RMB150.0 million from long-term to short-term and the increase in trade payables and accruals and other payables of RMB51.0 million and RMB36.1 million, respectively, which was partially offset by the increase in cash and cash equivalents of RMB399.3 million. Our net current liabilities decreased from RMB65.0 million as of December 31, 2021 to RMB64.1 million as of June 30, 2022, mainly attributable to the net cash generated from operating activities for the six months ended June 30, 2022. We believe that our net current liabilities position will improve with the net proceeds from the Global Offering and with net cash inflows generated from operating activities once the newly opened stores begin to make profit.

Notwithstanding the above, our Directors are of the view that we will have available sufficient working capital to meet our present requirements and for at least the next twelve months from the date of this document, taking into account cash on hand and cash at banks, cash generated from operating activities, secured revolving credit facility from a bank in China and the estimated net proceeds we expect to receive from the Global Offering. We believe that our business operation and financial condition will not be materially and adversely affected by our current liabilities position.

Plant and equipment

Our plant and equipment represents (a) leasehold improvements, (b) machinery and equipment, (c) motor vehicles, (d) office equipment and (e) construction in progress, which mainly includes leasehold improvements and machinery and equipment under construction or installation. The following table sets forth our plant and equipment as of the dates indicated.

	As of December 31,			As of June 30,
	2019	**2020**	**2021**	**2022**
	(in RMB thousands)			
Leasehold improvements	154,309	196,054	238,579	245,707
Machinery and equipment	109,215	133,104	152,922	153,214
Motor vehicles	10,134	14,018	15,983	15,628
Office equipment	7,956	8,319	7,647	6,698
Construction in progress	2,089	10,122	11,919	11,097
Total	**283,703**	**361,617**	**427,050**	**432,344**

Our plant and equipment increased from RMB283.7 million as of December 31, 2019 to RMB361.6 million as of December 31, 2020, further increased from RMB361.6 million as of December 31, 2020 to RMB427.1 million as of December 31, 2021 and further increased from RMB427.1 million as of December 31, 2021 to RMB432.3 million as of June 30, 2022. The increase was primarily driven by the expansion of our store network. For further information regarding our plant and equipment, see Note 13 to the Accountant's Report in Appendix I to this document.

Right-of-use assets

Our right-of-use assets primarily represent the premises we lease for our stores. Our right-of-use assets increased from RMB468.4 million as of December 31, 2019 to RMB595.8 million as of December 31, 2020, increased further from RMB595.8 million as of December 31, 2020 to RMB637.6 million as of December 31, 2021 and increased from RMB637.6 million as of December 31, 2021 to RMB672.4 million as of June 30, 2022. The increase in right-of-use assets from 2019 to June 30, 2022 was primarily in line with our store expansion plan during the Track Record Period.

Intangible assets

Our intangible assets mainly include the MFA and goodwill which were arisen from the Acquisition. The following table sets forth our intangible assets as of the dates indicated.

	As of December 31,			As of June 30,
	2019	**2020**	**2021**	**2022**
	(in RMB thousands)			
MFA	891,605	854,464	820,973	808,625
Goodwill	360,479	360,479	360,479	360,479
Acquired software and website	33,491	53,512	55,212	55,787
Self-developed website	9,440	8,480	7,520	7,040
Store franchise fees	4,219	7,750	9,822	10,047
Total	**1,299,234**	**1,284,685**	**1,254,006**	**1,241,978**

As of December 31, 2019, 2020, 2021 and June 30, 2022, our intangible assets were RMB1,299.2 million, RMB1,284.7 million, RMB1,254.0 million and RMB1,242.0 million, respectively. There has been no impairment of the goodwill during the Track Record Period. The gradual decrease in intangible assets from 2019 to June 30, 2022 was primary due to the amortization of the MFA.

The recoverable amount of the group of CGUs, which is allocated to the whole group, are determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a 10-year period. We are in an industry which is currently in the stage of rapid development. Considering our store expansion plan, we plan to continue to grow our presence in China by expanding geographic coverage and deepening market penetration. As a result, we will be in a period of rapid development for the next few years and expect to develop to a stable stage in the next decade. The recoverable amount of the group of CGUs is determined based on the valuation results, which were also been cross checked to the valuation report as issued by an independent qualified appraisal firm, Avista Valuation Advisory Limited.

For the years of 2019, 2020 and 2021 and the six months ended June 30, 2022, the key assumptions are:

	Year ended December 31,			**Six months ended June 30,**
	2019	**2020**	**2021**	**2022**
	%	%	%	%
Revenue growth rate	11.4 - 39.3	11.4 - 37.8	9.2 - 27.6	9.2 - 26.9
Pre-tax discount rate	19.9	19.1	18.3	18.3
Terminal growth rate	3.0	2.5	2.5	2.5

Based on the results of the impairment assessment, our Directors concluded that no impairment on goodwill has to be recognized as of the respective balance sheet dates.

Prepayments, deposits and other receivables

Our prepayments, deposits and other receivables primarily consist of rental deposits for our stores, prepayments of guarantee fee, raw materials and listing expenses, value added tax recoverable and other receivables. In particular, the guarantee fee represents fees paid to Good Taste Limited, one of our Controlling Shareholders, for the guarantee that it provided in connection with a three-year, RMB210.0 million bank facility that we entered into in October 2019, which we repaid early in full in March 2022. The total fee payable to Good Taste Limited for the provision of the guarantee, or the "guarantee fee", was US$7,522,000, which was paid in the form of issuances of ordinary shares of the Company. The total fees paid to Good Taste Limited are recorded under finance costs, net, and were RMB4.4 million, RMB16.9 million and RMB16.1 million in 2019, 2020 and 2021, respectively, and RMB8.1 million and RMB12.3 million in the six months ended 30 June 2021 and 2022, respectively. The following table sets forth our prepayments, deposits and other receivables as of the dates indicated.

