Application Proof of

Green Tea Group Limited
綠茶集團有限公司

(the "**Company**")

(Incorporated in the Cayman Islands with limited liability)

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Green Tea Group Limited
綠茶集團有限公司

(Incorporated in the Cayman Islands with limited liability)

[REDACTED]

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Number of [REDACTED]	**:**	**[REDACTED] Shares (subject to adjustment)**
Number of [REDACTED]	**:**	**[REDACTED] Shares (subject to adjustment and the [REDACTED])**
Maximum [REDACTED]	**:**	**HK$[REDACTED] per [REDACTED], plus brokerage of 1.0%, SFC transaction levy of 0.0027%, Stock Exchange trading fee of 0.00565% and AFRC transaction levy of 0.00015% (payable in full on application in Hong Kong dollars and subject to refund)**
Nominal value	**:**	**US$[REDACTED] per Share**
Stock code	**:**	**[REDACTED]**

***Joint Sponsors,* [REDACTED] *and* [REDACTED]**

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CONTENTS

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Page

CONTENTS

***This summary aims to give you an overview of the information contained in this document. As it is a summary, it does not contain all the information that may be important to you and is qualified in its entirety by and should be read in conjunction with, the full document. You should read the whole document before you decide to invest in the* [REDACTED]*. There are risks associated with any investment. Some of the particular risks in investing in the* [REDACTED] *are set forth in the section headed "Risk Factors" of this document. You should read that section carefully before you decide to invest in the* [REDACTED].**

OVERVIEW

We are a well-known operator of casual Chinese restaurants in China. We create customer value by providing fusion cuisine at accessible price points and unique decoration inspired by Chinese traditional culture. With this vision, we opened our first Green Tea restaurant in 2008 by the beautiful West Lake in Hangzhou, and have built a nationwide restaurant network consisting of 382 restaurants and covering 21 provinces, four municipalities and two autonomous regions in the PRC as of the Latest Practicable Date. We ranked third in terms of number of restaurants and fourth in terms of revenue among casual Chinese restaurant brands in China in 2023, according to the CIC Report. Furthermore, we are the largest in terms of revenue that focuses on offering fusion cuisine among the casual Chinese restaurant brands, according to the same source. According to the CIC report, casual Chinese cuisine restaurant market is highly fragmented due to a large number of market participants, and we had a market share of 0.7% in 2023. In addition, according to the CIC report, casual Chinese cuisine restaurants have an average spending per guest in the range of RMB50 to RMB100.

The vision for *Green Tea* restaurants was conceived by our co-founders, Mr. Wang Qinsong (王勤松) and Ms. Lu Changmei (路長梅), during their days of managing Green Tea Youth Hostel, which they established near the West Lake of Hangzhou in 2004. Surrounded by beautiful tea farms, the hostel attracted backpackers from across China and the rest of the world. As our co-founders came to know their diverse guests, they gradually realized that fusion cuisine was best suited to their restaurant. Therefore, they started to experiment with fusion food and developed several popular dishes, such as roasted chicken and grilled shrimp. Besides the food, guests loved the hostel restaurant because of its beautiful views of natural sceneries. As the restaurant primarily served young backpackers, the menu items were offered at accessible prices. The hostel restaurant was highly popular and became the prototype for *Green Tea* restaurants.

Today, we operate a nationwide restaurant network, and we have remained true to our original vision. Leveraging the flexibility of Chinese fusion cuisine, we regularly update our menu to refresh and enhance our guests' dining experience. We infuse the timeless elements of Chinese traditional art and natural landscape into the decoration of our restaurants, offering a dining experience that differentiates us from other casual restaurants. We also firmly believe that gourmet should not be a privilege, and we have kept our menu items at accessible prices.

We create significant customer value by employing flexible supply chain arrangements and continuously optimizing operating efficiency. In addition, we place the highest priority on food safety. Without customers' trust in our food, we can never build a lasting brand.

We believe we can create significant customer value through continuously optimizing operating efficiency by doing the following:

- Leveraging centralized procurement through our direct procurement center to effectively control procurement cost and our inventory level. We believe such centralized procurement will enable us to provide better value-for-money experience to our customers and achieve better pricing and stable margin despite the fluctuation of costs of ingredients. This will create customer value by enabling our customers to consistently enjoy quality food at a reasonable price point.

- Collaborating with food processing partners, which enables us to standardize our kitchen operations and increase our operating efficiency without compromising the quality of our food. This will create customer value by enabling our customers to enjoy meals with a high standard of food safety and consistent quality.

- Developing menu items that require relatively few steps of standardized preparation at our restaurants before serving to our guests, while maintaining the taste and quality of these menu items. This will shorten the waiting time for our customers and create customer value by improving customer satisfaction.

- Investing in and upgrading our technology infrastructure to further digitize our operations. We plan to optimize our customer relationship management system to better analyze sales results and other data collected from restaurants. Our data insights will enable us to further improve our food and service and thereby creating customer value.

Fusion food, unique restaurant decoration, accessible pricing and close focus on food safety have been the recipe for our success. We will keep applying this recipe to each of our restaurants.

Restaurant Network Expansion

Our restaurant network experienced substantial growth during the Track Record Period. Our total restaurants increased from 236 as of December 31, 2021 to 360 as of December 31, 2023, representing a CAGR of 23.5%. For further information, see "Business – Our Business – Restaurant Network Expansion."

Results of Operations

In 2021 and 2022, our results of operations were affected by the impact of the COVID-19 pandemic, the relevant restrictive measures imposed by the relevant government authorities and the business strategies we deployed in response to the COVID-19 pandemic. Our revenue increased by 3.6% from RMB2,292.7 million in 2021 to RMB2,375.5 million in 2022, primarily due to the successful expansion of our restaurant network from 236 as of December 31, 2021 to 276 as of December 31, 2022, partially offset by a decrease in overall total guests served as a result of the negative impact of the resurgence of COVID-19 outbreaks in China. Our revenue further increased by 51.1% from RMB2,375.5 million in 2022 to RMB3,589.2 million in 2023, primarily attributable to (i) the strong recovery of our customer traffic due to a significant surge in consumer spending in the first half of 2023 following the easing of government-imposed restrictions related to COVID-19 in December 2022 and (ii) an increase in our restaurants in operation due to our restaurant expansion. In addition, as a result of our successful operation, we recorded net cash generated from operating activities of RMB377.0 million, RMB347.6 million and RMB793.2 million in 2021, 2022 and 2023, respectively.

RESTAURANT NETWORK

As of the Latest Practicable Date, our restaurant network consisted of 382 restaurants. Our restaurants are typically located at shopping malls. We opened 89 new restaurants in 2023 and plan to open 112, 150, 200 and 213 new restaurants in 2024, 2025, 2026 and 2027, respectively. As of the Latest Practicable Date, we have commenced operation of 30 restaurants and signed the lease agreements for 37 additional restaurants, and renovation has been commenced for 27 of such 37 restaurants.

The following table sets forth the movement in the total number of our restaurants during the Track Record Period and up to the Latest Practicable Date:

	For the year ended December 31,			From January 1, 2024 to the Latest Practicable Date
	2021	**2022**	**2023**	
Number of restaurants at the beginning of the period	180	236	276	360
Number of new restaurants opened during the period	59	47	89	30
Number of restaurants closed during the period	(3)	(7)	(5)	(8)
Number of restaurants at the end of the period	236	276	360	382

RESTAURANT PERFORMANCE

Key Performance Indicators

We are a well-known operator of casual Chinese restaurants in China. During the Track Record Period, we primarily generated our revenue from restaurant operations and delivery service.

The following table sets forth the components of our revenue for the periods indicated.

	Year Ended December 31,					
	2021		2022		2023	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*
	(in thousands, except for percentages)					
Restaurant operations	1,992,490	86.9	1,976,519	83.2	3,059,989	85.3
Delivery service	299,211	13.1	397,114	16.7	517,153	14.4
Others[(1)]	977	0.0	1,820	0.1	12,036	0.3
Total revenue	**2,292,678**	**100.0**	**2,375,453**	**100.0**	**3,589,178**	**100.0**

Note:

(1) Primarily consists of (i) commissions received from certain providers of cell phone charging services, (ii) sales of products such as cooking oil, condiments and gift boxes and (iii) fees for parking services.

The following table sets forth certain key performance indicators of our restaurants by location during the Track Record Period. According to CIC, the calculations of all key performance indicators below are in line with the industry practice. Where applicable, the revenue in the table represents revenue from restaurant operations and delivery service.

	For the year ended December 31,		
	2021	2022	2023
Revenue (in thousands of RMB)[(1)]			
Eastern China[(2)]	617,906	710,137	1,107,548
Guangdong province	648,180	621,811	814,699
Northern China[(3)]	606,008	517,146	708,494
Other[(4)]	419,607	524,539	946,401
Total	**2,291,701**	**2,373,633**	**3,577,142**

	For the year ended December 31,	
	2021 2022	2022 2023
Revenue growth (%):		
Eastern China[2]	14.9	56.0
Guangdong province	(4.1)	31.0
Northern China[3]	(14.7)	37.0
Other[4]	25.0	80.4
Overall	**3.6**	**50.7**

	For the year ended December 31,		
	2021	2022	2023
Total guests served (thousand)[5]			
Eastern China[2]	10,418	11,363	17,594
Guangdong province	10,808	9,804	13,184
Northern China[3]	9,679	8,261	11,469
Other[4]	6,952	8,358	15,675
Overall	**37,857**	**37,786**	**57,922**
Average spending per guest (RMB)[6]			
Eastern China[2]	59.3	62.6	63.0
Guangdong province	60.0	63.5	61.8
Northern China[3]	62.6	62.7	61.8
Other[4]	60.4	62.8	60.4
Overall	**60.5**	**62.9**	**61.8**
Table turnover rate (times/day)[7]			
Eastern China[2]	2.92	2.71	3.11
Guangdong province	3.62	3.06	3.37
Northern China[3]	3.37	2.78	3.52
Other[4]	3.02	2.72	3.28
Overall	**3.23**	**2.81**	**3.30**

Notes:

(1) Representing revenue generated from restaurant operation and delivery service.

(2) Consisting of Zhejiang, Shanghai, Anhui, Jiangsu, Jiangxi and Fujian.

(3) Consisting of Beijing, Hebei and Tianjin.

(4) Consisting of Yunnan, Inner Mongolia, Sichuan, Shandong, Shanxi, Guangxi, Henan, Hubei, Gansu, Tibet, Guizhou, Chongqing, Shaanxi, Heilongjiang, Liaoning, Jilin, Hunan and Hainan.

(5) Including dine-in guests and customers who order take-outs for the period in the same region. We count one delivery order as one guest.

(6) Calculated by dividing revenue generated from restaurant operation and delivery service for the period by total guests served, including both dine-in customers and customers who order take-outs, for the period in the same region. For further details on how we calculate total guests served, see note (5).

(7) Calculated by dividing the total dine-in orders served for the period by the sum of products of total restaurant operation days for the period and table count of each restaurant during the period in the same region.

The COVID-19 pandemic and the restrictive measures imposed by the Chinese government in response to the pandemic have been major factors that affected our results of operations in 2021 and 2022. In 2022, our results of operations were adversely affected because the customer traffic of our restaurants were affected by the resurgence of COVID-19 outbreaks and the restrictive measures imposed by the relevant government authorities as a response. Our overall total guests served slightly decreased from 37.9 million in 2021 to 37.8 million in 2022; and our overall table turnover rate decreased from 3.23 in 2021 to 2.81 in 2022. In the meantime, we recorded an increase in total guests served in Eastern China and other regions in 2022 as we opened more new restaurants in these regions, which demonstrated the effectiveness of our restaurant network expansion strategies. Furthermore, our overall average spending per guest increased from RMB60.5 in 2021 to RMB62.9 in 2022, mainly attributable to (i) our effort to boost the sales of our set menu packages, which were fixed at a higher price as compared to our à la carte menu items; and (ii) the lower discount rates we offered for delivery orders as the demand for delivery orders increased due to the government-imposed restrictive measures. As a result of the foregoing, our revenue from restaurant operations and delivery service increased by 3.6% from RMB2,291.7 million in 2021 to RMB2,373.6 million in 2022.

After the Chinese government phased out the "zero-COVID" policy in December 2022, our results of operation showed a strong recovery in 2023 due to a significant surge in consumer spending in the first half of 2023 following the COVID-19 pandemic. According to CIC, the strong performance in the catering industry in the first half of 2023 is primarily due to such significant surge in spending. In 2023, none of our restaurants suspended operation due to the COVID-19 pandemic and our customer traffic rebounded. As a result, our table turnover rate recovered to 3.30 in 2023, which was at similar level as the table turnover rate of 3.34 in 2019 before the COVID-19 pandemic. As our total guests served and table turnover rate increased in 2023 as compared with that in 2022, we recorded an increase in our revenue from restaurant operations and delivery service by 50.7% from RMB2,373.6 million in 2022 to RMB3,577.1 million in 2023.

Same Store Sales

The following table sets forth details of our same store sales by location of the restaurants during the Track Record Period. According to CIC, the calculations of all same store sales data below are in line with the industry practice.

	For the year ended December 31,			
	2021	**2022**	**2022**	**2023**
Number of same stores[1]				
Eastern China[2]	37		45	
Guangdong province	43		44	
Northern China[3]	42		46	
Other[4]	31		40	
Overall	**153**		**175**	
Same store sales (in thousands of RMB)[5]				
Eastern China[2]	384,304	345,060	446,473	563,046
Guangdong province	553,198	473,855	447,320	524,034
Northern China[3]	530,443	411,684	455,595	599,169
Other[4]	348,537	281,893	361,778	473,505
Overall	**1,816,482**	**1,512,492**	**1,711,166**	**2,159,754**
Same store sales growth (%)				
Eastern China[2]	(10.2%)		26.1%	
Guangdong province	(14.3%)		17.1%	
Northern China[3]	(22.4%)		31.5%	
Other[4]	(19.1%)		30.9%	
Overall	**(16.7%)**		**26.2%**	

	For the year ended December 31,			
	2021	**2022**	**2022**	**2023**
Average same store sales per restaurant (in thousands of RMB)				
Eastern China(2)	10,387	9,326	9,922	12,512
Guangdong province	12,865	11,020	10,166	11,910
Northern China(3)	12,630	9,802	9,904	13,025
Other(4)	11,243	9,093	9,044	11,838
Overall	**11,872**	**9,886**	**9,778**	**12,341**

Notes:

(1) Consisting of restaurants that were open for more than 300 days during the years under comparison and had the same number of tables during the years under comparison.

(2) Consisting of Zhejiang, Shanghai, Anhui, Jiangsu, Jiangxi and Fujian.

(3) Consisting of Beijing, Hebei and Tianjin.

(4) Consisting of Yunnan, Inner Mongolia, Sichuan, Shandong, Shanxi, Guangxi, Henan, Hubei, Gansu, Tibet, Guizhou, Chongqing, Shaanxi, Heilongjiang, Liaoning, Jilin, Hunan and Hainan.

(5) Refers to the aggregate revenue generated from restaurant operation and delivery service at our same stores for the period indicated.

Explanation for changes in same store sales

In 2022, we recorded decreases in same store sales in all regions. Such decreases were primarily because of the resurgence of COVID-19 outbreaks in China, which greatly affected the operation of our restaurants.

In 2023, the same store sales in all three key regions increased as compared with that in 2022, as a result of the strong recovery of our customer traffic due to a significant surge in consumer spending in the first half of 2023 following the easing of government-imposed restrictions related to COVID-19 in December 2022. According to CIC, the strong performance in the catering industry in the first half of 2023 is primarily due to such significant surge in spending.

IMPACT OF THE COVID-19 OUTBREAK

In 2021 and 2022, in an effort to control the COVID-19 pandemic, the Chinese government placed significant restrictions on travel within China, implemented mandatory quarantine and closed certain businesses, work places and facilities, and governments outside of China have halted or sharply curtailed the movement of people, goods and services to and from China.

Due to the regional outbreaks of COVID-19 in various parts of China in 2021, we temporarily suspended the operation of a total of 47 restaurants across China for one to 59 days in 2021. We have reopened all of these restaurants as of the Latest Practicable Date.

The table below sets forth the information of restaurants that suspended operations in 2021 by geographical regions:

	Eastern China(1)	Guangdong province	Northern China(2)	Other(3)	Total
Number of restaurants closed for:					
– 1 day to 15 days	2	5	5	5	**17**
– 16 days to 30 days	1	10	4	7	**22**
– 31 days to 59 days	2	–	3	3	**8**
Total	**5**	**15**	**12**	**15**	**47**

Notes:

(1) Consisting of Zhejiang, Shanghai, Anhui, Jiangsu, Jiangxi and Fujian.

(2) Consisting of Beijing, Hebei and Tianjin.

(3) Consisting of Yunnan, Inner Mongolia, Sichuan, Shandong, Shanxi, Guangxi, Henan, Hubei, Gansu, Tibet, Guizhou, Chongqing, Shaanxi, Heilongjiang, Liaoning, Jilin, Hunan and Hainan.

