The following discussion and analysis should be read in conjunction with our combined financial statements included in "Appendix IA—Accountants' Report" and "Appendix IB—Report on Review of Condensed Combined Financial Statements." together with the accompanying notes. Our combined financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRSs").

The following discussion and analysis contain forward-looking statements that involve risks and uncertainties. These statements are based on assumptions and analysis that we make 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, our actual results may differ significantly from those projected in the forward-looking statements. Factors that might cause future results to differ significantly from those projected in the forward-looking statements include, but are not limited to, those discussed in "Risk Factors" and "Forward-Looking Statements" and elsewhere in this listing document.

OVERVIEW

We were the third largest Chinese cuisine restaurant brand and the largest Chinese cuisine restaurant brand originating from China in the international market in terms of revenue in 2021. With a unique dining experience and service quality, our Haidilao restaurants have become a worldwide cultural phenomenon. Since opening our first restaurant in Singapore in 2012, we have expanded to 97 restaurants in 11 countries across four continents as of March 31, 2022.

In 2019, we recorded total revenue of US$233.1 million and strong table turnover rate of 4.1 times per day. Since the breakout of the COVID-19 pandemic in 2020, our business and financial performance have been significantly affected by the restrictive measures on restaurant dine-in and social distancing. The impact of the COVID-19 pandemic was partially offset by our efforts in expanding our restaurant network in 2020, as a result our revenue decreased slightly to US$221.4 million. Our table turnover rates decreased to 2.4 times per day in 2020 and further decreased to 2.1 times per day in 2021. As we continued to expand our restaurant network, our revenue increased by 41.1% from US$221.4 million in 2020 to US$312.4 million in 2021. Since 2022, the COVID-19 pandemic gradually came under control in the international market and our business and financial performance has experienced continued recovery. Our revenue increased by 59.8% from US$68.3 million for the three months ended March 31, 2021 to US$109.1 million for the three months ended March 31, 2022. Our table turnover rates bounced back to 2.7 times per day for the three months ended March 31, 2022.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Growth of the International Chinese Cuisine Restaurant Market

Our financial performance and future growth depend on the overall growth of the international Chinese cuisine restaurant market, which is primarily driven by the growing popularity of Chinese culture and increasing acceptance of Chinese food, as well as increasing innovation and adaptation of Chinese cuisine dishes tailored to local guests. According to the F&S Report, the international Chinese cuisine restaurant market increased from US$281.8 billion in 2016 to US$334.3 billion in 2019. Despite a decrease in market size in 2020 due to the COVID-19 pandemic, the international Chinese cuisine restaurant market began to recover and is expected to grow from US$261.1 billion in 2021 to US$409.8 billion in 2026 at a CAGR of 9.4%.

In addition to the overall growth of the international Chinese cuisine restaurant market, we have also benefited, and expect to continue to benefit from favorable market drivers, such as the growing Chinese population overseas, economic growth and market consolidation by leading restaurant brand, among others. For details, see "Industry Overview." As one of the largest international Chinese cuisine restaurant brands in the international market, we believe we are well positioned to capture these favorable market opportunities and expect our results of operations to continue to improve in the future.

Expansion of Our Restaurant Network

Our revenue and business growth depend on the scale and expansion of our restaurant network, which in turn are affected by our restaurant openings and closings. We opened 15 new restaurants in 2019, including ten restaurants in six new countries. In 2020, we opened 36 new restaurants, all of which were in countries where we already had presence. In 2021, we continued to open new restaurants while focusing on optimizing the performance of existing restaurants. We opened 22 new restaurants in 2021 and three in the first quarter of 2022. We had minimal restaurant closures during the Track Record Period, which did not have a material impact on our financial performance. The following table sets forth the total number of our restaurants and their movement during the Track Record Period.

	For the Year Ended December 31,			For the Three Months Ended March 31,
	2019	2020	2021	2022
Number of restaurants at the beginning of the year/period	24	38	74	94
Number of new restaurants opened during the year/period	15	36	22	3
Number of restaurants closed during the year/period	1	–	2	–
Number of restaurants at the end of the year/period	38	74	94	97

Our restaurant network expansion is and will continue to be a major driver in revenue growth. Despite a slight drop in our revenue in 2020 due to the COVID-19 pandemic, our revenue in 2021 increased as the full year revenue contribution of new restaurants opened in 2020 were reflected in our 2021 financial results. In addition, we also opened 22 new restaurants in 2021. Our revenue in the first quarter of 2022 further increased compared to the same period in 2021 as the COVID-19 pandemic subsided. The table below sets forth information on revenue from restaurant operation for existing restaurants, restaurants newly opened and restaurants closed during the period indicated.

	For the Year Ended December 31,			For the Three Months Ended March 31,	
	2019	2020	2021	2021	2022
	(US$ in thousands)				
				(Unaudited)	
Revenue from existing restaurants[1]	176,634	175,839	256,813	62,729	103,292
Revenue from restaurants newly opened during the year/period	52,573	33,506	38,102	2,100	1,436
Revenue from restaurants closed during the year/period	3,460	—	1,593	—	—
	232,667	209,345	296,508	64,829	104,728
Net of:					
Customer loyalty program[2]	125	70	449	(190)	(315)
Revenue generated from restaurant operations	232,542	209,275	296,059	65,019	105,043
Delivery business	158	10,225	11,783	2,588	2,596
Others[3]	419	1,911	4,531	665	1,436
Total revenue	233,119	221,411	312,373	68,272	109,075

Notes:

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

(2) Members of our customer loyalty program can earn award credits based on spending at our restaurants. These award credits can be redeemed for future consumptions within two to five years after the award credits are earned within the country that they registered their account.

(3) Others primarily include the revenue generated from sales of hot pot condiment products and food ingredients.

Pace of New Restaurants Opening

We believe opening new restaurants and expanding our restaurant network are the foundation of our future growth. We opened 12 new restaurants in 2018, which contributed to our revenue and financial performance in 2019. In 2019, 2020 and 2021 and the three months ended March 31, 2022, we opened 15, 36, 22 and three new restaurants, respectively. The timing of new restaurant openings and the proportion of new restaurants to existing restaurants have an impact on our revenue and profitability.

- *Impact on revenue contribution.* The number and pace of new restaurant openings may fluctuate from period to period, which may affect our revenue. In particular, we tend to open more new restaurants in the second half of the year and fewer new restaurants in the first quarter. As a result, the revenue contribution from new restaurants is fully reflected in the next financial year. In contrast, new restaurants generally have a lesser impact on overall revenue for the year of opening as they do not contribute to the full year revenue due to its ramp up period.

- *Impact on profitability.* We have scaled up our business in the past three to four years to lay the groundwork for our future growth. Each new restaurant incurs pre-opening costs and capital expenditures, which varies by geographic region. Pre-opening costs, which mainly consist of staff salaries, consulting services fees, staff relocation expenses, rent and miscellaneous administrative expenses prior to the opening of a restaurant, are incurred before the restaurant begins to generate revenue. Generally, our pre-opening costs per restaurant in Asia typically ranged from US$170,000 to US$400,000 and our capital expenditure per restaurant in Asia typically ranged from US$1.4 million to US$3.0 million, which may be higher in other countries. Moreover, new restaurants need time to achieve breakeven and investment payback. The breakeven of new restaurants opened during the Track Record Period was generally within six months. Our business scale-up has contributed to losses in the short term. Going forward, we expect the ramp-up for these restaurants, the easing of COVID-19 and the decrease in proportion of new restaurants to total restaurants number will positively impact our profitability.

Our business scale up has been cash-intensive and therefore also impacts our cash flow and working capital position. For details, see "—Liquidity and Capital Resources."

Impact of the COVID-19 Pandemic

COVID-19 was first reported in December 2019 and subsequently declared a pandemic by the World Health Organization in March 2020. In order to control the outbreak, various restrictions were implemented around the world, including lockdowns, restaurant closures, limited dining hours, social distancing seating, among others. These restrictions had a major impact on our restaurant business. Our average daily revenue per restaurant and table turnover rate decreased in 2020 and 2021, which had a negative impact on our revenue and profitability. Moreover, as a result of the COVID-19 pandemic, we adjusted our expansion strategies, which are discussed in "—Expansion of Our Restaurant Network" below. We also recorded impairment losses based on our judgment and estimation on the uncertainties of COVID-19 and their potential impact on our future operations. For the years ended December 31, 2020 and 2021 and the three months ended March 31, 2022, our impairment losses were US$5.7 million, US$63.1 million and US$8.3 million, respectively, which further impacted our results of operations.

Gradually since 2021 and particularly in 2022, many countries have lifted restrictive measures against COVID-19, enabling us to resume normal operations. Our total guest visits increased by 60.3% from approximately 2.4 million in the first quarter of 2021 to approximately 3.8 million in the first quarter of 2022. Our overall table turnover rates increased from 2.4 and 2.1 times per day in 2020 and 2021, respectively, to 2.7 times per day in the three months ended March 31, 2022. As a result, our average daily revenue per restaurant per day increased by 27.1% from US$10.0 thousand in 2021 to US$12.8 thousand in the first quarter of 2022. We expect our business performance to continue to normalize going forward as the COVID-19 pandemic continues to alleviate. Changes in the COVID-19 situation, governmental responses and the impact on consumer behavior will continue to impact our financial performance. See "Risk Factors—Risks Relating to Our Business—We face risks related to health epidemics and outbreaks, particularly the COVID-19 outbreak, as well as the instance of any food-borne illnesses" for details.

Food Ingredient Costs

In 2019, 2020 and 2021 and the three months ended March 31, 2021 and 2022, our raw materials and consumables used amounted to US$81.3 million, US$79.0 million, US$113.8 million, US$24.4 million and US$40.0 million, respectively, representing 34.9%, 35.7%, 36.4%, 35.7% and 36.7% of our revenue for the respective periods. Food ingredient costs are a significant contributor to our cost of raw materials and consumables used, amounting to US$62.6 million, US$58.6 million, US$92.6 million, US$19.7 million and US$34.1 million in 2019, 2020, 2021 and the three months ended March 31, 2021 and 2022 and accounting for 77.1%, 74.1%, 81.4%, 80.8% and 85.2% of our raw materials and consumables used during the respective periods.

The price and supply of food ingredients are subject to a number of factors that are beyond our control, including but not limited to rising market demand and inflation, as well as import restrictions and tariffs. During the Track Record Period, prices of the major food ingredients we used have increased steadily, resulting in a slight increase in raw materials and consumables used as a percentage of revenue. In particular, the COVID-19 pandemic has caused temporary disruption to the supply of certain food ingredients from time to time, resulting in an increase of the prices of these food ingredients during the Track Record Period. We have adopted various measures to offset the impact of food price fluctuations, including establishing central kitchen in markets we have greater presence and adopting centralized procurement across different countries. In addition, we believe our broad selection of food ingredients and our pricing strategy also enable us to effectively control food ingredient costs. We currently do not enter into futures contracts or engage in other financial risk management strategies against potential price fluctuations in our supplies. Going forward, we will continue to manage our prices by closely monitoring market price fluctuations.

Staff Costs

The catering service industry is labor intensive in nature. In 2019, 2020 and 2021 and the three months ended March 31, 2021 and 2022, our staff costs amounted to US$112.2 million, US$100.4 million, US$143.3 million, US$30.5 million and US$43.6 million, respectively, representing 48.1%, 45.4%, 45.9%, 44.7% and 40.0% of our revenue for the respective periods. In response to the COVID-19 pandemic, we have implemented a number of measures to optimize staff efficiency, which primarily include (i) streamlining the number of staff required for each restaurant; and (ii) optimizing our compensation structure, such as experimental implementing the piece rate compensation system in new countries and refining such system in the existing countries since 2020. As such, our staff costs as a percentage of our revenue decreased from 48.1% in 2019 to 40.0% in the three months ended March 31, 2022. Going forward, we believe our staff costs will continue to significantly affect our financial performance.

Seasonality

There are seasonal patterns for hot pot consumption. As such, our business and financial performance are subject to seasonal fluctuations, such as local holidays, school vacations, weather conditions and fluctuations in food prices, among others. As a result, our results of operations may fluctuate from year-to-year/period-to-period and comparison of different periods may not be meaningful.

