The following discussion and analysis should be read in conjunction with our consolidated financial statements included in "Appendix I—Accountants' Report" together with the accompanying notes. Our consolidated 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 our signature dining experience and service quality, we believe Haidilao has become a worldwide brand. Since opening our first restaurant in Singapore in 2012, we have expanded to 110 restaurants in 11 countries across four continents as of the Latest Practicable Date.

In 2019, we recorded total revenue of US$233.1 million and 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 82.3% from US$134.8 million for the six months ended June 30, 2021 to US$245.8 million for the six months ended June 30, 2022. Our table turnover rates bounced back to 3.0 times per day for the six months ended June 30, 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, and economic growth, 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 nine in the first half 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 Six Months Ended June 30,
	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	9
Number of restaurants closed during the year/period	1	–	2	–
Number of restaurants at the end of the year/period	38	74	94	103

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 half 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 Six Months Ended June 30,	
	2019	**2020**	**2021**	**2021**	**2022**
	(US$ in thousands)				
				(Unaudited)	
Revenue from existing restaurants[1]	176,634	175,839	256,813	118,549	229,139
Revenue from restaurants newly opened during the year/period	52,573	33,506	38,102	7,940	10,227
Revenue from restaurants closed during the year/period	3,460	—	1,593	–	—
	232,667	209,345	296,508	126,489	239,366
Net of:					
Customer loyalty program[2]	125	70	449	(561)	(391)
Revenue generated from restaurant operations	232,542	209,275	296,059	127,050	239,757
Delivery business	158	10,225	11,783	6,030	4,203
Others[3]	419	1,911	4,531	1,740	1,879
Total revenue	233,119	221,411	312,373	134,820	245,839

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 six months ended June 30, 2021 and 2022, we opened 15, 36, 22, 12 and nine 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 half. 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. In other countries, pre-opening costs per restaurant typically ranged from approximately US$500,000 to US$1,500,000 and capital expenditure per restaurant typically ranged from US$2.5 million to US$6.5 million, depending on the size of the restaurant and the country it is located in. 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" above. 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 six months ended June 30, 2022, our impairment losses were US$5.7 million, US$63.1 million and US$9.1 million, respectively, which further impacted our results of operations.

Gradually since 2021 and particularly in 2022, many countries have eased restrictive measures against COVID-19, enabling us to resume normal operations. Our total guest visits increased from approximately 4.5 million in the first half of 2021 to approximately 9.3 million in the first half of 2022. Our overall table turnover rates increased from 2.4 and 2.1 times per day in 2020 and 2021, respectively, to 3.0 times per day in the six months ended June 30, 2022. As a result, our average daily revenue per restaurant increased by 41.6% from US$10.0 thousand in 2021 to US$14.2 thousand in the first half 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 safety incidents and any food-borne illnesses" for details.

Food Ingredient Costs

In 2019, 2020 and 2021 and the six months ended June 30, 2021 and 2022, our raw materials and consumables used amounted to US$81.3 million, US$79.0 million, US$113.8 million, US$47.7 million and US$86.7 million, respectively, representing 34.9%, 35.7%, 36.4%, 35.4% and 35.3% 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$39.7 million and US$76.3 million in 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022 and accounting for 77.1%, 74.1%, 81.4%, 83.1% and 88.0% 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 six months ended June 30, 2021 and 2022, our staff costs amounted to US$112.2 million, US$100.4 million, US$143.3 million, US$63.7 million and US$90.5 million, respectively, representing 48.1%, 45.4%, 45.9%, 47.2% and 36.8% 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. We have improved restaurant operating efficiency and streamlined the number of staff per restaurant approximately 30% from 2019 to the six months ended June 30, 2022. In addition, we constantly update the compensation structure in different countries. For example, we started to implement a piece rate compensation system in Vietnam in 2020 and have continued to adjust and refine the metrics and rates we use in countries where the piece rate compensation system is already adopted. As such, our staff costs as a percentage of our revenue decreased from 48.1% in 2019 to 36.8% in the six months ended June 30, 2022, also partially reflecting the economies of scale along with our increasing revenue as we gradually recovered from the COVID-19 pandemic. 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 I—Accountants' Report" to this listing document, which conform with the IFRS, which are effective for the accounting period beginning on or after January 1, 2022 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 I—Accountants' Report" 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 I—Accountants' Report" 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 consolidated 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 consolidated 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 consolidated 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 June 30, 2022, the carrying amount of property, plant and equipment were US$4.1 million, US$45.8 million, US$121.3 million and US$105.7 million before taking into account the impairment losses of nil, US$2.8 million, US$34.7 million and US$40.6 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$97.1 million before taking into account the impairment losses of nil, US$2.8 million, US$34.1 million and US$36.3 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 I—Accountants' Report" 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 June 30, 2022, the carrying amounts of right-of-use assets were US$128.8 million, US$236.7 million, US$202.0 million and US$175.0 million, respectively, and the carrying amounts of lease liabilities were US$124.1 million, US$235.9 million, US$243.2 million and US$212.8 million, respectively.

Deferred Tax Assets

As of December 31, 2019, 2020, 2021 and June 30, 2022, deferred tax assets of US$29,000, US$66,000, US$144,000 and US$137,000 have been recognized in the consolidated 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$157.8 million and other deductible temporary differences of US$7.1 million, US$23.9 million, US$95.7 million and US$103.8 million as of December 31, 2019, 2020 and 2021 and June 30, 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 June 30, 2022, the carrying amount of property, plant and equipment was US$126.7 million, US$211.1 million, US$195.0 million and US$188.9 million, respectively. Details of the useful lives of property, plant and equipment are disclosed in Note 16 in "Appendix I—Accountants' Report" to this listing document.

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

The following table sets forth a summary of our consolidated 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 Six Months Ended June 30,			
	2019		2020		2021		2021		2022	
	(US$ in thousands, except percentages)									
							(Unaudited)			
Revenue	233,119	100.0%	221,411	100.0%	312,373	100.0%	134,820	100.0%	245,839	100.0%
Other income	1,397	0.6%	9,144	4.1%	19,458	6.2%	7,331	5.4%	5,487	2.2%
Raw materials and consumables used	(81,287)	(34.9)%	(79,043)	(35.7)%	(113,760)	(36.4)%	(47,735)	(35.4)%	(86,661)	(35.3)%
Staff costs	(112,174)	(48.1)%	(100,430)	(45.4)%	(143,343)	(45.9)%	(63,686)	(47.2)%	(90,461)	(36.8)%
Rentals and related expenses	(2,269)	(1.0)%	(1,071)	(0.5)%	(6,556)	(2.1)%	(3,250)	(2.4)%	(5,611)	(2.3)%
Utilities expenses	(7,018)	(3.0)%	(7,829)	(3.5)%	(11,017)	(3.5)%	(5,056)	(3.8)%	(8,858)	(3.6)%
Depreciation and amortization	(32,338)	(13.9)%	(50,809)	(22.9)%	(69,916)	(22.4)%	(33,685)	(25.0)%	(33,330)	(13.6)%
Travelling and communication expenses	(4,211)	(1.8)%	(2,364)	(1.1)%	(2,674)	(0.9)%	(1,087)	(0.8)%	(2,378)	(1.0)%
Listing expenses	–	–	–	–	–	–	–	–	(3,337)	(1.4)%
Other expenses	(20,966)	(9.0)%	(28,315)	(12.8)%	(41,729)	(13.4)%	(15,798)	(11.7)%	(22,750)	(9.3)%
Other gains and losses	1,691	0.7%	1,997	0.9%	(73,270)	(23.5)%	(14,495)	(10.8)%	(41,221)	(16.8)%
Finance costs	(8,189)	(3.5)%	(14,437)	(6.5)%	(19,158)	(6.1)%	(9,161)	(6.8)%	(8,424)	(3.4)%
Loss before tax	(32,245)	(13.8)%	(51,746)	(23.4)%	(149,592)	(47.9)%	(51,802)	(38.4)%	(51,705)	(21.0)%
Income tax expense	(774)	(0.3)%	(2,014)	(0.9)%	(1,160)	(0.4)%	306	0.2%	(4,018)	(1.6)%
Loss for the year/period	(33,019)	(14.2)%	(53,760)	(24.3)%	(150,752)	(48.3)%	(51,496)	(38.2)%	(55,723)	(22.7)%