Due to the regional outbreak of COVID-19 in various parts of China since January 2022, we temporarily suspended the operation of a total of 208 restaurants across China for one to 145 days in 2022 and have reopened all of these restaurants as of the Latest Practicable Date.

The table below sets forth the information of restaurants that suspended operations in 2022 by geographical regions:

	Eastern China(1)	Guangdong province	Northern China(2)	Other(3)	Total
Number of restaurants closed for:					
– 1 day to 15 days	18	11	2	9	**40**
– 16 days to 30 days	7	10	–	12	**29**
– 31 days to 60 days	7	28	25	18	**78**
– 61 days to 90 days	1	6	23	18	**48**
– 91 days to 145 days	5	–	5	3	**13**
Total	**38**	**55**	**55**	**60**	**208**

Notes:

(1) Consisting of Zhejiang, Shanghai, Anhui, Jiangsu, Jiangxi and Fujian.

(2) Consisting of Beijing, Hebei and Tianjin.

(3) Consisting of Yunnan, Inner Mongolia, Sichuan, Shandong, Shanxi, Guangxi, Henan, Hubei, Gansu, Tibet, Guizhou, Chongqing, Shaanxi, Heilongjiang, Liaoning, Jilin, Hunan and Hainan.

The Chinese government phased out the "zero-COVID" policy in December 2022 and there were no restaurants which suspended operation in 2023 due to the COVID-19 pandemic.

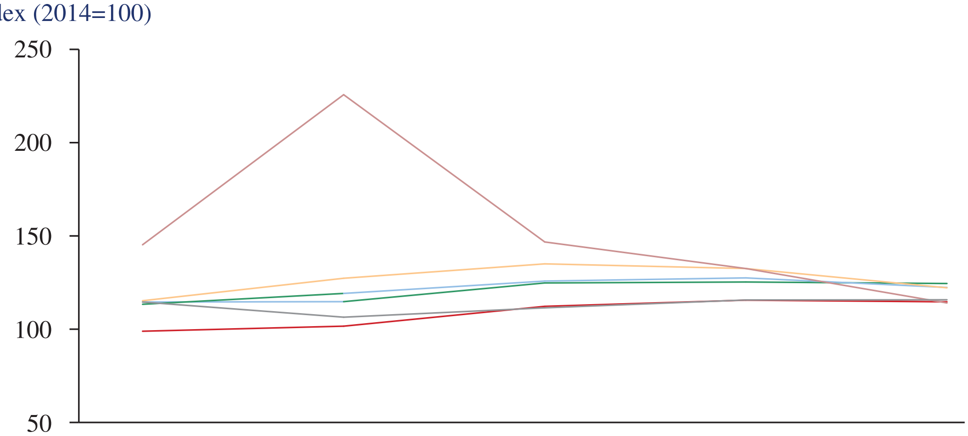
Despite the regional outbreaks in certain parts of China in 2021, we continued to follow our expansion plan for 2021 and opened 59 new restaurants in 2021. We slowed down the pace of restaurant expansion in 2022 due to the regional outbreaks of COVID-19 and opened 47 new restaurants in 2022. We resumed our restaurant expansion plan and opened 89 new restaurants in 2023. We recognized RMB5.0 million, nil and nil in government grants in relation to COVID-19 in 2021, 2022 and 2023, respectively. We recognized income on rent concession in relation to COVID-19 of nil, RMB10.2 million and nil in 2021, 2022 and 2023, respectively. For further information, see "Financial Information – Impact of COVID-19."

PROCUREMENT

Generally, the 2014 based consumption price index (the "**CPI**") (CPI, year of 2014 = 100) of food continued to increase from 2019 to 2022. However, due to the sufficient supply of food, the "CPI" of food slightly decreased in 2023. In addition, the food price index of pork fluctuated during 2019 to 2023, primarily due to the changing consumption structure of meat as well changes in supply and demand.

Food Price Index of Raw Food Material, China, 2019-2023

Food Price Index (2014=100)



	2019	2020	2021	2022	2023
Crop production	97.7	100.4	111.0	114.3	113.4
Vegetables	112.1	117.9	124.5	126.2	121.1
Aquatic products	113.3	113.5	123.5	124.0	123.2
Beef	114.0	126.0	133.7	131.2	120.9
Pork	143.9	224.1	145.4	131.2	112.8
Poultry	113.3	105.2	110.2	114.4	114.5

Source: National Bureau of Statistics

Note: The price indexes of crop products, vegetables, aquatic products, beef, pork and poultry refer to the price indexes of agricultural production.

Going forward, the food price index in China is expected to moderately increase, subject to economic growth and consumption environment, according to CIC. As a result, we plan to continue our procurement cost control efforts, including diversifying the pool of suppliers to ensure stable supply and competitive procurement price, and continue to optimize our supply chain arrangements. For example, we have established a direct procurement center which will enable us to purchase fresh ingredients at competitive prices from local suppliers and control our procurement cost and monitor our inventory level. Our establishment of our centralized food processing facility and continuous collaboration with third-party food processing companies also enable us to standardize our food preparation process at our restaurants and increase operating efficiency to minimize our operational costs. We also plan to continue to adjust our menu and offer new menu items to offset the effect of inflation and rising food prices so as to maintain our profitability. We have conducted sensitivity analysis of the impact on our results of operations during the Track Record Period from hypothetical fluctuations in the food ingredient prices. See "Business – Procurement – Price Management" and "Industry Overview – Cost of Raw Materials, Labor and Commercial Rent" for further details.

We primarily procure (i) food ingredients, such as vegetables, fruits, semi-processed food products and bakery products, as well as (ii) decoration materials, equipment and other supplies used in our restaurants. We have established a procurement team at our headquarters to implement a centralized purchase system for all purchase orders. We had 377 authorized suppliers as of December 31, 2023. In 2021, 2022 and 2023, the total purchases from our five largest suppliers in the aggregate accounted for 23.4%, 18.6% and 18.4%, respectively, of our total purchases, and our purchases from our largest supplier accounted for 10.0%, 5.0% and 5.2%, respectively, of our total purchases. Please see the section headed "Business – Procurement" for further details.

STRENGTHS

We attribute our success to and distinguish ourselves by the following key competitive strengths:

- well-known and fast-growing operator of casual Chinese restaurants in China;
- fusion menu offerings and value-for-money experience to attract a broad base of customers;
- unique dining environment infused with elements of Chinese traditional art to build our iconic brand and strong customer traffic;
- highly standardized and scalable business model supported by flexible supply chain arrangement;
- comprehensive and stringent food and operational safety control;
- digitalized restaurant and operations management; and
- experienced and professional management team with zeal to excel.

STRATEGIES

We intend to pursue the following growth strategies:

- strategically expand our restaurant network to deliver sustainable growth;
- drive sales and customer traffic flow by continuing to offer innovative and value-for-money gourmet;
- enhance operating efficiency through supply chain optimization; and
- continuous investment in technology and digital marketing.

COMPETITION LANDSCAPE

According to CIC, total revenue of Chinese cuisine restaurant market in China in 2023 reached RMB2,931.6 billion and total revenue of casual Chinese cuisine restaurant market reached RMB498.0 billion. Casual Chinese cuisine restaurant market is highly fragmented, with a large number of restaurant brands participating in the market. In 2023, the five largest brands accounted for approximate 4.0% of the total revenue of casual Chinese cuisine restaurant market. In 2023, restaurants under our *Green Tea* brand achieved a total revenue of RMB3.6 billion and ranked fourth with a market share of 0.7% in the casual Chinese cuisine restaurant market in China. With a total of 360 restaurants at the end of 2023, we ranked third in terms of number of restaurants among casual Chinese cuisine restaurant brands in China. See the section headed "Industry Overview" for further details.

RISK FACTORS

Our business and the [**REDACTED**] involve certain risks, many of which are beyond of our control. Detailed discussions on all the risk factors involved are set forth in "Risk Factors" and you should read the entire section carefully before you decide to invest in the [**REDACTED**]. Some of the major risks we face include:

- Our future growth depends on our ability to open and profitably operate in existing and new geographical markets.
- We may not be able to maintain and increase the sales and profitability of our existing restaurants.
- If we cannot obtain desirable restaurant locations or secure renewal of existing leases on commercially reasonable terms, our business, results of operations and ability to implement our growth strategy may be materially and adversely affected.
- If the quality of our dining experience declines, our restaurants may not continue to be successful.

- Our business depends significantly on the market recognition of our *Green Tea* brand, and if we are not able to maintain or enhance our brand recognition, our business, financial condition and results of operations may be materially and adversely affected.

- Our current restaurant locations may become unattractive, which may have a material and adverse effect on our business, financial condition and results of operations.

SUMMARY OF FINANCIAL INFORMATION

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

Summary of Consolidated Statements of Profit or Loss

The following table sets forth summary data from consolidated statements of profit or loss for the period indicated. Each item is presented in absolute amount and as a percentage of our revenue.

	Year Ended December 31,					
	2021		**2022**		**2023**	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*
	(in thousands, except for percentages)					
Revenue	2,292,678	100.0	2,375,453	100.0	3,589,178	100.0
Other revenue	22,575	1.0	31,081	1.3	39,195	1.1
Raw materials and consumables used	(846,043)	(36.9)	(862,316)	(36.3)	(1,205,219)	(33.6)
Staff costs	(567,826)	(24.8)	(626,397)	(26.4)	(911,028)	(25.4)
Depreciation of right-of-use assets	(142,964)	(6.2)	(161,048)	(6.8)	(177,036)	(4.9)
Other rentals and related expenses	(63,901)	(2.8)	(56,611)	(2.4)	(80,294)	(2.2)
Depreciation and amortization of other assets	(126,276)	(5.5)	(163,641)	(6.9)	(192,947)	(5.4)
Utilities expenses	(79,454)	(3.5)	(90,049)	(3.8)	(123,562)	(3.5)
Delivery service expenses	(46,861)	(2.0)	(61,187)	(2.6)	(82,788)	(2.3)
Other expenses	(264,523)	(11.5)	(308,980)	(13.0)	(420,950)	(11.7)
Other net (losses)/income	(575)	(0.0)	8,413	0.4	(3,919)	(0.1)
Financial costs	(37,196)	(1.7)	(41,541)	(1.7)	(42,657)	(1.2)
Profit before taxation	**139,634**	**6.1**	**43,177**	**1.8**	**387,973**	**10.8**
Income tax	(25,778)	(1.1)	(26,598)	(1.1)	(92,430)	(2.6)
Profit for the year	**113,856**	**5.0**	**16,579**	**0.7**	**295,543**	**8.2**
Attributable to:						
Equity shareholders of the Company	113,856	5.0	16,579	0.7	295,543	8.2
Profit for the year	**113,856**	**5.0**	**16,579**	**0.7**	**295,543**	**8.2**

Non-IFRS Measures

To supplement our consolidated statements of profit or loss, which are presented in accordance with IFRS, we also use adjusted net profit and adjusted net profit margin as additional financial measures. The presentation of adjusted net profit and adjusted net profit margin facilitates comparisons of operating performance from period to period by eliminating potential impacts of certain items described below. Equity-settled share-based payment expenses are non-cash expenses arising from the RSU Scheme, and such amount does not directly correlate with the underlying performance of our business operations. [**REDACTED**] are related to the [**REDACTED**]. The use of the non-IFRS measures has limitations as analytical tools, and you should not consider it in isolation from, or as substitute for analysis of, our results of operations or financial condition as reported under IFRS. For further details, see "Financial Information – Principal Income Statement Components – Non-IFRS Measures."

Adjusted net profit and adjusted net profit margin

We define adjusted net profit as profit for the year adjusted by excluding (i) equity-settled share-based payment expenses, (ii) [**REDACTED**], and (iii) impact on tax related to items (i) to (ii) above. The following table illustrates reconciliations to our adjusted net profit from our profit for the periods indicated:

	For the year ended December 31,		
	2021	**2022**	**2023**
	(RMB in thousands)		
Profit for the year	113,856	16,579	295,543
Equity-settled share-based payment expenses	10,742	(779)	844
[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Impact on tax	(2,881)	(1,794)	(1,637)
Adjusted net profit (non-IFRS measure)	**138,470**	**25,216**	**303,297**

The following table sets forth our adjusted net profit margin for the periods indicated:

	For the year ended December 31,		
	2021	**2022**	**2023**
Adjusted net profit margin (%) (non-IFRS measure)	**6.0**	**1.1**	**8.5**

(1) Adjusted net profit margin is calculated by dividing adjusted net profit by revenue for the year.

As the COVID-19 pandemic has been under control in most parts of China in the second half of 2021, we recorded a profit for the year of RMB113.9 million in 2021, demonstrating an overall trend of recovery despite regional outbreaks in certain parts of China during the year. However, due to the resurgence of the COVID-19 outbreaks and the relevant restrictive measures imposed by the relevant government authorities in 2022, our profit for the year decreased to RMB16.6 million in 2022. Our profit for the year increased to RMB295.5 million in 2023, primarily attributable to the robust rebound of the performance of our restaurants and our success in procurement cost control. In addition, in 2021, 2022 and 2023, we recognized government grants in relation to COVID-19 of RMB5.0 million, nil and nil, respectively. We also recognized income on COVID-19 rent concessions of nil, RMB10.2 million and nil in 2021, 2022 and 2023, respectively.

Summary of Financial Position

The following table sets forth summary data from our consolidated statements of financial positions as of December 31, 2021, 2022 and 2023.

	As of December 31,		
	2021	**2022**	**2023**
	(RMB in thousands)		
Non-current assets	1,267,089	1,339,759	1,543,955
Current assets	423,054	473,922	877,049
Current liabilities	(539,729)	(562,180)	(1,177,690)
Net current liabilities	(116,675)	(88,258)	(300,641)
Non-current liabilities	(698,755)	(783,460)	(828,803)
Net assets	451,659	468,041	414,511

We recorded net current liabilities as of December 31, 2021, 2022 and 2023, mainly because we utilized significant portions of cash generated from our operations to expand our restaurant network. As a result, we recorded significant amounts of (i) lease liabilities in accordance with IFRS 16 and (ii) trade and other payables in relation to renovation costs, purchases of food ingredients and recruitment and employee expenses. In particular, the current portion of lease liabilities amounted to RMB183.8 million, RMB181.9 million and RMB214.3 million as of December 31, 2021, 2022 and 2023, respectively.

We recorded net assets of RMB451.7 million, RMB468.0 million and RMB414.5 million as of December 31, 2021, 2022 and 2023, respectively. Our net assets increased from RMB451.7 million as of December 31, 2021 to RMB468.0 million as of December 31, 2022, primarily attributable to profit for the year we recorded during the year. Our net assets decreased from RMB468.0 million as of December 31, 2022 to RMB414.5 million as of December 31, 2023, primarily due to dividend payables we recorded related to the dividends to our existing Shareholders the Board declared in May 2023, which was partially offset by an increase in our profit for the year.

We believe that our net current liabilities position will be improved with net cash inflows generated from operating activities once the newly opened restaurants begin to make profit and from the [**REDACTED**] from the [**REDACTED**]. In addition, we will also continue to improve our net current liabilities position by leveraging centralized procurement through our direct procurement center to control costs, as well as the improved economies of scale as our restaurant network continues to grow. We also expect to take advantage of our strong brand recognition to continue negotiating with landlords for more favorable lease terms in lower tier cities in the future to control our costs.

Furthermore, we will continue to closely monitor our liquidity position to ensure that it is in line with our business operations and expansion needs. We will also manage the level of our cash and liquid assets to ensure the availability of sufficient cash flows to meet any planned or unexpected cash requirements arising from our operations. We will continue to assess the availability of resources for financing our business needs on an ongoing basis.

Taking into consideration the financial resources presently available to us, including cash on hand and cash at banks, the available banking facilities, expected cash generated from our operations and the estimated [**REDACTED**] from the [**REDACTED**], our Directors are of the view that we have sufficient working capital for our present working capital requirements for at least the next 12 months from the date of this document. As such, we believe that our business operation and financial condition will not be materially and adversely affected by our net current liabilities position.

Summary of Consolidated Cash Flow Statements

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

	Year Ended December 31,		
	2021	2022	2023
	(RMB in thousands)		
Net cash generated from operating activities	376,960	347,612	793,239
Net cash used in investing activities	(231,366)	(215,843)	(380,434)
Net cash used in financing activities	(163,484)	(127,866)	(190,797)
Net (decrease)/increase in cash and cash equivalents	(17,890)	3,903	222,008
Effect of foreign exchange rate changes	244	(711)	(129)
Cash and cash equivalents at the beginning of the year	148,864	131,218	134,410
Cash and cash equivalents at the end of the year	131,218	134,410	356,289

We plan to improve our cash flows by using the [**REDACTED**] from the [**REDACTED**] to support our strategic initiatives, including the plan to expand our restaurant network. We also expect that as newly opened restaurants achieve breakeven, such restaurants will generate operating cash inflows and contribute to our cash balance. In addition, our unutilized banking facilities amounted to RMB450.0 million as the Latest Practicable Date, and we may draw down from such facilities if such measure is necessary to improve our liquidity.