BASIS OF PRESENTATION AND PREPARATION

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on May 6, 2022, and became the holding company of our Group after the Reorganization. For details, please see "History, Reorganization and Corporate Structure—Reorganization." Prior to the Reorganization, the operation of Haidilao restaurants and relevant business other than those in the Mainland China, Hong Kong, Macau and Taiwan (the "**Spin-off Business**") was carried by subsidiaries of Haidilao International. Upon completion of the Reorganization on June 30, 2022, our Company held and obtained control over the Spin-off Business.

The Spin-off Business carried out by our Group resulting from the Restructuring have been under the common control of the Controlling Shareholders throughout the Track Record Period. Therefore, the subsidiaries of Haidilao International who engaged in the Spin-off Business are treated as part of our Group throughout the Track Record Period. Accordingly, our historical financial information has been prepared on the basis as if our Company had always been the holding company of the companies comprising our Group using the principles of merger accounting.

Our historical financial information has been prepared in accordance with the accounting policies set out in Note 3 to "Appendix IA—Accountants' Report" and Note 3 to "Appendix IB—Report on Review of Condensed Combined Financial Statements" to this listing document, which conform with the IFRS, which are effective for the accounting period beginning on or after January 1, 2021 throughout the Track Record Period.

SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

We have identified certain accounting policies that are significant to the preparation of our financial statements. Our significant accounting policies, which are important for an understanding of our financial condition and results of operations are set forth in detail in Note 3 in "Appendix IA—Accountants' Report" and Note 3 in "Appendix IB—Report on Review of Condensed Combined Financial Statements" to this listing document. The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each of the Track Record Period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next 12 months from the end of each Track Record Period are set forth in Note 4 in "Appendix IA—Accountants' Report" and Note 4 in "Appendix IB—Report on Review of Condensed Combined Financial Statements" to this listing document. Some of our accounting policies involve subjective assumptions and estimates, as well as complex judgments relating to accounting items. In each case, the determination of these items requires management judgments based on information and financial data that may change in future periods. We applied the accounting estimates throughout the Track Record Period, and we do not foresee any changes in the near future. We set forth below those accounting policies and estimates that we believe involve the most significant estimates and judgments used in the preparation of our financial statements.

Significant Accounting Policies

We believe the following critical accounting policies involve the most significant judgments and estimates used in the preparation of our financial statements.

Revenue Recognition

We recognize revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. A performance obligation represents a good and service (or a bundle or goods or services) that is distinct or a series of distinct goods or services that are substantially the same. Control is transferred over time or at a point in time. Control of the asset is transferred over time and revenue is recognized over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met if: (i) the customer simultaneously receives and consumes the benefits provided by our performance as we perform; (ii) our performance creates and enhances an asset that the customer controls as we perform; or (iii) our performance does not create an asset with an alternative use to us and we have an enforceable right to payment for performance completed to date. Otherwise, revenue is recognized at a point in time when the customer obtains control of the distinct goods or services.

A contract liability represents our obligation to transfer goods or services to a customer for which we have received consideration (or an amount of consideration is due) from the customer.

For contracts that contain more than one performance obligations, we allocate the transaction price to each performance obligation on a relative stand-alone selling price basis. The stand-alone selling price of the distinct good or service underlying each performance obligation is determined at contract inception. It represents the price at which we would sell a promised good or service separately to a customer. If a stand-alone selling price is not directly observable, we estimate it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which we expect to be entitled in exchange for transferring the promised goods or services to the customer.

Customer loyalty scheme

We operate a customer loyalty scheme through which award credits are granted to the customers on consuming in the restaurants that entitle them to consume by offsetting the reward credits on future purchases and consumptions in the restaurants. These award credits are awarded based on the purchase and consumptions of the customers in our restaurants. The award promise to provide the right to the customer is therefore a separate performance obligation.

The transaction price is allocated between the restaurant operation service provided and the award credits on a relative stand-alone selling price basis. The stand-alone selling price of each award credit is estimated based on the right to be given when the award credits are redeemed by the customer and the likelihood of redemption, as evidenced by our historical experience.

A contract liability is recognized for revenue relating to the loyalty scheme at the time of the initial sales transaction. Revenue from the loyalty scheme is recognized when the award credits are redeemed by the customer. Revenue for award credits that are not expected to be redeemed is recognized in proportion to the pattern of rights exercised by customers.

Prepaid cards and vouchers issued by our Group, which can be utilized in the future consumption in restaurants by the customers, are recognized as contract liabilities.

Foreign Currencies

In preparing for financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity are recognized at the rates of exchanges prevailing on the dates of the transactions. At the end of each Track Record Period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Nonmonetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognized in profit or loss in the year/period in which they arise.

For the purpose of presenting the historical financial information, the assets and liabilities of our Group's operations are translated into the presentation currency of our Group (i.e. USD) using exchange rates prevailing at the end of each Track Record Period. Income and expenses items are translated at the average exchange rates for the year/period, unless exchange rates fluctuate significantly during that year/period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

Leases

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. For contracts entered into or modified on or after the date of initial application or arising from business combinations, we assess whether a contract is or contains a lease based on the definition under IFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

Allocation of Consideration to Components of a Contract

We apply practical expedient not to separate non-lease components from lease component, and instead account for the lease component and any associated non-lease components as a single lease component.

Short-term Leases

We apply the short-term lease recognition exemption to leases of certain office premises that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognized as expense on a straight-line basis over the lease term.

Right-of-Use Assets

The cost of right-of-use assets includes (i) the amount of the initial measurement of the lease liability; (ii) any lease payments made at or before the commencement date, less any lease incentives received; and (iii) an estimate of costs to be incurred by us in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities other than adjustments to lease liabilities resulting from COVID-19 related rent concessions in which we applied the practical expedient. Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. We present right-of-use assets as a separate line item on the combined statement of financial position.

Refundable Rental Deposits

Refundable rental deposits paid are accounted under Financial Instruments ("IFRS 9") and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease Liabilities

At the commencement date of a lease, we recognize and measure the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, we use the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable and payments of penalties for terminating a lease if the lease term reflects our exercising an option to terminate the lease. Variable lease payments that reflect changes in market rental rates are initially measured using the market rental rates as at the commencement date. Variable lease payments that do not depend on an index or a rate are not included in the measurement of lease liabilities and right-of-use assets, and are recognized as expense in the year/period in which the event or condition that triggers the payment occurs.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments. We re-measure lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) when (i) the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is re-measured by discounting the revised lease payments using a revised discount rate at the date of reassessment; or (ii) the lease payments change due to changes in market rental rates following a market rent review, in which cases the related lease liability is re-measured by discounting the revised lease payments using the initial discount rate. We present lease liabilities as a separate line item on the combined statement of financial position.

Lease Modification

Except for COVID-19-related rent concessions in which we applied the practical expedient, we account for a lease modification as a separate lease if (i) the modification increases the scope of the lease by adding the right to use one or more underlying assets; and (ii) the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, we re-measure the lease liability, less any lease incentives receivable, based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification. We account for the re-measurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset.

We account for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains one or more additional lease components, we allocate the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component. The associated non-lease components are included in the respective lease components.

COVID-19 Related Rent Concessions

In relation to rent concessions that occurred as a direct consequence of the COVID-19 pandemic, we have elected to apply the practical expedient not to assess whether the change is a lease modification if all of the following conditions are met:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

- any reduction in lease payments affects only payments originally due on or before June 30, 2022; and

- there is no substantive change to other terms and conditions of the lease.

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying IFRS 16 if the changes are not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognized in the profit or loss in the year/period in which the event occurs.

Impairment on Property, Plant and Equipment, Right-of-Use Assets and Intangible Assets Other Than Goodwill

At the end of each year/period of the Track Record Period, we review the carrying amounts of our property, plant and equipment, right-of-use assets, intangible assets with finite useful lives to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of property, plant and equipment and right-of-use assets, and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, we estimate the recoverable amount of the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, we compare the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognized immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or a cash generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Key Source of Estimation Uncertainty

The preparation of combined financial information requires the use of accounting estimates, which, by definition, will seldom equal the actual results. Estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Estimated Impairment of Property, Plant and Equipment and Right-of-Use Assets

Property, plant and equipment and right-of-use assets are stated at costs less accumulated depreciation and impairment, if any. In determining whether an asset is impaired, we have to exercise judgment and make estimation, particularly in assessing (i) whether an event has occurred or any indicators that may affect the asset value; (ii) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (iii) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset (including right-of-use assets), we estimate the recoverable amount of the cash generating unit to which the assets belong, including allocation of corporate assets when a reasonable and consistent basis of allocation can be established, otherwise recoverable amount is determined at the smallest group of cash generating units, for which the relevant corporate assets have been allocated. Changing the assumptions and estimates, including the discount rates or the growth rates in the cash flow projections, could materially affect the recoverable amounts. Furthermore, the cash flows projections, growth rates and discount rates are subject to greater uncertainties in the current year due to uncertainty on how the COVID-19 pandemic may progress and evolve and volatility in financial markets, including potential disruptions in our restaurant operations.

As of December 31, 2019, 2020 and 2021 and March 31, 2022, the carrying amount of property, plant and equipment were US$4.1 million, US$45.8 million, US$121.3 million and US$130.4 million before taking into account the impairment losses of nil, US$2.8 million, US$34.7 million and US$40.5 million, respectively, in respect of property, plant and equipment that have been recognized.

As of the same dates, the carrying amount of right-of-use assets subject to impairment assessment were US$4.3 million, US$41.0 million, US$113.3 million and US$112.0 million before taking into account the impairment losses of nil, US$2.8 million, US$34.1 million and US$36.0 million, respectively. For details of the impairment of property, plant and equipment and the impairment of right-of-use assets, please see Note 16 in "Appendix IA—Accountants' Report" and Note 13 in "Appendix IB—Report on Review of Condensed Combined Financial Statements" to this listing document.

Determination on Discount Rates of Lease Contracts

We apply incremental borrowing rates as the discount rates of lease liabilities, which require financing spread adjustments and lease specific adjustments based on the relevant market rates. The assessments of the adjustments in determining the discount rates involved management judgment, which may significantly affect the amount of lease liabilities and right-of-use assets. As of December 31, 2019, 2020 and 2021 and March 31, 2022, the carrying amounts of right-of-use assets were US$128.8 million, US$236.7 million, US$202.0 million and US$174.6 million, respectively, and the carrying amounts of lease liabilities were US$124.1 million, US$235.9 million, US$243.2 million and US$214.3 million, respectively.

Deferred Tax Assets

As of December 31, 2019, 2020, 2021 and March 31, 2022, deferred tax assets of US$29,000, US$66,000, US$144,000 and US$142,000 have been recognized in the combined statement of financial position of our Group, respectively. No deferred tax asset has been recognized on the tax losses of US$36.5 million, US$66.9 million, US$122.4 million and US$139.1 million and other deducible temporary differences of US$7.1 million, US$23.9 million, US$95.7 million and US$112.9 million as of December 31, 2019, 2020, 2021 and March 31, 2022 due to the unpredictability of future profit streams.

The realizability of the deferred tax asset mainly depends on whether sufficient future taxable profits or taxable temporary differences will be available in the future, which is a key source of estimation uncertainty. In cases where the actual future taxable profits generated are less or more than expected, or change in facts and circumstances which result in revision of future taxable profits estimation, a material reversal or further recognition of deferred tax assets may arise, which would be recognized in profit or loss for the year/period in which such a reversal or further recognition takes place.

Useful Lives of Property, Plant and Equipment

We determine the estimated useful lives of its property, plant and equipment in determining the related depreciation charge. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions.

We will increase the depreciation charge where useful lives are shorter than previously estimated lives, or will write-off or write-down obsolete assets that have been abandoned or sold. As of December 31, 2019, 2020 and 2021 and March 31, 2022, the carrying amount of property, plant and equipment was US$126.7 million, US$211.1 million, US$195.0 million and US$189.8 million, respectively. Details of the useful lives of property, plant and equipment are disclosed in Note 16 in "Appendix IA—Accountants' Report" and Note 13 in "Appendix IB—Report on Review of Condensed Combined Financial Statement" to this listing document.

DISCUSSION ON CERTAIN ITEMS IN THE COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

The following table sets forth a summary of our combined statements of profit or loss and other comprehensive income in absolute amounts and as percentages of the total revenue for the period indicated. Our historical results presented below are not necessarily indicative of the results that may be expected for any future period.