	For the Year Ended December 31,						For the Six Months Ended June 30,			
	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%	302	0.2%	16,918	6.9%
Total comprehensive expense for the year/period	(33,363)	(14.3)%	(56,021)	(25.3)%	(148,655)	(47.6)%	(51,194)	(38.0)%	(38,805)	(15.8)%

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 Six Months Ended June 30,			
	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%	127,050	94.2%	239,757	97.5%
Delivery business	158	0.1%	10,225	4.6%	11,783	3.8%	6,030	4.5%	4,203	1.7%
Others	419	0.1%	1,911	0.9%	4,531	1.4%	1,740	1.3%	1,879	0.8%
Total	233,119	100.0%	221,411	100.0%	312,373	100.0%	134,820	100.0%	245,839	100.0%

As of June 30, 2022, our restaurant network had 103 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 Six Months Ended June 30,									
	2019					2020					2021					2021					2022				
	# of restaurants		Revenue		Average Revenue per Restaurant	# of restaurants		Revenue		Average Revenue per Restaurant	# of restaurants		Revenue		Average Revenue per Restaurant	# of restaurants		Revenue		Average Revenue per Restaurant	# of restaurants		Revenue		Average Revenue per Restaurant
	(US$ in thousands, except for number of restaurants)																								
																(Unaudited)									
Southeast Asia	20	52.6%	128,933	55.4%	6,447	39	52.7%	136,263	65.1%	3,494	55	58.5%	165,942	56.1%	3,017	48	55.8%	77,376	60.9%	1,612	61	59.2%	146,329	61.0%	2,399
East Asia	10	26.3%	49,910	21.5%	4,991	17	23.0%	34,309	16.4%	2,018	17	18.1%	37,251	12.6%	2,191	17	19.8%	16,679	13.1%	981	17	16.5%	25,218	10.5%	1,483
North America	6	15.8%	37,888	16.3%	6,315	13	17.6%	25,203	12.0%	1,939	16	17.0%	68,064	23.0%	4,254	16	18.6%	21,882	17.2%	1,368	17	16.5%	47,197	19.7%	2,776
Others[1]	2	5.3%	15,811	6.8%	7,906	5	6.7%	13,500	6.5%	2,700	6	6.4%	24,802	8.3%	4,134	5	5.8%	11,113	8.8%	2,223	8	7.8%	21,013	8.8%	2,627
Total	**38**	**100.0%**	**232,542**	**100.0%**	**6,120**	**74**	**100.0%**	**209,275**	**100.0%**	**2,828**	**94**	**100.0%**	**296,059**	**100.0%**	**3,150**	**86**	**100.0%**	**127,050**	**100.0%**	**1,477**	**103**	**100.0%**	**239,757**	**100.0%**	**2,328**

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 Six Months Ended June 30,	
	2019	**2020**	**2021**	**2021**	**2022**
			(US$ in thousands)		
				(Unaudited)	
Government grants	191	8,154	17,455	6,482	4,604
Interest income on:					
Bank deposits	401	112	61	27	42
Rental deposits	273	419	618	284	278
Loans to related parties	137	343	689	326	224
Other financial assets	–	14	127	109	41
Others	395	102	508	103	298
Total	**1,397**	**9,144**	**19,458**	**7,331**	**5,487**

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 six months ended June 30, 2021 and 2022, our raw materials and consumables used amounted to US$81.3 million, US$79.0 million, US$113.8 million, US$47.7 million and US$86.7 million, respectively, representing 34.9%, 35.7%, 36.4%, 35.4% and 35.3% 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 Six Months Ended June 30,	
	2019	2020	2021	2021	2022
	(US$ in thousands)				
				(Unaudited)	
Food ingredient costs	62,632	58,550	92,592	39,662	76,287
Consumables	15,730	18,227	17,388	6,552	8,561
Others	2,925	2,266	3,780	1,521	1,813
Total raw materials and consumables used	**81,287**	**79,043**	**113,760**	**47,735**	**86,661**

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 six months ended June 30, 2021 and 2022, our staff costs amounted to US$112.2 million, US$100.4 million, US$143.3 million, US$63.7 million and US$90.5 million, respectively, representing 48.1%, 45.4%, 45.9%, 47.2% and 36.8% 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. The following table sets forth a breakdown of our staff costs for the period indicated.

	For the Year Ended December 31,			For the Six Months Ended June 30,	
	2019	2020	2021	2021	2022
	(US$ in thousands)				
				(Unaudited)	
Salaries and other allowance	102,951	90,710	131,298	58,415	83,115
Employee welfare	3,800	3,454	3,640	1,778	1,909
Retirement benefit scheme contribution	5,423	6,266	8,405	3,493	5,437
Total staff costs	**112,174**	**100,430**	**143,343**	**63,686**	**90,461**

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 six months ended June 30, 2021 and 2022, our rentals and related expenses amounted to US$2.3 million, US$1.1 million, US$6.6 million, US$3.3 million and US$5.6 million, respectively, representing 1.0%, 0.5%, 2.1%, 2.4% and 2.3% 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 six months ended June 30, 2021 and 2022, our utilities expenses amounted to US$7.0 million, US$7.8 million, US$11.0 million, US$5.1 million and US$8.9 million, respectively, representing 3.0%, 3.5%, 3.5%, 3.8% and 3.6% 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, freehold land, machinery, transportation equipment, furniture and fixtures and renovation in progress and right-of-use assets. For the years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2021 and 2022, our depreciation and amortization amounted to US$32.3 million, US$50.8 million, US$69.9 million, US$33.7 million and US$33.3 million, respectively, equivalent to 13.9%, 22.9%, 22.4%, 25.0% and 13.6% of our revenue for the respective year/period. The increase of our depreciation and amortization as a percentage of revenue from 13.9% in 2019 to 22.9% in 2020, 22.4% in 2021 and 25.0% in the six months ended June 30, 2021 primarily because our depreciation and amortization was in nature a relatively fixed cost item, whereas our revenue in 2020 and 2021 was significantly affected by the COVID-19 pandemic. In line with our business recovery from the COVID-19 pandemic, depreciation and amortization as a percentage of revenue decreased to 13.6% in the six months ended June 30, 2022.

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 six months ended June 30, 2021 and 2022, our travelling and communication expenses amounted to US$4.2 million, US$2.4 million, US$2.7 million, US$1.1 million and US$2.4 million, respectively.

Listing Expenses

In the first half of 2022, we incurred US$3.3 million listing expenses in relation to our proposed listing by way of introduction.