Key Financial Ratios

The following table sets forth the key financial ratios as of the dates indicated:

	As of December 31,		
	2021	2022	2023
Current ratio	0.78	0.84	0.74
Quick ratio	0.70	0.74	0.69
Gearing ratio	0.1%	6.6%	12.1%

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

Lease Profile

The following table sets forth the lease profile of our restaurants, including restaurants that we operated under the cooperation agreements with our connected person, that are in operation as of the Latest Practicable Date:

	Lease term	Number of restaurants *(#)*	Total GFA *(square meter)*	Average GFA *(square meter)*	Average breakeven period for restaurants opened during the Track Record Period and are in operation as of the Latest Practicable Date[4] *(months)*
Eastern China[1]	One year or less	1	593	593	1.7
	Two years	1	465	465	
	Three to five years	3	1,682	560	
	Six to 10 years	80	38,081	476	
	11 to 15 years	34	16,509	486	
	16 to 20 years	4	1,985	496	
	21 to 31 years	2	940	470	
Guangdong province	One year or less	1	470	470	1.8
	Two years	–	–	–	
	Three to five years	4	2,024	506	
	Six to 10 years	44	22,461	524	
	11 to 15 years	21	11,002	523	
	16 to 20 years	–	–	–	
	21 to 31 years	–	–	–	
Northern China[2]	One year or less	2	1,527	763	2.1
	Two years	–	–	–	
	Three to five years	4	2,307	577	
	Six to 10 years	33	17,048	517	
	11 to 15 years	13	7,115	547	
	16 to 20 years	1	498	498	
	21 to 31 years	–	–	–	

	Lease term	Number of restaurants (#)	Total GFA (square meter)	Average GFA (square meter)	Average breakeven period for restaurants opened during the Track Record Period and are in operation as of the Latest Practicable Date(4) (months)
Other(3)	One year and less	–	–	–	1.8
	Two years	–	–	–	
	Three to five years	1	470	470	
	Six to 10 years	105	48,094	458	
	11 to 15 years	27	13,877	514	
	16 to 20 years	1	800	800	
	21 to 31 years	–	–	–	
Overall		**382**	**187,948**	**492**	**1.8**

Notes:

(1) Consisting of Zhejiang, Shanghai, Anhui, Jiangsu, Jiangxi and Fujian.

(2) Consisting of Beijing, Hebei and Tianjin.

(3) Consisting of Yunnan, Inner Mongolia, Sichuan, Shandong, Shanxi, Guangxi, Henan, Hubei, Gansu, Tibet, Guizhou, Chongqing, Shaanxi, Heilongjiang, Liaoning, Jilin, Hunan and Hainan.

(4) We did not include the higher-end restaurant that generally has higher average spending per guest when analyzing the average breakeven period.

OUR CONTROLLING SHAREHOLDERS

Immediately following the completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised), Mr. Wang, his wholly-owned holding company Yielding Sky, Ms. Lu, her wholly-owned holding company Contemporary Global Investments and Time Sonic, which is controlled by Mr. Wang and Ms. Lu as it is owned as to (i) 99.9% by Absolute Smart Ventures, which is in turn wholly owned by East Superstar, both the holding vehicles used by Vistra Trust, the trustee of Green Tea Family Trust that is a discretionary trust established by Mr. Wang and Ms. Lu as the settlors and their respective wholly-owned holding company Yielding Sky and Contemporary Global Investments as the beneficiaries; (ii) 0.049% by Yielding Sky, which is wholly owned by Mr. Wang; and (iii) 0.051% by Contemporary Global Investments, which is wholly owned by Ms. Lu, will be entitled to exercise voting rights of approximately [**REDACTED**]% of the issued share capital of our Company. Accordingly, Mr. Wang, Yielding Sky, Ms. Lu, Contemporary Global Investments, Time Sonic, Absolute Smart Ventures, East Superstar and Vistra Trust are a group of controlling shareholders after the [**REDACTED**]. Please refer to the section headed "Relationship with our Controlling Shareholders" for further details. We have entered into certain transactions with entities controlled by our Controlling Shareholders, which will constitute continuing transactions upon [**REDACTED**]. Please refer to the section headed "Continuing Connected Transactions" for further details.

STRATEGIC INVESTOR

Our strategic investor, Partners Gourmet, an investment vehicle and independent third party save for its interests in our Company, held Shares representing approximately [**REDACTED**]% of our total issued share capital as of the Latest Practicable Date. Upon completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised), Partners Gourmet will hold approximately [**REDACTED**]% of the issued share capital of our Company. Please refer to the section headed "History, Reorganization and Corporate Structure – Strategic Investment" for further details.

RSU SCHEME

We have adopted the RSU Scheme in order to motivate and retain skilled and experienced personnel to strive for the future development and expansion of the Group by providing them with the opportunity to own equity interests of the Company. Upon completion of the [**REDACTED**], the RSU Trustee will hold, on trust for the benefit of grantees and eligible participants pursuant to the RSU Scheme, [**REDACTED**] Shares for the RSU Scheme, representing approximately [**REDACTED**]% of the total issued share capital of our Company. As of the Latest Practicable Date, RSUs in respect of an aggregate of [**REDACTED**] Shares, representing approximately [**REDACTED**]% of the total issued share capital of our Company immediately following the completion of the [**REDACTED**] (without taking into account any Shares which may be issued pursuant to the exercise of the [**REDACTED**]), were granted to 71 employees of our Group pursuant to the RSU Scheme. The principal terms of the RSU Scheme are summarized in the section headed "Appendix IV – Statutory and General Information – D. Share Incentive Scheme".

APPLICATION FOR [REDACTED] ON THE STOCK EXCHANGE

We are applying for the [**REDACTED**] under Rule 8.05(1) of the Listing Rules and satisfy the profit test, among other things, with reference to (i) our profit attributable to our equity shareholders for the two financial years ended 31 December 2022, in aggregate, being approximately RMB130.4 million which is over HK$45.0 million required by Rule 8.05(1); and (ii) our profit attributable to our equity shareholders for the financial year ended 31 December 2023, being approximately RMB295.5 million, which is over HK$35.0 million as required by Rule 8.05(1).

[**REDACTED**]

[**REDACTED**] are estimated to be approximately HK$[**REDACTED**] (including [**REDACTED**] fees and commission for both the [**REDACTED**] and the [**REDACTED**]), representing [**REDACTED**]% of our estimated [**REDACTED**] of HK$[**REDACTED**] from the [**REDACTED**], assuming an [**REDACTED**] of HK$[**REDACTED**] per [**REDACTED**] (being the [**REDACTED**] of the [**REDACTED**]) and assuming the [**REDACTED**] is not exercised. The estimated [**REDACTED**] consist of (i) [**REDACTED**] expenses (including [**REDACTED**] fees and commissions for both the [**REDACTED**] and the [**REDACTED**]) of HK$[**REDACTED**], (ii) fees and expenses of legal advisers and accountants of HK$[**REDACTED**] and (iii) other fees and expenses of HK$[**REDACTED**]. Until December 31, 2023, we incurred [**REDACTED**] of RMB[**REDACTED**] (equivalent to HK$[**REDACTED**]), of which RMB[**REDACTED**] (equivalent to HK$[**REDACTED**]) were charged to our consolidated statements of profit or loss and RMB[**REDACTED**] (equivalent to HK$[**REDACTED**]) were recognized as prepayment (which will be deducted from equity upon the [**REDACTED**]). After December 31, 2023, approximately HK$[**REDACTED**] is expected to be charged to our consolidated statements of profit or loss, and approximately HK$[**REDACTED**] is expected to be accounted for as a deduction from equity upon the [**REDACTED**]. The [**REDACTED**] above are the latest practicable estimate for reference only, and the actual amount may differ from this estimate.

[**REDACTED**] STATISTICS

	Based on Minimum Indicative [REDACTED] of HK$[REDACTED] per Share	**Based on Maximum Indicative [REDACTED] of HK$[REDACTED] per Share**
Our Company's market capitalization upon completion of the [**REDACTED**][(1)]	HK$[**REDACTED**]	HK$[**REDACTED**]
Unaudited pro forma adjusted consolidated net tangible assets per Share[(2)]	HK$[**REDACTED**]	HK$[**REDACTED**]

Notes:

(1) The calculation of the market capitalization is based on [**REDACTED**] Shares expected to be in issue immediately upon completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised).

(2) The unaudited pro forma adjusted consolidated net tangible asset value per Share has been arrived at after adjustments referred to in the section headed "Unaudited Pro Forma Financial Information" in Appendix II and on the basis of [**REDACTED**] Shares in issue at the respective indicative [**REDACTED**] of HK$[**REDACTED**] and HK$[**REDACTED**], assuming that the Shares issued pursuant to the [**REDACTED**] were issued on December 31, 2023 (assuming the [**REDACTED**] is not exercised). No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets attributable to equity shareholders of the Company to reflect any trading results or other transaction entered into subsequent to December 31, 2023.

FUTURE PLAN AND [REDACTED]

We estimate the [**REDACTED**] of the [**REDACTED**] which we will receive, assuming an [**REDACTED**] of HK$[**REDACTED**] per [**REDACTED**] (being the [**REDACTED**] of the indicative [**REDACTED**] range stated in this document), will be approximately HK$[**REDACTED**], after deduction of [**REDACTED**] fees and commissions and estimated expenses payable by us in connection with the [**REDACTED**] and assuming the [**REDACTED**] is not exercised.

We intend to use the [**REDACTED**] of the [**REDACTED**] for the following purposes:

Amount *(HK$ in Million)*	**Approximate % of Total Estimated [REDACTED]**	**Intended Use**
[**REDACTED**]	[**REDACTED**]%	Expansion of our restaurant network
[**REDACTED**]	[**REDACTED**]%	Establishment of our centralized food processing facility
[**REDACTED**]	[**REDACTED**]%	Upgrade our IT system and related infrastructure
[**REDACTED**]	[**REDACTED**]%	Provide funding for our working capital and other general corporate purposes

DIVIDENDS

We do not have any pre-determined dividend pay-out ratio. The amount of dividends actually distributed to our Shareholders will depend upon our earnings and financial condition, operating requirements, capital requirements and any other conditions that our Directors may deem relevant and will be subject to approval of our Shareholders. Our Board has the absolute discretion to recommend any dividend. Our Board did not declare any dividend to our Shareholders in 2021 and 2022, primarily due to concerns of cash preservation for the potential needs in relation to the COVID-19 pandemic. Considering the ease of the COVID-19 pandemic since the first quarter of 2023, the robust rebound of our results of operations and the balance of our net current assets, our Board believes it would be beneficial to distribute dividends to our existing Shareholders. Therefore, in May 2023, the Board declared a dividend of RMB350.0 million to our then shareholders, namely Time Sonic, Partners Gourmet and Longjing Memory Limited in respect of our distributable retained profits of our PRC subsidiaries as of December 31, 2022. Such dividend will be settled with the cash available at the time of the settlement prior to the completion of the [**REDACTED**]. We do not intend to take out extra bank borrowings for the purpose of dividend settlement. Dividends declared in the past are not indicative of our future dividend policy. See "Financial Information – Dividends."

HISTORICAL NON-COMPLIANCES

We had certain non-compliance incidents relating to: (i) fire safety and (ii) social insurance and housing provident fund. See "Business – Compliance, Licenses and Permits."

RECENT DEVELOPMENTS

Set forth below are certain material developments on our business and results of operations after December 31, 2023, which is the end of the Track Record Period:

- We opened 30 restaurants from January 1, 2024 to the Latest Practicable Date.

- As of the Latest Practicable Date, among the 30 restaurants that recorded restaurant level operating loss for the year ended December 31, 2023, (i) 28 restaurant had recorded its first monthly restaurant level operating profit, (ii) one restaurant had been closed, and (iii) one restaurant had not recorded restaurant level operating profit, primarily due to unsatisfactory operating performance.

We expect to incur [**REDACTED**] of RMB[**REDACTED**] (HK$[**REDACTED**]) after December 31, 2023 (assuming that the [**REDACTED**] is conducted at the [**REDACTED**] of the [**REDACTED**] range and assuming the [**REDACTED**] is not exercised), of which RMB[**REDACTED**] (HK$[**REDACTED**]) is expected to be recognized as [**REDACTED**] in the statement of profit or loss in 2024 and RMB[**REDACTED**] (HK$[**REDACTED**]) is expected to be recognized as a deduction in equity directly. We expect the recognition of [**REDACTED**] in the statement of profit or loss affect our profitability in 2024.

After due and careful consideration, our Directors confirm that, up to the date of this document, there has been no material adverse change in our finance and trading position or prospects since December 31, 2023, and there is no event since December 31, 2023 which would materially affect the information shown in the Accountants' Report, the text of which is set out in Appendix I to this document.

Recent Regulatory Developments

Cybersecurity Review Measures

Cybersecurity Review Measures (2021) (《網絡安全審查辦法(2021)》) was promulgated by the Cyberspace Administration of China (the "**CAC**") on December 28, 2021 and became effective on February 15, 2022 (the "**Cybersecurity Review Measures**"). The Cybersecurity Review Measures provides that where a critical information infrastructure operator (the "**CIIO**") purchases network products and services, and an online platform operator carries out data processing activities, which affect or may affect national security, cybersecurity review shall be conducted. The Cybersecurity Review Measures further provides that the online platform operators holding personal information of more than one million users shall file for cybersecurity review with the Cybersecurity Review Office if it is seeking a listing abroad (國外上市). Furthermore, where members of the cybersecurity review working mechanism believe that network products and services and data processing activities affect or are likely to affect national security, the Cybersecurity Review Office shall report to the Central Cyberspace Affairs Commission for approval as per procedure, and then conduct a review in accordance with the Cybersecurity Review Measures.

As of the Latest Practicable Date, our membership system has the personal information of more than one million members. According to the Exit and Entry Administration Law of the PRC (中華人民共和國出境入境管理法), Hong Kong is not a country or region outside of the PRC. As long as there is no specific regulatory interpretation to include Hong Kong in the scope of "abroad (國外)" under the Cybersecurity Review Measures in the future, and according to the Basic Law of the Hong Kong Special Administrative Region of the People's Republic of China, the Hong Kong Special Administrative Region is an inseparable part of the PRC, our PRC Legal Adviser is of the view that Hong Kong does not fall within the definition of "abroad" under the Cybersecurity Review Measures, therefore the cybersecurity review requirement is not applicable to us given that we are seeking a [**REDACTED**] in Hong Kong instead of abroad.

On June 3, 2024, our PRC Legal Adviser and the Joint Sponsors PRC's legal adviser conducted a telephone consultation (the "**Consultation**") with the China Cybersecurity Review, Certification and Market Regulation Big Data Center (中國網絡安全審查認證和市場監管大數據中心) (the "**CCRC**", formerly named as China Cybersecurity Review Technology and Certification Center), which is delegated by the CAC to accept applications for cybersecurity review and set up hotlines for consultation of cybersecurity review according to the CAC's pronounce and therefore is a competent organization to provided the consultation. During the Consultation, our PRC Legal Adviser and the Joint Sponsors' PRC legal adviser informed the staff of the CCRC of our proposed [**REDACTED**] and the staff confirmed that our proposed [**REDACTED**] does not fall within the scope of "listing abroad" and therefore the cybersecurity review requirement under the Cybersecurity Review Measures is not applicable to the Company.

As of the date of this document, we have not received any request from the relevant authorities to conduct cybersecurity review as a CIIO, and have never been notified that we are identified as a CIIO, neither had we been involved in any investigations on cybersecurity review made by the CAC, and we have not received any inquiry, notice, warning, or sanctions in such respect.

Draft Cyber Data Security Administration Regulations

According to the Cyber Data Security Administration Regulations (Draft for Comment) (《網絡數據安全管理條例(徵求意見稿)》) published by the CAC on November 14, 2021 but not yet effective as of the Latest Practicable Date (the "**Draft Regulations**"), any data processors processing personal information of more than one million individuals and seeking a listing abroad, or any data processors seeking a [**REDACTED**] in Hong Kong, are subject to a cybersecurity review in accordance with relevant national regulations, if such activities affect or may affect national security.

We are a restaurant operator, and our online membership system is designed to enhance customer experience. Our membership system collects and uses the relevant member data, and can independently determine the purpose and method of data processing. If the Draft Regulations comes into effect in accordance with the current form, we will be subject to the Draft Regulations and shall comply with the requirements on network security, data security and personal information protection.

Under the Draft Regulations, the relevant authorities have not provided further explanation or interpretation on the standards for determining "listing in a foreign country," "listing of data processors in Hong Kong which affects or may affect the national security," and "other data processing activities which affect or may affect the national security." According to the Consultation, because the Draft Regulations is still in draft form for comments and has not come into force, we are not required to submit an application for cybersecurity review to CCRC for our proposed [**REDACTED**] pursuant the Draft Regulations. We will closely monitor the regulatory development relating to the Draft Regulations and seek guidance from relevant regulatory authorities in a timely manner to ensure the appropriate measures taken by us.