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

	For the Year Ended December 31,						For the Three Months Ended March 31,			
	2019		2020		2021		2021		2022	
	(US$ in thousands, except percentages)									
							(Unaudited)			
Other comprehensive (expense) income:										
Exchange differences arising on translation of foreign operations	(344)	(0.1)%	(2,261)	(1.0)%	2,097	0.7%	2,946	4.3%	2,292	2.1%
Total comprehensive expense for the year/period	(33,363)	(14.3)%	(56,021)	(25.3)%	(148,655)	(47.6)%	(22,239)	(32.6)%	(26,207)	(24.0)%

Revenue

We generate revenue from (i) our restaurant operations; (ii) our delivery business; and (iii) others, which primarily represented revenue generated from sales of hot pot condiment products to local guests and food ingredients to retailers. The following table sets forth a breakdown of our revenue by business segment in absolute amounts and as percentages of the total revenue for the period indicated.

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

As of March 31, 2022, our restaurant network had 97 restaurants covering 11 countries. The following table summarizes the number of restaurants as of the date indicated and breakdown of our revenue from restaurant operation by geographic region for the period indicated.

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

Note:

(1) Others include Australia and the United Kingdom.

Other Income

Our other income primarily consisted of (i) government grants, which primarily consisted of non-recurring COVID-19 related subsidies received from local governments to support businesses during the pandemic; and (ii) interest income on bank deposits, rental deposits, loans to related parties in relation to the purchase of certain equipment and the operation of Haidilao restaurants in Hong Kong, Taiwan and Macau prior to the Reorganization, and other financial assets.

The table below summarizes a breakdown of our other income for the period indicated.

	For the Year Ended December 31,			For the Three Months Ended March 31,	
	2019	2020	2021	2021	2022
	(US$ in thousands)				
				(Unaudited)	
Government grants	191	8,154	17,455	2,982	2,441
Interest income on:					
Bank deposits	401	112	61	8	21
Rental deposits	273	419	618	136	134
Loans to related parties	137	343	689	162	181
Other financial assets	–	14	127	25	110
Others	395	102	508	57	215
Total	**1,397**	**9,144**	**19,458**	**3,370**	**3,102**

Raw Materials and Consumables Used

Our raw materials and consumables used consisted of costs for (i) food ingredients used in our restaurants, including soup base and menu items; (ii) consumables used in our restaurant operations, which mainly include disposable items, such as napkins, disposable tableware and table cloths; and (iii) others, representing logistics and transportation fees. For the years ended December 31, 2019, 2020 and 2021 and the three months ended March 31, 2021 and 2022, our raw materials and consumables used amounted to US$81.3 million, US$79.0 million, US$113.8 million, US$24.4 million and US$40.0 million, respectively, representing 34.9%, 35.7%, 36.4%, 35.7% and 36.7% of our revenue for the respective year/period. The following table sets forth a breakdown of our raw materials and consumables used for the period indicated.

	For the Year Ended December 31,			For the Three Months Ended March 31,	
	2019	2020	2021	2021	2022
	(US$ in thousands)				
				(Unaudited)	
Food ingredient costs	62,632	58,550	92,592	19,702	34,057
Consumables	15,730	18,227	17,388	3,943	4,947
Others	2,925	2,266	3,780	725	990
Total raw materials and consumables used	**81,287**	**79,043**	**113,760**	**24,370**	**39,994**

Staff Costs

Our staff costs consisted of (i) employee salaries and other allowance; (ii) employee welfare; and (iii) retirement benefit scheme contributions. For the years ended December 31, 2019, 2020 and 2021 and the three months ended March 31, 2021 and 2022, our staff costs amounted to US$112.2 million, US$100.4 million, US$143.3 million, US$30.5 million and US$43.6 million, respectively, representing 48.1%, 45.4%, 45.9%, 44.7% and 40.0% of our revenue for the respective period. The decrease of our staff costs as a percentage of revenue during the Track Record Period primarily reflected our efforts in optimizing staff efficiency, including (i) streamlining the number of staff required for each restaurant; and (ii) optimizing our compensation structure, such as implementing experimental piece rate compensation systems in new countries and refining such system in the existing countries since 2020. The following table sets forth a breakdown of our staff costs for the period indicated.

	For the Year Ended December 31,			For the Three Months Ended March 31,	
	2019	**2020**	**2021**	**2021**	**2022**
	(US$ in thousands)				
				(Unaudited)	
Salaries and other allowance	102,951	90,710	131,298	27,513	39,435
Employee welfare	3,800	3,454	3,640	989	1,110
Retirement benefit scheme contribution	5,423	6,266	8,405	2,034	3,062
Total staff costs	**112,174**	**100,430**	**143,343**	**30,536**	**43,607**

Rentals and Related Expenses

Our rentals and related expenses mainly represented property management fees and lease payments for short-term leases we entered into in relation to our offices and warehouses. For the years ended December 31, 2019, 2020 and 2021 and the three months ended March 31, 2021 and 2022, our rentals and related expenses amounted to US$2.3 million, US$1.1 million, US$6.6 million, US$1.8 million and US$2.1 million, respectively, representing 1.0%, 0.5%, 2.1%, 2.7% and 2.0% of our revenue for the respective year/period.

Utilities Expenses

Our utilities expenses primarily consisted of expenses in relation to electricity, and to a lesser extent, gas and water. For the years ended December 31, 2019, 2020 and 2021 and the three months ended March 31, 2021 and 2022, our utilities expenses amounted to US$7.0 million, US$7.8 million, US$11.0 million, US$2.5 million and US$4.1 million, respectively, representing 3.0%, 3.5%, 3.5%, 3.7% and 3.7% of our revenue for the respective year/period.

Depreciation and Amortization

Depreciation and amortization represented depreciation charges for our property, plant and equipment, which primarily include leasehold improvements, leasehold land and building (including right-of-use assets), freehold land, machinery, transportation equipment, furniture and fixtures and renovation in progress. For the years ended December 31, 2019, 2020 and 2021 and the three months ended March 31, 2021 and 2022, our depreciation and amortization amounted to US$32.3 million, US$50.8 million, US$69.9 million, US$15.6 million and US$16.4 million, respectively, equivalent to 13.9%, 22.9%, 22.4%, 22.8% and 15.0% of our revenue for the respective year/period.

Travelling and Communication Expenses

Travelling and communication expenses mainly represented international and regional travel expenses of our staff in relation to opening new restaurants and inspecting restaurant operations. For the years ended December 31, 2019, 2020 and 2021 and the three months ended March 31, 2021 and 2022, our travelling and communication expenses amounted to US$4.2 million, US$2.4 million, US$2.7 million, US$0.5 million and US$1.1 million, respectively.

Other Expenses

Our other expenses comprised (i) administrative expenses, which mainly include expenses in relation to employee activities and commercial insurance we purchased for our daily operation; (ii) consulting service expenses, mainly in relation to legal and financial consultation sessions; (iii) bank charges; (iv) outsourcing service fees, primarily representing third party service providers we engaged to support our restaurant operations; and (v) others, which mainly consisted of daily maintenance expenses, storage expenses and business development expenses. We recorded other expenses of US$21.0 million, US$28.3 million, US$41.7 million, US$7.6 million and US$11.9 million for the years ended December 31, 2019, 2020 and 2021 and the three months ended March 31, 2021 and 2022, respectively.

The following table sets forth a breakdown of our other expenses for the period indicated.

	For the Year Ended December 31,			For the Three Months Ended March 31,	
	2019	**2020**	**2021**	**2021**	**2022**
			(US$ in thousands)		
				(Unaudited)	
Administrative expenses	7,882	11,866	19,681	3,207	5,151
Consulting services expenses	5,684	6,851	7,594	1,589	2,164
Bank charges	3,525	3,273	5,757	1,087	1,780
Outsourcing service fee	1,065	2,202	2,418	616	1,100
Others	2,810	4,123	6,279	1,134	1,667
Total	**20,966**	**28,315**	**41,729**	**7,633**	**11,862**

Other Gains and Losses

Our other gains and losses primarily consisted of (i) impairment loss recognized in respect of property, plant and equipment and right-of-use assets, representing provisions we recorded in light of the continued impact of COVID-19 on our restaurant operations; (ii) expected credit loss on rental deposits in relation to the termination of leases for restaurants that we decided to suspend the opening of, based on our dynamic evaluation of our expansion plan; (iii) loss on disposal of property, plant and equipment and termination of leases, which was in relation to the capital expenditures we invested for restaurants we originally planned but later decided not to open as a result of our dynamic evaluation of our expansion plan and the temporary closure of certain restaurants; (iv) net foreign exchange gain or loss, which fluctuated from year-to-year/period-to-period based on exchange rate movements; (v) net gain or loss arising on financial assets at FVTPL; and (vi) others.

The table below sets forth a breakdown of our other gains and losses for the period indicated.

	For the Year Ended December 31,			For the Three Months Ended March 31,	
	2019	**2020**	**2021**	**2021**	**2022**
			(US$ in thousands)		
				(Unaudited)	
Impairment loss recognized in respect of:					
– property, plant and equipment	–	(2,810)	(31,852)	(1,950)	(5,821)
– right-of-use assets	–	(2,849)	(31,203)	(1,209)	(2,430)
	–	(5,659)	(63,055)	(3,159)	(8,251)
Expected credit loss on rental deposits	–	–	(203)	–	(2,283)
Loss on disposal of property, plant and equipment and termination of leases, net	(170)	(164)	(1,070)	(8)	(1,351)
Net foreign exchange gain (loss)	1,311	7,283	(13,175)	(6,824)	(4,874)
Net gain (loss) arising on financial assets at FVTPL	–	–	422	127	(226)
Others	550	537	3,811	503	567
Total	**1,691**	**1,997**	**(73,270)**	**(9,361)**	**(16,418)**

We performed impairment testing on property, plant and equipment and right-of-use assets of each restaurant to identify whether there is any indication of impairment. During the Track Record Period, in view of the unfavorable future prospects of some restaurants and the planned temporary closure of certain restaurants, we recognized an impairment loss of nil, US$5.7 million, US$63.1 million, US$3.2 million and US$8.3 million in 2019, 2020, 2021 and the three months ended March 31, 2021 and 2022, respectively. Taking into account the ramp-up period of our restaurants, we normally only begin to make impairment assessment several months following a restaurant opening. The impairment may be reversed in the future if we concluded that the circumstances leading to the impairment assessment are significantly alleviated or no longer exist. For details, see Note 16 to "Appendix IA—Accountants' Report" and Note 13 to "Appendix IB—Report on Review of Condensed Combined Financial Statements."

During the Track Record Period, we took into account a higher degree of estimation uncertainty with respect to how the COVID-19 pandemic may progress and evolve and volatility in financial markets, including potential disruptions of our restaurant operations. The impairment loss we recognized increased from nil in 2019 to US$5.7 million in 2020 due to the impact of the COVID-19 pandemic, and further increased to US$63.1 million in 2021 due to the evolving situation of the COVID-19 pandemic in 2021 and the increasing number of restaurants we made impairments for, which is in line with our restaurant network expansion. The impairment loss we recognized of US$8.3 million in the three months ended March 31, 2022 was primarily attributable to the performance of certain restaurants and the impairment loss we made in anticipation of the temporary closure of certain restaurants in 2022. Starting from early 2022, we experienced a significant recovery in our revenue from restaurant operations as the COVID-19 pandemic. Therefore, we determined that most of our restaurants showed no indication of impairment as of June 30, 2022.

Finance Costs

Our finance costs represent (i) interests on lease liabilities; (ii) interests on loans from related parties, mainly relating to the loans from Haidilao International Group to support our business expansion; (iii) interests on bank borrowings; and (iv) interests charge on unwinding of discounts, primarily in relation to provisions for restoration of the premises we use for our restaurants. For the years ended December 31, 2019, 2020 and 2021 and the three months ended March 31, 2021 and 2022, our finance costs amounted to US$8.2 million, US$14.4 million, US$19.2 million, US$4.2 million and US$4.6 million, respectively. The table below sets forth a breakdown of our finance costs for the year/period indicated.

	For the Year Ended December 31,			For the Three Months Ended March 31,	
	2019	2020	2021	2021	2022
	(US$ in thousands)				
				(Unaudited)	
Interests on lease liabilities	4,931	7,500	9,111	2,073	2,141
Interests on loans from related parties	2,763	6,542	9,581	2,032	2,330
Interests on bank borrowings	344	188	153	11	50
Interests charge on unwinding of discounts	151	207	313	66	75
Total	8,189	14,437	19,158	4,182	4,596

Income Tax Expense

For the years ended December 31, 2019, 2020 and 2021 and the three months ended March 31, 2021 and 2022, our income tax expense amounted to US$0.8 million, US$2.0 million, US$1.2 million, US$0.3 million and US$0.5 million, respectively.