Other Expenses

Our other expenses comprised (i) administrative expenses, which mainly include office and daily operation expenses, commercial insurance we purchased for our operations, communication expenses and other miscellaneous expenses; (ii) consulting service expenses; (iii) bank charges; (iv) outsourcing service fees; 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$15.8 million and US$22.8 million for the years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 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 Six Months Ended June 30,	
	2019	**2020**	**2021**	**2021**	**2022**
	(US$ in thousands)				
				(Unaudited)	
Administrative expenses	7,882	11,866	19,681	4,968	8,158
Consulting services expenses	5,684	6,851	7,594	4,882	4,231
Bank charges	3,525	3,273	5,757	2,368	3,902
Outsourcing service fee	1,065	2,202	2,418	1,181	2,536
Others	2,810	4,123	6,279	2,399	3,923
Total	**20,966**	**28,315**	**41,729**	**15,798**	**22,750**

Administrative Expenses

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

	For the Year Ended December 31,			For the Six Months Ended June 30,	
	2019	**2020**	**2021**	**2021**	**2022**
	(US$ in thousands)				
				(Unaudited)	
Office and daily operation expenses	5,428	8,566	13,913	3,156	5,952
Insurance expenses	403	704	1,265	425	543
Communication expenses	291	544	951	333	387
Others	1,760	2,052	3,552	1,054	1,276
Total	**7,882**	**11,866**	**19,681**	**4,968**	**8,158**

Generally, our administrative expenses increased during the Track Record Period which is in line with the expansion of our business scale and restaurant network. As a percentage of revenue, our administrative expenses increased from 3.4% in 2019 to 5.4% in 2020 and further increased to 6.3% in 2021 primarily because we incurred more administrative expenses as we expanded our restaurant network whereas our revenue generated from these new restaurants was affected by the COVID-19 pandemic.

Consulting service expenses

Our consulting service expenses primarily represent (i) tax, legal and other service fees in different countries we incurred for our restaurant operations; (ii) consulting service fees we paid to our mystery guests; (iii) service fees we paid in relation to lease negotiations, decoration project management which were incurred in the ordinary and usual course of our business. As a restaurant brand operating in multiple jurisdictions, our consulting service expenses are largely dependent on our business scale and commensurate with the scope of the services provided. As such, the increase in our consulting service expenses during the Track Record Period was generally in line with our restaurant network expansion.

Outsourcing service fees

Our outsourcing service fees primarily represent the fees we paid to third party human resource providers we engaged for part-time restaurant staff. The growth of our outsourcing service fees from US$1.1 million in 2019 to US$2.2 million in 2020 and US$2.4 million in 2021 was primarily due to our restaurant expansion and the growth of our outsourcing service fees from US$1.2 million in the six months ended June 30, 2021 to US$2.5 million in the six months ended June 30, 2022 was primarily attributable to our business recovery from the COVID-19 pandemic.

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) 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; (iii) loss/gain on modification of leases, which represented reversals of right of use assets and lease liabilities in relation to the termination of leases for restaurants we decided to suspend the opening of; (iv) net foreign exchange gain or loss, which fluctuated from year-to-year/period-to-period based on exchange rate movements. The fluctuation of net foreign exchange gain (loss) during the Track Record Period was mainly due to the fluctuations in the US dollar exchange rate to various currencies; (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 Six Months Ended June 30,	
	2019	**2020**	**2021**	**2021**	**2022**
	(US$ in thousands)				
				(Unaudited)	
Impairment loss recognized in respect of:					
– property, plant and equipment	–	(2,810)	(31,852)	(5,147)	(6,773)
– right-of-use assets	–	(2,849)	(31,203)	(3,716)	(2,361)
	–	(5,659)	(63,055)	(8,863)	(9,134)
Loss on disposal of property, plant and equipment and termination of leases, net	(170)	(164)	(1,037)	(16)	(8,446)
(Loss) gain on modification of leases	–	–	(236)	–	2,807
Net foreign exchange gain (loss)	1,311	7,283	(13,175)	(6,923)	(27,565)
Net gain (loss) arising on financial assets at FVTPL	–	–	422	459	(217)
Others	550	537	3,811	848	1,334
Total	**1,691**	**1,997**	**(73,270)**	**(14,495)**	**(41,221)**

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$8.9 million and US$9.1 million in 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022, respectively. 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 I—Accountants' Report."

Prior to the COVID-19 pandemic, we did not recognize impairment loss for any of our restaurants in 2019. Due to the COVID-19 pandemic, the performance of our restaurants deteriorated, especially for new restaurants we opened as it generally took longer for new restaurants to ramp up during the COVID-19 pandemic. 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 as we recognized impairment loss for four restaurants in operation in 2020 due to the impact of the COVID-19 pandemic. The impairment loss we recognized further increased to US$63.1 million in 2021 as we recognized impairment loss for 36 restaurants in operation in 2021 as a number of newly opened restaurants showed impairment indicators as of year-end 2021 as well as the continued impact of the COVID-19 pandemic on restaurant performance. In the six months ended June 30, 2022, we recognized impairment loss of US$9.1 million for nine restaurants in operation and seven planned restaurants that we decided to terminate. The carrying amount of property, plant and equipment and right-of-use assets after taking into account the accumulated impairment losses with respect to the restaurants we recognized impairment loss during the year/period amounted to US$17.3 million, US$80.4 million, and US$12.2 million as of December 31, 2020, 2021 and June 30, 2022, respectively. As of the Latest Practicable Date, except for one restaurant in Japan that we closed in 2021, seven planned restaurants that we decided to terminate in the six months ended June 30, 2022 and five restaurants in Japan and Thailand that we temporarily closed, all the restaurants we made impairment provision for during the Track Record Period were in operation. Most of the restaurants we made impairment provision for are located in East Asia and North America. In 2020, 2021 and the six months ended June 30, 2022, gross revenue[i] generated from these restaurants we recognized impairment loss during the year/period amounted to US$10.3 million, US$84.5 million and US$10.1 million, respectively.

Note:

(i) Gross revenue represents the amount generated from restaurant operation and delivery business before the adjustment of customer loyalty program.

When making impairment assessment, our Directors will first determine whether a restaurant shows indications for impairment. We consider our restaurants to show indications for impairment based on a number of factors, including (i) their performance for the past 12 months; (ii) their table turnover rates; (iii) whether their performance has shown any indication of improvements and (iv) the ramp-up period, among others. If our Directors concluded that a restaurant shows indications for impairment, we will estimate the recoverable amount of such restaurant, which is determined based on value in use calculation. That calculation uses discounted cash flow projections based on our financial budgets covering the remaining lease periods which are between 1 to 5 years with pre-tax discount rates ranging from 7.0% to 18.5%, 7.0% to 23.0%, 6.8% to 17.0% and 6.3% to 26.46% as at December 31, 2019, 2020 and 2021 and June 30, 2022, respectively, which varies in restaurants operated in different countries. Cash flows beyond the 5-year period for those restaurants with remaining lease terms more than 5 years are extrapolated using a steady 0% to 3% growth rate. Other key assumptions for the value in use calculations related to the estimation of cash inflows/outflows included revenue growth rate and average percentage of costs and operating expenses of revenue for the forecast periods, which are based on each restaurant's past performance and the management's expectations for the market development. In particular, the revenue growth rate and discount rates have been assessed taking into consideration the higher degree of estimation uncertainties in relation to the COVID-19 pandemic and the volatility in financial markets, including potential disruptions of our restaurant operations. Based on these assessments, if we determine that the recoverable amounts of a certain restaurant is lower than the carrying amount, we will allocate impairment loss to each category of property, plant and equipment and right-of-use assets such that the carrying amount of each category of asset is not reduced below the highest of its fair value less cost of disposal, its value in use and zero. Considering the above, our Directors are of the view that the provision we made for these restaurants have taken into account key financial and operational performance indicators of our restaurants and are based on reasonable and prudent assumptions. Therefore, the impairment loss we recorded is adequate during the Track Record Period.

Starting from early 2022, we experienced a gradual recovery in our revenue from restaurant operations as the COVID-19 pandemic gradually alleviates. Therefore, we determined that most of our restaurants will not show indications of additional impairment for the second half of 2022.