	As of December 31,			As of June 30,
	2019	**2020**	**2021**	**2022**
	(in RMB thousands)			
Non-current				
Rental deposits	22,880	29,490	31,773	36,452
Prepayments				
– guarantee fee	4,883	1,957	–	–
– others	426	324	–	–
Less: loss allowance for other financial assets at amortised cost	(167)	(391)	(401)	(411)
Non-current prepayments, deposits and other receivables	**28,022**	**31,380**	**31,372**	**36,041**
Current				
Prepayments				
– guarantee fee	13,778	12,927	11,954	–
– raw materials	3,491	15,267	10,804	2,888
– listing expenses	–	–	994	2,476
– others	1,706	2,817	3,478	4,328
Value added tax recoverable	33,548	47,297	45,318	34,123
Rental deposits	1,806	4,563	9,061	8,327
Other receivables	1,576	2,718	2,544	3,349
Less: loss allowance for other financial assets at amortised cost	(34)	(61)	(97)	(138)
Current prepayments, deposits and other receivables	**55,871**	**85,528**	**84,056**	**55,353**
Total	**83,893**	**116,908**	**115,428**	**91,394**

Our prepayments, deposits and other receivables increased from RMB83.9 million as of December 31, 2019 to RMB116.9 million as of December 31, 2020, decreased from RMB116.9 million as of December 31, 2020 to RMB115.4 million as of December 31, 2021 and decreased from RMB115.4 million as of December 31, 2021 to RMB91.4 million as of June 30, 2022. The increase in prepayments, deposits and other receivables from 2019 to 2020 was primarily driven by (a) the increase in the prepayments of certain food ingredients to obtain better procurement pricing terms from suppliers, (b) the increase in value added tax recoverable deriving from an increased volume of raw materials and equipment procured to support our business growth and (c) the increase in rental deposits primarily due to the expansion of our store network. Our prepayments, deposits and other receivables remained relatively stable from 2020 to 2021. The decrease in prepayments, deposits and other receivables from December 31, 2021 to June 30, 2022 was primarily due to (a) the decrease in prepaid guarantee fee due to our early repayment of bank borrowings in March 2022 and (b) the decrease in value added tax recoverable due to the delay of issuing the invoice by our vendor resulting from the impact of COVID-19.

Inventories

Our inventories represent raw materials and consumables, which primarily comprise food ingredients, packing materials, gadgets, cleaning tools, office supplies and uniforms.

Our inventories increased from RMB21.1 million as of December 31, 2019 to RMB25.7 million as of December 31, 2020, increased from RMB25.7 million as of December 31, 2020 to RMB36.5 million as of December 31, 2021 and further increased from RMB36.5 million as of December 31, 2021 to RMB47.2 million as of June 30, 2022. During the Track Record Period, the increase in our inventories was mainly driven by the increased amount of food and beverages that we reserved for our business operation, which was due to the increase in the numbers of the stores we operate.

Inventories turnover days are based on the average balance of inventories divided by cost of raw materials and consumables cost for the relevant period and multiplied by the number of days in the relevant period. Average balance is calculated as the average of the beginning balance and ending balance of a given period. The number of days for the years ended December 31 is 365 days. For the years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2022, our inventory turnover days were 29.3 days, 27.5 days, 26.7 days and 30.7 days. The slight decrease in our inventory turnover days from 2019 to 2021 was primary due to our improved procurement capabilities and our enhanced efficiency of supply chain management as we engaged more local suppliers in cities where we operate. The increase in inventory turnover days from December 31, 2021 to June 30, 2022 was mainly attributable to a 5-day increase in safety stock under the COVID-19.

The following table sets forth an aging analysis of inventories by category as of the dates indicated.

	As of December 31,			As of June 30,
	2019	2020	2021	2022
	(in RMB thousands)			
Within one year	21,090	24,993	35,962	45,660
Over one year	–	684	555	1,557
Total	**21,090**	**25,677**	**36,517**	**47,217**

As of October 31, 2022, RMB46.0 million, or 97.5% of our inventories outstanding as of June 30, 2022 had been sold or utilized.

Trade receivables

Trade receivables are primarily amounts due from third-party platforms in connection with the sales of our products in the ordinary course of business. Our trade receivables are primarily generated from amounts due from third-party platforms that have not been transferred to our account. If collection of trade receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets. The following table sets forth our trade receivables as of the dates indicated.

	As of December 31,			As of June 30,
	2019	2020	2021	2022
	(in RMB thousands)			
Trade receivables	2,367	3,711	4,663	4,604
Less: allowance for impairment of trade receivables	(49)	(81)	(82)	(110)
Total	**2,318**	**3,630**	**4,581**	**4,494**

Our trade receivables increased by 56.6% from RMB2.3 million as of December 31, 2019 to RMB3.6 million as of December 31, 2020, increased by 26.2% from RMB3.6 million to RMB4.6 million as of December 31, 2021 and slightly decreased by 1.9% from RMB4.6

million as of December 31, 2021 to RMB4.5 million as of June 30, 2022. The increase in trade receivables from 2019 to 2021 was in line with our increase in overall sales. Our trade receivables remained relatively stable from December 31, 2021 to June 30, 2022.

Trade receivables turnover days are based on the average balance of trade receivables divided by total revenues for the relevant period and multiplied by the number of days in the relevant period. Average balance is calculated as the average of the beginning balance and ending balance of a given period. The number of days for the years ended December 31 is 365 days. For the years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2022, our trade receivables turnover days, which primarily reflect turnover of receivables in connection with the sales of our products in connection with the payment we received through third-party platforms, were 1.3 days, 1.0 days, 0.9 days and 0.9 days, respectively. Our trade receivables turnover days remained stable from 2019 to June 30, 2022.

The following table sets forth an aging analysis of our trade receivables based on the invoice date as of the dates indicated.

	For the year ended December 31,			For the six months ended June 30,
	2019	**2020**	**2021**	**2022**
		(in RMB thousands)		
Within 30 days	2,367	3,711	4,663	4,604

As of October 31, 2022, RMB4.6 million, or 100.0% of our trade receivables outstanding as of June 30, 2022 had been collected.