The taxation of our Group is calculated at the rates prevailing in relevant jurisdictions, which ranged from 17% to 35% on the estimated assessable profits for the years ended December 31, 2019, 2020 and 2021 and the three months ended March 31, 2022, respectively.

DISCUSSION OF HISTORICAL OPERATING RESULTS

Three Months Ended March 31, 2022 Compared to Three Months Ended March 31, 2021

Revenue

Our revenue increased significantly by 59.8% from US$68.3 million for the three months ended March 31, 2021 to US$109.1 million for the three months ended March 31, 2022, primarily reflecting a US$40.0 million increase in revenue from restaurant operations.

Restaurant Operations

Revenue from restaurant operations increased significantly by 61.6% from US$65.0 million for the three months ended March 31, 2021 to US$105.0 million for the three months ended March 31, 2022, mainly because (i) the COVID-19 pandemic is gradually coming under control since 2022, resulting in a significant increase in guest visits and table turnover rate at our restaurants; and (ii) our restaurant network expansion in 2021.

Delivery Business

Revenue from our delivery business remained relatively stable at US$2.6 million for the three months ended March 31, 2021 and 2022, respectively.

Others

Others mainly represented revenue generated from our sales of hot pot condiment products to local guests and food ingredients to retailers. It increased from US$0.7 million for the three months ended March 31, 2021 to US$1.4 million for the three months ended March 31, 2022, mainly attributable to growing popularity of our hot pot condiment products and food ingredients.

Other Income

Our other income decreased from US$3.4 million for the three months ended March 31, 2021 to US$3.1 million for the three months ended March 31, 2022, mainly due to a decrease of US$0.5 million in government grants. This is because local governments ceased or reduced the provision of COVID-19 related subsidies in the first quarter of 2022 as the pandemic came under control.

Raw Materials and Consumables Used

Our raw materials and consumables used increased from US$24.4 million for the three months ended March 31, 2021 to US$40.0 million for the three months ended March 31, 2022, reflecting (i) a US$14.4 million increase in food ingredients; and (ii) a US$1.0 million increase in consumables, as a result of our business expansion. As a percentage of revenue, the percentage of our raw materials and consumables used increased from 35.7% in the three months ended March 31, 2021 to 36.7% in the three months ended March 31, 2022 primarily attributable to the general increase in the prices of food ingredients.

Staff Costs

Our staff costs increased from US$30.5 million for the three months ended March 31, 2021 to US$43.6 million for the three months ended March 31, 2022. Such increase was primarily due to a US$12.0 million increase in salaries and other allowance, and a US$1.0 million increase in retirement benefit scheme contribution, as we hired more employees to support our restaurant network expansion.

As a percentage of revenue, our staff costs decreased from 44.7% for the three months ended March 31, 2021 to 40.0% for the three ended March 31, 2022 primarily reflected our efforts in optimizing staff efficiency during the pandemic, including streamlining the number of staff required for each restaurant and optimizing our compensation structure, such as implementing experimental piece rate compensation systems in new countries and refining such system, while our revenue increased as our business gradually recovered from the pandemic.

Rentals and Related Expenses

Our rentals and related expenses increased from US$1.8 million for the three months ended March 31, 2021 to US$2.1 million for the three months ended March 31, 2022 primarily because we incurred more property management fees, which were in line with our restaurant network expansion.

Utilities Expenses

Our utilities expenses increased from US$2.5 million for the three months ended March 31, 2021 to US$4.1 million for the three months ended March 31, 2022, which was in line with our restaurant network expansion and business recovery after the COVID-19 pandemic. As a percentage of revenue, our utilities expenses remained stable at 3.7% for the three months ended March 31, 2021 and 2022, respectively.

Depreciation and Amortization

Our depreciation and amortization increased from US$15.6 million for the three months ended March 31, 2021 to US$16.4 million for the three months ended March 31, 2022, primarily due to the addition of our property, plant and equipment, which was in line with our restaurant network expansion.

Travelling and Communication Expenses

Our travelling and communication expenses increased from US$0.5 million for the three months ended March 31, 2021 to US$1.1 million for the three months ended March 31, 2022, primarily because our international business travel increased as many countries lifted travel restrictions.

Other Expenses

Our other expenses increased from US$7.6 million for the three months ended March 31, 2021 to US$11.9 million for the three months ended March 31, 2022, mainly due to (i) a US$1.9 million increase in administrative expenses, which was in line with our restaurant network expansion; (ii) a US$0.7 million increase in bank charges; and (iii) a US$0.5 million increase daily maintenance expenses, storage expenses and business development expenses, which was in line with the expansion of our restaurant network.

Other Gains and Losses

Our other losses increased from US$9.4 million for the three months ended March 31, 2021 to US$16.4 million for the three months ended March 31, 2022, mainly due to (i) a US$5.1 million increase in impairment loss recognized in respect of property, plant and equipment and right-of-use assets, primarily reflecting the performance of certain restaurants and our anticipation of the temporary closure of certain restaurants; and (ii) a US$2.3 million increase in expected credit loss on rental deposits, reflecting our latest expansion plan and restaurant performance.

Finance Costs

Our finance costs slightly increased from US$4.2 million to US$4.6 million for the three months ended March 31, 2021 and 2022, respectively.

Income Tax Expense

Our income tax expense increased from US$0.3 million for the three months ended March 31, 2021 to US$0.5 million for the three months ended March 31, 2022.

Loss for the Period

As a result of the foregoing, our loss for the period increased from US$25.2 million for the three months ended March 31, 2021 to US$28.5 million for the three months ended March 31, 2022.

Year Ended December 31, 2021 Compared to Year Ended December 31, 2020

Revenue

Our revenue increased by 41.1% from US$221.4 million for the year ended December 31, 2020 to US$312.4 million for the year ended December 31, 2021, primarily reflecting (i) a US$86.8 million increase in revenue from restaurant operations; (ii) a US$2.6 million increase in others, mainly representing the sales of hot pot condiment products to local guests and food ingredients to retailers; and (iii) a US$1.6 million increase in our delivery business.

Restaurant Operations

Revenue from restaurant operations increased significantly by 41.5% from US$209.3 million for the year ended December 31, 2020 to US$296.1 million for the year ended December 31, 2021, mainly because we opened 36 and 22 new restaurants in 2020 and 2021, respectively. The increase in revenue from new restaurant openings was partially offset by a decrease in table turnover rate due to the impact of the COVID-19 pandemic as more countries began to impose restrictive measures on restaurant dine-in and social gatherings.

Delivery Business

Our revenue from delivery business increased from US$10.2 million for the year ended December 31, 2020 to US$11.8 million for the year ended December 31, 2021, mainly reflecting our continuous efforts in expanding our delivery business during the pandemic.

Others

Others mainly represented our revenue from sales of hot pot condiment products to local guests and food ingredients to retailers, which increased from US$1.9 million for the year ended December 31, 2020 to US$4.5 million for the year ended December 31, 2021, reflecting the growing popularity of our hot pot condiment products and food ingredients.

Other Income

Our other income increased from US$9.1 million for the year ended December 31, 2020 to US$19.5 million for the year ended December 31, 2021, mainly due to an increase of US$9.3 million in government grants as we received more COVID-19 related subsidies from local governments.

Raw Materials and Consumables Used

Our raw materials and consumables used increased from US$79.0 million for the year ended December 31, 2020 to US$113.8 million for the year ended December 31, 2021, primarily attributable to a US$34.0 million increase in food ingredient costs, which was in line with our restaurant network expansion. As a percentage of revenue, our raw materials and consumables increased from 35.7% in 2020 to 36.4% in 2021, primarily reflecting the general increase in the prices of food ingredients we used while our restaurant performance was affected by the COVID-19 pandemic.

Staff Costs

Our staff costs increased from US$100.4 million for the year ended December 31, 2020 to US$143.3 million for the year ended December 31, 2021, which is generally in line with our restaurant network expansion. As a percentage of revenue, staff costs remained relatively stable at 45.4% and 45.9% for the years ended December 31, 2020 and 2021, respectively.

Rentals and Related Expenses

Our rentals and related expenses increased from US$1.1 million for the year ended December 31, 2020 to US$6.6 million for the year ended December 31, 2021, primarily because we incurred more property management fees, which were in line with our restaurant network expansion.

Utilities Expenses

Our utilities expenses increased from US$7.8 million for the year ended December 31, 2020 to US$11.0 million for the year ended December 31, 2021, which is generally in line with our restaurant network expansion. As a percentage of revenue, our utilities expenses remained stable at 3.5% for the years ended December 31, 2020 and 2021, respectively.

Depreciation and Amortization

Our depreciation and amortization increased from US$50.8 million for the year ended December 31, 2020 to US$69.9 million for the year ended December 31, 2021, primarily reflecting a US$11.0 million increase in depreciation of property, plant and equipment and a US$8.1 million increase in depreciation of right-of-use assets, as we continued to expand our restaurant network.

Travelling and Communication Expenses

Our travelling and communication expenses remained relatively stable at US$2.4 million and US$2.7 million in 2020 and 2021, respectively.

Other Expenses

Our other expenses increased from US$28.3 million for the year ended December 31, 2020 to US$41.7 million for the year ended December 31, 2021, mainly reflecting (i) a US$7.8 million increase in administrative expenses; (ii) a US$2.5 million increase in bank charges; and (iii) a US$2.2 million increase in daily maintenance expenses, storage expenses and business development expenses, which was in line with the expansion of our restaurant network.

Other Gains and Losses

We recorded other gains of US$2.0 million in 2020, as compared to other losses of US$73.3 million in 2021. The increase of other losses was mainly because (i) we recorded a US$57.4 million increase in impairment loss in respect of property, plant and equipment and right-of-use assets in light of the continued impact of the COVID-19 pandemic on our restaurant operations; and (ii) we recorded a US$13.2 million foreign exchange loss in 2021, as compared to a US$7.3 million foreign exchange gain in 2020 primarily due to fluctuations in the US dollar exchange rates to various currencies.

Finance Costs

Our finance costs increased from US$14.4 million for the year ended December 31, 2020 to US$19.2 million for the year ended December 31, 2021, mainly due to (i) a US$3.0 million increase in interest on loans from related parties, which represented loans we obtained from Haidilao International Group to support our business expansion; and (ii) a US$1.6 million increase in interest on lease liabilities, which was in line with our restaurant network expansion.

Income Tax Expenses

Our income tax expenses decreased from US$2.0 million for the year ended December 31, 2020 to US$1.2 million for the year ended December 31, 2021.

Loss for the Year

As a result of the foregoing, our loss for the year increased from US$53.8 million for the year ended December 31, 2020 to US$150.8 million for the year ended December 31, 2021.

Year Ended December 31, 2020 Compared to Year Ended December 31, 2019

Revenue

Our revenue decreased by 5.0% from US$233.1 million for the year ended December 31, 2019 to US$221.4 million for the year ended December 31, 2020, primarily reflecting a US$23.3 million decrease in revenue from restaurant operations, partially offset by an increase of US$10.1 million in our delivery business.

Restaurant Operations

Revenue from restaurant operations decreased by 10.0% from US$232.5 million for the year ended December 31, 2019 to US$209.3 million for the year ended December 31, 2020, which was primarily attributable to fewer guest visits and a decrease in table turnover rate as a result of the COVID-19 pandemic. The impact of the COVID-19 pandemic on our restaurant operations was partially offset by the revenue contribution from the 15 new restaurants we opened in 2019, as well as the 36 restaurants we opened in 2020.

Delivery Business

Revenue from delivery business increased from US$0.2 million in 2019 to US$10.2 million in 2020 because guests increasingly used our food delivery services during the COVID-19 pandemic and we devoted significant efforts in promoting our food delivery services.

Others

Others mainly represented revenue from sales of hot pot condiment products to local guests and food ingredients to retailers, which increased from US$0.4 million for the year ended December 31, 2019 to US$1.9 million for the year ended December 31, 2020, reflecting the growing popularity of our hot pot condiment products and food ingredients.

Other Income

Our other income increased from US$1.4 million for the year ended December 31, 2019 to US$9.1 million for the year ended December 31, 2020, mainly due to an increase of US$8.0 million in government grants as we received COVID-19 related subsidies from local governments to support businesses during the pandemic.