During the Track Record Period, we terminated the planned opening of eight restaurants in the United States, Canada and the United Kingdom, as we consider it may take longer period for restaurants in these regions to ramp up in light of the performance of our existing restaurants in these regions, local consumption levels and the local COVID-19 situations. Total costs and expenses associated with the termination of these restaurants amounted to US$13.4 million. We are also actively evaluating the performance of our existing restaurants and may temporarily or permanently close our existing restaurants if the performance of our restaurants, including their table turnover rates and profitability , are unsatisfactory. We will also assess local commercial potentials, consumption levels and the COVID-19 situations to determine whether the restaurant performance can be improved. If so, we will temporarily close our restaurants and re-open them once we believe their performance can turnaround after re-opening. Otherwise, we will permanently close our restaurants. During the Track Record Period, we had decided to temporarily close five restaurants in Japan and Thailand and permanently close three restaurants in Japan and South Korea. With respect to the temporary closure of these restaurants, we will continue to incur a number of ongoing costs, such as rental costs, staff costs and depreciation and amortizations. The total amount incurred for these temporary restaurant closures amounted to US$4.9 million during the Track Record Period. After a restaurant is temporarily closed, the senior regional manager shall continue to monitor the performances of other restaurants in the same region. If the senior regional manager decides that the restaurant shall be re-opened, he will then prepare a financial forecast report for the restaurant, which shall be subject to approval by business, finance, legal and human resource departments of our headquarters. We have decided to re-open temporarily closed restaurants in Japan. Currently, we have re-opened three restaurants in Japan and we plan to re-open the other restaurant in Japan that had been temporarily closed by the first quarter of 2023. As of the Latest Practicable Date, we did not have any concrete plan to re-open the restaurant in Thailand as we are still evaluating the business prospects and conditions of this restaurant and its location and we will re-open this restaurant once we believe that it can turnaround its performance after re-opening.

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 six months ended June 30, 2021 and 2022, our finance costs amounted to US$8.2 million, US$14.4 million, US$19.2 million, US$9.2 million and US$8.4 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 Six Months Ended June 30,	
	2019	2020	2021	2021	2022
	(US$ in thousands)				
				(Unaudited)	
Interests on lease liabilities	4,931	7,500	9,111	4,308	4,341
Interests on loans from related parties	2,763	6,542	9,581	4,695	3,836
Interests on bank borrowings	344	188	153	25	95
Interests charge on unwinding of discounts	151	207	313	133	152
Total	8,189	14,437	19,158	9,161	8,424

Income Tax Expense

For the years ended December 31, 2019, 2020 and 2021, our income tax expense amounted to US$0.8 million, US$2.0 million and US$1.2 million, respectively. For the six months ended June 30, 2021 and 2022, we recorded income tax credit of US$0.3 million and income tax expenses of US$4.0 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 six months ended June 30, 2022, respectively.

DISCUSSION OF HISTORICAL OPERATING RESULTS

Six Months Ended June 30, 2022 Compared to Six Months Ended June 30, 2021

Revenue

Our revenue increased significantly by 82.3% from US$134.8 million for the six months ended June 30, 2021 to US$245.8 million for the six months ended June 30, 2022, primarily reflecting a US$112.7 million increase in revenue from restaurant operations.

Restaurant Operations

Revenue from restaurant operations increased significantly by 88.7% from US$127.1 million for the six months ended June 30, 2021 to US$239.8 million for the six months ended June 30, 2022, mainly because (i) many local governments have eased restrictive measures for COVID-19, 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 decreased by 30.3% from US$6.0 million for the six months ended June 30, 2021 to US$4.2 million for the six months ended June 30, 2022, primarily because many local governments have lifted or eased restrictive measures on dining-in and social gatherings and therefore more guests prefer to dine in at our restaurants.

Others

Others mainly represented revenue generated from our sales of hot pot condiment products to local guests and food ingredients to retailers. It remained relatively stable at US$1.7 million and US$1.9 million in the six months ended June 30, 2021 and 2022.

Other Income

Our other income decreased from US$7.3 million for the six months ended June 30, 2021 to US$5.5 million for the six months ended June 30, 2022, mainly due to a decrease of US$1.9 million in government grants. This is because local governments ceased or reduced the provision of COVID-19 related subsidies in the first half of 2022 as the pandemic came under control.

Raw Materials and Consumables Used

Our raw materials and consumables used increased from US$47.7 million for the six months ended June 30, 2021 to US$86.7 million for the six months ended June 30, 2022, mainly reflecting (i) a US$36.6 million increase in food ingredients; and (ii) a US$2.0 million increase in consumables, as a result of our business recovery from the COVID-19 pandemic. As a percentage of revenue, the percentage of our raw materials and consumables used remained stable at 35.4% and 35.3% in the six months ended June 30, 2021 and 2022.

Staff Costs

Our staff costs increased from US$63.7 million for the six months ended June 30, 2021 to US$90.5 million for the six months ended June 30, 2022. Such increase was primarily due to a US$24.7 million increase in salaries and other allowance, mainly we hired more employees in line with our restaurant network expansion, as well as the increase of piece rate wages for our employees as we gradually recovered from the COVID-19 pandemic, and a US$1.9 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 47.2% for the six months ended June 30, 2021 to 36.8% for the six months ended June 30, 2022 primarily reflected our revenue growth as a result of our business recovery from the COVID-19 pandemic our efforts in optimizing staff efficiency during the pandemic, resulting in a decrease in average number of employees per restaurant from 77 in 2021 to 68 in the six months ended June 30, 2022.

Rentals and Related Expenses

Our rentals and related expenses increased from US$3.3 million for the six months ended June 30, 2021 to US$5.6 million for the six months ended June 30, 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$5.1 million for the six months ended June 30, 2021 to US$8.9 million for the six months ended June 30, 2022, which was primarily due to our restaurant network expansion and, to a lesser extent, the global energy inflation. As a percentage of revenue, our utilities expenses decreased from 3.8% in the six months ended June 30, 2021 to 3.6% in the six months ended June 30, 2022, primarily attributable to our revenue growth as we gradually recovered from the pandemic, partially offset by the global energy inflation.

Depreciation and Amortization

Our depreciation and amortization remained relatively stable at US$33.7 million and US$33.3 million for the six months ended June 30, 2021 and 2022, respectively.

Travelling and Communication Expenses

Our travelling and communication expenses increased from US$1.1 million for the six months ended June 30, 2021 to US$2.4 million for the six months ended June 30, 2022, primarily because our international business travel increased as many countries lifted travel restrictions.

Listing Expenses

In the first half of 2022, we incurred US$3.3 million listing expenses in relation to our proposed listing by way of introduction.

Other Expenses

Our other expenses increased from US$15.8 million for the six months ended June 30, 2021 to US$22.8 million for the six months ended June 30, 2022, mainly due to (i) a US$3.2 million increase in administrative expenses, which was in line with our restaurant network expansion; (ii) a US$1.5 million increase in bank charges; and (iii) a US$1.4 million increase in outsourcing service fee.

Other Gains and Losses

Our other losses increased from US$14.5 million for the six months ended June 30, 2021 to US$41.2 million for the six months ended June 30, 2022, mainly due to (i) a US$20.6 million increase in net foreign exchange loss, primarily due to the fluctuations in the US dollar exchange rate to various currencies; and (ii) a US$8.4 million increase in net loss on disposal of property, plant and equipment and termination of leases, in relation to the termination of certain planned new restaurant openings.

Finance Costs

Our finance costs decreased from US$9.2 million to US$8.4 million for the six months ended June 30, 2021 and 2022, respectively primarily due to a decrease of US$0.9 million in interests on loans from related parties as a substantial amount of the loans we obtained from Haidilao International Group was settled in June 2022.

Income Tax Expense

We recorded negative income tax expense of US$0.3 million for the six months ended June 30, 2021 and income tax expenses of US$4.0 million for the six months ended June 30, 2022.