Cash and cash equivalents

Our cash and cash equivalents were RMB83.7 million, RMB257.4 million, RMB656.7 million and RMB576.9 million as of December 31, 2019, 2020 and 2021 and June 30, 2022, respectively. The increase in cash and cash equivalents from 2019 to 2020 was mainly due to our drawdown of RMB145.0 million from our banking facility and first tranche funding of US$40 million investment in the form of 2020 Senior Ordinary Shares in 2020, offset by capital expenditures and payment for rental expenses in conjunction with the expansion of our store network. The increase in cash and cash equivalents from 2020 to 2021 was primarily driven by the second tranche funding of 2020 Senior Ordinary Shares, 2021 Senior Ordinary Shares, and equity capital raising in 2021 and the increase in cash inflow generated from operating activities, offset by capital expenditures, payment for rental expenses in conjunction with the expansion of our store network and repayment of our bank borrowing. The decrease in cash and cash equivalent from December 31, 2021 to June 30, 2022 was mainly attributable to our repayment of RMB180.0 million under a bank facility and our borrowing of RMB100.0 million under a newly entered bank facility with a term of three years from the first drawdown.

Borrowings

In October 2019, we entered into a term loan agreement with a bank with total facility of RMB210.0 million. As of June 30, 2022, we had repaid the aggregate amount of RMB210.0 million prior to the repayment schedule. In late March of 2022, we entered into a new facility agreement with another bank with total facility of RMB200.0 million, guaranteed by Dash Beijing, for a term of three years from the first drawdown. Our total outstanding borrowings increased from RMB65.0 million as of December 31, 2019 to RMB210.0 million as of December 31, 2020, decreased from RMB210.0 million as of December 31, 2020 to RMB180.0 million as of December 31, 2021 and decreased from RMB180.0 million as of December 31, 2021 to RMB100.0 million as of June 30, 2022. As of December 31, 2019, 2020 and 2021 and June 30, 2022, the amount of unutilised banking facilities was RMB145.0 million, nil, nil and RMB100.0 million, respectively. As of October 31, 2022, we had unutilised banking facilities of RMB100.0 million. Our borrowings reflect our drawdowns of RMB65.0 million in 2019 and RMB145.0 million in 2020, our repayment of RMB30.0 million in 2021 and RMB180.0 million in the six months ended June 30, 2022 under the term loan, and our drawdowns of RMB100 million in the six months ended June 30, 2022. See "– Indebtedness" for more discussion. The table below sets forth our non-current and current borrowings as of the dates indicated.

	As of December 31,			As of June 30,
	2019	**2020**	**2021**	**2022**
	(in RMB thousands)			
Non-current liabilities				
Borrowings	65,000	180,000	–	100,000
Current liabilities				
Borrowings	–	30,000	180,000	–
Total	**65,000**	**210,000**	**180,000**	**100,000**

Financial liabilities at fair value through profit or loss

During the Track Record Period, we issued certain convertible Senior Ordinary Shares to Domino's Pizza LLC to fund the expansion of our store network. Upon the Listing, all convertible Senior Ordinary Shares will be automatically converted into ordinary shares. See "History, reorganization and corporate structure" and Note 25 to the Accountant's Report in Appendix I to this document for details of the convertible Senior Ordinary Shares.

Lease liabilities

Our lease liabilities are in relation to properties that we lease for our stores, central kitchens and offices. We recognized lease liabilities of RMB485.0 million, RMB629.6 million, RMB681.3 million and RMB735.0 million as of December 31, 2019, 2020 and 2021 and June 30, 2022, respectively. The increase in lease liabilities from 2019 to 2020 was primarily attributable to our expansion of store network with 95 new stores opened in 2020. The increase in lease liabilities from 2020 to 2021 was mainly due to our expansion of store network with 105 new stores opened in 2021. The increase in lease liabilities from December 31, 2021 to June 30, 2022 was primarily driven by our expansion of store network with 40 new stores (net of closures) opened in the six months ended June 30, 2022. For further information regarding our lease liabilities, see Note 14 to the Accountant's Report in Appendix I to this document.

Accruals and other payables

Our accruals and other payables primarily include (a) payable for share-based compensation, (b) payables for MFA, (c) provision for restoration costs, (d) salary and welfare payables, (e) payables for plant and equipment, (f) accrued expenses, and (g) others, which mainly consist of board meeting expense, tax payable and transportation expense. The following table sets forth a breakdown of our accruals and other payables as of the dates indicated.

	As of December 31,			As of June 30,
	2019	**2020**	**2021**	**2022**
	(in RMB thousands)			
Non-current				
Payables for stock appreciation rights(1)	6,318	29,780	21,305	–
Payables for MFA(2)	63,220	–	–	–
Provision for restoration costs	10,924	10,417	9,944	6,891
Non-current accruals and other payables	**80,462**	**40,197**	**31,249**	**6,891**

	As of December 31,			As of June 30,
	2019	2020	2021	2022
	(in RMB thousands)			
Current				
Payables for stock appreciation rights[(1)]	–	–	7,970	2,018
Salary and welfare payables	63,563	82,997	114,119	103,360
Payables for MFA[(2)]	12,954	68,554	–	–
Payables for plant and equipment	32,037	66,389	65,510	69,484
Accrued expenses[(3)]	65,403	88,670	148,095	199,703
Accrued listing expenses	–	–	8,408	7,383
Others[(4)]	5,134	15,681	14,263	19,671
Current accruals and other payables	**179,091**	**322,291**	**358,365**	**401,619**
Total accruals and other payables	**259,553**	**362,488**	**389,614**	**408,510**

Notes:

(1) Payables for stock appreciation rights represent awards granted by the Group to key employees and directors to encourage them to contribute to the success of the Group and to operate and manage the Group's business in a manner that will provide for the Group's long-term growth and profitability. The awards granted by the Group give the employee the right to receive cash, of which the value is dependent on the appreciation in the Group's equity value between the grant date and the exercise date. Such amount is payable by the Group upon the completion of an IPO.

(2) Payables for MFA represent the payables for the master franchise fee to Domino's Pizza International Franchising Inc.

(3) Accrued expenses include accrued advertising and promotion expenses, accrued information technology expenses, accrued professional service expenses, accrued utilities expenses, accrued store operation expenses and accrued royalty expenses.

(4) Others mainly consist of interest payables, board meeting expense, tax payable and transportation expense.