Compliance with the Cybersecurity Review Measures and Draft Regulations

As of the date of this document, we have not received any notice from the competent government authorities requiring us to apply for the cybersecurity review, nor have we been subject to any enquiry, notice, warning, or sanction imposed by any regulatory authorities due to cybersecurity concerns. If the Draft Regulations takes effect in its current proposed form, based on the foregoing and the analysis of provisions of the Draft Regulations by our PRC Legal Adviser, we do not foresee any material impediments for us to comply with the Cybersecurity Review Measures and the Draft Regulations in all material aspects, given that we have implemented a comprehensive set of internal policies, procedures, and measures to ensure our compliance practice. We will closely monitor the legislative and regulatory development in connection with cybersecurity and data protection, including the Draft Regulations and the interpretation or implementation rules of laws and regulations of cybersecurity and data protection, and we will adjust and enhance our data practices in a timely manner to ensure compliance once the regulations come into effect.

Potential Impact of the Cybersecurity Review Measures and Draft Regulations

As advised by our PRC Legal Adviser, the Cybersecurity Review Measures and the Draft Regulations would not have a material adverse impact on our business or our [**REDACTED**] if the Draft Regulations are implemented in their current form. We are a restaurant operator, and our online membership system is designed to enhance customer experience. Based on our PRC Legal Adviser's advice, as of the Latest Practicable Date, considering each circumstance set forth in Article 10 of the Cybersecurity Review Measures and we are not recognized as CIIO by any compentant authority nor we are subject to any cybersecurity review, the likelihood of our operation and [**REDACTED**] in Hong Kong to be recognized as having the effect or may affect national security is low under the Article 10 of the Cybersecurity Review Measures.

Having considered the above and on the basis that the Joint Sponsors have (i) obtained and reviewed relevant documents, internal policies and information provided by the Company and its PRC legal adviser in relation to the Group's privacy protection, cybersecurity and data processing activities; (ii) discussed with the Company in relation to, among others, the development and impact of the Cybersecurity Review Measures and the Draft Regulations on the Group; and (iii) discussed with the PRC legal advisers to the Company and the Joint Sponsors to understand the relevant PRC laws, rules and regulations and implications of recent regulatory environment on cybersecurity in the PRC on the Group, nothing has come to the Joint Sponsors' attention to disagree with the views of the Company and its PRC legal advisers in this regard as disclosed above.

Regulations Relating to Overseas Securities [**REDACTED**] ***and*** [**REDACTED**]

On February 17, 2023, the CSRC released the Trial Administrative Measures of the Overseas Securities [**REDACTED**] and [**REDACTED**] by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) (the "**Overseas** [**REDACTED**] **Trial Measures**"), which became effective on March 31, 2023 and stipulates that domestic companies that seek to offer or [**REDACTED**] securities overseas, both directly and indirectly, shall complete the filing procedures and report relevant information to the CSRC. Pursuant to the Overseas [**REDACTED**] Trial Measures, where a PRC domestic company submits an application for initial [**REDACTED**] or [**REDACTED**] to competent overseas regulators or overseas stock exchanges, such issuer must file with the CSRC within three business days after such application is submitted. As advised by our PRC Legal Adviser, we are subject to the requirements under the Overseas [**REDACTED**] Trial Measures and we may be required to complete such filings to the CSRC for the [**REDACTED**] if we are not deemed to be an existing issuer according to the Notice on Administration for the Filing of Overseas [**REDACTED**] and [**REDACTED**] by Domestic Companies issued by the CSRC. See "Risk Factors – Risks Relating to Doing Business in China – We may be subject to regulatory requirements under new laws and regulations in connection with overseas [**REDACTED**] or [**REDACTED**] issued by the PRC government authorities" and "Regulatory Overview – Regulations Relating to Overseas Securities [**REDACTED**] and [**REDACTED**]" for more details.

In this document, unless the context otherwise requires, the following terms shall have the meanings set out below.

"Absolute Smart Ventures"	Absolute Smart Ventures Limited, a limited liability company incorporated in the BVI on November 26, 2018, which is wholly-owned by East Superstar
"AFRC"	the Accounting and Financial Reporting Council
"Articles" or "Articles of Association"	the [second] amended and restated articles of association of our Company (as amended from time to time), conditionally adopted on [●] with effect from the [**REDACTED**], a summary of which is set out in Appendix III to this document
"Board" or "Board of Directors"	the board of directors of our Company
"business day"	any day (other than a Saturday, Sunday or public holiday) on which banks in Hong Kong are generally open for business
"BVI"	the British Virgin Islands

[**REDACTED**]

"China" or "the PRC"	the People's Republic of China excluding, for the purpose of this document, Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
"CIC"	China Insights Consultancy Limited, the industry consultant to our Company
"CIC Report" or "Industry Report"	the independent industry report issued by CIC
"Companies Act"	the Companies Act (as amended) of the Cayman Islands
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended or supplemented from time to time
"Companies (Winding Up and Miscellaneous Provisions) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended or supplemented from time to time
"Company" or "our Company"	Green Tea Group Limited (綠茶集團有限公司) (formerly known as Affluent Fine Limited), an exempted company incorporated in the Cayman Islands with limited liability on June 4, 2015, and, except where the context otherwise requires, all of our subsidiaries, or where the context refers to the time before we became the holding company of our present subsidiaries, our present subsidiaries
"Contemporary Global Investments"	Contemporary Global Investments Limited, a limited liability company incorporated in the Republic of Seychelles on June 22, 2015, which is wholly owned by Ms. Lu, one of our Controlling Shareholders
"Controlling Shareholders"	has the meaning ascribed to it in the Listing Rules and unless the context requires otherwise, refers to the group of controlling shareholders of our Company, namely Mr. Wang, Yielding Sky, Ms. Lu, Contemporary Global Investments, Time Sonic, Absolute Smart Ventures, East Superstar and Vistra Trust, and a Controlling Shareholder shall mean each or any one of them
"CSRC"	the China Securities Regulatory Commission (中國證券監督管理委員會)

"Deed of Indemnity"	the deed of indemnity dated [●], 2024 and entered into by Mr. Wang and Ms. Lu, each a Controlling Shareholder, in favor of our Company (for itself and as trustee for its subsidiaries), further information of which is set out in the section headed "Statutory and General Information – E. Other Information – 1. Estate duty, tax and other indemnities" in Appendix IV to this document
"Deed of Non-Competition"	the deed of non-competition dated [●], 2024 and entered into by Mr. Wang and Ms. Lu, each a Controlling Shareholder, in favor of our Company (for itself and as trustee for its subsidiaries), further information of which is set out in the section headed "Relationship with our Controlling Shareholders" in this document
"Director(s)"	the director(s) of our Company
"East Superstar"	East Superstar Limited, a BVI business company incorporated in the BVI on November 26, 2018, which is wholly owned by Vistra Trust (Hong Kong) Limited, the trustee of the Green Tea Family Trust
"Eastern China"	consisting of Zhejiang, Shanghai, Anhui, Jiangsu, Jiangxi and Fujian
"EIT"	enterprise income tax
"EIT Law"	the PRC Enterprise Income Tax Law
"Extreme Conditions"	the occurrence of "extreme conditions" as announced by any government authority of Hong Kong due to serious disruption of public transport services, extensive flooding, major landslides, large-scale power outage or any other adverse conditions before Typhoon Signal No. 8 or above is replaced with Typhoon Signal No. 3 or below

[**REDACTED**]

"Fire Safety Consultant"	Shenzhen Anzhi Electric Fire Safety Testing Co., Ltd.

"Flourish Thrive Limited"	Flourish Thrive Limited, a limited liability company incorporated under the laws of Seychelles on June 11, 2015 and was wholly owned by our Company prior to the Reorganization
"GDP"	Gross Domestic Product

[**REDACTED**]

"Green Tea WFOE"	Shenzhen Qianhai Green Tea Investment Consultancy Company Limited (深圳前海綠茶投資諮詢有限公司), a limited company established under the laws of the PRC on December 23, 2015
"Green Tea Family Trust"	the discretionary trust established by Mr. Wang and Ms. Lu as the settlors, with Vistra Trust as the trustee, details of which are set out in the section headed "History, Reorganization and Corporate Structure"
"Group", "our Group", "we", "our" or "us"	our Company and our subsidiaries or, where the context so requires, in respect of the period before our Company became the holding company of our present subsidiaries, the business operated by such subsidiaries or their predecessors (as the case may be)
"Guandongzao WFOE"	Shenzhen Qianhai Guandongzao Investment Consultancy Company Limited (深圳前海關東造投資諮詢有限公司), a limited company established under the laws of the PRC on December 23, 2015
"Hangzhou Dinghuan"	Hangzhou Dinghuan Investment Management Company Limited (杭州鼎寰投資管理有限公司), a limited liability company established in the PRC on March 27, 2017 and an indirect wholly-owned subsidiary of our Company
"HK$" or "Hong Kong dollars" or "HK dollars" or "cents"	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
"HK August Fountain"	HongKong August Fountain Group Limited (香港鴻泉集團有限公司), a limited company incorporated under the laws of Hong Kong on August 21, 2015, and an indirect wholly-owned subsidiary of our Company

[**REDACTED**]

"HK Green Tea Group"	HongKong Greentea Group Limited (香港綠茶集團有限公司), a limited company incorporated under the laws of Hong Kong on August 21, 2015, and an indirect wholly-owned subsidiary of our Company
"HK Guan Dong Zao"	HongKong Guan Dong Zao Group Limited (香港關東造集團有限公司), a limited company incorporated under the laws of Hong Kong on August 21, 2015, and an indirect wholly-owned subsidiary of our Company

[**REDACTED**]

"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC

[**REDACTED**]

[**REDACTED**]

"Hongquan WFOE"	Shenzhen Qianhai Hongquan Investment Consultancy Company Limited (深圳前海鴻泉投資諮詢有限公司), a limited company established under the laws of the PRC on December 23, 2015
"IFRS"	IFRS Accounting Standards issued by the International Accounting Standards Board
"independent third party(ies)"	person(s) or company(ies) and their respective ultimate beneficial owner(s), who/which, to the best of our Directors' knowledge, information and belief, having made all reasonable enquiries, is/are third party(ies) independent of our Company and our connected persons as defined under the Listing Rules

[**REDACTED**]

[**REDACTED**]

"Jinan Dinghuan Green Tea"	Jinan Dinghuan Green Tea Company Limited (濟南鼎寰綠茶有限公司), a limited liability company established in the PRC on December 22, 2020, and indirect wholly-owned subsidiary of our Company

[**REDACTED**]

"Latest Practicable Date"	[June 11], 2024, being the latest practicable date prior to the printing of this document for the purpose of ascertaining certain information contained in this document

[**REDACTED**]

"Listing Committee"	the Listing Committee of the Stock Exchange

[**REDACTED**]

"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended or supplemented from time to time
"Main Board"	the stock market (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with GEM of the Stock Exchange
"Member of the Group"	the Company and/or any subsidiary or associated company of the Company
"Memorandum" or "Memorandum of Association"	the [second] amended and restated memorandum of association of our Company (as amended from time to time), adopted on [●] with effect from the [**REDACTED**], a summary of which is set out in Appendix III to this document
"MOFCOM"	Ministry of Commerce of the PRC (中華人民共和國商務部)
"Mr. Wang"	Wang Qinsong (王勤松), chairman of the Board, executive Director, chief executive officer, the settlor of the Green Tea Family Trust and one of our founders and Controlling Shareholders
"Ms. Lu"	Lu Changmei (路長梅), non-executive Director, the settlor of the Green Tea Family Trust and one of our founders and Controlling Shareholders
"NASDAQ"	the NASDAQ Stock Market in the United States
"Ningbo Qingyu"	Ningbo Haishu Qingyu Food & Beverage Management Company Limited (寧波海曙清雨餐飲管理有限公司), a limited liability company established in the PRC on March 13, 2017 and an indirect wholly-owned subsidiary of our Company
"Northern China" or "Northern China Region"	consisting of Beijing, Hebei and Tianjin

[**REDACTED**]

"Partners Gourmet"	Partners Group Gourmet House Limited, an exempted company incorporated under the laws of the Cayman Islands on December 8, 2016, our strategic investor
"Partners Group"	Partners Group Holding AG, a global private markets investment manager listed on the SIX Swiss Exchange (symbol: PGHN)
"PBOC"	People's Bank of China (中國人民銀行)

"PRC government" or "State"	the central government of the PRC, including all political subdivisions (including provincial, municipal and other regional or local government entities) and its organs or, as the context requires, any of them
"PRC Company Law"	the Company Law of the PRC (中華人民共和國公司法), a enacted by the Standing Committee of the Eighth National People's Congress on December 29, 1993 and effective on July 1, 1994, and subsequently amended on December 25, 1999, August 28, 2004, October 27, 2005, December 28, 2013 and October 26, 2018, as amended, supplemented or otherwise modified from time to time
"PRC Legal Adviser"	Commerce & Finance Law Offices, the legal adviser to our Company as the laws of the PRC and PRC cybersecurity and data compliance matters
"Preferred Shares Conversion"	the conversion of preferred shares referred in "Statutory and General Information – A. Further Information About our Group – 3. Resolutions in Writing of the Shareholders of Our Company Passed on [●].

[**REDACTED**]

"Regulation S"	Regulation S under the U.S. Securities Act
"Reorganization"	the corporate reorganization of our Group in preparation for the [**REDACTED**] as described in "History, Reorganization and Corporate Structure"
"RMB"	Renminbi, the lawful currency of the PRC

"RSU"	a restricted share unit awarded to a participant under the RSU Scheme
"RSU Scheme"	the restricted share unit scheme of our Company approved and adopted by our Board on February 28, 2020, which was further amended and approved on May 20, 2022 and [●], 2024 respectively, the principal terms of which are set out in "Statutory and General Information – D. Share Incentive Scheme" in Appendix IV to this document
"SAFE"	State Administration of Foreign Exchange of the PRC (中華人民共和國外匯管理局), the PRC governmental agency responsible for matters relating to foreign exchange administration, including local branches, when applicable
"SAFE Circular No. 37"	the Circular on Relevant Issues concerning Foreign Exchange Administration of Overseas Investment and Financing and Round-trip Investments by Domestic Residents through Special Purpose Vehicles (《國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) promulgated by SAFE with effect from July 4, 2014
"Sanquan F&B"	Sanquan Green Tea (Beijing) Food & Beverage Management Company Limited (三泉綠茶(北京)餐飲管理有限公司), a limited liability company established in the PRC on March 27, 2017 and an indirect wholly-owned subsidiary of our Company
"Series-A Preferred Share(s)"	the voting, convertible and redeemable preferred shares in the share capital of our Company each with a nominal or par value of US$1.00 prior to share subdivision on March 22, 2021 and of [**REDACTED**] after such share subdivision
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO" or "Securities and Futures Ordinance"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time
"Shareholder(s)"	holder(s) of Shares

"Shares"	ordinary shares in the share capital of our Company with par value of [**REDACTED**] each
"Shenzhen Green Tea Trading"	Shenzhen Green Tea Renjia Trading Company Limited (深圳市綠茶人家貿易有限公司), a limited liability company established in the PRC on June 24, 2016 and an indirect wholly-owned subsidiary of our Company

[**REDACTED**]

"State Council"	the PRC State Council (中華人民共和國國務院)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Strategic Investment"	the strategic investment in our Group undertaken by Partners Gourmet, details of which set out in "History, Reorganization and Corporate Structure – Strategic Investment"
"three key regions"	including Eastern China, Guangdong province and Northern China regions
"Tibet Green Tea F&B"	Tibet Green Tea Food & Beverage Management Company Limited (西藏綠茶餐飲管理有限公司), a limited liability company established in the PRC on March 30, 2016 and an indirect wholly-owned subsidiary of our Company
"Tibet Green Tea Enterprise"	Tibet Green Tea Quan Enterprise Management Company Limited (西藏綠茶泉企業管理有限公司), (formerly known as Tibet Green Tea Quan Investment Management Company Limited (西藏綠茶泉投資管理有限公司)), a limited liability company established in the PRC on March 30, 2016 and an indirect wholly-owned subsidiary of our Company
"Tibet Guandongzao"	Tibet Guandongzao Investment Management Company Limited (西藏關東造投資管理有限公司), a limited liability company established in the PRC on March 30, 2016 and an indirect wholly-owned subsidiary of our Company

"Tibet Guandongzao F&B"	Tibet Guandongzao Food & Beverage Company Limited (西藏關東造餐飲有限公司), a limited liability company established in the PRC on May 11, 2016 and an indirect wholly-owned subsidiary of our Company
"Time Sonic"	Time Sonic Investments Limited, a company incorporated in the Seychelles with limited liability on June 19, 2015, indirectly wholly-owned by Absolute Smart Ventures, Mr. Wang and Ms. Lu as to 99.9%, 0.049% and 0.051%, respectively, and is one of our Controlling Shareholders
"Track Record Period"	the years ended December 31, 2021, 2022 and 2023

[**REDACTED**]

"US$", "USD" or "U.S. dollars"	United States dollars, the lawful currency for the time being of the United States
"U.S." or "United States"	the United States of America
"U.S. Securities Act"	the United States Securities Act of 1933, as amended and supplemented or otherwise modified from time to time, and the rules and regulations promulgated thereunder
"Vistra Trust"	Vistra Trust (Hong Kong) Limited, an independent third party professional trust company established in Hong Kong
"Wuhan Lujia"	Wuhan Lujia Food & Beverage Management Company Limited (武漢路家餐飲管理有限公司), a limited liability company established in the PRC on March 30, 2017 and an indirect wholly-owned subsidiary of our Company
"Yielding Sky"	Yielding Sky Limited, a limited liability company incorporated in the Republic of Seychelles on June 12, 2015, which is wholly owned by Mr. Wang, one of our Controlling Shareholders

"Zhejiang Daxin"	Zhejiang Daxin Supply Chain Management Company Limited (浙江大心供應鏈管理有限公司), a limited liability company established in the PRC on May 24, 2023 and indirect wholly-owned subsidiary of our Company
"Zhejiang Lvqin"	Zhejiang Lvqin Supply Chain Management Company Limited (浙江綠勤供應鏈管理有限公司), a limited liability company established in the PRC on December 29, 2020 and indirect wholly-owned subsidiary of our Company
"%"	percent

* *For identification purposes only*

In this document, the terms "associate(s)", "close associate(s)", "connected person(s)", "connected transaction(s)", "core connected person(s)", "controlling shareholder(s)", "subsidiary(ies)" and "substantial shareholder(s)" shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.