Raw Materials and Consumables Used

Our raw materials and consumables used decreased from US$81.3 million for the year ended December 31, 2019 to US$79.0 million for the year ended December 31, 2020, which is generally in line with the business slowdown from the COVID-19 pandemic.

Staff Costs

Our staff costs decreased from US$112.2 million for the year ended December 31, 2019 to US$100.4 million for the year ended December 31, 2020. As a percentage of revenue, staff costs decreased slightly from 48.1% for the year ended December 31, 2019 to 45.4% for the year ended December 31, 2020. Such decrease was primarily because of less work performed under our piece rate compensation system during the COVID-19 pandemic and reflected our efforts in optimizing our restaurant operational efficiency by streamlining the number of employees at restaurants and optimizing our compensation system during the COVID-19 pandemic.

Rentals and Related Expenses

Our rentals and related expenses decreased from US$2.3 million for the year ended December 31, 2019 to US$1.1 million for the year ended December 31, 2020. As a percentage of revenue, our rentals and related expenses decreased from 1.0% in 2019 to 0.5% in 2020. Such decreases were because we received certain rent concessions during the COVID-19 pandemic.

Utilities Expenses

Our utilities expenses increased slightly from US$7.0 million for the year ended December 31, 2019 to US$7.8 million for the year ended December 31, 2020, primarily because we opened 15 and 36 new restaurants in 2019 and 2020, respectively. As a percentage of revenue, our utilities expenses increased from 3.0% for the year ended December 31, 2019 to 3.5% for the year ended December 31, 2020. Such increase was primarily because we continued to incur utilities expenses to support restaurant operations while our revenue decreased during the COVID-19 pandemic.

Depreciation and Amortization

Our depreciation and amortization increased from US$32.3 million for the year ended December 31, 2019 to US$50.8 million for the year ended December 31, 2020, primarily because we procured more property, plant and equipment for our newly opened restaurants in 2020.

Travelling and Communication Expenses

Our travelling and communication expenses decreased from US$4.2 million for the year ended December 31, 2019 to US$2.4 million for the year ended December 31, 2020, because business travel decreased during the COVID-19 pandemic as many countries implemented travel restrictions.

Other Expenses

Our other expenses increased from US$21.0 million for the year ended December 31, 2019 to US$28.3 million for the year ended December 31, 2020, mainly due to (i) a US$4.0 million increase in administrative expenses, which was in line with the expansion of our restaurant network; (ii) a US$1.2 million increase in consulting services expenses, primarily attributable to the consultation service for our new restaurant openings; and (iii) a US$0.7 million increase in business development expenses, mainly in relation to the 36 new restaurants we opened in 2020.

Other Gains and Losses

Our other gains increased from US$1.7 million for the year ended December 31, 2019 to US$2.0 million for the year ended December 31, 2020, because we recorded an increase of US$6.0 million in net foreign exchange gain in 2020, partially offset by the impairment loss recognized in respect of property, plant and equipment and right of use assets in light of the COVID-19 pandemic of US$5.7 million.

Finance Costs

Our finance costs increased from US$8.2 million for the year ended December 31, 2019 to US$14.4 million for the year ended December 31, 2020, mainly due to an increase of US$2.6 million in interest on lease liabilities and a US$3.8 million increase in interest paid to related parties as we obtained borrowings from Haidilao International Group to support our business expansion, partially offset by a decrease of US$0.2 million in interest on bank borrowings as we obtained new bank borrowings with a lower interest rate in 2020.

Income Tax Expenses

Our income tax expenses increased from US$0.8 million for the year ended December 31, 2019 and US$2.0 million for the year ended December 31, 2020.

Loss for the Year

As a result of the foregoing, our loss for the year increased from US$33.0 million for the year ended December 31, 2019 to US$53.8 million for the year ended December 31, 2020.

DISCUSSION OF CERTAIN BALANCE SHEET ITEMS

The following table sets forth a summary of our combined statements of financial position indicated.

	As of December 31,			As of March 31,
	2019	2020	2021	2022
		(US$ in thousands)		
				(Unaudited)
NON-CURRENT ASSETS				
Property, plant and equipment	126,655	211,096	194,978	189,829
Right-of-use assets	128,838	236,712	202,020	174,584
Other intangible assets	294	398	375	439
Deferred tax assets	29	66	144	142
Other financial assets	–	8,033	4,244	4,228
Rental deposits	11,856	16,620	18,230	17,173
Total non-current assets	267,672	472,925	419,991	386,395
CURRENT ASSETS				
Inventories	7,498	12,107	16,709	18,623
Trade and other receivables and prepayments	10,790	19,695	30,253	29,475
Amounts due from related parties	72,830	39,257	29,383	29,660
Rental deposits	26	22	930	1,343
Financial assets at FVTPL	–	–	36,074	35,925
Other financial assets	–	3,565	500	500
Pledged bank deposits	2,169	2,450	3,337	2,551
Bank balances and cash	36,327	51,564	89,546	70,130
Total current assets	129,640	128,660	206,732	188,207
CURRENT LIABILITIES				
Trade payables	18,921	22,216	26,549	25,986
Other payables	18,680	22,768	24,128	19,555
Amounts due to related parties	234,541	366,641	500,562	514,178
Tax payable	990	1,998	2,294	2,800
Lease liabilities	19,573	29,819	36,655	36,601
Bank borrowings	3,118	6,710	3,111	3,047
Contract liabilities	2,345	2,573	2,800	2,400
Provision	–	–	515	6,408
Total current liabilities	298,168	452,725	596,614	610,975

	As of December 31,			As of March 31,
	2019	2020	2021	2022
	(US$ in thousands)			
				(Unaudited)
NET CURRENT LIABILITIES	(168,528)	(324,065)	(389,882)	(422,768)
Total assets less current liabilities	99,144	148,860	30,109	(36,373)
NON-CURRENT LIABILITIES				
Deferred tax liabilities	104	958	1,127	1,378
Lease liabilities	104,515	206,108	206,539	177,655
Bank borrowings	–	864	688	631
Provisions	5,185	7,900	8,937	8,614
Total non-current liabilities	109,804	215,830	217,291	188,278
NET LIABILITIES	(10,660)	(66,970)	(187,182)	(224,651)

Inventories

Our inventories mainly represented our food ingredients and other materials used in our restaurant operations and our hot pot condiment products for sale. Our inventories increased from US$7.5 million as of December 31, 2019 to US$12.1 million as of December 31, 2020, and further to US$16.7 million as of December 31, 2021 and US$18.6 million as of March 31, 2022. The increase in our inventories primarily reflected the inventories we kept for the new restaurants we opened during each year/period.

Our inventory turnover days in 2020 and 2021 and the three months ended March 31, 2022 was 44.6 days, 45.6 days and 39.8 days, respectively. Our annual inventory turnover days equals the average of the beginning and ending inventories for that year divided by raw materials and consumables used for that year and multiplied by 360 days. Our quarterly inventory turnover days equals the average of the beginning and ending inventories for the quarter divided by raw materials and consumables used for the period and multiplied by 90 days. The decrease in our inventory turnover days in the three months ended March 31, 2022 was primarily attributable to the higher level of inventories consumed as we gradually recovered from the COVID-19 pandemic.

As of May 31, 2022, we have subsequently settled all of our inventories as of March 31, 2022.

Trade and Other Receivables and Prepayments

Our trade and other receivables and prepayments primarily consist of (i) trade receivables, which primarily represented receivables from credit card networks, food delivery platforms and payment platforms; (ii) prepayment to suppliers; (iii) prepaid operating expenses, which primarily represented prepaid rents for our restaurants; (iv) input value-added tax to be deducted, which represented certain tax recoverable in relation to food ingredients and property, plant and equipment that we procure; (v) interest receivables in relation to the financial products we had; and (vi) others, which mainly includes petty cash we provide for our restaurants.

The following table sets forth a breakdown of our trade and other receivables and prepayments as of the date indicated.

	As of December 31,			As of March 31,
	2019	**2020**	**2021**	**2022**
	(US$ in thousands)			*(Unaudited)*
Trade receivables	3,858	3,919	6,334	3,927
Other receivables and prepayments:				
Prepayments to suppliers	4,258	8,385	16,699	17,553
Prepaid operating expenses	1,039	1,023	1,714	3,661
Input value-added tax to be deducted	599	3,696	2,212	2,034
Interest receivables	–	75	38	42
Others	1,036	2,597	3,256	2,258
Subtotal	*6,932*	*15,776*	*23,919*	*25,548*
Total trade and other receivables and prepayments	10,790	19,695	30,253	29,475

Trade Receivables

The majority of our trade receivables were in connection with bills settled through credit card networks and other platforms. Receivables from credit card networks were normally settled within three days and receivables from other platforms were normally settled within a longer period. We did not have any past due trade receivables as of December 31, 2019, 2020 and 2021 and March 31, 2022.

The following table sets forth an aging analysis of our trade receivables and turnover days as of the date indicated.

	As of/For the year ended December 31,			As of/For the three months ended March 31,
	2019	**2020**	**2021**	**2022**
	(US$ in thousands, except for days)			*(Unaudited)*
0 to 30 days	3,858	3,919	6,334	3,927
Trade receivables turnover days[(1)]	N/A	6.3	5.9	4.2

Note:

(1) Trade receivables turnover days for each year/period equals the average of the beginning and ending balances of trade receivables for that year/period divided by our revenue for the year/period and multiplied by 360 days/90 days.

Our trade receivables amounted to US$3.9 million, US$3.9 million, US$6.3 million and US$3.9 million as of December 31, 2019, 2020 and 2021 and March 31, 2022, which is generally in line with our revenue in that year/period. Our trade receivable turnover days were 6.3 days, 5.9 days and 4.2 days in 2020, 2021 and the three months ended March 31, 2022, respectively.

As of May 31, 2022, all of our trade receivables as of March 31, 2022 were subsequently settled.

Other Receivables and Prepayments

Our other receivables and prepayments increased from US$6.9 million as of December 31, 2019 to US$15.8 million as of December 31, 2020, primarily due to (i) a US$4.1 million increase in prepayment to suppliers, which was in line with our restaurant network expansion; and (ii) a US$3.1 million increase in input value-added tax to be deducted, reflecting the decreased revenue we generated in 2020 due to the COVID-19 pandemic.

Our other receivables and prepayments increased from US$15.8 million as of December 31, 2020 to US$23.9 million as of December 31, 2021, primarily due to (i) a US$8.3 million increase in prepayment to suppliers; and (ii) a US$0.7 million increase in prepaid operating expenses, which are generally in line with our restaurant network expansion, and partially offset by a US$1.5 million decrease in input value-added tax to be deducted, reflecting the increased revenue we generated in 2021 as we continue to expand our restaurant network.

Our other receivables and prepayments increased from US$23.9 million as of December 31, 2021 to US$25.5 million as of March 31, 2022, primarily due to a US$1.9 million increase in prepaid operating expenses and a US$0.9 million increase in prepayment to suppliers, which was in line with our restaurant network expansion.

Financial Assets

We invested in such financial assets during the Track Record Period because we believe short-term investment is able to generate at a yield higher than current deposit bank interest rates, with an emphasis on capital preservation. Our investment decisions are made on a case-by-case basis with comprehensive and sufficient consideration of a number of factors by our headquarters, including but not limited to market dynamics, competition, return expectation and risks involved. We closely monitor the performance of such products on a regular basis, and report any unusual activity to our financial investment committee to take immediate actions to prevent or minimize losses. We do not allow any financial assets to be purchased from personal accounts.

Financial Assets at Fair Value through Profit or Loss

During the Track Record Period, our financial assets at fair value through profit or loss represented our investment in private equity investment funds of reputable asset management companies. The table below sets forth the breakdown of our financial assets at fair value through profit or loss as of the date indicated.

	As of December 31,			As of March 31,
	2019	2020	2021	2022
	(US$ in thousands)			*(Unaudited)*
Private fund investment	–	–	36,074	35,925
Analyzed as:				
Current	–	–	36,074	35,925

These financial products were short term and non-principal protected investments with no predetermined or guaranteed return. As of the Latest Practicable Date, we had redeemed a substantial amount of these financial assets at fair value through profit or loss.