Our total accruals and other payables were RMB259.6 million, RMB362.5 million, RMB389.6 million and RMB408.5 million as of December 31, 2019, 2020 and 2021 and June 30, 2022. The increase of accruals and other payables from 2019 to 2020 was primarily attributable to (a) the increase in payables for stock appreciation rights primarily as a result of increase in the total equity value of our Group, which resulted in the value appreciation of the stock appreciation rights, (b) the increase in salary and welfare payables mainly due to our increased level of staffing as we expanded our store network, (c) the increase in payables for plant and equipment primarily as a result of the expansion of our store network and (d) the increase in accrued expenses mainly driven by the expansion of our store network and our increased marketing and promotions in cities where we opened new stores to boost our brand awareness and improve sales. The increase of accruals and other payables from 2020 to 2021 was mainly due to (a) the increase in salary and welfare payables primarily as a result of our increased staffing need as we expand our store network and (b) the increase in accrued expenses mainly driven by the expansion of our store network, our increased marketing and promotions in cities where we opened new stores to boost our brand awareness and improve sales, and our financing activity in December 2021, partially offset by (a) the decrease in payables for stock appreciation rights as a result of the cancellation of stock appreciation rights for certain employees, and (b) the decrease in payables in master franchise fee for our MFA as we made our final payment of the fee in 2021. The increase of accruals and other payables from December 31, 2021 to June 30, 2022 was primarily attributable to (a) the increase in accrued expenses mainly driven by the expansion of our store network, our increased marketing and promotions in cities where we opened new stores to boost our brand awareness and improve sales, (b) the increase in accrued royalty expenses as a result from overseas payment affected by citywide lockdown, and (c) the increase in shipping and storage related expenses in the first half of 2022 as a result of the impact of COVID-19, partially offset by the decrease in payables for stock appreciation rights driven by the cancellation of the vast majority of the remaining stock appreciation rights awards.

As of the Latest Practicable Date, RMB112.7 million, or 56.4% of our accrued expenses as of June 30, 2022 had been subsequently settled.

Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Our trade payables decreased from RMB84.0 million as of December 31, 2019 to RMB73.7 million as of December 31, 2020, increased from RMB73.7 million as of December 31, 2020 to RMB124.7 million as of December 31, 2021 and increased from RMB124.7 million as of December 31, 2021 to RMB141.8 million as of June 30, 2022. The decrease of trade payables from 2019 to 2020 was primarily due to our prepayments of certain supplies to optimize cost ratio. The increase of trade payables from 2020 to 2021 was primarily due to certain settlement arrangements as of that year end. The increase of trade payables from December 31, 2021 to June 30, 2022 was mainly attributable to the increase in our procurement of raw materials and consumables in the first half of 2022 in conjunction with our improved sales.

Trade payables turnover days are based on the average balance of trade payables divided by cost of raw materials and consumable used for the relevant period and multiplied by the number of days in the relevant period. Average balance is calculated as the average of the beginning balance and ending balance of a given period. The number of days for the years ended December 31 is 365 days. For the years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2022, our trade payables turnover days were 113.9 days, 92.7 days, 85.1 days and 97.6 days, respectively. Our trade payables turnover days have been steadily decreasing from 2019 to 2021 as we made prepayments for certain raw materials on better price terms to reduce procurement costs. Our trade payable turnover days increased from December 31, 2021 to June 30, 2022 primarily due to the prolonged period for certain suppliers to provide invoices, as they were impacted by the COVID-19 and the relevant government measures in Shanghai during the first half of 2022.

The following table sets forth an aging analysis of trade payables as of the date indicated.

	As of December 31,			As of June 30,
	2019	2020	2021	2022
	(in RMB thousands)			
Within 3 months	83,263	73,160	120,863	137,410
Between 4 months to 6 months	729	501	3,831	734
Over 6 months	–	82	2	3,699
Total	**83,992**	**73,743**	**124,696**	**141,843**

As of October 31, 2022, RMB140.1 million, or 98.8% of our trade payables outstanding as of June 30, 2022 had been subsequently settled.

KEY FINANCIAL RATIOS

The following table sets forth certain of our key financial ratios as of the dates or for the periods indicated.

	Year ended December 31,			Six months ended June 30,	
	2019	2020	2021	2021	2022
Current ratio(1)	0.44	0.65	0.92	0.86	0.91
Quick ratio(2)	0.38	0.61	0.88	0.82	0.85
Gearing ratio(3)	5%	20%	19%	22%	12%
Adjusted EBITDA margin (non-IFRS measure)(4)	(4.0%)	(1.6%)	3.9%	4.2%	6.1%

Notes:

(1) The calculation of current ratio is based on current assets divided by current liabilities as of the period end.

(2) The calculation of quick ratio is based on current assets less inventories divided by current liabilities as of the period end.

(3) The calculation of gearing ratio is based on total borrowing divided by total equity as of the period end and multiplied by 100%.

(4) The calculation of adjusted EBITDA margin (non-IFRS measure) is based on adjusted EBITDA (non-IFRS measure) divided by our total revenue for the period and multiplied by 100%.

LIQUIDITY AND CAPITAL RESOURCES

During the Track Record Period and up to the Latest Practicable Date, we funded our cash requirements principally from cash generated from operating activities and other financing activities. As of December 31, 2019, 2020, 2021 and June 30, 2022, our cash and cash equivalents were RMB83.7 million, RMB257.4 million, RMB656.7 million and RMB576.9 million, respectively. As of October 31, 2022, our cash and cash equivalents amounted to RMB440.8 million. Our cash and cash equivalents primarily consist of cash at bank and cash in hand.

The following table sets forth a summary of our cash flows for the periods indicated.

	For the Year ended December 31,			For the six months ended June 30,	
	2019	**2020**	**2021**	**2021**	**2022**
	(in RMB thousands)				
				(Unaudited)	
Selected Consolidated Cash Flow Data:					
Net cash generated from operating activities	124,347	103,543	332,089	157,475	167,573
Net cash used in investing activities	(181,228)	(152,408)	(181,740)	(89,464)	(68,142)
Net cash (used in)/generated from financing activities	(75,007)	233,569	242,985	134,343	(191,216)
Net (decrease)/increase in cash and cash equivalents	**(131,888)**	**184,704**	**393,334**	**202,354**	**(91,785)**
Cash and cash equivalents at beginning of year	216,862	83,657	257,390	257,390	656,672
Exchange difference on cash and cash equivalents	(1,317)	(10,971)	5,948	1,957	12,057
Cash and cash equivalents at end of year	**83,657**	**257,390**	**656,672**	**461,701**	**576,944**

Operating activities

Net cash generated from operating activities represents cash generated from operations and income tax paid.