Loss for the Period

As a result of the foregoing, our loss for the period increased from US$51.5 million for the six months ended June 30, 2021 to US$55.7 million for the six months ended June 30, 2022.

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

Revenue

Our revenue increased by 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 consolidated statements of financial position indicated.

	As of December 31,			As of June 30,
	2019	2020	2021	2022
	(US$ in thousands)			
NON-CURRENT ASSETS				
Property, plant and equipment	126,655	211,096	194,978	188,874
Right-of-use assets	128,838	236,712	202,020	174,987
Other intangible assets	294	398	375	402
Deferred tax assets	29	66	144	137
Other financial assets	–	8,033	4,244	–
Prepayment for acquisition of a subsidiary	–	–	–	1,629
Rental deposits	11,856	16,620	18,230	15,053
Total non-current assets	267,672	472,925	419,991	381,082
CURRENT ASSETS				
Inventories	7,498	12,107	16,709	19,317
Trade and other receivables and prepayments	10,790	19,695	30,253	24,131
Amounts due from related parties	72,830	39,257	29,383	276
Rental deposits	26	22	930	1,960
Financial assets at FVTPL	–	–	36,074	336
Other financial assets	–	3,565	500	–
Pledged bank deposits	2,169	2,450	3,337	3,136
Bank balances and cash	36,327	51,564	89,546	122,942
Total current assets	129,640	128,660	206,732	172,098

	As of December 31,			As of June 30,
	2019	**2020**	**2021**	**2022**
	(US$ in thousands)			
CURRENT LIABILITIES				
Trade payables	18,921	22,216	26,549	31,444
Other payables	18,680	22,768	24,128	25,695
Amounts due to related parties	234,541	366,641	500,562	27,925
Tax payable	990	1,998	2,294	2,574
Lease liabilities	19,573	29,819	36,655	34,094
Bank borrowings	3,118	6,710	3,111	74
Contract liabilities	2,345	2,573	2,800	2,285
Provision	–	–	515	7,232
Total current liabilities	298,168	452,725	596,614	131,323
NET CURRENT (LIABILITIES) ASSETS	(168,528)	(324,065)	(389,882)	40,775
Total assets less current liabilities	99,144	148,860	30,109	421,857
NON-CURRENT LIABILITIES				
Deferred tax liabilities	104	958	1,127	1,411
Lease liabilities	104,515	206,108	206,539	178,714
Bank borrowings	–	864	688	546
Provisions	5,185	7,900	8,937	7,325
Total non-current liabilities	109,804	215,830	217,291	187,996
NET (LIABILITIES) ASSETS	(10,660)	(66,970)	(187,182)	233,861

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$19.3 million as of June 30, 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 2019, 2020 and 2021 and the six months ended June 30, 2022 was 23.6 days, 44.6 days, 45.6 days and 37.4 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 half-year inventory turnover days equals the average of the beginning and ending inventories for the period divided by raw materials and consumables used for the period and multiplied by 180 days. The decrease in our inventory turnover days in the six months ended June 30, 2022 was primarily attributable to the higher level of inventories consumed as we gradually recovered from the COVID-19 pandemic.

As of November 30, 2022, we have subsequently settled US$16.9 million, or 87.5% of our inventories as of June 30, 2022.

Prepayment for Acquisition of a Subsidiary

As of June 30, 2022, we incurred US$1.6 million prepayment for acquisition of a subsidiary, which is in relation to the Hao Noodle Acquisition.

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) 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; (iv) interest receivables in relation to the financial products we had; and (v) 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 June 30,
	2019	2020	2021	2022
	(US$ in thousands)			
Trade receivables	3,858	3,919	6,334	4,011
Other receivables and prepayments:				
Prepayments to suppliers	5,297	9,408	18,413	16,651
Input value-added tax to be deducted	599	3,696	2,212	1,019
Interest receivables	–	75	38	–
Others	1,036	2,597	3,256	2,450
Subtotal	*6,932*	*15,776*	*23,919*	*20,120*
Total trade and other receivables and prepayments	10,790	19,695	30,253	24,131

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 June 30, 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 six months ended June 30,
	2019	2020	2021	2022
	(US$ in thousands, except for days)			
0 to 30 days	3,858	3,919	6,334	4,011
Trade receivables turnover days(1)	5.7	6.3	5.9	3.8

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/180 days.

Our trade receivables amounted to US$3.9 million, US$3.9 million, US$6.3 million and US$4.0 million as of December 31, 2019, 2020 and 2021 and June 30, 2022, which is generally in line with our revenue in that year/period. Our trade receivable turnover days were 5.7 days, 6.3 days, 5.9 days and 3.8 days in 2019, 2020, 2021 and the six months ended June 30, 2022, respectively.

As of November 30, 2022, all of our trade receivables as of June 30, 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 a US$9.0 million increase in prepayment to suppliers, 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 decreased from US$23.9 million as of December 31, 2021 to US$20.1 million as of June 30, 2022, primarily due to a US$1.8 million decrease in prepayment to suppliers and a US$1.2 million decrease in input value-added tax to be deducted, reflecting the increased revenue we generated in the first half of 2022 as we gradually recover from the COVID-19 pandemic and a US$0.8 million decrease in other receivables and prepayments.

As of November 30, 2022, we have subsequently settled US$15.2 million, or 75.7% of our other receivables and prepayments as of June 30, 2022.

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 June 30,
	2019	2020	2021	2022
	(US$ in thousands)			
Private fund investment	–	–	36,074	336
Analyzed as:				
Current	–	–	36,074	336

These financial products were short term and non-principal protected investments with no predetermined or guaranteed return.

The fair value measurement of these financial assets are categorized as level 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs. Level 3 inputs are unobservable inputs for the asset or liability. In relation to their valuation, our Directors adopted the following procedures: (i) reviewed the terms of the relevant agreements; and (ii) reviewed the fair value valuation results provided by the asset management company. Based on the above procedures, our Directors are of the view that such valuation is fair and reasonable and the financial statements of our Group are properly prepared.

Details of the fair value measurement of financial assets at FVTPL, particularly the fair value hierarchy, the valuation techniques and key inputs, including significant unobservable inputs, the relationship of unobservable inputs to fair value and reconciliation of level 3 measurements are disclosed in Note 37 to the Historical Financial Information of the Group for the Track Record Period as set out in the accountants' report issued by the Reporting Accountants in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Report on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants in Appendix I. The reporting accountants' opinion on the Historical Financial Information of the Group for the Track Record Period as a whole is set out on I-2-A of Appendix I to this listing document.

In relation to the valuation analysis performed by the Directors on the above financial assets, the Joint Sponsors have conducted relevant due diligence work, including but not limited to, (i) review of relevant notes in the Accountant's Report as contained in Appendix I; and (ii) discussed with the Company about the key basis and assumptions for the valuation of such financial assets; and (iii) discussed with the Reporting Accountant to understand the work they have performed in relation to the valuation of the level 3 financial instruments for the purpose of reporting on the historical financial information, as a whole, of the Group. Having considered the work done by the Directors and Reporting Accountant and the relevant due diligence done as stated above, nothing has come to the Joint Sponsors' attention that would reasonably cause the Joint Sponsors to disagree with the Directors' view that the valuation analysis performed is fair and reasonable.