Other Financial Assets

As of December 31, 2019, 2020 and 2021 and March 31, 2022, we held debt investments amounting to nil, US$11.6 million, US$4.7 million and US$4.7 million, respectively. The debt instruments we invested in are primarily principal-protected with fixed interest rates. The table below sets forth the breakdown of our other financial assets as of the date indicated.

	As of December 31,			As of March 31,
	2019	**2020**	**2021**	**2022**
		(US$ in thousands)		*(Unaudited)*
Debt instrument at amortized cost	–	11,598	4,744	4,728
Analyzed as:				
Current	–	3,565	500	500
Non-current	–	8,033	4,244	4,228
Total	–	11,598	4,744	4,728

Pledged Bank Deposits

Our pledged bank deposits mainly represented bank deposits we made to secure the rental payments to lessors. Our pledged bank deposits increased from US$2.2 million as of December 31, 2019 to US$2.5 million as of December 31, 2020, and further to US$3.3 million as of December 31, 2021, which is generally in line with our restaurant network expansion. As of March 31, 2022, our pledged bank deposits decreased to US$2.6 million, primary reflecting the termination of certain planned new restaurant openings as a result of our dynamic evaluation of the expansion plan.

Bank Balances and Cash

Our bank balances and cash on hand amounted to US$36.3 million, US$51.6 million, US$89.5 million and US$70.1 million as of December 31, 2019, 2020 and 2021 and March 31, 2022, respectively, which primarily reflected our cash position from cash generated from and used in operations, cash used in opening restaurants and bank and other loans. Most of our bank balances and cash are dominated in US dollars and Singapore dollars.

Trade Payables

Trade payables mainly represented the balances due to our suppliers of food ingredients and consumables. We do not have set credit terms for the majority of our trade payables. We generally settle trade payables within 30 to 90 days. The following table set forth an aging analysis of our trade payables and turnover days as of the date indicated.

	As of December 31,			As of March 31,
	2019	**2020**	**2021**	**2022**
	(US$ in thousands, except for days)			
				(Unaudited)
Within 60 days	18,624	22,081	26,549	25,986
61 to 180 days	242	135	–	–
More than 181 days	55	–	–	–
Total	18,921	22,216	26,549	25,986
Trade payable turnover days[(1)]	N/A	93.7	77.2	59.1

Note:

(1) Trade payable turnover days for each year/period equals the average of the beginning and ending balances of trade payable for that year/period divided by raw materials and consumables for the year/period and multiplied by 360 days/90 days.

Our trade payables increased from US$18.9 million as of December 31, 2019 to US$22.2 million as of December 31, 2020, as we increased our procurement due to our restaurant network expansion. Our trade payables were relatively stable at US$26.5 million and US$26.0 million as of December 31, 2021 and March 31, 2022, respectively.

Our trade payable turnover days were 93.7 days, 77.2 days and 59.1 days in 2020, 2021 and the three months ended March 31, 2022, respectively. Our trade payables turnover days decreased from 93.7 days in 2020 to 77.2 days in 2021 mainly because we strengthened control over the settlement of our trade payables. The trade payable turnover days decreased to 59.1 days in the first quarter of 2022 mainly due to strengthened control over the settlement of our trade payables.

As of May 31, 2022, US$19.4 million, or 74.7% of our trade payables as of March 31, 2022 were subsequently settled.

Other Payables

Our other payables primarily consisted of (i) staff costs payable; (ii) other taxes payable; (iii) renovation fee payables; and (iv) others, mainly representing payables to suppliers and government grants we received in advance. The following table set forth the details of our other payables as of the date indicated.

	As of December 31,			As of March 31,
	2019	**2020**	**2021**	**2022**
	(US$ in thousands)			*(Unaudited)*
Staff cost payable	11,681	11,657	16,183	13,882
Other taxes payable	3,477	2,800	4,446	3,052
Renovation fee payables	2,225	1,461	266	288
Others	1,297	6,850	3,233	2,333
Total	18,680	22,768	24,128	19,555

Our other payables increased from US$18.7 million as of December 31, 2019 to US$22.8 million as of December 31, 2020, primarily due to a US$5.6 million increase in others, which mainly includes government grants we received in advance and payables to suppliers, which are generally in line with our restaurant network expansion.

Our other payables increased from US$22.8 million as of December 31, 2020 to US$24.1 million as of December 31, 2021, primarily due to (i) a US$4.5 million increase in staff cost payable, reflecting the increase in staff headcount in line with our restaurant network expansion; and (ii) a US$1.6 million increase in other taxes payable; partially offset by a decrease of US$3.6 million in others, which primarily included government grants we received in advance and payables to suppliers.

Our other payables decreased from US$24.1 million as of December 31, 2021 to US$19.6 million as of March 31, 2022, primarily due to (i) a US$2.3 million decrease in staff costs payable because we settled the year-end bonus of 2021 in the first quarter of 2022; and (ii) a US$1.4 million decrease in other taxes payable.

Contract Liabilities

Our contract liabilities represented award credits that our guests have accumulated but not yet redeemed or expired in relation to our customer loyalty program, prepaid cards and issued vouchers and advances from customers. Our contract liabilities remained relatively stable at US$2.3 million, US$2.6 million, US$2.8 million, US$2.4 million as of December 31, 2019, 2020 and 2021 and March 31, 2022, respectively.

CURRENT ASSETS AND CURRENT LIABILITIES

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

	As of December 31,			As of March 31,	As of May 31,
	2019	**2020**	**2021**	**2022**	**2022**
		(US$ in thousands)			
				(Unaudited)	
CURRENT ASSETS					
Inventories	7,498	12,107	16,709	18,623	19,461
Trade and other receivables and prepayments	10,790	19,695	30,253	29,475	23,142
Amounts due from related parties	72,830	39,257	29,383	29,660	3,906
Rental deposits	26	22	930	1,343	1,342
Financial assets at FVTPL	–	–	36,074	35,925	5,951
Other financial assets	–	3,565	500	500	–
Pledged bank deposits	2,169	2,450	3,337	2,551	3,345
Bank balances and cash	36,327	51,564	89,546	70,130	93,512
Total current assets	129,640	128,660	206,732	188,207	150,659

	As of December 31,			As of March 31,	As of May 31,
	2019	2020	2021	2022	2022
	(US$ in thousands)				
				(Unaudited)	
CURRENT LIABILITIES					
Trade payables	18,921	22,216	26,549	25,986	41,499
Other payables	18,680	22,768	24,128	19,555	27,375
Amounts due to related parties	234,541	366,641	500,562	514,178	470,638
Tax payable	990	1,998	2,294	2,800	753
Lease liabilities	19,573	29,819	36,655	36,601	33,827
Bank borrowings	3,118	6,710	3,111	3,047	77
Contract liabilities	2,345	2,573	2,800	2,400	2,199
Provision	–	–	515	6,408	6,408
Total current liabilities	298,168	452,725	596,614	610,975	582,776
NET CURRENT LIABILITIES	(168,528)	(324,065)	(389,882)	(422,768)	(432,117)

Our net current liabilities increased from US$168.5 million as of December 31, 2019 to US$324.1 million as of December 31, 2020, and further increased to US$389.9 million as of December 31, 2021 and US$422.8 million as of March 31, 2022, primarily because of (i) the increase in amounts due to related parties, which mainly represented loans we received from Haidilao International Group to support our business expansion; and (ii) the decrease in amounts due from related parties because we received repayment of loans we provided to Haidilao International Group for (a) the purchase of certain equipment; and (b) Haidilao restaurants in Hong Kong, Macau and Taiwan. Pursuant to the Reorganization, a majority of the loans we received from Haidilao International Group in the amount of US$471.3 million were settled by issuing equity to Newpai, a wholly-owned subsidiary of Haidilao International, in June 2022. For details, see "History, Reorganization and Corporate Structure—Reorganization" and "—Related Party Transactions."

Our net current liabilities amounted to US$432.1 million as of May 31, 2022. The increase of our net current liabilities from US$422.8 million as of March 31, 2022 to US$432.1 million as of May 31, 2022 was primarily because the decrease of our current assets was higher than the decrease of our current liabilities. The decrease in our current assets was primarily due to the bank balances and cash we used for our operation, partially offset by the collection of loans to related parties and trade and other receivables and prepayments and the redemption of our investment in private equity investment funds. The decrease in our current liabilities was primarily due to a decrease in amounts due to related parties as we partially repaid loans from Haidilao International Group, partially offset by the increase in trade payables and other payables, which is in line with our business recovery.

See "—Liquidity and Capital Resources—Working Capital" for details. For further information, see "Risk Factors—Risks Relating to Our Business—We had significant net current liabilities and net liabilities as of December 31, 2019, 2020 and 2021 and March 31, 2022."

LIQUIDITY AND CAPITAL RESOURCES

Working Capital

Our principal uses of cash are for working capital to open new restaurants, procure food ingredients, consumables and equipment, and operate our restaurants. During the Track Record Period, we funded our operations principally with cash generated from our operations, bank borrowings and loans from related parties. As of December 31, 2019, 2020 and 2021 and March 31, 2022, we had bank balances and cash of US$36.3 million, US$51.6 million, US$89.5 million and US$70.1 million, respectively. We monitor our cash flows and cash balance on a regular basis and strive to maintain an optimum liquidity that can meet our working capital needs while supporting continuing business expansion.

Although we had significant net current liabilities during the Track Record Period, our Directors believe that we have sufficient working capital to meet our present and future cash requirements for at least the next 12 months from the date of publication of this listing document for the reasons set out below:

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

- *Cash flow generated from our business.* In 2019, 2020 and 2021, we had net cash generated from operating activities of US$16.5 million, US$2.8 million and US$4.4 million, respectively. As the COVID-19 pandemic eases, we recorded net cash flow generated from operating activities of US$1.2 million in the three months ended March 31, 2022, as compared to a net cash outflow from operating activities of US$7.4 million in the three months ended March 31, 2021.

- *Investment from Newpai.* Pursuant to the Reorganization, we received investment from Newpai in the amount of US$23.1 million in June 2022, which will be used to support our business operation.

Going forward, our liquidity requirements will be satisfied by using funds from a combination of cash flows from operations, our cash and cash equivalents and bank borrowings.

Cash Flow

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

	For the Year Ended December 31,			For the Three Months Ended March 31,
	2019	2020	2021	2022
	(US$ in thousands)			
				(Unaudited)
Operating cash flows before movements in working capital	6,330	7,002	12,492	9,088
Net cash from operating activities	16,529	2,757	4,382	1,191
Net cash used in investing activities	(146,379)	(91,822)	(87,464)	(12,175)
Net cash from/(used in) financing activities	147,749	109,752	108,502	(10,324)
Net increase/(decrease) in cash and cash equivalents	17,899	20,687	25,420	(21,308)
Cash and cash equivalents at beginning of the year/period	13,468	36,327	51,564	89,546
Cash and cash equivalents at end of the year/period	36,327	51,564	89,546	70,130

Operating Activities

For the three months ended March 31, 2022, our net cash generated from operating activities was US$1.2 million, primarily attributable to our loss before tax of US$28.0 million, as adjusted for non-cash and non-operating items, which primarily include (i) depreciation of property, plant and equipment of US$8.6 million; (ii) depreciation of right-of-use assets of US$7.8 million; (iii) impairment loss recognized for property, plant and equipment of US$5.8 million; (iv) net foreign exchange loss of US$4.9 million; and (v) finance costs of US$4.6 million. The amount was further adjusted by changes in working capital, including (i) a US$4.7 million decrease in other payables; (ii) a US$1.9 million increase in inventories in line with our recovery of business from the COVID-19 pandemic; (iii) a US$0.8 million decrease in trade and other receivables and prepayments, and (iv) a US$0.6 million decrease in trade payables.

For the year ended December 31, 2021, our net cash generated from operating activities was US$4.4 million, primarily attributable to our loss before tax of US$149.6 million, as adjusted for non-cash and non-operating items, which primarily include (i) depreciation of property, plant and equipment of US$35.2 million; (ii) depreciation of right-of-use assets of US$34.7 million; (iii) impairment loss of property, plant and equipment of US$31.9 million; and (iv) impairment loss of right-of-use assets of US$31.2 million. The amount was further adjusted by changes in working capital, including (i) an increase in trade and other receivables and prepayments of US$10.6 million; (ii) an increase in inventories of US$4.6 million; and (iii) an increase in trade payables of US$4.3 million.