GLOSSARY

This glossary contains terms used in this document in connection with us. As such, these terms and their meanings may not correspond to standard industry meanings or usage of these terms.

"breakeven"	the first month for the revenue of a newly opened restaurant to at least equal its expenses
"CAGR"	compound annual growth rate
"cash investment payback period"	the amount of time it takes for the cumulative earnings before interest, tax and depreciation to cover the cost to open a restaurant
"food processing"	the process which transforms ingredients and condiments into food, semi-processed food products and bakery products
"GFA"	gross floor area
"IT"	information technology
"kWh"	kilowatt-hour
"new tier one cities"	for the purpose of this document, Changsha, Chengdu, Chongqing, Dongguan, Foshan, Hangzhou, Hefei, Nanjing, Qingdao, Shenyang, Suzhou, Tianjin, Wuhan, Xi'an and Zhengzhou
"office automation system"	a system which enables its user to create, collect, store, manipulate and relay office information digitally
"QR code"	a machine-readable optical label that contains information about the item to which it is attached
"semi-processed food products"	semi-processed food ingredients which require relatively few steps of standardized preparation at the restaurant before serving, which primarily consist of cleaned, processed or marinated meat, aquatic products, vegetables and fruit
"tier one cities"	for the purpose of this document, Beijing, Shanghai, Guangzhou and Shenzhen

"tier two cities"	for the purpose of this document, Baoding, Changchun, Dalian, Fuzhou, Guiyang, Harbin, Huizhou, Jiaxing, Jinan, Jinhua, Kunming, Langfang, Lanzhou, Nanchang, Nanning, Nantong, Ningbo, Quanzhou, Shaoxing, Shijiazhuang, Taizhou (Zhejiang), Taiyuan, Wenzhou, Xiamen, Xuzhou, Yantai, Yixing, Wuxi, Zhongshan and Zhuhai
"tier three and lower tier cities"	for the purpose of this document, all the cities and regions of China excluding tier one cities, new tier one cities and tier two cities

FORWARD-LOOKING STATEMENTS

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

- our business prospects;
- future developments, trends and conditions in the industry and markets in which we operate;
- our business strategies and plans to achieve these strategies;
- general economic, political and business conditions in the markets in which we operate;
- changes to the regulatory environment and general outlook in the industry and markets in which we operate;
- the effects of the global financial markets and economic crisis;
- our ability to reduce costs;
- our dividend policy;
- the amount and nature of, and potential for, future development of our business;
- capital market developments;
- the actions and developments of our competitors; and
- change or volatility in interest rates, foreign exchange rates, equity prices, volumes, operations, margins, risk management and overall market trends.

FORWARD-LOOKING STATEMENTS

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

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

You should carefully consider all of the information set out in this document before making an investment in the Shares, including the risks and uncertainties described below in respect of our business and our industry and the* [REDACTED]. *You should pay particular attention to the fact that we are a company incorporated in the Cayman Islands and that our principal operations are conducted in China and are governed by a legal and regulatory environment that in some respects differs from what prevails in other countries. Our business could be affected materially and adversely by any of these risks.

RISKS RELATING TO OUR BUSINESS

Our future growth depends on our ability to open and profitably operate in existing and new geographical markets.

Our future growth depends on our ability to open and profitably operate new restaurants. In 2021, 2022 and 2023, we opened 59, 47 and 89 new restaurants, respectively. We may not be able to open new restaurants at the same rate as in the past or as quickly as planned. Delays or failures in opening new restaurants could materially and adversely affect our growth strategy and our expected financial and operating results. In obtaining new restaurant sites, we may face intense competition from our competitors in the catering industry. We may also encounter delays when applying for relevant material licenses during the approval process from the government authorities, for which the timeline is beyond our control. Even if we are able to open additional restaurants as planned, these new restaurants may neither be profitable nor have results comparable to our existing restaurants for a period of time. This growth strategy and the substantial efforts associated with the development of each additional restaurant may cause our operating results and profits to fluctuate.

We may also open new restaurants in markets where we have little or no operating experience. Those new markets may have different competitive environment, consumer tastes and discretionary spending patterns from our existing markets. As a result, we may not be able to open new restaurants in these markets on a timely basis or at all. If the new restaurants do open, they may be less profitable compared with restaurants in our existing markets. Consumers in a new market may not be familiar with our brand and we may need to build brand awareness in that market through advertising and promotional activities, which could result in higher expenses than originally planned. We may find it more difficult in new markets to hire, motivate and retain qualified employees who share our business philosophy and culture. Opening restaurants in new markets may record lower average sales, lower average spending per guest, higher renovation costs, higher occupancy costs or higher operating costs than restaurants in existing markets. In addition, we may take longer to set up similar supply chains with suitable quality control in such new markets. Restaurants opened in new markets may take longer than expected to ramp up and reach, or may never reach, expected sales and profit levels, thereby affecting our overall profitability. There can be no assurance that we will be able to maintain our profitability as we continue to expand into new markets.

We may not be able to maintain and increase the sales and profitability of our existing restaurants.

The sales of existing restaurants will also affect our sales growth and will continue to be a critical factor affecting our revenue and profit. Our ability to increase sales of existing restaurant depends in part on our ability to successfully implement our initiatives to increase customer traffic, table turnover and spending per guest. Examples of these initiatives include offering innovative dishes and combinations, enhancing dining experience to attract repeat customers, enhancing customer loyalty, attracting more customers during non-peak hours and adjusting prices of our dishes. There can be no assurance that we will be able to achieve our targeted sales growth and profitability for our existing restaurants. Also, we cannot ensure that existing restaurant sales will not decrease. If we are unable to achieve our targeted sales and profitability in our existing markets, our business, financial condition and results of operations may be materially and adversely affected.

As of December 31, 2023, we had 115, 72, 56 and 117 restaurants in Eastern China, Guangdong province, Northern China and other regions, respectively. To minimize competition among our own restaurants, we generally avoid opening a new restaurant within a three-kilometer radius of an existing restaurant in a tier one or new tier one city. In other cities, we may position our restaurants further apart from each other to ensure sufficient customer traffic at each location. Nonetheless, as we open new restaurants in our existing geographic markets, the sales performance and customer traffic of our existing restaurants near such new restaurants may decline as a result of increased competition. This may in turn adversely affect our business, financial condition and results of operations of our existing restaurants.

Increases in the cost of ingredients used in our restaurants may lead to declines in our margins and operating results.

Any rise in our costs, particularly a rise in the cost of the ingredients, may lead to declines in our margins and operating results. Our cost of raw materials and consumables used depends on a variety of factors, many of which are beyond our control. Our raw materials and consumables used represented approximately 36.9%, 36.3% and 33.6% of our revenue in 2021, 2022 and 2023, respectively. Fluctuations in weather, supply and demand, and economic conditions could adversely affect the cost, availability, and quality of our critical food ingredients. If we are not able to obtain requisite quantities of quality ingredients at commercially reasonable prices, we may not be able to serve our dishes. Furthermore, if we cannot pass these cost increases onto our customers, our operating margins may decrease.

In addition, the PRC government has promulgated laws and regulations including the Pricing Law of the PRC (《中華人民共和國價格法》) on December 29, 1997 under which temporary measures may be taken to control price increases or decreases of certain material commodities which include a number of ingredients that are important to our business. Such price control measures will have direct effects on the cost of relevant ingredients. The measures that prevent the prices of ingredients from falling will keep our cost of relevant ingredients at a higher level than it would be under free market conditions. Although generally we may benefit from the measures that control price increases which keep our ingredient costs from rising, there is no guarantee for how long and to what extent such measures may be implemented, or whether such measures will effectively control price increases in the long run. For example, there is a possibility that price control measures may frustrate the relevant suppliers and discourage supply, which may materially and adversely affect our business.

If we cannot obtain desirable restaurant locations or secure renewal of existing leases on commercially reasonable terms, our business, results of operations and ability to implement our growth strategy may be materially and adversely affected.

We compete with other restaurants for suitable locations. Also, some landlords and developers may offer priority or grant exclusivity for desirable locations to some of our competitors. We cannot assure you that we will be able to enter into new lease agreements for prime locations or renew existing lease agreements on commercially reasonable terms. We have encountered certain instances in which a landlord decided to change its business strategy, and the relevant leases could not be renewed as a result. During the Track Record Period, we closed two restaurants due to such reason.

The lease arrangements for our restaurants generally last for five to 10 years with an option to renew. Where we do not have a provision providing an option to renew a lease agreement, we may need to negotiate the terms of renewal with the lessor, who may insist on a significant modification to the terms and conditions of the lease agreement. If a lease agreement is renewed at a rate substantially higher than the existing rate or other existing favorable terms granted by the lessor, if any, are not extended, we must evaluate whether renewal on such modified terms is in our business interest. If we are unable to renew leases for our restaurant sites, we will have to close or relocate the relevant restaurants, which would eliminate the sales that the restaurants would have contributed to our revenue during the period of closure, and could subject us to costs and risks relating to new restaurant openings. In addition, the revenue and any profit generated at a relocated restaurant may be less than the revenue and profit previously generated before such relocation. Therefore, any inability to obtain leases for desirable restaurant locations or renew existing leases on commercially sound terms could have a material and adverse effect on our business, financial condition and results of operations.

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

The success of our restaurants revolves primarily around guest satisfaction, which is dependent on the continued popularity of our *Green Tea* brand and lies in our ability to maintain and enhance our dining experience. The quality of our dining experience may be adversely affected by a number of factors, including, among others:

- decline in the quality of service provided by our restaurant staff;
- inability to pioneer and introduce new services or dishes that gain popularity amongst guests;

- inability to meet the needs of our guests and changes in consumer tastes or preferences;
- decline in food quality, or the perception of such decline amongst guests;
- any significant liability claims or food contamination complaints from our guests;
- inability to offer quality food at affordable prices;
- long waiting time;
- limited accessibility to public transportation;
- decrease in the attractiveness or quality of design of our restaurants; and
- low quality of delivery service.

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

Our business depends significantly on the market recognition of our *Green Tea* brand, and if we are not able to maintain or enhance our brand recognition, our business, financial condition and results of operations may be materially and adversely affected.

We believe that maintaining and enhancing our *Green Tea* brand is important to maintaining our competitive advantage. However, our ability to maintain our brand recognition depends on a number of factors, some of which are beyond our control. Our continued success in preserving and enhancing our brand and image depends to a large extent on our ability to further develop and maintain our distinctive combination of fusion cuisine, affordable prices, hospitable services, pleasant dining environments throughout our restaurant network and our ability to respond to any change in the competitive environment in the catering industry. If we are unable to do so, the value of our brand or image will be diminished and our business and results of operations may be materially and adversely affected. In addition, if any third parties use or imitate our trademarks or trade names without our authorization to operate restaurant which result in adverse side effect on customers, we may be associated with negative publicity and our brand reputation may suffer as a result. As we continue to grow in size, expand our food offerings and services and extend our geographic reach, maintaining quality and consistency may be more difficult and we cannot assure you that customers' confidence in our brand name will not be diminished.

Inappropriate use of our trademarks and brand name by our connected persons may affect our reputation and business.

We entered into agreements with certain of our connected persons which authorize the use of our trademarks and brand name to such connected persons. See "Continuing Connected Transactions" for further details. There is no guarantee that these connected persons will successfully maintain the reputation and/or brand image of our *Green Tea* brand. If these connected persons cannot maintain the reputation and/or brand image of our *Green Tea* brand, any negative publicity or customer disputes and complaints regarding these connected persons may harm the value of our *Green Tea* brand, and our business, financial and results of operation may be negatively affected as well.

Our current restaurant locations may become unattractive, which may have a material and adverse effect on our business, financial condition and results of operations.

The success of any restaurant depends substantially on its location. There can be no assurance that our current restaurant locations will continue to be attractive as economic or demographic conditions change. The economic and demographic conditions of our restaurant locations could become unfavorable to us in the future, thus resulting in potentially reduced sales of restaurants in these locations. As substantially all of our lease agreements have fixed lease terms, these lease agreements expose us to the risk of having to make rental payments for fixed periods of time in spite of unprofitable business operations or other unforeseen events that may occur before each lease term expires. In addition, as of the Latest Practicable Date, there were eight restaurants that have a lease term of over 15 years. Such long lease terms may further expose us to such risk. Therefore, the inability and/or the lack of flexibility to terminate these leases early could have a material and adverse effect on our business, financial condition and results of operation.

If we are unable to manage our growth effectively, our business and financial results may be materially and adversely affected.

We have increased the number of our restaurants from 180 as of January 1, 2021 to 382 as of the Latest Practicable Date. We plan to continue to expand our restaurant network in different geographic locations in the PRC. While we currently have no overseas operations, we plan to open a total of around 30 new restaurants overseas from 2024 to 2027. In addition, we may continue to selectively open new restaurants in overseas metropolises in the future. This further expansion may place substantial demands on our management team, and our operational, technological, labor and other resources. Our planned expansion will also place significant demands on us to maintain consistent food and service quality and preserve our corporate culture to ensure that our brand does not suffer from any deterioration, whether actual or perceived, in the quality of our food or services.

Our continued success also depends on our ability to recruit, train and retain additional qualified management, administrative, sales and marketing personnel, particularly as we expand into new markets. We also need to continue to manage our relationships with our suppliers and customers. All of these endeavors will require substantial management attention and efforts, and require significant additional expenditures. We cannot assure you that we will be able to manage any future growth effectively and efficiently, and any failure to do so may materially and adversely affect our ability to capitalize on new business opportunities. This in turn may have a material and adverse effect on our business, financial condition and results of operations.

Our business is affected by changes in consumer taste and discretionary spending, and we may not be able to respond to such changes.

The catering industry is defined by consumer taste and preference. We cannot assure you that we can continue to develop new dishes and maintain an attractive menu to suit changing customer demands.

To a significant extent, our success also depends on discretionary customer spending, which is influenced by various factors beyond our control, such as general economic conditions. Accordingly, we may experience declines in sales during economic downturns or prolonged periods of high unemployment rates. Any material decline in the amount of discretionary spending in the PRC may have a material and adverse effect on our business, results of operations and financial condition.

We may not be able to quickly develop new dishes and adapt to evolving customer preferences and tastes.

Our continued success depends on our ability to continuously launch new dishes and improve the existing dishes to cater the evolving customer preferences and tastes. There is no guarantee that we will always be able to effectively gauge the direction of our key markets and successfully identify, develop and promote new or improved dishes in the changing market, or our new dishes will always be favored by customers or commercially successful. Our financial results could be adversely affected by the lack of customer acceptance of new dishes; customers' reducing their demand for our current offerings as new dishes are introduced; or that we are unable to effectively manage our cost of raw materials and consumables, especially for newly launched dishes.

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

Our historical results and growth may not be indicative of our future performance. Our financial and operating results may not meet the expectations of public market analysts or investors, which could cause the future price of our Shares to decline. Our revenue, expenses and operating results may vary from period to period in response to a variety of factors beyond our control. These factors can include general economic conditions, special events, government regulations and policies affecting our restaurant operations and/or our ability to control costs and operating expenses. Our staff costs may fluctuate from month to month as we are required by law to pay our staff a higher rate for work on public holidays. You should not rely on our historical results to predict our future financial performance.

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

We are exposed to the risks of fraud, theft or other misconduct involving employees, customers or other third parties, which may have a material adverse impact on our business. We are also exposed to the risk of our staff members responsible for procurement and quality control receiving bribes or kick-backs from our suppliers in violation of our policies, which in turn may result in supplies that are overpriced or fail our quality standard. We may be unable to prevent, detect or deter all instances of misconduct. Any misconduct committed against our interests, which may include past acts that have gone undetected or future acts, could subject us to financial losses and/or harm our reputation.

Our restaurants are susceptible to risks in relation to rental increases or fluctuations.