Other Financial Assets

As of December 31, 2019, 2020 and 2021 and June 30, 2022, we held debt investments amounting to nil, US$11.6 million, US$4.7 million and nil, 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 June 30,
	2019	2020	2021	2022
	(US$ in thousands)			
Debt instrument at amortized cost	–	11,598	4,744	–
Analyzed as:				
Current	–	3,565	500	–
Non-current	–	8,033	4,244	–
Total	–	11,598	4,744	–

Management Procedures

We invested in such financial assets during the Track Record Period because we believe short-term investment is able to generate us at a yield higher than current deposit bank interest rates, with an emphasis on capital preservation. We normally will only purchase financial assets that are principal-guaranteed and are managed by reputable asset management companies or banks. Our investment decisions are made on a case-by-case basis and after 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. Our finance team is responsible for conducting due diligence and formulating risk analysis reports. Financial assets approved by our finance team are then submitted to our headquarters for final review. Our finance department closely monitors the performance of the products we purchased on a regular basis and reports any unusual activities to our headquarters to take immediate actions to prevent or minimize losses. We do not allow any financial assets to be purchased from personal accounts.

We have established a set of investment policies and internal control measures to achieve reasonable returns on our idle cash while mitigating our exposure to investment risks. Our purchase plan for wealth management products is prepared by our finance department based on our capital conditions, and approved by our director of finance and the vice general manager. In addition, our financial department is also responsible to ensure the compliance of the investments in financial assets comply with Chapter 14 of the Listing Rules. We have established a set of investment policies and internal control measures to achieve reasonable returns on our investments of wealth management products while mitigating our exposure to investment risks. These policies and measures primarily include:

- Our finance department is responsible for selecting and monitoring the performance of financial products. We generally designate qualified personnel in our finance department to work on the investment of financial products. The investment decisions of our finance department are subject to the approval of our senior management team. In general, we only allow making investments to principal-guaranteed structured deposits or other wealth management products with low investment risk;

- Our Board is responsible for overseeing all the investment decisions and evaluating the reasons for the investment and will conduct periodic review on the liquidity and interest income of our investments. In particular, any investment exceeds 5% of our total assets shall be subject to the approval from our chief executive officer and the Board;

- We make investment decisions based on our estimated capital requirements in the near future and our annual financial forecast, taking into account the term, expected returns and risks of the financial products; and

- We periodically assess the liquidity, capital structure and investments position of our Group and make capital expenditure arrangement and cash flow forecast. We also regularly analyze the difference between our actual cash outflow and our cash flow forecast or our budget and make investment decisions based on such assessment and analysis results accordingly.

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 June 30, 2022, our pledged bank deposits decreased to US$3.1 million, primarily 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$122.9 million as of December 31, 2019, 2020 and 2021 and June 30, 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. Most of our trade payables have a credit term of 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 June 30,
	2019	2020	2021	2022
	(US$ in thousands, except for days)			
Within 60 days	18,624	22,081	26,549	31,444
61 to 180 days	242	135	–	–
More than 181 days	55	–	–	–
Total	18,921	22,216	26,549	31,444
Trade payable turnover days[1]	57.4	93.7	77.2	60.2

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/180 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 increased from US$26.5 million as of December 31, 2021 to US$31.4 million as of June 30, 2022, as we purchase more raw materials to support our restaurant operations.

Our trade payable turnover days were 57.4 days, 93.7 days, 77.2 days and 60.2 days in 2019, 2020, 2021 and the six months ended June 30, 2022, respectively. The increase of our trade payable turnover days from 2019 to 2020 was mainly because it generally took us longer to settle our trade payables during the COVID-19 pandemic. The decrease of our trade payables turnover days from 2020 to the first half of 2022 was mainly because we strengthened control over the settlement of our trade payables.

As of November 30, 2022, US$27.3 million, or 86.7% of our trade payables as of June 30, 2022 were subsequently settled.

Other Payables

Our other payables primarily consisted of (i) staff costs payable; (ii) other taxes payable; (iii) renovation fee payables; (iv) listing expense payables; and (v) others, mainly representing payables to suppliers for miscellaneous expenditures. The following table set forth the details of our other payables as of the date indicated.

	As of December 31,			As of June 30,
	2019	**2020**	**2021**	**2022**
	(US$ in thousands)			
Staff cost payable	11,681	11,657	16,183	14,542
Other taxes payable	3,477	2,800	4,446	4,038
Renovation fee payables	2,225	1,461	266	195
Listing expense payables	–	–	–	2,574
Others	1,297	6,850	3,233	4,346
Total	18,680	22,768	24,128	25,695

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 payables to suppliers for miscellaneous expenditures, 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 payables to suppliers for miscellaneous expenditures.

Our other payables increased from US$24.1 million as of December 31, 2021 to US$25.7 million as of June 30, 2022, primarily due to listing expenses payables of US$2.6 million and a US$1.1 million increase in other payables, partially offset by (i) a US$1.6 million decrease in staff cost payable; and (ii) a US$0.4 million decrease in other taxes payables.

Contract Liabilities

Our contract liabilities represented award credits that our guests have accumulated but not yet redeemed or expired in relation to our customer loyalty program, prepaid cards and issued vouchers and advances from customers. Our contract liabilities remained relatively stable at US$2.3 million, US$2.6 million, US$2.8 million, US$2.3 million as of December 31, 2019, 2020 and 2021 and June 30, 2022, respectively.

As of November 30, 2022, US$1.5 million, or 67.4% of our contract liabilities as of June 30, 2022 had been recognized as revenue.

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 June 30,	As of October 31,
	2019	2020	2021	2022	2022
	(US$ in thousands)				
					(Unaudited)
CURRENT ASSETS					
Inventories	7,498	12,107	16,709	19,317	22,868
Trade and other receivables and prepayments	10,790	19,695	30,253	24,131	24,810
Amounts due from related parties	72,830	39,257	29,383	276	98
Rental deposits	26	22	930	1,960	672
Financial assets at FVTPL	–	–	36,074	336	336
Other financial assets	–	3,565	500	–	–
Pledged bank deposits	2,169	2,450	3,337	3,136	3,944
Bank balances and cash	36,327	51,564	89,546	122,942	88,215
Total current assets	129,640	128,660	206,732	172,098	140,943

	As of December 31,			As of June 30,	As of October 31,
	2019	2020	2021	2022	2022
	(US$ in thousands)				
					(Unaudited)
CURRENT LIABILITIES					
Trade payables	18,921	22,216	26,549	31,444	27,851
Other payables	18,680	22,768	24,128	25,695	32,142
Amounts due to related parties	234,541	366,641	500,562	27,925	724
Tax payable	990	1,998	2,294	2,574	3,927
Lease liabilities	19,573	29,819	36,655	34,094	32,948
Bank borrowings	3,118	6,710	3,111	74	68
Contract liabilities	2,345	2,573	2,800	2,285	2,049
Provision	–	–	515	7,232	5,332
Total current liabilities	298,168	452,725	596,614	131,323	105,041
NET CURRENT (LIABILITIES) ASSETS	(168,528)	(324,065)	(389,882)	40,775	35,902

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, 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. These loans provided to Haidilao restaurants in Hong Kong, Macau and Taiwan was primarily because prior to the Reorganization, Haidilao restaurants in the international market and Haidilao restaurants in Hong Kong, Macau and Taiwan were managed within the group and therefore the Company provided inner-group loans to support the daily operation of these restaurants. The total amount of the loan amounted to US$26.5 million with interest rate of either 2.64% or 3.14%. Except for one loan in the amount of US$1 million was repaid in May 2021, all of the remaining loans provided to Haidilao restaurants in Hong Kong, Macau and Taiwan were repaid in May 2022. 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. As such, we recorded net current assets of US$40.8 million as of June 30, 2022. For details, see "History, Reorganization and Corporate Structure—Reorganization" and "—Related Party Transactions."

Our net current assets amounted to US$35.9 million as of October 31, 2022. The decrease in our net current assets was primarily due to the decrease in our bank balances and cash as we use them to repay amounts due to related parties, settle acquisition consideration payables to related companies controlled by the Controlling Shareholders and support our daily operation and restaurant network expansion.