For the six months ended June 30, 2022, net cash generated from operating activities was RMB167.6 million, which consisted primarily of loss before income tax of RMB85.7 million adjusted for certain non-cash and non-operating items. Adjustments for certain non-cash and non-operating items primarily include (a) depreciation of right-of-use assets of RMB91.0 million in connection with the expansion of our store network, (b) depreciation of plant and equipment of RMB56.7 million in connection with the expansion of our store network and (c) finance costs of RMB49.1 million mainly attributable to interest expenses relating to lease liabilities and bank borrowings, as well as guarantee fee. The amount was further adjusted by changes in working capital, including (a) increase in accruals and other payables of RMB32.2 million primarily driven by the expansion of our store network, (b) decrease in prepayments and other receivables of RMB17.5 million as a result of the impact of COVID-19 and (c) increase in trade payables of RMB17.1 million mainly due to the increase in our procurement of raw materials and consumables in the first half of 2022.

For the year ended December 31, 2021, net cash generated from operating activities was RMB332.1 million, which consisted primarily of loss before income tax of RMB478.1 million adjusted for certain non-cash and non-operating items and aggregated income tax paid of RMB6.4 million. Adjustments for certain non-cash and non-operating items primarily include (a) fair value losses on financial liabilities at fair value through profit or loss of RMB201.3 million, (b) depreciation of right-of-use assets of RMB162.0 million in connection with the expansion of our store network, (c) depreciation of plant and equipment of RMB98.7 million in connection with the expansion of our store network, (d) share-based compensation expense of RMB90.8 million in connection with the overall increased total equity value of our Group, (e) financial costs of RMB89.5 million mainly attributable to interest expenses relating to bank borrowings, lease liabilities and guarantee fee and (f) amortization of intangible assets of RMB43.0 million mainly in connection with the MFA. The amount was further adjusted by changes in working capital, including (a) the increase in accruals and other payables of RMB78.5 million and (b) the increase in trade payables of RMB51.0 million and (c) the increase in inventories of RMB10.8 million, primarily driven by the expansion of our store network.

For the year ended December 31, 2020, net cash generated from operating activities was RMB103.5 million, which consisted primarily of loss before income tax of RMB267.7 million adjusted for certain non-cash and non-operating items. Adjustments for certain non-cash and non-operating items primarily include (a) depreciation of right-of-use assets of RMB128.4 million in connection with the expansion of our store network, (b) depreciation of plant and equipment of RMB76.9 million in connection with the expansion of our store network, (c) finance costs of RMB63.1 million mainly attributable to interest expenses relating to bank borrowings, lease liabilities and guarantee fee, (d) amortization of intangible assets of RMB40.2 million mainly in connection with the MFA and (e) share-based compensation of RMB33.2 million primarily in connection with the overall increased total equity value of our Group. The amount was further adjusted by changes in working capital, including (a) increase in accruals and other payables of RMB50.1 million and (b) increase in prepayments and other receivables of RMB26.8 million, primarily driven by the expansion of our store network.

For the year ended December 31, 2019, net cash generated from operating activities was RMB124.3 million, which consisted primarily of loss before income tax of RMB181.6 million adjusted for certain non-cash and non-operating items. Adjustments for certain non-cash and non-operating items primarily include (a) depreciation of right-of-use assets of RMB98.6 million in connection with the expansion of our store network, (b) depreciation of plant and equipment of RMB57.7 million in connection with the expansion of our store network, (c) finance costs of RMB52.6 million mainly attributable to interest expenses relating to lease liabilities and long-term payables, (d) amortization of intangible assets of RMB36.1 million mainly in connection with the MFA and (e) share-based compensation of RMB8.9 million mainly in connection with the overall increased total equity value of our Group. The amount was further adjusted by changes in working capital, including (a) increase in accruals and other payables of RMB42.4 million in connection with the expansion of our store network, which caused salary and welfare payables and accrued store operating expenses to rise, (b) increase in trade payables of RMB25.7 million in relation to certain payment arrangements as of year-end, and (c) increase in prepayments and other receivables of RMB11.7 million.

Investing activities

For the six months ended June 30, 2022, net cash used in investing activities was RMB68.1 million, primarily attributable to purchase of plant and equipment of RMB61.2 million and purchase of intangible assets of RMB7.9 million in connection with the expansion of our store network, partially offset by interest received of RMB0.9 million.

In 2021, net cash used in investing activities was RMB181.7 million, primarily attributable to purchase of plant and equipment of RMB170.8 million and purchase of intangible assets of RMB14.0 million in connection with the expansion of our store network partially offset by interest received of RMB1.9 million and proceeds from disposal of plant and equipment of RMB1.2 million.

In 2020, net cash used in investing activities was RMB152.4 million, primarily attributable to purchase of plant and equipment of RMB127.6 million and purchase of intangible assets of RMB30.9 million in connection with the expansion of our store network, partially offset by interest received of RMB1.2 million and proceeds from disposal of plant and equipment of RMB4.9 million.

In 2019, net cash used in investing activities was RMB181.2 million, primarily attributable to purchase of plant and equipment of RMB155.2 million and purchase of intangible assets of RMB27.7 million in connection with the expansion of our store network, partially offset by interest received of RMB1.6 million.

Financing activities

For the six months ended June 30, 2022, net cash used in financing activities was RMB191.2 million, primarily attributable to repayment to borrowings of RMB180.0 million in connection with our early repayment of bank borrowing in late March of 2022 and payment of principal and interest element of lease liabilities of RMB96.9 million, partially offset by proceeds from borrowings of RMB100.0 million in connection with our drawdown from the newly entered bank facility.