As we lease the property for all of our restaurants and offices, we have significant exposure to the retail rental market in the PRC. In 2021, 2022 and 2023, our depreciation of right-of-use assets amounted to RMB143.0 million, RMB161.0 million and RMB177.0 million, respectively, representing 6.2%, 6.8% and 4.9% of our total revenue for the respective period, and our other rentals and related expenses were RMB63.9 million, RMB56.6 million and RMB80.3 million, respectively, representing 2.8%, 2.4% and 2.2% of our revenue for the respective periods. Since our rental expenses represent a significant portion of our total operating expenses, our profitability may be adversely affected by any substantial increase in such expenses of our restaurant premises.

Shortages or interruptions in the availability and delivery of our food ingredients and other supplies may have a material and adverse effect on our business, financial condition and results of operations.

If our suppliers do not deliver food ingredients and other supplies in a timely manner, we may experience supply shortages and increased food costs. The ability to source high-quality food ingredients at competitive prices in a timely manner is crucial to our business. Our ability to maintain consistent quality and maintain our menu offerings throughout our restaurant network depends in part upon our ability to acquire food ingredients and related supplies in sufficient quantities from reliable sources that meet our food safety and quality specifications. While we generally enter into standard one-year framework agreements with our suppliers for food ingredients, the purchase prices with suppliers for our food ingredients are typically set by way of purchase orders. In 2021, 2022 and 2023, the total purchases from our five largest suppliers in aggregate accounted for 23.4%, 18.6% and 18.4% respectively, and our purchases from our largest supplier accounted for 10.0%, 5.0% and 5.2%, respectively, of our total purchases. During the Track Record Period, none of our key suppliers ceased or indicated that it would cease to provide supplies to us. Also, we did not experience any material delays or interruptions in securing supplies from our key suppliers. However, there can be no assurance that we will be able to maintain business relationships with our key suppliers.

A disruption of our food supplies can occur for a variety of reasons, many of which are beyond our control, including adverse weather conditions, international trade disputes, import/export restrictions, natural disasters, diseases, important suppliers ceasing operations or unexpected production shortages. Moreover, there can be no assurance that our current suppliers may always be able to meet our stringent quality control requirements in the future. If any of our suppliers does not perform quality control adequately or otherwise fail to distribute supplies to us in a timely manner, we cannot assure you that we will be able to find suitable alternative suppliers in a short period of time on acceptable terms. As a result, our failure to do so could increase our procurement costs and cause shortages of food ingredients and other supplies at our restaurants. Any significant food shortages or supply disruptions will lead to the unavailability of some menu items and a significant reduction in revenue as customers seek out alternative dining options.

Rising labor costs and the long-term trend of higher wages may lead to declines in our margins and operating results.

Historically, staff costs which comprise salaries and benefits payable to all our employees and staff, including our Directors, senior management, headquarters personnel and restaurant level staff, have been a major component of our operating costs. In 2021, 2022 and 2023, our staff costs accounted for approximately 24.8%, 26.4% and 25.4% of our revenue, respectively. Currently, substantially all of our staff are employed in the PRC, and thus we take advantage of the availability of relatively low-cost labor in the PRC. The economy in the PRC has grown significantly over the past 20 years, which has resulted in an increased average cost of labor. The overall economy and the average wage in the PRC are expected to continue growing.

The Labor Contract Law of the PRC that became effective on January 1, 2008 and was amended on December 28, 2012 formalizes workers' rights concerning overtime hours, pensions, layoffs, employment contracts, the role of labor unions, and provides for specific standards and procedures for the termination of an employment contract. In addition, the Labor Contract Law requires the payment of a statutory severance pay upon the termination of an employment contract in most cases, including in cases of the expiration of a fixed term employment contract. The implementation of the Labor Contract Law may significantly increase our operating expenses, in particular our personnel expenses. In the event that we decide to terminate the employment of some of our employees or otherwise change our employment or labor practices, the Labor Contract Law may also limit our ability to effect these changes in a manner that we believe to be cost-effective or desirable. Any shortages in the availability of labor or any material increase in the cost of labor as a result of competition, increased minimum wage requirements and employee benefits will diminish our competitive advantage and have a material and adverse effect on our business, financial condition and results of operations.

Any failure to maintain effective quality control systems could have a material and adverse effect on our reputation, results of operations and financial condition.

The quality and safety of the food we serve is critical to our success. Maintaining consistent food quality depends significantly on the effectiveness of our quality control systems, which in turn depends on a number of factors, including the design of our quality control systems and our ability to ensure that our employees and suppliers adhere to and implement those quality control policies and guidelines. Our quality control systems consist of (i) procurement quality control, (ii) storage and logistics quality control, and (iii) restaurant operations quality control. For more details on our quality control systems, see "Business – Food Safety and Quality Control." There can be no assurance that our quality control systems will prove to be effective. Any significant failure or deterioration of our quality control systems could have a material and adverse effect on our reputation, results of operations and financial condition.

Any failure or perceived failure to deal with customer complaints or adverse publicity involving our food or services could materially and adversely impact our business and results of operations.

A chain restaurant business such as ours can be adversely affected by negative publicity, whether accurate or not. The negative publicity can arise from news reports or allegations in printed and online media regarding our restaurant operations, in particular alleged food quality and safety and fire safety issues. Reports on public health concerns and/or negative media attention concerning our competitors or catering service providers across the food industry supply chain may potentially affect customer perception of our business. Any such negative publicity could materially harm our business, brands and results of operations.

A significant number of complaints or claims against us, even if meritless or unsuccessful, could force us to divert management and resources from other main business concerns, which may adversely affect our business and operations. Adverse publicity resulting from such complaints or claims, even if meritless or unsuccessful, could cause customers to lose confidence in us and our brand, which may also adversely affect the business of the restaurants subject to such complaints and our restaurants under the same or related brand. As a result, we may experience significant declines in our revenue and customer traffic from which we may not be able to recover.

Any significant liability claims, food contamination complaints from our customers or reports of food tampering incidents could adversely affect our reputation, business and operations.

Being in the catering industry, we face an inherent risk of food contamination and liability claims. Our food quality substantially depends on the quality of the food ingredients provided by our suppliers and we may not be able to detect all defects in those supplies. As we expand our business scale, we cannot assure you that these counterparties or our restaurant employees will adhere to our internal procedures and requirements at all times. Any failure to detect defective food supplies, poor hygiene or cleanliness standards in our operations or other failure to observe our requirements, could adversely affect the quality of the food served in our restaurants, which could lead to liability claims, complaints, or related adverse publicity and could result in the imposition of penalties by competent authorities or compensation awarded by courts against us.

Most of the guest complaints we received were related to the taste and style of a particular dish, long waiting time, and the service quality of our staff. We take these complaints seriously and endeavor to reduce such complaints by implementing various remedial measures. Nevertheless, we cannot assure you that we can successfully prevent all guest complaints of similar nature.

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

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

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

Events that disrupt the operations of any of our restaurants, such as fires, floods, earthquakes or other natural or man-made disasters, may materially and adversely affect our business operations.

Our operations are vulnerable to interruption by fires, floods, typhoons, power failures and shortages, terrorist attacks and other events beyond our control. Our business is also dependent on prompt delivery and transportation of our food ingredients. Certain events, such as adverse weather conditions, natural disasters, severe traffic accidents and delays, and labor strikes, could also lead to delayed or lost deliveries of food supplies to logistics facilities and our restaurants. All of which may result in the loss of potential business, and thus sales revenue. Perishable food ingredients, such as fresh, chilled or frozen food ingredients, may deteriorate due to delivery delays, malfunctioning of refrigeration facilities or poor handling during transportation by our suppliers or our logistics partners. For example, we temporarily suspended the operation of certain restaurants in various parts of China in 2021 and 2022 due to the COVID-19 pandemic and in response to the restrictive measures imposed by the relevant local governments. In addition, fires, floods, earthquakes and terrorist attacks may lead to evacuations and other disruptions in our operations, which may also prevent us from providing quality food and service to customers, thereby affecting our business and damaging our reputation. Any such event could materially and adversely affect our business operations and results of operations.

Information technology system failures, breaches of our network security or compromised data privacy or information security could interrupt our operations and adversely affect our business.

We rely on our computer systems and network infrastructure across our operations to monitor the daily operations of our restaurants and to collect accurate up-to-date financial and operating data for business analysis and decision making such as the procurement of supplies. Any damage or failure of our computer systems or network infrastructure or computer virus attacks that causes an interruption or inaccuracies in our operations could have a material and adverse effect on our business and results of operations.

We also receive certain personal information about our customers through our membership system and when our customers order through our WeChat mini programs or we provide delivery services through third party platforms. Our network security may be breached due to the actions of outside parties, employee error, malfeasance, or a combination of these or otherwise. If any actual or perceived breach of our security occurs, we may become subject to litigation or other proceedings relating to such incidents. Any such proceedings could distract our management from running our business and cause us to incur significant unplanned losses and expenses. In addition, our guests' confidence in the effectiveness of our security measures could be harmed and we may lose guests and suffer financial losses due to such events or in connection with remediation efforts, investigation costs and system protection measures. Any of the above could harm our reputation and materially and adversely affect our business and results of operations.

We cannot assure you that we will always be able to comply with the regulatory requirements in connection with cybersecurity and data and privacy protection in the PRC in all aspects, and a non-compliance may lead to regulatory actions against us, even not material.

We rely on our information technology and software systems to effectively manage data, including but not limited to operation data, members' personal information and financial and human resources data. The PRC government has enacted a series of laws, regulations and governmental policies for the protection of cyber security and data security in the past few years, including the PRC Cybersecurity Law (《中華人民共和國網絡安全法》), PRC Personal Information Law (《中華人民共和國個人信息保護法》) and the PRC Data Security Law (《中華人民共和國數據安全法》). We may not always be able to be compliance with such relevant laws and regulations in all aspects, as the laws and regulations may be amended from time to time. Any resulting non-compliance may lead to regulatory actions, investigations or litigations against us. Even if these actions, investigations or litigations do not result in any liability to us, we could incur significant costs in investigating and defending against them, and could be subject to negative publicity about our privacy and data protection practices, which may affect our reputation in the marketplace.

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

As of the date of this document, we have obtained insurance policies that we believe are customary for businesses of our size and type and in line with the standard commercial practice in the PRC. For more details on our insurance policies, see "Business – Insurance." However, there are types of losses we may incur that cannot be insured against or that we believe are not commercially reasonable to insure, such as loss of reputation. If we were held liable for uninsured losses or amounts and claims for insured losses exceeding the limits of our insurance coverage, our business and results of operations may be materially and adversely affected.

We may not be able to adequately protect our intellectual property, which could harm the value of our brand and adversely affect our business and operation.

We believe that our brand is essential to our success and our competitive position. Although we have registered trademarks and have trademark applications pending in the PRC, these steps may not be adequate to protect our intellectual property. There is no assurance that any of our pending trademark applications will be granted. As of the Latest Practicable Date, we have three pending trademark applications in the PRC. We cannot assure you that the registrations will be successfully completed. If we fail to secure the registration of any trademarks under application, or if we are held by any court or tribunal to be infringing on any trademark of others, our business may be adversely affected. See "Statutory and General Information" in Appendix IV to this document. In addition, third parties may infringe upon our intellectual property rights or misappropriate our proprietary knowledge, which could have a material and adverse effect on our business, financial condition or operating results. While our proprietary recipes are protected by confidentiality agreements between us and our employees or certain suppliers, there can be no assurance that they will not breach such agreements or leak the recipe to our competitors. In addition, although we can rely on confidentiality and non-compete agreements with key personnel and other precautionary procedures to protect our proprietary recipes, such measures may not be sufficient.

In the past, we have found that certain third parties used or imitated our trademarks or trade names without our authorization to operate restaurants in cities where we do not have a presence. While the conducts of such third parties did not have a material adverse effect on our business, our reputation and brand may be damaged by infringements of our trademarks or trade names in the future. If the operations of third parties who used or imitated our trademarks or trade names without our authorization result in adverse side effects on consumers, we may be associated with negative publicity as a result. Preventing trademark and trade name infringement and trade secret misappropriation is difficult, costly and time-consuming. Such litigation could result in substantial costs and diversion of resources, which could negatively affect our sales, profitability and prospects. Even if any such litigation is resolved in our favor, we may not be able to successfully enforce the judgment and remedies awarded by the court and such remedies may not be adequate to compensate us for our actual or anticipated losses, whether tangible or intangible.

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

Our success depends on the continuing efforts of our senior management team and other key personnel, and therefore our business may be harmed if we lose their services.

Our future success depends heavily upon the continuing services and performance of our key management personnel. We must continue to attract, retain and motivate a sufficient number of qualified management and operating personnel to maintain consistency in the quality and atmosphere of our restaurants and meet our planned expansion requirements.

If our senior management team fails to work together successfully, or if one or more of our senior managers are unable to effectively implement our business strategy, we may be unable to grow our business at the speed or in the manner in which we expect. Competition for experienced management and operating personnel in the catering market is strong, and the pool of qualified candidates is limited. We may not be able to retain the services of our key management and operating personnel or attract and retain high-quality senior executives or key personnel in the future.

In addition, if one or more of our key personnel are unable or unwilling to continue in their present positions, we may not be able to replace them easily or at all. Therefore, our business may be disrupted and our results of operations may be materially and adversely affected. In addition, if any member of our senior management team or any of our other key personnel joins a competitor or forms a competing business, business secrets and know-how may leak as a result. Any failure to attract, retain and motivate these key personnel may harm our reputation and result in a loss of business.

Our business could be adversely affected by difficulties in employee recruiting and retention.

Our continued success depends in part upon our ability to attract, motivate and retain a sufficient number of qualified employees for our chain restaurant operations, including restaurant managers and kitchen staff. We cannot assure you that we will be able to recruit or retain a sufficient number of qualified employees for our business. Any material increase in employee turnover rates in our existing restaurants and any failure to recruit skilled personnel and to retain key staff due to factors, such as failure to keep up with market average employee salary levels, may make our growth strategy difficult to implement. Any of the above would materially and adversely affect our business and results of operations.

Since we require various approvals, licenses and permits to operate our business, any failure to obtain or renew any of these approvals, licenses and permits could materially and adversely affect our business and results of operations.

In accordance with the PRC laws and regulations, we are required to maintain various approvals, licenses and permits in order to operate our restaurant business in the PRC. Each of our restaurants in the PRC is required to obtain the relevant catering service license. In addition, each of our restaurants in the PRC is required to pass the necessary fire safety inspection. These approvals, licenses and permits are achieved upon satisfactory compliance with, amongst other things, the applicable food hygiene and safety and fire safety laws and regulations. Most of these licenses are subject to examinations or verifications by relevant authorities and some are valid only for a fixed period of time subject to renewal and accreditation.

Complying with government regulations may require substantial expense, and any non-compliance may expose us to liability. In case of any non-compliance, we may have to incur significant expense and divert substantial management time to resolving any deficiencies. We may also experience adverse publicity arising from such non-compliance with government regulations that negatively impacts our brand.

We have in the past failed to fully comply with the applicable laws and regulations to complete certain fire safety procedures. For details, see "Business – Compliance, Licenses and Permits – Fire Safety." We have fully rectified the relevant non-compliance incidents. However, we cannot assure you that we will not be subject to any future regulatory reviews and inspections where other non-compliance incidents might be identified, which might materially and adversely affect our business, financial condition, results of operations and prospects.

We may experience difficulties or failures in obtaining the necessary approvals, licenses and permits for new restaurants. In addition, there can be no assurance that we will be able to obtain, renew and/or convert all of the approvals, licenses and permits required for our existing business operations upon expiration in a timely manner or at all. If we cannot obtain and/or maintain all licenses required by us to operate our business, planned new business operations and/or expansion may be delayed and our ongoing business could be interrupted. We may also be subject to fines and penalties. For details, see "Business – Compliance, Licenses and Permits."

Failure to make social insurance and housing provident fund contributions for some of our employees timely as required by PRC laws and regulations may subject us to late payments and fines imposed by relevant governmental authorities.

Companies operating in the PRC are required to make social insurance and housing provident funds for their employees. Our PRC subsidiaries have in the past failed to make social security insurance and housing provident fund contributions for some of our employees timely in accordance with the relevant PRC laws and regulations. For details, see "Business – Compliance, Licenses and Permits – Social Insurance and Housing Provident Funds." Our PRC Legal Adviser has advised us that, pursuant to relevant PRC laws and regulations, we may be ordered by the relevant PRC authorities to pay the outstanding social insurance contributions within a prescribed time limit and may be subject to an overdue charge of 0.05% of the delayed payment per day. If such payment is not made within the stipulated period, the competent authority may further impose a fine from one to three times the amount of any overdue payment. Our PRC Legal Adviser has further advised us that, pursuant to relevant PRC laws and regulations, if we fail to pay the full amount of housing provident fund as required, the housing provident fund management center may order us to make the outstanding payment within a prescribed time limit. If the payment is not made within such time limit, an application may be made to the PRC courts for compulsory enforcement.

Our results of operations may fluctuate significantly due to several factors that are beyond our control.