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

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 June 30, 2022, we had bank balances and cash of US$36.3 million, US$51.6 million, US$89.5 million and US$122.9 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 and US$499.8 million as of December 31, 2019, 2020 and 2021, 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. As of June 30, 2022, we had amounts due to related parties of a non-trade nature of US$15.6 million, which has been fully settled with cash by October 31, 2022.

- *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 experienced a gradual recovery in our restaurant business and we recorded net cash flow generated from operating activities of US$30.4 million in the six months ended June 30, 2022. We expect our business performance to continue to normalize and our cash flow position to further improve going forward as the COVID-19 pandemic continues to stabilize.

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 consolidated statements of cash flows for the period indicated.

	For the Year Ended December 31,			For the Six Months Ended June 30,
	2019	**2020**	**2021**	**2022**
	(US$ in thousands)			
Net cash from operating activities	16,529	2,757	4,382	30,361
Net cash (used in)/from investing activities	(146,379)	(91,822)	(87,464)	41,442
Net cash from/(used in) financing activities	147,749	109,752	108,502	(36,422)
Net increase in cash and cash equivalents	17,899	20,687	25,420	35,381
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	122,942

Operating Activities

For the six months ended June 30, 2022, our net cash generated from operating activities was US$30.4 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) net foreign exchange loss of US$27.6 million; (ii) depreciation of property, plant and equipment of US$17.7 million; (iii) depreciation of right-of-use assets of US$15.6 million; (iv) net loss on disposal of property, plant and equipment and termination of leases of US$8.4 million; (v) finance costs of US$8.4 million; and (vi) impairment loss recognized for property, plant and equipment of US$6.8 million. The amount was further adjusted by changes in working capital, including (i) a US$7.3 million increase in trade payables; (ii) a US$2.6 million increase in inventories; and (iii) a US$4.8 million decrease in trade and other receivables and prepayments. These changes in working capital are generally in line with our business recovery from the COVID-19 pandemic.

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 six months ended June 30, 2022, our net cash generated from investing activities was US$41.4 million, which was primarily attributable to (i) redemption of financial assets at FVTPL of US$35.9 million; (ii) collection of loans to related parties of US$29.3 million, which were mainly related to Haidilao restaurants in Hong Kong, Macau and Taiwan prior to the reorganization; and (iii) proceeds on redemption of other financial assets of US$4.7 million; partially offset by the purchase of property, plant and equipment of US$29.2 million for restaurants we planned to open.

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$15.7 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 six months ended June 30, 2022, our net cash used in financing activities was US$36.4 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$24.3 million and repayment of lease liabilities of US$18.2 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

As of October 31, 2022, being the latest practicable date for the purpose of the indebtedness statement below, our indebtedness amounted to US$201.6 million, which comprised of interest-bearing bank and non-trade nature amounts due to related parties and lease liabilities. As of the same date, we did not have any unutilized banking facilities. The table below sets forth our indebtedness as of the dates indicated.

	As of December 31,			As of June 30,	As of October 31,
	2019	**2020**	**2021**	**2022**	**2022**
			(US$ in thousands)		
					(Unaudited)
Bank borrowings	3,118	7,574	3,799	620	549
Non-trade nature amounts due to related parties	234,312	366,141	499,794	15,639	–
Lease liabilities	124,088	235,927	243,194	212,808	201,048
Total	361,518	609,642	746,787	229,067	201,597

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 June 30, 2022 and October 31, 2022, being the latest practicable date for purposes of the indebtedness statement, were as follows:

	As of December 31,			As of June 30,	As of October 31,
	2019	**2020**	**2021**	**2022**	**2022**
			(US$ in thousands)		
					(Unaudited)
Unguaranteed and unsecured	3,118	6,613	3,025	–	–
Guaranteed and unsecured	–	961	774	620	549
Total	3,118	7,574	3,799	620	549

	As of December 31,			As of June 30,	As of October 31,
	2019	2020	2021	2022	2022
	(US$ in thousands)				
					(Unaudited)
The carrying amount of the above bank borrowings are repayable:					
Within one year	3,118	6,710	3,111	74	68
Within a period of more than one year but not exceeding two years	–	97	87	74	68
Within a period of more than two years but not exceeding five years	–	767	601	472	413
Total	3,118	7,574	3,799	620	549

As of December 31, 2019, 2020 and 2021 and June 30, 2022 and October 31, 2022, our bank borrowings of nil, US$1.0 million, US$0.8 million, US$0.6 million and US$0.5 million, respectively, were guaranteed by the then legal representative of Haidilao Japan Co., Ltd., one of our subsidiaries. Such guarantee will not be released prior to the Listing as such guarantee was created per request of the bank in Japan. Considering that (i) Haidilao Japan Co., Ltd. is one of our wholly-owned subsidiaries, (ii) the then legal representative of Haidilao Japan Co., Ltd. does not hold any directorship or management position at the Retained Group or the Controlling Shareholders, and (iii) we have sufficient cash and bank balances to repay the bank borrowings, we believe the existence of such guarantee will not affect the financial independence of the Group from the Retained Group and/or the Controlling Shareholders.

As of December 31, 2019, 2020 and 2021 and June 30, 2022, we had nil, US$4.3 million, US$0.8 million, US$0.6 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 June 30, 2022, fixed-rate borrowings of US$0.6 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, variable-rate borrowings of US$3.0 million 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.

Non-trade nature amounts due to related parties

The following table set forth the details of non-trade nature amounts due to related parties as of the date indicated.

	As of December 31,			As of June 30,	As of October 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	–	–
Interest payables to related companies controlled by the Controlling Shareholders	2,751	1,894	1,219	932	–
Acquisition consideration payables to related companies controlled by the Controlling Shareholders	–	–	–	14,707	–
Total	234,312	366,141	499,794	15,639	–

Loans from related companies controlled by the Controlling Shareholders

As of December 31, 2019, 2020 and 2021, we obtained loans of US$231.6 million, US$364.2 million and US$498.6 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 and US$468.4 million from such loans were bore an interest rate of 2.00% to 3.00%, 2.00% to 3.14% and 2.00% to 3.90% per annum, 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$0.9 million as of December 31, 2019, 2020 and 2021 and June 30, 2022, respectively.

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 fully settled with cash by October 31, 2022.

Acquisition consideration payables to related parties controlled by the Controlling Shareholders

As of June 30, 2022, we had acquisition consideration payables to related companies controlled by the Controlling Shareholders in the amount of US$14.7 million, which represented the consideration payables arising from the Reorganization. Pursuant to the Reorganization, these payables were fully settled in July 2022.

Lease Liabilities

As of December 31, 2019, 2020 and 2021 and June 30, 2022 and October 31, 2022, we had lease liabilities of US$124.1 million, US$235.9 million, US$243.2 million, US$212.8 million and US$201.0 million (unaudited), respectively.