In 2021, net cash generated from financing activities was RMB243.0 million, primarily attributable to total proceeds from issuance of convertible Senior Ordinary Shares of RMB316.7 million and total proceeds from issuance of ordinary shares of RMB260.7 million, both of which were in connection with our financing in 2021. Net cash generated from financing activities for the year ended December 31, 2021 was partially offset by repayment of bank loan principal and interest of RMB44.6 million and payment of principal and interest element of lease liabilities of RMB195.7 million, as well as our final installment payment of the master franchise fee of RMB76.5 million in connection with the MFA.

In 2020, net cash generated from financing activities was RMB233.6 million, primarily attributable to the total proceeds from issuance of convertible Senior Ordinary Shares of RMB282.8 million in connection with our financing in 2020 and the proceeds from borrowings of RMB145.0 million, partially offset by the principal and interest elements of lease payments of RMB149.8 million.

In 2019, net cash used in financing activities was RMB75.0 million, primarily attributable to the payment of principal and interest elements of lease payments of RMB118.4 million, partially offset by the proceeds from borrowings of RMB65.0 million.

INDEBTEDNESS

The following table sets forth the details of our indebtedness as of the dates indicated:

	As of December 31,			As of June 30,	As of October 31,
	2019	2020	2021	2022	2022
	(in RMB thousands)				
					(Unaudited)
Borrowings	65,000	210,000	180,000	100,000	100,000
Lease liabilities	484,994	629,581	681,324	735,022	777,158
Convertible Senior Ordinary Shares	–	275,077	784,426	826,886	884,866

As of December 31, 2019, 2020 and 2021, June 30, 2022 and October 31, 2022, we did not have any material contingent liabilities.

Borrowings

In October 2019, we entered into a term loan agreement with total facility of RMB210.0 million. We issued ordinary shares to one of our shareholders who served as the guarantor of our borrowings under the term loan. The guarantee fee for bank borrowings was booked under finance costs, net. For details, see "– Major Components of our results of operations – Finance costs, net". The following table sets forth our borrowings as of December 31, 2019, 2020 and 2021, June 30, 2022 and October 31, 2022, being the most recent practicable date for the purposes of the indebtedness statement.

	As of December 31,			As of June 30,	As of October 31,
	2019	2020	2021	2022	2022
	(in RMB thousands)				
					(Unaudited)
Borrowings included in current liabilities:					
Bank borrowings – secured	–	30,000	180,000	–	–
Borrowings included in non-current liabilities:					
Bank borrowings – secured	65,000	180,000	–	100,000	100,000
Total	**65,000**	**210,000**	**180,000**	**100,000**	**100,000**

We recorded borrowings balance of RMB65.0 million, RMB210.0 million, RMB180.0 million and RMB100.0 million as of December 31, 2019, 2020 and 2021 and June 30, 2022, respectively, with the effective interest rate of 6.9825% as of December 31, 2019, 2020 and 2021 and 4.85% as of June 30, 2022. We fully repaid the borrowings balance of RMB180.0 million as of December 31, 2021 by the end of March 2022 and, in the same month, secured a lower cost bank credit facility of RMB200.0 million, guaranteed by Dash Beijing, one of our subsidiaries, with a term of three years from the first drawdown to supplement our working capital needs when necessary. As of October 31, 2022, we had bank borrowings of RMB100.0 million, which primarily comprised amounts drawn upon to the credit facility that we entered in March 2022.

Lease liabilities

We had total lease liabilities of RMB485.0 million, RMB629.6 million, RMB681.3 million and RMB735.0 million as of December 31, 2019, 2020, 2021 and June 30, 2022, respectively. As of October 31, 2022, we had lease liabilities of RMB777.2 million. For further information regarding our lease liabilities, see Note 14 to the Accountant's Report in Appendix I to this document.

Convertible Senior Ordinary Shares

We issued 8,651,546 and 9,449,473 fully paid convertible Senior Ordinary Shares in 2020 and 2021, respectively. Upon the Listing, all convertible Senior Ordinary Shares will be automatically converted into ordinary shares.

As of December 31, 2019, 2020 and 2021 and June 30, 2022, our convertible Senior Ordinary Shares had fair value of nil, RMB275.1 million, RMB784.4 million and RMB826.9 million, respectively. As of October 31, 2022, our convertible Senior Ordinary Shares had fair value of RMB884.9 million. For further information regarding our convertible Senior Ordinary Shares, see "History, reorganization and corporate structure – Pre-IPO Investments" and Note 25 to the Accountant's Report in Appendix I to this document. All convertible Senior Ordinary Shares are unsecured and unguaranteed.

No other outstanding indebtedness

Except as discussed above, we did not have any material mortgages, charges, debentures, loan capital, debt securities, loans, bank overdrafts or other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptances (other than normal trade bills), acceptance credits, which are either guaranteed, unguaranteed, secured or unsecured as of October 31, 2022, the most recent practicable date for determining our indebtedness.

Our Directors confirmed that we had no material defaults in payment of loans and trade and non-trade payables during the Track Record Period and up to the Latest Practicable Date, and there is no material change in our indebtedness since October 31, 2022 and up to the Latest Practicable Date.

CONTINGENT LIABILITIES OR GUARANTEES

As of the Latest Practicable Date, we did not have any material contingent liabilities or guarantees.

CAPITAL EXPENDITURES

Our capital expenditures are primarily incurred for purchase of plant and equipment and purchase of intangible assets. Our capital expenditures were RMB182.8 million in 2019, RMB158.5 million in 2020, RMB184.8 million in 2021 and RMB69.0 million for the six months ended June 30, 2022. The fluctuation is primarily attributable to (a) our purchase of additional plant and equipment in connection with the expansion of our store network, (b) new store decoration and existing store remodeling and refurbishment and (c) our spending on the acquisition and self-development of software and website in connection with the expansion of our store network to improve operational efficiency.

We intend to fund our future capital expenditures with our existing cash balance and proceeds from the Global Offering. See "Future plans and use of proceeds" for more details. We may reallocate the fund to be utilized on capital expenditure and long-term investments based on our ongoing business needs.