For the year ended December 31, 2020, our net cash generated from operating activities was US$2.8 million, primarily attributable to our loss before tax of US$51.7 million, as adjusted for non-cash and non-operating items, which primarily include (i) depreciation of right-of-use assets of US$26.6 million; (ii) depreciation of property, plant and equipment of US$24.2 million; and (iii) finance costs of US$14.4 million primarily due to the interests paid to Haidilao International Group, our related parties. The amount was further adjusted by changes in working capital, including (i) an increase in trade and other receivables and prepayments of US$8.8 million; (ii) an increase in other payables of US$4.9 million; and (iii) an increase in inventories of US$4.6 million.

For the year ended December 31, 2019, our net cash generated from operating activities was US$16.5 million, primarily attributable to our loss before tax of US$32.2 million, as adjusted for non-cash and non-operating items, which primarily include (i) depreciation of right-of-use assets of US$18.0 million; and (ii) depreciation of property, plant and equipment of US$14.3 million. The amount was further adjusted by changes in working capital, including (i) an increase in trade payables of US$11.9 million; (ii) an increase in other payables of US$7.9 million; and (iii) an increase in inventories of US$4.3 million.

Investing Activities

For the three months ended March 31, 2022, our net cash used in investing activities was US$12.2 million, which was primarily attributable to the purchase of property, plant and equipment of US$12.3 million.

For the year ended December 31, 2021, our net cash used in investing activities was US$87.5 million, which was primarily attributable to (i) purchase of financial assets at FVTPL of US$144.9 million; and (ii) purchase of property, plant and equipment of US$67.4 million for restaurants we planned to open; partially offset by redemption of financial assets at fair value through profit or loss of US$110.0 million and the collection of loans to related parties of US$13.6 million. The collection of loans to related parties were mainly related to the purchase of certain equipment and the Haidilao restaurants in Hong Kong, Macau and Taiwan prior to the Reorganization.

For the year ended December 31, 2020, our net cash used in investing activities was US$91.8 million, which was primarily attributable to the purchase of property, plant and equipment of US$109.9 million for restaurants we planned to open and the purchase of other financial assets of US$11.7 million, partially offset by the changes in balances of amount due from related parties. The amounts due from related parties were mainly related to the purchase of certain equipment and the Haidilao restaurants in Hong Kong, Macau and Taiwan prior to the Reorganization.

For the year ended December 31, 2019, our net cash used in investing activities was US$146.4 million, which was primarily attributable to (i) purchase of property, plant and equipment of US$82.5 million for restaurants we planned to open; (ii) new addition of amount of US$72.7 million loans to related parties, which primarily related to the purchase of certain equipment; and (iii) payments for rental deposits of US$3.0 million; partially offset by collection of loans to related parties of US$11.7 million. These loans primarily represented amounts due from related parties in relation to Haidilao restaurants in Hong Kong, Macau and Taiwan.

Financing Activities

For the three months ended March 31, 2022, our net cash used in financing activities was US$10.3 million, which was primarily attributable to the movement of our borrowings from Haidilao International Group, and to a lesser extent, acquisition of subsidiaries pursuant to the Reorganization of US$14.3 million and repayment of lease liabilities of US$9.1 million.

For the year ended December 31, 2021, our net cash generated from financing activities was US$108.5 million, which was primarily attributable to movements of our borrowings from Haidilao International Group, which is partially offset by the repayments of lease liabilities of US$29.1 million.

For the year ended December 31, 2020, our net cash generated from financing activities was US$109.8 million, which was primarily attributable to movements of our borrowings from Haidilao International Group, which is partially offset by the repayments of lease liabilities of US$24.2 million.

For the year ended December 31, 2019, our net cash generated from financing activities was US$147.7 million, which was primarily attributable to additions of borrowings from related parties of US$170.1 million, mainly from Haidilao International Group to support our business expansion; partially offset by (i) repayments of lease liabilities of US$19.7 million; and (ii) repayments of bank borrowing of US$14.4 million.

INDEBTEDNESS

Bank Borrowings

Our bank borrowings primarily consisted of short-term loans from banks to support the operations of our restaurants. Our bank borrowings as of December 31, 2019, 2020 and 2021 and March 31, 2022 and May 31, 2022, being the latest practicable date for purposes of the indebtedness statement, were as follows:

	As of December 31,			As of March 31,	As of May 31,
	2019	**2020**	**2021**	**2022**	**2022**
	(US$ in thousands)				
				(Unaudited)	
Unguaranteed and unsecured	3,118	6,613	3,025	2,964	–
Guaranteed and unsecured	–	961	774	714	665
Total	3,118	7,574	3,799	3,678	665
The carrying amount of the above bank borrowings are repayable:					
Within one year	3,118	6,710	3,111	3,047	77
Within a period of more than one year but not exceeding two years	–	97	87	83	77
Within a period of more than two years but not exceeding five years	–	767	601	548	511
Total	3,118	7,574	3,799	3,678	665

As of December 31, 2019, 2020 and 2021 and March 31, 2022 and May 31, 2022, our bank borrowings of nil, US$1.0 million, US$0.8 million, US$0.7 million and US$0.7 million, respectively, were secured by the legal representative of Haidilao Japan Co., Ltd.

As of December 31, 2019, 2020 and 2021 and March 31, 2022, we had nil, US$4.3 million, US$0.8 million, US$0.7 million of fixed-rate borrowings, respectively. As of December 31, 2020, fixed-rate borrowings of US$3.3 million and US$1.0 million carry interest at 1% per annum and 2.0% per annum, respectively. As of December 31, 2021, fixed-rate borrowings of US$0.8 million carry interest at 2% per annum with no interest during the first three years, as the support provided by the local government as COVID-19 pandemic relief. As of March 31, 2022, fixed-rate borrowings of US$0.7 million carry interest at 2% per annum with no interest during the first three years, as the support provided by the local government against COVID-19 pandemic.

As of December 31, 2019 and 2020, we had US$3.1 million and US$3.3 million of variable-rate borrowings, respectively, which carry interest at the final return rate of Korea 91 days certificate of deposit plus 1.5% per annum. As of December 31, 2021 and March 31, 2022, variable-rate borrowings of US$3.0 million and US$3.0 million, respectively, carry interest at the final return rate of Korea 91 days certificate of deposit plus 1% per annum.

Other than the bank borrowings that we may obtain, we do not have any plans for material external debt financing.

Other Borrowings

The following table set forth the details of amount due to related parties as of the date indicated.

	As of December 31,			As of March 31,	As of May 31,
	2019	**2020**	**2021**	**2022**	**2022**
		(US$ in thousands)			
				(Unaudited)	
Loans from related companies controlled by the Controlling Shareholders	231,561	364,247	498,575	512,531	469,663
Interest payables to related companies controlled by the Controlling Shareholders	2,751	1,894	1,219	1,293	975
Total	234,312	366,141	499,794	513,824	470,638

As of December 31, 2019, 2020 and 2021 and March 31, 2022, we obtained loans of US$231.6 million, US$364.2 million, US$498.6 million and US$512.5 million, respectively, from related companies controlled by our Controlling Shareholders, which primarily included subsidiaries of Haidilao International. As of the same dates, an amount of US$197.2 million, US$310.7 million, US$468.4 million and US$483.9 million from such loans were bore an interest rate of 2.00% to 3.00%, 2.00% to 3.14%, 2.00% to 3.90% and 2.00% to 3.90%, respectively. The interest payable to related companies controlled by our Controlling Shareholders were US$2.8 million, US$1.9 million, US$1.2 million and US$1.3 million as of the same dates, respectively.

As of May 31, 2022, we had loans from related parties of US$469.7 million. Pursuant to the Reorganization, a majority of the loans we received from Haidilao International Group in the amount of US$471.3 million were settled by issuing equity to Newpai in June 2022. The remaining portion of the amount due to related parties of a non-trade nature has been, or is expected to be settled with cash prior to the Listing.

Lease Liabilities

As of December 31, 2019, 2020 and 2021 and March 31 and May 31, 2022, we had lease liabilities of US$124.1 million, US$235.9 million, US$243.2 million, US$214.3 million and US$212.1 million, respectively.

Save as disclosed in this section of the listing document, since March 31, 2022 and up to the date of this listing document, there has been no material change to our indebtedness. As of May 31, 2022, the latest practicable date for determining our indebtedness, except as otherwise disclosed in this listing document, we did not have any other loan issued and outstanding or any loan agreed to be issued, bank overdrafts, loans and other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities.

CONTINGENT LIABILITIES

As of March 31, 2022, we did not have any material contingent liabilities, guarantees or any litigations or claims of material importance, pending or threatened against any member of our Group that is likely to have a material and adverse effect on our business, financial condition or results of operations.

CAPITAL EXPENDITURE

Our capital expenditure, represented additions to (i) leasehold land and building; (ii) freehold land; (iii) leasehold improvements; (iv) machinery; (v) transportation equipment; (vi) furniture and fixture; and (vii) renovation in progress. Fluctuations in our capital expenditure were primarily in line with the number of new restaurant openings in the respective year/period. The table below sets forth our capital expenditure for the period indicated.

	As of December 31,			As of March 31,
	2019	**2020**	**2021**	**2022**
		(US$ in thousands)		
				(Unaudited)
Leasehold land and building	848	–	1,690	–
Freehold land	10,165	2,595	954	–
Leasehold improvements	3,171	16,236	4,137	1,041
Machinery	582	2,919	2,760	471
Transportation equipment	622	389	73	62
Furniture and fixture	1,689	7,025	14,200	586
Renovation in progress	66,408	79,925	42,371	10,127
Total	83,485	109,089	66,185	12,287

We plan to finance our future capital expenditures through cash generated from our operations, our cash and cash equivalents and bank borrowings. Our actual capital expenditures may differ from the amounts set forth above due to various factors, including our future cash flows, results of operations and financial condition.

RELATED PARTY TRANSACTIONS

Historical Transactions

During the Track Record Period, we entered into a number of transactions with related companies controlled by the Controlling Shareholders and associates invested by the Controlling Shareholders. The following table sets forth the details of our related party transactions during the period indicated.

	For the Year Ended December 31,			For the Three Months Ended March 31,
	2019	2020	2021	2022
	(US$ in thousands)			(Unaudited)
Purchase of goods/services from related parties				
Purchase of condiment products and instant hot pot products	6,728	5,794	8,582	3,062
Interest expenses	2,763	6,542	9,581	2,330
Office expenses charges	57	225	261	77
Total	9,548	12,561	18,424	5,469
Income from related parties				
Interest income	137	343	689	181
Total	137	343	689	181

Purchase of Condiment Products and Instant Hot Pot Products

During the Track Record Period, we procured a significant amount of condiment products, including soup bases for our hot pot, and instant hot pot products from our related parties, such as Yihai Group. Purchase of condiment products and instant hot pot products decreased from US$6.7 million in 2019 to US$5.8 million in 2020 primarily due to the decreased guest visits during the COVID19 pandemic. Our purchase from related parties then increased to US$8.6 million in 2021 primarily reflecting our efforts in expanding our restaurant network. For the three months ended March 31, 2022, our purchase of condiment products and instant hot pot products from related parties amounted to US$3.1 million. For details of our arrangement with Yihai Group, see "Continuing Connected Transactions—Continuing Connected Transactions—Yihai Master Purchase Agreement."

Interest Expenses and Interest Income

During the Track Record Period, our interest expense to related parties were primarily in relation to the loans we received from Haidilao International Group to support our business expansion prior to the Reorganization. In addition, we also received interest income from related parties as we provided loans for the purchase of certain equipment and the Haidilao restaurants in Hong Kong, Macau and Taiwan prior to the Reorganization. See "—Outstanding Balances with Related Parties" for details.

Office Expenses Charges

Office expenses charges relate to the property we leased for our offices, which are payable to Haidilao International Group prior to the Reorganization.