Save as disclosed in this section of the listing document, since June 30, 2022 and up to the date of this listing document, there has been no material change to our indebtedness. As of October 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 June 30, 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 June 30,
	2019	2020	2021	2022
		(US$ in thousands)		
Leasehold land and building	848	–	1,690	–
Freehold land	10,165	2,595	954	–
Leasehold improvements	3,171	16,236	4,137	12,782
Machinery	582	2,919	2,760	3,216
Transportation equipment	622	389	73	175
Furniture and fixture	1,689	7,025	14,200	991
Renovation in progress	66,408	79,925	42,371	11,965
Total	83,485	109,089	66,185	29,129

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 Six Months Ended June 30,
	2019	2020	2021	2022
	(US$ in thousands)			
Purchase of goods/services from related parties				
Purchase of condiment products and instant hot pot products	6,728	5,794	8,582	6,417
Interest expenses	2,763	6,542	9,581	3,836
Office expenses charges	57	225	261	224
Total	9,548	12,561	18,424	10,477
Income from related parties				
Interest income	137	343	689	224
Total	137	343	689	224

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 COVID-19 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 six months ended June 30, 2022, our purchase of condiment products and instant hot pot products from related parties amounted to US$6.4 million. For details of our arrangement with Yihai Group, see "Continuing Connected Transactions—Non-exempt 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. These loans provided to Haidilao restaurants in Hong Kong, Macau and Taiwan was primarily because prior to the Reorganization, Haidilao restaurants in the international market and Haidilao restaurants in Hong Kong, Macau and Taiwan were managed within the group and therefore the Company provided inner-group loans to support the daily operation of these restaurants for these restaurants. The total amount of the loan amounted to US$26.5 million with interest rate of either 2.64% or 3.14%. Except for one loan in the amount of US$1 million was repaid in May 2021, all of the remaining loans provided to Haidilao restaurants in Hong Kong, Macau and Taiwan were repaid in May 2022. 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 June 30,
	2019	2020	2021	2022
	(US$ in thousands)			
Amounts due from related parties				
Trade nature				
Prepayments for goods made to related companies controlled by the Controlling Shareholders	23	87	277	276
Non-trade nature				
Loans to related companies controlled by the Controlling Shareholders	72,807	39,170	29,106	–
Total	72,830	39,257	29,383	276
Amounts due to related parties				
Trade nature				
Amounts payable to related companies controlled by the Controlling Shareholders	229	500	768	12,286
Non-trade nature				
Loans from related companies controlled by the Controlling Shareholders	231,561	364,247	498,575	–
Interest payables to related companies controlled by the Controlling Shareholders	2,751	1,894	1,219	932
Acquisition consideration payables to related companies controlled by the Controlling Shareholders	–	–	–	14,707
Total	234,541	366,641	500,562	27,925

Amounts Due From Related Parties

As of December 31, 2019, 2020 and 2021 and June 30, 2022, our amounts due from related parties of a trade nature amounted to US$23,000, US$87,000, US$277,000 and US$276,000, 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 June 30, 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 nil, 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. As advised by our Singapore Legal Advisors, the provision of these loans, which were governed by Singaporean laws, comply with the applicable laws and regulations in Singapore in all material respects including, amongst others, the arm's length principle required in determining the interest rate applicable to each such loans as prescribed by the Inland Revenue Authority of Singapore. To the best knowledge of the Directors of the company, we have not been subject to any current or pending investigation, fine and/or penalty, nor did we receive any notification or letters in relation to the same, by any regulatory or investigation body having competent jurisdiction in relation to the provision of such related party loans during the Track Record Period and as of the Latest Practicable Date, and there are no current or pending investigations in relation to the same. Our Directors are also not aware of any breach with respect to any legal restrictions or requirements under any applicable laws in relation to the provision of such related party loans. Considering the above, our Directors are of the view that the provision of such loan is in compliance with the applicable laws and regulations. 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 June 30, 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$12.3 million, respectively. They primarily represented the amounts arising from the purchase of condiment products and food ingredients from Yihai Group and Haidilao International Group, which had a credit terms of 30 to 90 days.

As of December 31, 2019, 2020 and 2021 and June 30, 2022, we had amounts due to related parties of US$234.3 million, US$366.1 million, US$499.8 million and US$15.6 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 39 to "Appendix I—Accountants' Report." The remaining portion of the amount due to related parties of a non-trade nature has been fully settled with cash by October 31, 2022.

FINANCIAL RATIOS

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

	As of December 31,			As of June 30,
	2019	2020	2021	2022
Current ratio(1)	0.43	0.28	0.35	1.31
Quick ratio(2)	0.41	0.26	0.32	1.16
Bank borrowings to total assets ratio(3)	0.8%	1.3%	0.6%	0.1%

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 increased from 0.35 as of December 31, 2021 to 1.31 as of June 30, 2022, and our quick ratio increased from 0.32 as of December 31, 2021 to 1.16 as of June 30, 2022 due to the decrease in our current liabilities is larger than our current assets. The decrease in our current liabilities was primarily due to (i) a decrease of US$472.6 million in amounts due to related parties, as we repaid a substantial amount of the loan; and (ii) decrease of US$3.0 million in bank borrowings, as we repaid a certain amount of our bank borrowings. The decrease in our current assets was primarily because of the cash we used in our operations, repayment of amounts due to related parties and bank borrowings and the consideration for the Hao Noodle Acquisition.

Bank Borrowings to Total Assets Ratio

As of December 31, 2019, 2020 and 2021, our bank borrowings to total assets ratio was 0.8%, 1.3%, 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. Subsequently, our bank borrowings to total assets ratio was 0.1% as of June 30, 2022, primarily because we repaid a substantial amount of the bank borrowings.

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 I—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 24 and 28 in "Appendix I—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 consolidated 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 estimated loss rates are low as the probability of default is negligible on the basis of high-credit-rating issuers as of December 31, 2019, 2020 and 2021 and the six months ended June 30, 2022, and accordingly, no expected credit loss was recognized as of December 31, 2019, 2020 and 2021 and the six months ended June 30, 2022.

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 36 to the "Appendix I—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, therefore the loss rates of amounts due from related parties are estimated to be low, 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 June 30, 2022, our Company had nil reserves available for distribution to our members.

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

The following unaudited pro forma statement of our adjusted consolidated net tangible assets 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 consolidated net tangible assets attributable to the owners of the Company as of June 30, 2022, as if the Listing had taken place on such date.

The unaudited pro forma statement of our adjusted consolidated net tangible assets 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 consolidated net tangible assets of our Group attributable to the owners of the Company as of June 30, 2022 or at any future dates. It is prepared based on based on the audited consolidated net tangible assets of our Group attributable to the owners of the Company as of June 30, 2022 as derived from Accountants' Report as set out in Appendix I to this listing document, and adjusted as follows.

	Audited consolidated net tangible assets of the Group attributable to the owners of the Company as of June 30, 2022	Estimated listing expenses	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company as of June 30, 2022	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company as of June 30, 2022 per Share	
	USD'000	*USD'000*	*USD'000*	*USD*	*HKD*
	(Note 1)	*(Note 2)*		*(Note 3)*	*(Note 4)*
Based on [**REDACTED**] Shares assumed to be in issue immediately prior to the Listing	233,459	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]

Notes:

1. The audited consolidated net tangible assets of the Group attributable to the owners of the Company as of June 30, 2022 is derived from the Accountants' Report as set out in Appendix I to this listing document, which is based on the audited consolidated net assets of the Group attributable to the owners of the Company as of June 30, 2022 of USD233,861,000 with adjustments for other intangible assets of the Group attributable to the owners of the Company as of June 30, 2022 of USD402,000.

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 June 30, 2022.

3. The unaudited pro forma adjusted consolidated net tangible assets per Share is arrived at after the adjustments as described in Note 2 above and is based on [**REDACTED**] Shares which consists of 3 Shares that were issued to the immediate holding company of the Company as at June 30, 2022 and [**REDACTED**] new Shares assumed to be allotted and issued at par value to the immediate holding company of the Company immediately prior to the Listing, not taking into account any Shares which may be issued to the ESOP Platforms 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. For the purpose of this pro forma adjusted consolidated net tangible assets attributable to the owners of the Company, the balances stated in USD are converted into HKD at a rate of USD1 to HKD[7.8474]. 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.

5. No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company as at June 30, 2022 to reflect any trading result or other transactions of the Group entered into subsequent to June 30, 2022.

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 June 30, 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 consolidated statement of profit or loss and other comprehensive income for the year ending December 31, 2022.