CONTRACTUAL OBLIGATIONS

Capital commitments

Our capital commitments outstanding as of December 31, 2019, 2020 and 2021 and June 30, 2022 were as follows:

	As of December 31,			As of June 30,
	2019	2020	2021	2022
	(in RMB thousands)			
Contracted but not provided for	64,836	67,558	61,137	35,006

Lease commitments

Future minimum short-term and low-value leases payables under non-cancellable operating leases of our Group as of December 31, 2019, 2020 and 2021 and June 30, 2022 were as follows:

	As of December 31,			As of June 30,
	2019	2020	2021	2022
	(in RMB thousands)			
No later than 1 year	296	663	1,042	1,102

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As of the Latest Practicable Date, we had not entered into any off-balance sheet arrangements.

MATERIAL RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party, or exercise significant influence over the other party in making financial and operating decisions. We enter into transactions with our related parties from time to time. For a discussion of our related party transactions, see Note 33 to the Accountant's Report in Appendix I to this document.

Our Directors believe that our transactions with the related parties during the Track Record were conducted in the normal course of business and on an arm's length basis, and they did not distort our results of operations or make our historical results not reflective of our future performance.

FINANCIAL RISK DISCLOSURE

We are exposed to a variety of financial risks, including market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk. Our overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on our financial performance. Risk management is carried out by the Broad of Directors. See Note 3 to the Accountant's Report in Appendix I to this document for a detailed description of our financial risk management.

Foreign exchange risk

Our businesses are principally conducted in RMB, which exposes us to foreign currency risk with respect to transactions denominated in currencies other than RMB. Foreign exchange risk arises from future commercial transactions and recognized assets and liabilities denominated in a currency that is not the functional currency of the relevant group entity. During the Track Record Period, we have not entered into any derivative instruments to hedge our foreign exchange exposures.

Interest rate risk

Our interest rate risk mainly arises from borrowings, cash and cash equivalents and financial liabilities measured at FVPL. As of June 30, 2022, all of our Group's borrowings are obtained at variable rates and expose our Group to cash flow interest-rate risk. As of December 31, 2019, 2020 and 2021, all of our Group's borrowings were obtained at fixed rates and exposed us to fair value interest rate risk. We do not hedge our cash flow and fair value interest rate risk. Financial liabilities measured at FVPL expose us to fair value interest rate risk before conversion into ordinary shares. Please refer to Notes 24 and 25 of the Accountant's Report in Appendix I to this document for details of these financial liabilities.

Credit risk

Our credit risk mainly arises from cash and cash equivalents, restricted cash, rental and other deposits. The carrying amounts of each financial asset represent our maximum exposure to credit risk in relation to financial assets.

Risk management

We have policies in place to ensure that credit terms are made to customers with an appropriate credit history and we perform periodic credit evaluations of our customers.

Our cash and cash equivalents and restricted cash were deposited with high quality financial and other institutions with sound credit ratings. Therefore, we do not expect material losses arising from non-performance by these counterparties.

For rental and other deposits, we sign lease contracts with big department stores and real estate management companies.

We assess that most of the underlying lease contracts grant us, as a lessee, the contractual right to continue occupying the corresponding premises if the landlord does not refund these rental and other deposits at the end of the lease terms pursuant to the terms and conditions set out in the lease contracts. Hence, we do not expect material losses arising from non-performance by these counter parties.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and availability of funding. Due to the dynamic nature of the underlying business, we aim at maintaining flexibility in funding by maintaining adequate amount of cash and cash equivalents.

As of December 31, 2019, 2020 and 2021 and June 30, 2022, we recorded net current liabilities of RMB209.6 million, RMB202.5 million, RMB65.0 million and RMB64.1 million, respectively. We also generated net cash inflows from operating activities amounting to RMB124.3 million, RMB103.5 million, RMB332.1 million and RMB167.6 million for the years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2022, respectively. In managing liquidity risks, our Directors have reviewed its cash flow forecast, which covers a period of not less than twelve months from June 30, 2022. In preparing the cash flow forecast, our Directors have considered our Group's capital expenditures plans (including the new stores opening plan in the forecast period), estimated cash flows provided by operations, existing cash on hand and other available source of funds.

Based on the above considerations, our historical performance and management's operating and financing plans, our Directors believe that we will have sufficient working capital to finance our operations and to meet our financial obligations as and when they fall due for not less than the next least twelve months from June 30, 2022.

DIVIDENDS

As advised by our British Virgin Islands legal advisor, under British Virgin Islands law, a position of accumulated losses and net liabilities does not necessarily restrict our Company from declaring and paying dividends to our Shareholders, provided this would not result in our Company being unable to pay its debts as they fall due in the ordinary course of business and the value of the Company's assets exceeds its liabilities. As we are a holding company incorporated under the laws of the British Virgin Islands, the payment and amount of any future dividends will also depend on the availability of dividends received from our subsidiaries. Any dividends we pay will be determined at the absolute discretion of our Board, taking into account factors including our actual and expected results of operations, cash flow and financial position, general business conditions and business strategies, expected working capital requirements and future expansion plans, legal, regulatory and other contractual restrictions, and other factors that our Board deems to be appropriate. Our shareholders may approve, in a general meeting, any declaration of dividends, which must not exceed the amount recommended by our Board.

Dividend distribution to our shareholders is recognized as a liability in our financial statements in the period in which the dividends are approved by our Board. During the Track Record Period, we did not distribute or declare any dividends. 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 BVI Business Companies Act. In addition, our Directors may from time to time pay such interim dividends on shares of our Company outstanding and authorize payment of the same out of the funds of our Company lawfully available.

WORKING CAPITAL SUFFICIENCY CONFIRMATION

Taking into account cash on hand and cash at banks, cash generated from operating activities, secured revolving credit facility from a bank in China and the estimated net proceeds we expect to receive from the Global Offering, our Directors are of the view that we will have available sufficient working capital to meet our present requirements and for at least the next twelve months from the date of this document.

DISTRIBUTABLE RESERVES

As of June 30, 2022, we did not have any distributable reserves.