Our overall results of operations may fluctuate significantly from period to period because of several factors, including: the timing of new restaurant openings and the amounts of associated pre-opening costs and expenses; operating costs for our newly opened restaurants, which are often substantially greater during the first few months of operations; revenue loss and renovation expenses associated with the temporary closure of existing restaurants for refurbishment; impairment of non-current assets, including goodwill and any losses incurred on restaurant closures; and fluctuations in food and commodity prices. In addition, our business and operating results may be subject to seasonal fluctuations because of several factors including holidays, school vacations, and fluctuations in food prices. As a result, our results of operations may fluctuate significantly from period to period and comparisons of different periods may not be meaningful. Our results for a given period in a fiscal year are not necessarily indicative of results to be expected for any other period in the same fiscal year.

Our rights to use some of our leased properties could be challenged by property owners or other third parties or due to usage defects, which may adversely affect our business operations and financial condition.

As of the Latest Practicable Date, with respect to 54 out of 655 of our leased properties in the PRC, the lessors of such properties still failed to provide us with sufficient or valid ownership certificates or any form of permission to sublet from the owners, despite the proactive requests we previously made, with an aggregate GFA of approximately 14,346.9 square meters, representing approximately 6.7% of the total GFA of our leased properties ("**Leased Properties Pending Title or Authorization Documents**"). Based on the advice of our PRC Legal Adviser, if the lessors of the leased properties do not have the requisite rights to lease the relevant properties, we would not be subject to any administrative penalties with respect to these properties, but our leases may be affected, and as a result, we may be required to vacate from the relevant properties and relocate our restaurants. In this event, our operation of restaurants on such properties may be impaired and we may not be adequately indemnified by the landlords for our related losses. Also, we will incur additional costs in relocating our restaurants to other suitable locations, thus affecting our business operations and financial condition.

The actual use of 10 leased properties (with an aggregate GFA of approximately 2,065.1 square meters, representing approximately 1.0% of our total leased GFA) does not fit into the prescribed scope of usage shown on the relevant ownership certificates ("**Leased Properties with Usage Defects**"). For the Leased Properties with Usage Defects, as advised by our PRC Legal Adviser, administrative penalties may be imposed on the owners if the properties are leased for the usage incompatible with the prescribed scope, and our usage of the Leased Properties with Usage Defects may be interrupted.

As of the Latest Practicable Date, the lease agreements with respect to 624 out of 655 of our leased properties were not registered with the appropriate government authorities in the PRC. As advised by our PRC Legal Adviser, failure to complete the registration of lease agreements may lead to a fine ranging from RMB1,000 to RMB10,000 imposed by the relevant PRC authorities for each unregistered lease. See "Business – Properties – Leased Properties – Non-registration of Lease Agreements."

Our net current liabilities may expose us to certain liquidity risks and could restrain our operational flexibility as well as affect our ability to expand our business.

As of December 31, 2021, 2022 and 2023, we recorded net current liabilities of RMB116.7 million, RMB88.3 million and RMB300.6 million, respectively. See "Financial Information – Working Capital" for a detailed analysis of our net current liability position.

Net current liabilities may expose us to certain liquidity risks and could constrain our operational flexibility as well as adversely affect our ability to expand our business. Our future liquidity, the payment of trade and other payables, as and when they become due will primarily depend on our ability to maintain adequate cash inflows from our operating activities and adequate external financing, which will be affected by our future operating performance, prevailing economic conditions, our financial, business and other factors, many of which are beyond our control. If we do not have sufficient working capital to meet future financial needs, we may need to resort to external funding. Our inability to obtain additional external borrowings on a timely basis or on acceptable terms, or at all, may also force us to abandon our development and expansion plans, and our business, financial condition and results of operations may be materially and adversely affected.

We may need additional capital, and our ability to obtain additional capital is subject to uncertainties.

We believe that our current cash and cash equivalents, anticipated cash flow from operations and the [**REDACTED**] from this [**REDACTED**] will be sufficient to meet our anticipated cash needs, including our cash needs for working capital and capital expenditures, for at least the next 12 months. We may, however, require additional cash resources to finance our continued growth or other future developments, including any investments we may decide to pursue. The amount and timing of such additional financing needs will vary depending on the timing of our new restaurant openings, investments in new restaurants and the amount of cash flow from our operations. If our resources are insufficient to satisfy our cash requirements, we may seek additional financing by selling additional equity or debt securities or obtaining a credit facility. The sale of additional equity securities could result in additional dilution to shares held by our shareholders. The incurrence of indebtedness would result in increased debt service obligations and could result in operating and financing covenants that may, among other things, restrict our operations or our ability to pay dividends. Servicing such debt obligations could also be burdensome to our operations. If we fail to service the debt obligations or are unable to comply with such debt covenants, we could be in default under the relevant debt obligations and our liquidity and financial condition may be materially and adversely affected.

Our ability to obtain additional capital on acceptable terms may be subject to a variety of uncertainties, including but not limited to:

- investors' perception of, and demand for, securities of businesses in the catering industry;
- conditions of the Hong Kong and other capital markets in which we may seek to raise funds;
- our future results of operations, financial condition and cash flows;
- PRC governmental regulation of foreign investment in the catering industry in the PRC;
- economic, political and other conditions in the PRC; and
- PRC governmental policies relating to foreign currency borrowings.

We cannot assure you that future financing will be available in amounts or on terms acceptable to us, or at all. If we fail to raise additional funds, we may need to sell debt or additional equity securities, reduce our growth to a level that can be supported by our cash flow or defer planned expenditures.

We may be subject to the risk of obsolescence for our inventory.

Our inventory primarily consists of food ingredients, condiment product, beverage and other materials used in our restaurant operations. As of December 31, 2021 and 2022 and 2023, the balances of our inventories amounted to RMB47.2 million, RMB56.4 million and RMB59.6 million, respectively.

Our major food ingredients, including semi-processed food products and vegetables and fruits, have a typical shelf life of three months and three days, respectively. The risk of obsolescence for our inventory increases as the age of our food ingredients increases. In addition, though we adopt multiple methods to manage inventory levels, certain factors such as unexpected fluctuations in the supply of raw materials or changes in customers' tastes and preferences are beyond our control and may lead to decreased demand and overstocking of particular products, which in turn increases the risk of obsolescence for our inventory. Furthermore, as our restaurant network expands, our inventory level increases and our inventory obsolescence risk may also increase along with the increased purchase of inventories. In such circumstances, our business, financial condition and results of operations may be materially and adversely affected.

We have granted, and may continue to grant, share-based incentive awards, which may result in increased share-based compensation expenses.

We have adopted the RSU Scheme in 2020 in order to motivate and retain skilled and experienced personnel to strive for the future development and expansion of the Group by providing them with the opportunity to own equity interests of the Company. Expenses associated with share-based compensation have affected our profitability and may continue to affect our profitability in the future. We do not plan to issue any additional securities pursuant to the RSU Scheme which constitutes a share scheme funded by existing shares only. However, if we issue any additional securities under any share-based incentive plans we may adopt in the future, such additional securities will dilute the ownership interests of our shareholders. We believe the granting of share-based incentive awards is of significant importance to our ability to attract and retain key employees, and we plan to grant additional share-based incentive awards in the future. As a result, our share-based compensation expenses may increase, which may have an adverse effect on our results of operations.

We may be exposed to credit risks resulting from delays and/or defaults in payments by our customers or related parties, which would adversely affect our business, financial condition and results of operations.

Our credit risk is primarily attributable to trade and other receivables. As of December 31, 2021, 2022 and 2023, our trade and other receivables amounted to approximately RMB204.5 million, RMB240.2 million and RMB314.5 million, respectively. For further details, see "Financial Information – Analysis of Selected Statement of Financial Position Items – Trade and Other Receivables." Our trade and other receivables are primarily related to (i) bills settled through third-party payment platforms such as Alipay or WeChat Pay, which were normally settled within a short period of time, and (ii) bills received by shopping malls on behalf of us, which were normally settled within one month. We may also have concentration of credit risk on amounts due from related parties, which represent receivables relating to our operation of certain restaurants under the cooperation agreements with our connected persons. See "Continuing Connected Transactions" for further details.

If the abovementioned parties delay or default in their payments to us, we may have to make impairment provisions and write-off the relevant receivables and hence our liquidity may be adversely affected. This may in turn materially and adversely affect our business, financial condition and results of operations.

We are subject to risk of recoverability of deferred tax assets.

As of December 31, 2021, 2022 and 2023, our deferred tax assets amounted to RMB30.5 million, RMB36.9 million and RMB45.1 million, respectively. As deferred tax assets can only be recognized to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences and tax losses carried forward can be utilized, management's judgment is required to assess the probability of future taxable profits. During the Track Record Period, some of our PRC subsidiaries incurred losses which were available for recognition of deferred tax assets to the extent that it was probable that future taxable profit would be available against which losses could be utilized. Pursuant to the Notice No. 8 issued by the Ministry of Finance and the State Administration of Taxation of the PRC on February 6, 2020, the maximum carried forward period of the tax losses affected by COVID-19 in certain affected industries, such as catering industry, is extended from five years to eight years.

As of December 31, 2021, 2022 and 2023, we had unrecognized deferred tax assets in respect of cumulative tax losses arising from some of our PRC subsidiaries of approximately RMB3.1 million, RMB2.1 million and RMB6.6 million, respectively, that will expire in five years or eight years. Future taxable profits generated by existing restaurants may be offset by investment costs, such as upfront costs incurred in establishing new restaurants for the management and operation of brands and restaurants, which will increase the uncertainty in the utilization of tax losses prior to expiry.

Any changes in management's judgment as well as the future operating results of the relevant entities would affect the carrying amounts of deferred tax assets to be recognized and the recoverability of deferred tax assets recognized in our consolidated financial statements, and therefore could materially and adversely affect our financial condition and results of operation in future years.

We may continue to recognize impairment losses for property, plant and equipment and right-of-use assets.

For the years ended December 31, 2021, 2022 and 2023, we had 44, 54 and 30 restaurants that recorded restaurant level operating loss and we recognized impairment losses of approximately RMB0.8 million, nil and RMB4.6 million, respectively, due to the unfavorable future prospects of certain restaurants at the end of each reporting period. For details of accounting treatment, see note 11 to the Accountants' Report set forth in Appendix I.

We may continue to recognize impairment losses for property, plant and equipment and right-of-use assets in the future as we are actively expanding our restaurant network and the performance of certain restaurants may not meet our expectation. If we continue to recognize impairment losses for property, plant and equipment and right-of-use assets, our financial condition and results of operations may be materially and adversely affected.

Our financial condition, results of operations and prospects may be adversely affected by the valuation uncertainty of financial assets at fair value through profit or loss due to the use of unobservable inputs.

During the Track Record Period, we purchased low-risk financial assets at fair value through profit or loss for cash management purposes, which are wealth management products. As of December 31, 2021, 2022 and 2023, our financial assets measured at fair value through profit or loss amounted to RMB40.2 million, RMB40.0 million and RMB120.2 million, respectively. As we need to make significant estimates on assumptions in determining the fair value of the wealth management products we purchased using unobservable inputs, the valuation of these financial assets are subject to uncertainties. Any net changes in the fair value of such assets are recorded as our other revenue, and therefore may adversely affect our results of operations. Although we did not incur any fair value losses for financial assets at fair value through profit or loss during the Track Record Period, we cannot assure you that we will not incur any such fair value losses in the future. If we incur such fair value losses, our financial condition, results of operations and prospects may be adversely affected.

Exemptions of value-added tax granted by the government in relation to the COVID-19 pandemic and certain government grants are non-recurring in nature and we may not be able to enjoy the relevant exemptions and government grants again, which may result in the decrease of our other income and adversely affect our financial condition and results of operations.

During the Track Record Period, we received exemptions of value-added tax in relation to COVID-19 and recognized RMB5.0 million in other revenue in 2021. We no longer enjoy such exemptions since 2022. In addition, we recognized other government grants of RMB12.9 million, RMB23.8 million and RMB28.3 million in other revenue in 2021, 2022 and 2023, respectively, mainly representing additional deduction and exemption of value-added tax granted by the government authorities in the PRC. There can be no assurance that we will be able to enjoy the relevant tax exemptions and government grants again. Furthermore, if there is any change in the policy regarding the relevant government grants, we may not be able to continue to receive them in the future. Such changes relating to our tax exemptions and government grants will result in the decrease of our other income and adversely affect our financial condition and results of operations.

Rent concession granted by certain of our landlords in relation to the COVID-19 pandemic are non-recurring in nature and we may not be able to enjoy such rent concession again, which may result in the decrease of our other income and adversely affect our financial condition and results of operations.

In 2022, we received rent concession granted by certain of our landlords in relation to the COVID-19 pandemic and recognized RMB10.2 million under our other income. As the COVID-19 situation has been generally under control in China, we no longer enjoy such rent concession now. There can be no assurance that we will be able to enjoy such rent concession again even if the pandemic seriously affects our business operations in the future. If we cannot obtain such rent concession from our landlords in the future when our business is seriously affected by the pandemic, our financial condition and results of operations may be materially adversely affected.

We are exposed to risks relating to our plans for future expansion into overseas markets.

While we currently have no overseas operations, we plan to open a total of around 30 new restaurants overseas from 2024 to 2027. In addition, we may continue to selectively open new restaurants in overseas metropolises in the future. Overseas operations may expose us to various risks including:

- different consumer preferences and discretionary spending patterns;
- the infringement of our intellectual property rights in foreign jurisdiction;
- political risks, including civil unrest, acts of terrorism, acts of war, regional and global political or military tensions and strained or altered foreign relations;

- difficulties and costs associated with complying with, and enforcing remedies under, a wide variety of complex domestic and international laws, treaties and regulations;
- difficulties with staffing and managing overseas operations;
- foreign currency exchange controls and fluctuations;
- uncertainties in the interpretation and application of tax laws and regulations, more onerous tax obligations and unfavorable tax conditions; and
- cultural and language difficulties.

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

RISKS RELATING TO OUR INDUSTRY

Intense competition in the catering industry could prevent us from increasing or sustaining our revenue and profitability.

The catering industry is intensely competitive with respect to, among other things, food quality and consistency, taste, price, ambience, service, location, supply of quality food ingredients and employees. We face significant competition at each of our locations from a variety of restaurants in various market segments, including locally-owned restaurants and regional and international chains. Our competitors also offer dine-in, take-away and delivery services. There are a number of well-established competitors with substantially greater financial, marketing, personnel and other resources than ours, and many of our competitors are well established in the markets where we have restaurants or in which we intend to open new restaurants. Additionally, other companies may develop new restaurants that operate with similar concepts and target our customers, thus resulting in increased competition.

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

Failure to comply with existing or new government regulations relating to the catering industry, fire safety, food hygiene and environmental protection could materially and adversely affect our business and operating results.

Our business is subject to various compliance and operational requirements under PRC laws. The failure of any of our restaurants to comply with applicable laws and regulations, including laws governing our relationship with our employees, may incur substantial fines and penalties from the relevant PRC government authorities. Each of our restaurants must hold a basic business license issued by the local government authorities and must have restaurant operations within the business scope of its business license. Our business is also subject to various regulations that affect various aspects of our business in the cities in which we operate, including fire safety, food hygiene and environmental protection. Each of our restaurants must obtain various licenses and permits or conduct record filing procedures under these regulations. If we fail to cure such non-compliance in a timely manner, we may be subject to fines, confiscation of the gains derived from the related restaurants or the suspension of operations of the restaurants that do not have all the requisite licenses and permits, which could materially and adversely affect our business and results of operations. See also "Regulatory Overview – Laws and Regulations on Food Safety and Licensing Requirements for Catering Services" and "Regulatory Overview – Regulations on Fire Prevention."

Our operations may be negatively affected by any industry-wide food safety related concerns even if such concerns are through no fault of our own or related to our business.

The catering industry in China as a whole is subject to concern over food safety and quality related issues. In particular, there have been numerous reports and negative publicity related to the safety and quality incidents in China's catering industry. While the reports and allegations are not targeted at us, the catering industry as a whole can be negatively impacted by these incidents and associated reports. Our prospects, business, results of operations and financial condition can be negatively impacted if the catering industry experiences slower growth from concerns over food safety.

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

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

We also face risks related to health epidemics. Past occurrences of epidemics or pandemics, depending on their scale of occurrence, have caused different degrees of damage to the national and local economies in the PRC. In June 2009, the World Health Organization declared the outbreak of H1N1 influenza to be a pandemic. In April 2013, there were outbreaks of highly pathogenic avian flu caused by the H7N9 virus in certain parts of the PRC. In December 2019, COVID-19 was first reported and was subsequently declared a pandemic by the World Health Organization in March 2020. The catering industry in China has been significantly affected by the COVID-19 outbreak and it forced the temporary closures of many restaurants from early 2020 to 2022. Our results of operations were also significantly affected by the COVID-19 pandemic and the relevant restrictive measures imposed by the government in 2021 and 2022. In recent years, there have also been seasonal outbreaks of the influenza A virus worldwide which is prevalent during winter season. An outbreak of any epidemics or pandemics in the PRC, especially in the areas where we have restaurants, may result in temporary closures of our restaurants, travel restrictions or the sickness or death of key personnel and our customers. Any of the above may cause material disruptions to our operations, which in turn may materially and adversely affect our financial condition and results of operations.