Outstanding Balances with Related Parties

The following table sets forth a breakdown of outstanding balances with related parties as of the date indicated:

	As of December 31,			As of March 31,
	2019	**2020**	**2021**	**2022**
		(US$ in thousands)		*(Unaudited)*
Amounts due from related parties				
Trade nature				
Prepayments for goods made to related companies controlled by the Controlling Shareholders	23	87	277	418
Non-trade nature				
Loans to related companies controlled by the Controlling Shareholders	72,807	39,170	29,106	29,242
Total	72,830	39,257	29,383	29,660
Amounts due to related parties				
Trade nature				
Amounts payable to related companies controlled by the Controlling Shareholders	229	500	768	354

	As of December 31,			As of March 31,
	2019	2020	2021	2022
	(US$ in thousands)			*(Unaudited)*
Non-trade nature				
Loans from related companies controlled by the Controlling Shareholders	231,561	364,247	498,575	512,531
Interest payables to related companies controlled by the Controlling Shareholders	2,751	1,894	1,219	1,293
Total	234,541	366,641	500,562	514,178

Amounts Due From Related Parties

As of December 31, 2019, 2020 and 2021 and March 31, 2022, our amounts due from related parties of a trade nature amounted to US$23,000, US$87,000, US$277,000 and US$418,000, respectively. Our amounts due from related parties primarily represented prepayments we made to Yihai Group for the purchase of soup bases used in our restaurants.

As of December 31, 2019, 2020 and 2021 and March 31, 2022, our amounts due from related companies of a non-trade nature amounted to US$72.8 million, US$39.2 million, US$29.1 million and US$29.2 million, respectively. The loan primarily represented borrowings in relation to the purchase of certain equipment and Haidilao restaurants in Hong Kong, Macau and Taiwan prior to the Reorganization. The amounts due from related companies controlled by the Controlling Shareholders that are of a non-trade nature had been fully settled in cash in June 2022.

Amounts Due to Related Parties

As of December 31, 2019, 2020 and 2021 and March 31, 2022, we had amounts due to related parties controlled by the Controlling Shareholders with a trade nature relating to the purchase of condiment products of US$0.2 million, US$0.5 million, US$0.8 million and US$0.4 million, respectively. They primarily represented the amounts arising from the purchase of condiment products from Yihai Group, which had a credit terms of 30 to 90 days.

As of December 31, 2019, 2020 and 2021 and March 31, 2022, we had amounts due to related parties of US$234.3 million, US$366.1 million, US$499.8 million and US$513.8 million, respectively, that were of a non-trade nature. These amounts primarily represented loans we obtained from Haidilao International Group to support our business expansion and the interest arising from these loans. Pursuant to the Reorganization, a majority of the loans we received from Haidilao International Group in the amount of US$471.3 million were settled by issuing equity to Newpai in June 2022. For details, see "—Indebtedness—Other Borrowings," Note 37 to "Appendix IA—Accountants' Report" and Note 23 to "Appendix IB—Report on Review of Condensed Combined Financial Statements." The remaining portion of the amount due to related parties of a non-trade nature has been, or is expected to be settled with cash prior to the Listing.

FINANCIAL RATIOS

The following table set forth certain of our financial ratios as of the date indicated:

	As of December 31,			As of March 31,
	2019	2020	2021	2022
Current ratio(1)	0.43	0.28	0.35	0.31
Quick ratio(2)	0.41	0.26	0.32	0.28
Bank borrowings to total assets ratio(3)	0.8%	1.3%	0.6%	0.6%

Notes:

(1) Equals current assets divided by current liabilities as of the same date.

(2) Equals current assets less inventories and divided by current liabilities as of the same date.

(3) Equals our bank borrowings divided by total assets as of the same date.

Current Ratio and Quick Ratio

Our current ratio decreased from 0.43 as of December 31, 2019 to 0.28 as of December 31, 2020, and our quick ratio decreased from 0.41 as of December 31, 2019 to 0.26 as of December 31, 2020 due to the increase of our current liabilities. The increase in our current liabilities in 2020 was primarily attributable to (i) an increase of US$132.1 million in amounts due to related parties, primarily representing the loans we received from Haidilao International Group to support our business expansion; and (ii) an increase of US$10.2 million in lease liabilities as we continued to expand our restaurant network.

Our current ratio increased from 0.28 as of December 31, 2020 to 0.35 as of December 31, 2021, and our quick ratio increased from 0.26 as of December 31, 2020 to 0.32 as of December 31, 2021 because our current assets increased at a higher rate than our current liabilities. Our current assets increased by 60.7% from US$128.7 million as of December 31, 2020 to US$206.7 million as of December 31, 2021, primarily attributable to (i) an increase of US$38.0 million in our bank balances and cash, which is in line with the increase of our revenue; (ii) we recorded US$36.1 million in financial assets at FVTPL as we made investments in certain private fund products; and (iii) a US$10.6 million increase in trade and other receivables and prepayments. Our current liabilities increased by 31.8% from US$452.7 million in 2020 to US$596.6 million in 2021 primarily because of (i) an increase of US$133.9 million in amount due to related parties, primarily representing the loans we received from Haidilao International Group to support our business expansion; and (ii) a US$6.8 million increase in lease liabilities as we continued to expand our restaurant network.

Our current ratio decreased from 0.35 as of December 31, 2021 to 0.31 as of March 31, 2022, and our quick ratio decreased from 0.32 as of December 31, 2021 to 0.28 as of March 31, 2022 due to the increase in our current liabilities and the decrease in our current assets. The increase in our current liabilities was primarily due to (i) an increase of US$13.6 million in amount due to related parties, primarily representing the loans we received from Haidilao International Group to support our business expansion; and (ii) an increase of US$5.9 million in provisions in relation to the leases we terminated for the restaurants we planned but decided not to open. The decrease in our current assets was primarily due to a decrease of US$19.4 million in bank balances and cash we used to support our business operation.

Bank Borrowings to Total Assets Ratio

As of December 31, 2019, 2020 and 2021 and March, 31, 2022, our bank borrowings to total assets ratio was 0.8%, 1.3%, 0.6% and 0.6%, respectively. The increase in our bank borrowings to total assets ratio in 2020 was primarily attributable to the increase in our bank borrowings in 2020 as we obtained new bank borrowings in the United States in 2020.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

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

MARKET RISKS

We are exposed to a variety of market risks, including foreign currency risk, interest rate risk, credit risk and liquidity risk, as set out below. We manage and monitor these exposures to ensure appropriate measures are implemented on a timely and effective manner. For details, see Note 34 in "Appendix IA—Accountants' Report" to this listing document.

Foreign Currency Risk

We undertook certain transactions in foreign currencies, which expose us to foreign currency risk. We do not use any derivative contracts to hedge against its exposure to currency risk. We manage our currency risk by closely monitoring the movement of the foreign currency rates and considers hedging significant foreign currency exposure should such need arise.

We currently do not have a foreign exposure hedging policy. However, the management of our Group monitors foreign exchange exposure closely and will consider hedging significant foreign exchange exposure should the need arise.

Interest Rate Risk

We are exposed to fair value interest rate risk in relation to pledged bank deposits, fixed-rate bank borrowings, and lease liabilities. We are also exposed to cash flow interest risk in relation to variable-rate bank balances, and variable-rate bank borrowings which carry prevailing market interests. For details, please see Note 23 and 27 in "Appendix IA—Accountants' Report." The management of our Group manages the interest rate risk by maintaining a balanced portfolio of fixed rate and floating rate bank borrowings and bank balances. We manage our interest rate exposures by assessing the potential impact arising from any interest rate movements based on interest rate level and outlook. The management will review the proportion of borrowings in fixed and floating rates and ensure they are within reasonable range.

Credit Risk

Our maximum exposure to credit risk which will cause a financial loss to us due to failure to discharge an obligation by the counterparties arises from the carrying amount of the respective recognized financial assets as stated in the combined statement of financial position (including rental deposits, trade receivables, other receivables, other financial assets, amounts due from related parties, pledged bank deposits and bank balances).

We consider pledged bank deposits and bank balances that are deposited with financial institutions with high credit rating to be low credit risk financial assets. In addition, trade receivables in connection with bills settled through payment platforms are also with high credit rating and no past due history. We consider these assets to be short-term in nature and the probability of default is negligible on the basis of high-credit-rating issuers as of December 31, 2019, 2020 and 2021, and accordingly, no expected credit loss was recognized as of December 31, 2019, 2020 and 2021.

We have concentration of credit risk on amounts due from related parties as of December 31, 2019, 2020 and 2021 with details set out in Note 34 to the "Appendix IA—Accountants' Report" in this listing document. We have made periodic assessments as well as individual assessment on recoverability based on historical settlement records and adjusts for forward-looking information. In view of the strong financial capability of these related parties and considered the future prospects of the industry in which these related parties operate, we do not consider there is a risk of default and does not expect any losses from non-performance by these related parties, and accordingly, no impairment was recognized in respect of the amounts due from related parties.

Liquidity Risk

In the management of the liquidity risk, the management of our Group monitors and maintains a reasonable level of cash and cash equivalents which is deemed adequate by us to finance our operations and mitigate the effects of fluctuations in cash flows. For details, see "Liquidity and Capital Resources—Working Capital."

DIVIDENDS

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

DISTRIBUTABLE RESERVES

As of March 31, 2022, our Company had nil reserves available for distribution to our members.

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED COMBINED NET TANGIBLE LIABILITIES OF THE GROUP

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

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

	Unaudited combined total tangible assets less liabilities of the Group attributable to the owners of the Company as of March 31, 2022	Estimated listing expenses	Unaudited pro forma adjusted combined total tangible assets less liabilities attributable to owners of the Company as at March 31, 2022	Unaudited pro forma adjusted combined total tangible assets less liabilities attributable to owners of the Company as at March 31, 2022 per Share	
	USD'000 *(Note 1)*	*USD'000* *(Note 2)*	*USD'000*	*USD* *(Note 3)*	*HKD* *(Note 5)*
Based on [**REDACTED**] Shares assumed to be in issue immediately prior to the Listing	(225,090)	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]

Notes:

1. The unaudited combined total tangible assets less liabilities of the Group attributable to owners of the Company as of March 31, 2022 is derived from the Condensed Combined Financial Statements set out in Appendix IB to this listing document, which is based on the unaudited combined net liabilities of the Group attributable to the owners of the Company as of March 31, 2022 of USD224,651,000 (deficit) with adjustments for other intangible assets of the Group attributable to owners of the Company as of March 31, 2022 of USD439,000.

2. The estimated listing expenses mainly include professional fees payable to the Joint Sponsors, the legal advisors and Reporting Accountants and other listing related expenses, which are expected to be incurred by the Group subsequent to March 31, 2022.

3. The unaudited pro forma adjusted combined total tangible assets less liabilities per Share is arrived at after the adjustments as described in Note 2 above and is based on [**REDACTED**] Shares assumed to be in issue immediately prior to the Listing, not taking into account any Shares which may be granted under the Share Award Scheme or Shares which may be issued or repurchased by the Company pursuant to the general mandates granted to the Directors to issue or repurchase Shares.

4. No adjustment has been made to the unaudited adjusted pro forma combined total tangible assets less liabilities of the Group attributable to owners of the Company as at March 31, 2022 to reflect any operating result or other transactions of the Group entered into subsequent to March 31, 2022. In particular, the above pro forma adjusted combined total tangible assets less liabilities of the Group attributable to owners of the Company shown on page II-1 have not taken into account the injection from the immediate holding company amounting to USD[**REDACTED**] ("Cash Injection"), loan capitalization from the immediate holding company amounting to USD[**REDACTED**] ("Loan Capitalization"), allotment and issue of [**REDACTED**] new shares at par value to Newpai and the ESOP Platform at a cash consideration of USD[**REDACTED**] ("Allotment") and the cash payment for the Group Reorganization subsequent to March 31, 2022 with the amount of USD[**REDACTED**] ("Cash Payment for Group Reorganization"). If such Cash Injection, Loan Capitalization, Allotment and Cash Payment for Group Reorganization were also taken into account in the above unaudited pro forma financial information, the unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company as at March 31, 2022 would have been approximately USD[**REDACTED**] and the unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company as at March 31, 2022 per Share would have been approximately USD[**REDACTED**] (equivalent to HKD[**REDACTED**], converted at the exchange rate in Note 5).

5. For the purpose of this pro forma adjusted combined total tangible assets less liabilities attributable to owners of the Company, the balances stated in USD are converted into HKD at a rate of USD1 to HKD7.8474. No representation is made that the USD amounts have been, could have been or may be converted into HKD, or vice versa at that rate or at any other rates or at all.

NO MATERIAL ADVERSE CHANGE

Our Directors have confirmed, after performing all the due diligence work which our Directors consider appropriate, that, as of the date of this listing document, there has been no material adverse change in our financial or trading position or prospects since March 31, 2022 and up to the date of this listing document.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

Our Directors have confirmed that, as of the Latest Practicable Date, they were not aware of any circumstance that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

LISTING EXPENSES

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