LISTING EXPENSES

Our listing expenses mainly comprise professional fees paid and payable to the professional parties for their services rendered in relation to the Listing and the Global Offering. Based on the mid-point of the Offer Price of HK$48.0 per share, the total estimated listing expenses in relation to the Global Offering are approximately HK$88.6 million, assuming the Over-allotment Option is not exercised, comprising (i) underwriting-related expenses of approximately HK$17.9 million, including commissions and fees; and (ii) non-underwriting related expenses of approximately HK$70.7 million, including (a) fees and expenses of legal advisors and the Reporting Accountant of approximately HK$40.6 million; and (b) other fees and expenses of approximately HK$30.2 million. Out of the total listing expenses, approximately HK$29.7 million has been charged to our consolidated statements of comprehensive income prior to June 30, 2022. We estimate approximately HK$35.1 million will be charged to our consolidated statements of comprehensive income and the remaining balance of approximately HK$23.8 million is expected to be accounted for as a deduction from equity upon the completion of the Global Offering. Our listing expenses account for 16.3% of the gross proceeds from this offering, as calculated using the mid-point of the Offer Price.

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS ATTRIBUTABLE TO OWNERS OF OUR COMPANY

The following is an illustrative statement of the unaudited pro forma adjusted consolidated net tangible assets which has been prepared in accordance with Rule 4.29 of the Listing Rules for the purpose of illustrating the effect of the Global Offering as if it had taken place on June 30, 2022 and based on the audited consolidated net tangible assets attributable to equity holders of our Company as of June 30, 2022 as shown in the Accountant's Report, the text of which is set out in Appendix I to this document, and adjusted as described below.

The unaudited pro forma statement of adjusted consolidated net tangible assets 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 us had the Global Offering been completed as of June 30, 2022 or at any future dates.

	Audited consolidated net tangible assets of our Group attributable to owners of our Company as of June 30, 2022	Estimated net proceeds from the Global Offering	Estimated impact on the conversion of convertible Senior Ordinary Shares	Unaudited pro forma adjusted consolidated net tangible assets attributable to the owners of our Company as of June 30, 2022	Unaudited pro forma adjusted consolidated net tangible assets per Share	
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB*	*HK$*
	(Note 1)	*(Note 2)*	*(Note 3)*		*(Note 4)*	*(Note 5)*
Based on an Offer Price of HK$46.0 per share	(390,727)	417,514	826,886	853,673	6.74	7.50
Based on an Offer Price of HK$50.0 per share	(390,727)	456,706	826,886	892,865	7.05	7.84

Notes:

(1) The audited consolidated net tangible assets of our Group attributable to the owners of our Company as of June 30, 2022 is extracted from the Accountant's Report set out in Appendix II to this document, which is based on the audited consolidated net assets of our Group attributable to the owners of our Company as of June 30, 2022 of RMB851,251,000 with adjustments for the intangible assets as at June 30, 2022 of RMB1,241,978,000.

(2) The estimated net proceeds from the Global Offering are based on the indicative Offer Price of HK$46.0 and HK$50.0 per share, respectively, after deduction of the underwriting fees and other related expenses (excluding listing expenses of approximately RMB26,895,000 which have been accounted for during the Track Record Period) paid/payable by our Company and takes no account of any Shares which may fall to be issued upon the exercise of the Over-allotment Option, exercise of options or awards granted under the Share Incentive Plans or any Shares which may be issued or repurchased by our Company pursuant to the general mandates.

(3) All convertible Senior Ordinary Shares will be automatically converted into fully-paid ordinary share on a one-for-one basis upon completion of the Global Offering. The convertible Senior Ordinary Shares were accounted for as a liability to our Group. Accordingly, for the purpose of the unaudited pro forma adjusted consolidated net tangible assets, the adjustment represents the impact of the conversion of all convertible Senior Ordinary Shares Into ordinary shares. The estimated impact is RMB826,886,000, being the carrying amount of the convertible Senior Ordinary Shares as of June 30, 2022.

(4) The unaudited pro forma adjusted consolidated net tangible assets per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 126,632,708 Shares were in issue assuming that the Global Offering have been completed on June 30, 2022 (including the shares granted pursuant to the restricted share unit plan (the "**RSU plans**") prior to June 30, 2022 that are vested prior to or to be vested upon the completion of the Global Offering) but excludes (i) 316,088 shares issued subsequent to June 30, 2022, (ii) cash bonus to be paid to certain senior management and employees after the Global Offering pursuant to the cash bonus plan approved by the board of the Company subsequent to June 30, 2022, (iii) share appreciation plan approved by the board of the Company subsequent to June 30, 2022, (iv) any Shares which may fall to be issued upon the exercise of the Over-allotment Option, exercise of options or awards granted under the Share Incentive Plans and (v) any Shares which may be issued or repurchased by the Company pursuant to the general mandates.

The 316,088 shares mentioned in (i) above are excluded since the issuance of these shares is not directly attributable to the Global Offering.

The cash bonus mentioned in (ii) above and the share appreciation plan mentioned in (iii) above are excluded since the grantees are only entitled to such shares and bonus after the Global Offering.

However, had such (i) 316,088 shares issued subsequent to June 30, 2022 been taken into account, such that 126,948,796 shares are in issue immediately following the completion of the Global Offering, and assuming the cash bonus mentioned in (ii) above in paid immediately upon the Global Offering, the unaudited pro forma adjusted net tangible assets per Share would have been RMB6.60 (equivalent to HK$7.34) and RMB6.87 (equivalent to HK$7.64) based on the Offer Price of HK$46.0 per Share and HK$50.0 per Share, respectively.

(5) For the purpose of this unaudited pro forma adjusted consolidated net tangible assets per Share, the amounts stated in Renminbi are converted into Hong Kong dollars at the rate of RMB0.8993 to HK$1.00. No representation is made that Renminbi has been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate.

(6) Except as disclosed above, no adjustment has been made to reflect any trading results or other transactions of our Group entered into subsequent to June 30, 2022.

NO MATERIAL ADVERSE CHANGE

After performing sufficient due diligence work which our Directors consider appropriate and after due and careful consideration, the Directors confirm that, up to the date of this document, there has been no material adverse change in our financial or trading position or prospects since June 30, 2022, which is the end date of the periods reported on in the Accountant's Report included in Appendix I to this document, and there is no event since June 30, 2022 that would materially affect the information as set out in the Accountant's Report included in Appendix I to this document.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

Our Directors confirm that, as of the Latest Practicable Date, there was no circumstance that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.