Since August 2018, there has been an outbreak of African swine fever ("**ASF**") in several provinces in the PRC. ASF is not a human health threat but it is a dreadful disease in pigs and can cause massive deaths of pigs in a short period of time. As a result of the ASF, the PRC has slaughtered infected pigs and prohibited the export of pork from certain provinces, which affected our supply of fresh pork. To diversify our supply of pork, we have also been using pork sourced from suppliers in other countries, such as Spain, Brazil and Germany. However, if there is a prolonged or recurrence of shortage of fresh pork supply from the PRC, we cannot guarantee that alternative sources of supply could continue to supply fresh pork to us at a reasonable price; and if we could not shift such cost burden to our customers, we may experience material and adverse impact on our business operation and financial performance. The recurrence of epidemics and diseases like ASF may cause severe disruption to our supply and we cannot guarantee that we will be able to find similar supplies at similar prices within a reasonable time, which in turn may materially and adversely affect our business and results of operations.

Macro-economic factors have had and may continue to have a material and adverse effect upon our business, financial condition and results of operations.

The catering industry is affected by macro-economic factors, including changes in international, national, regional and local economic conditions, employment levels and consumer spending patterns. In particular, most of our restaurants are located in China and accordingly, our results of operations are closely affected by the macro-economic conditions in China. Any deterioration of the Chinese economy, decrease in disposable consumer income, fear of recession and decreases in consumer confidence may lead to a reduction of customer traffic and average spending per guest at our restaurants. These macro-economic factors could materially and adversely affect our financial condition and results of operations.

Moreover, the occurrence of a sovereign debt crisis, banking crisis or other disruptions in the global financial markets that could impact the availability of credit generally may have a material and adverse impact on financings available to us. Renewed turmoil affecting the financial markets, banking systems or currency exchange rates may significantly restrict our ability to obtain financing from the capital markets or from financial institutions on commercially reasonable terms, or at all, which could materially and adversely affect our business, financial condition and results of operations.

The increasing awareness of environmental, social and governance issues may lead to the adoption of more stringent laws and regulations and increase our compliance costs.

With the rising awareness of environmental, social and governance ("**ESG**") issues, including with respect to food and packaging waste, greenhouse gas emissions and environmental protection, any revisions to laws and regulations may affect our business operations. Accordingly, we may need to devote more effort and resources to ensure our compliance with such laws or regulations. We have adopted a series of measures aiming to ensure our compliance with the ESG-related laws and regulations applicable to us, as described in "Business – Environmental Sustainability and Social Responsibility." We cannot assure you that these risk management measures can effectively mitigate the relevant risks and help us to constantly maintain compliance under relevant laws and regulations. Revisions to existing ESG-related laws and regulations or the promulgation of new ESG-related laws and regulations may increase our compliance costs, and if we fail to comply with such ESG-related laws and regulations, our business and financial performance may be materially and adversely affected.

RISKS RELATING TO DOING BUSINESS IN THE JURISDICTIONS WHERE WE OPERATE

The economic, political and social conditions in the jurisdictions where we operate, as well as government policies, laws and regulations, could affect our business, financial conditions and results of operations.

Substantially all our business operations are in China and substantially all our revenue is derived from our operations in China. Accordingly, our results of operations and prospects are, to a significant degree, subject to economic, political and legal developments in China. The PRC government regulates the economy and industries by imposing industry-related policies and regulating the macro economy in the PRC through fiscal and monetary policies. Our performance is affected by China's economy, which may be influenced by the industry-related policies and other relevant regulations promulgated by the Chinese government. We cannot predict all the risks that we face as a result of the current economic and regulatory developments and many of these risks are beyond our control. All such factors may materially and adversely affect our business, results of operations as well as our financial performance.

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

In utilizing the [**REDACTED**] from the [**REDACTED**] or any further [**REDACTED**], as an offshore holding company of our PRC subsidiaries, we may make loans to our PRC subsidiaries, or we may make additional capital contributions to our PRC subsidiaries. Any loans provided by us to our PRC subsidiaries are subject to PRC regulations. For example, loans by us to our PRC subsidiaries in China to finance their activities cannot exceed statutory limits and must be registered or filed on record. We may also decide to finance our PRC subsidiaries through capital contributions. These capital contributions must be filed with the local counterpart of the MOFCOM. We cannot assure you that we will be able to accomplish these government registrations or filing procedures on a timely basis, if at all, with respect to future loans or capital contributions by us to our subsidiaries or any of their respective subsidiaries. If we fail to receive such registrations or approvals or fail to complete such filing procedures, our ability to use the [**REDACTED**] of the [**REDACTED**] and to capitalize our operations in China may be negatively affected, which could adversely and materially affect our liquidity and our ability to fund and expand our business.

We may be subject to regulatory requirements under new laws and regulations in connection with overseas [REDACTED] or [REDACTED] issued by the PRC government authorities.

On July 6, 2021, the General Office of the State Council together with another authority jointly promulgated the Opinion on Severely Punishing Illegal Activities in Securities Market (the "**Securities Activities Opinions**") (《關於依法從嚴打擊證券違法活動的意見》), which calls for the enhanced administration and supervision of overseas-listed China-based companies, proposes to revise the relevant regulation governing the overseas issuance and listing of shares by such companies and clarifies the responsibilities of competent domestic industry regulators and government authorities. On February 17, 2023, the CSRC released the Overseas Listing Trial Measures, which became effective on March 31, 2023 and stipulates that domestic companies that seek to offer or list securities overseas, both directly and indirectly, shall complete the filing procedures and report relevant information to the CSRC. Pursuant to the Overseas Listing Trial Measures, where a PRC domestic company submits an application for offering or listing to competent overseas regulators or overseas stock exchanges, such issuer must file with the CSRC after such application is submitted. We will file with the CSRC within the specific time limit as required by the Overseas Listing Trial Measures and the requirements of the CSRC to ensure our compliance in all respects. In addition, it is uncertain whether we can or how long it will take us to complete such filings for the [**REDACTED**] or our future financing activities. Any failure to complete such filings for the [**REDACTED**] pursuant to the requirements of the CSRC or any of our future financing activities would subject us to sanctions by the PRC government authorities. Furthermore, such failure may adversely affect our ability to finance the development of our business and may have a material adverse effect on our business and financial condition.

We rely on dividends paid by our subsidiaries for our cash needs, and any limitation on the ability of our subsidiaries to make payments to us could have a material and adverse effect on our ability to conduct our business.

We conduct all our business through our consolidated subsidiaries incorporated in the PRC. We rely on dividends paid by these consolidated subsidiaries for our cash needs, including the funds necessary to pay any dividends and other cash distributions to our Shareholders, to service any debt we may incur and to pay our operating expenses. The payment of dividends by entities established in the PRC is subject to limitations. Regulations in the PRC currently permit payment of dividends only out of accumulated profits as determined in accordance with accounting standards and regulations in the PRC. Each of our PRC subsidiaries is also required to set aside at least 10% of its after-tax profit based on PRC laws and regulations each year to its general reserves or statutory capital reserve fund until the aggregate amount of such reserves reaches 50% of its respective registered capital. Our statutory reserves are not distributable as loans, advances or cash dividends. We anticipate that in the foreseeable future our PRC subsidiaries will need to continue to set aside 10% of their respective after-tax profits to their statutory reserves. Furthermore, if any of our subsidiaries incurs debt on its own behalf in the future, the instruments governing the debt may restrict its ability to pay dividends or make other distributions to us. Any limitations on the ability of our subsidiaries to transfer funds to us could materially and adversely limit our ability to grow, make investments or acquisitions that could be beneficial to our business, pay dividends and otherwise fund and conduct our business.

In addition, under the EIT Law, the Regulation on the Implementation of the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法實施條例》), or Notice 112, which was issued on January 29, 2008 and amended on February 29, 2008, the Arrangement between the Mainland of China and Hong Kong Special Administrative Region on the Avoidance of Double Taxation and Prevention of Fiscal Evasion with Respect to Taxes on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排(國稅函[2006]第884號)》) (the "**China-Hong Kong Tax Arrangement**"), which became effective on December 8, 2006, and the Announcement of the State Administration of Taxation on Issues Concerning "Beneficial Owners" in Tax Treaties (《國家稅務總局關於稅收協定中"受益所有人"有關問題的公告》) (the "**Announcement 9**"), which became effective on April 1, 2018, dividends from our PRC subsidiaries paid to us through our indirectly wholly-owned subsidiary incorporated in Hong Kong, which holds our PRC subsidiaries, may be subject to a withholding tax at a rate of 10%, or at a rate of 5% if such Hong Kong subsidiary is considered as a "beneficial owner" that is generally engaged in substantial business activities and entitled to treaty benefits under the China-Hong Kong Tax Arrangement. According to the Announcement 9, the PRC tax authorities must evaluate whether an applicant qualifies as a "beneficial owner" on a case-by-case basis. We are actively monitoring the withholding tax and are evaluating appropriate organizational changes to minimize the corresponding tax impact.

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

Under the EIT Law and EIT Implementation Rules, our foreign corporate Shareholders may be subject to a 10% income tax upon any gains realized from the transfer of their Shares and dividend distributable to such foreign corporate Shareholders, if such income is regarded as income from "sources within the PRC." According to the EIT Implementation Rules, whether income generated from transferring equity investments is to be regarded as sources within the PRC or from foreign territory shall depend upon the locations in which the enterprises accepting the equity investment are located. However, it is unclear whether income received by our Shareholders will be deemed to be income from sources within the PRC and whether there will be any exemption or reduction in taxation for our foreign corporate Shareholders due to the promulgation of the EIT Law. If our foreign corporate Shareholders are required to pay PRC income tax on the transfers of our Shares that they hold or on the gains on the sale of our Shares by them, the value of our foreign corporate Shareholders' investments in our Shares may be materially and adversely affected.

We may be classified as a "resident enterprise" for PRC enterprise income tax purposes, which could result in unfavorable tax consequences to us and our non-PRC Shareholders.

The EIT Law provides that enterprises established outside the PRC whose "de facto management bodies" are located in the PRC are considered "resident enterprises" and are generally subject to the uniform 25% enterprise income tax rate on their worldwide income. In addition, Issues about the Determination of Chinese-controlled Enterprises Registered Abroad as Resident Enterprises on the Basis of Their Body of Actual Management (《國家稅務總局關於境外註冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知》國稅發[2009]82號) issued by the State Administration of Taxation on April 22, 2009 regarding the standards used to classify certain Chinese-invested enterprises controlled by Chinese enterprises or Chinese group enterprises and established outside the PRC as "resident enterprises" clarified that dividends and other income paid by such "resident enterprises" will be considered to be PRC source income, subject to PRC withholding tax, currently at a rate of 10%, when recognized by non-PRC enterprise shareholders. This circular also subjects such "resident enterprises" to various reporting requirements with the PRC tax authorities. Under the implementation regulations to the enterprise income tax, a "de facto management body" is defined as a body that has material and overall management and control over the manufacturing and business operations, personnel and human resources, finances and properties of an enterprise. In addition, the circular mentioned above sets out criteria for determining whether "de facto management bodies" are located in the PRC for overseas incorporated, domestically controlled enterprises. However, as this circular only applies to enterprises established outside the PRC that are controlled by PRC enterprises or groups of PRC enterprises, it remains unclear how the tax authorities will determine the location of "de facto management bodies" for overseas incorporated enterprises that are controlled by individual PRC residents like us and some of our subsidiaries. Therefore, although substantially all our management is currently located in the PRC, it remains unclear whether the PRC tax authorities would require or permit our overseas registered entities to be treated as PRC resident enterprises. We do not currently consider us to be a PRC resident enterprise. However, if the PRC tax authorities disagree with our assessment and determine that we are a "resident enterprise," we may be subject to enterprise income tax at a rate of 25% on our worldwide income and dividends paid by us to our non-PRC Shareholders as well as capital gains recognized by them with respect to the sale of our Shares may be subject to a PRC withholding tax. This will have an impact on our effective tax rate, a material and adverse effect on our net income and results of operations, and may require us to withhold tax on our non-PRC Shareholders.

Certain judgments obtained against us by our shareholders may be difficult to enforce.

We are an exempted company incorporated in the Cayman Islands, and all of our assets and subsidiaries are located in the PRC. The majority of our Directors, Supervisors and senior management reside within the PRC. Judgments rendered by Hong Kong courts may be recognized and enforced in the PRC if the requirements set forth by the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by Courts of Mainland and of the Hong Kong Special Administrative Region Pursuant to Consensual Jurisdiction (《關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排》) are met. Nonetheless, it may be difficult for you to effect service of process within Hong Kong upon us or these persons, or to bring an action in Hong Kong against us or against these individuals in the event that you believe that your rights have been infringed under the applicable securities laws or otherwise. In addition, it may be difficult for you to bring an original action against us or our PRC resident officers and directors in a PRC court based on the liability provisions of non-PRC securities laws. Even if you are successful in bringing an action of this kind, the laws of the Cayman Islands and of regions where we operate may render it difficult for you to enforce a judgment against our assets or the assets of our Directors and officers.

Although we will be subject to the Listing Rules and the Codes on Takeovers and Mergers and Share Repurchases of Hong Kong upon the [**REDACTED**] of our Shares on the Stock Exchange, the holders of the Shares will not be able to bring actions on the basis of violations of the Listing Rules and must rely on the Stock Exchange to enforce its rules. The Listing Rules and the Codes on Takeovers and Mergers and Share Repurchases of Hong Kong do not have the force of law in Hong Kong.

Fluctuations in the value of RMB and the regulations over foreign currency conversion may adversely affect our business and results of operations and our ability to remit dividends.

Substantially all our revenue and expenditures are denominated in RMB, while the [**REDACTED**] from the [**REDACTED**] and any dividends we pay on our Shares will be in Hong Kong dollars. Fluctuations in the exchange rates between the RMB and the Hong Kong dollars or U.S. dollars will affect the relative purchasing power in RMB terms. Fluctuations in the exchange rates may also cause us to incur foreign exchange losses and affect the relative value of any dividend distributed by us. Currently, we have not entered into any hedging transactions to mitigate our exposure to foreign exchange risk.

Movements in RMB exchange rates are affected by, among other things, any further development of political and economic conditions and the PRC's foreign exchange regime and policy. PBOC regularly intervenes in the foreign exchange market to limit fluctuations in RMB exchange rates and achieve certain exchange rate targets and policy goals. In the fourth quarter of 2016, the RMB had depreciated significantly in the backdrop of a surging U.S. dollars and persistent capital outflows of the PRC. This depreciation halted in 2017, and the RMB appreciated approximately 7% against the U.S. dollars during this one-year period. Starting from the beginning of 2019, the RMB has depreciated significantly against the U.S. dollars again. In early August 2019, the PBOC set the RMB's daily reference rate at RMB7.0039 to US$1.00, the first time that the exchange rate of RMB to U.S. dollars exceeded 7.0 since 2008. We cannot assure you that RMB will not appreciate or depreciate significantly in value against Hong Kong dollars or U.S. dollars in the future.

In addition, conversion and remittance of foreign currencies are subject to PRC foreign exchange regulations. It cannot be guaranteed that under a certain exchange rate, we shall have sufficient foreign exchange to meet our foreign exchange needs. Under the PRC's current foreign exchange control system, foreign exchange transactions under the current account conducted by us do not require advance approval from SAFE, but we are required to present relevant documentary evidence of such transactions and conduct such transactions at designated foreign exchange banks within the PRC that have the licenses to carry out foreign exchange business. Foreign exchange transactions under the capital account, however, must be approved by or registered with SAFE or its local branch. The PRC government may also at its discretion restrict access in the future to foreign currencies for current account transactions. Any insufficiency of foreign exchange may restrict our ability to obtain sufficient foreign exchange for dividend payments to Shareholders or satisfy any other foreign exchange obligation. If we fail to obtain approvals from the SAFE to convert RMB into any foreign exchange, our potential offshore capital expenditure plans and even our business, may be materially and adversely affected.

Failure by our Shareholders or beneficial owners who are PRC residents to make any required applications and filings pursuant to regulations relating to offshore investment activities by PRC residents may prevent us from being able to distribute profits or inject capital and could expose us and our PRC resident Shareholders to liability under the PRC laws.

The SAFE Circular No. 37 which was promulgated by SAFE and became effective on July 4, 2014, requires a PRC individual resident ("**PRC Resident**") to register with the local SAFE branch before he or she contributes assets or equity interests in an overseas special purpose vehicle ("**Offshore SPV**") that is directly established or controlled by the PRC Resident for the purpose of conducting investment or financing. Following the initial registration, the PRC Resident is also required to register with the local SAFE branch for any major change in respect of the Offshore SPV, including, among other things, any major change of a PRC Resident shareholder, name or term of operation of the Offshore SPV, or any increase or reduction of the Offshore SPV's registered capital, share transfer or swap, merger or division. Failure to comply with the registration procedures of SAFE Circular No. 37 may result in penalties and sanctions, including the imposition of restrictions on the ability of the Offshore SPV's Chinese subsidiary to distribute dividends to its overseas parent.

RISKS RELATING TO THE [REDACTED]

There has been no prior public market for our Shares and an active trading market may not develop.

Prior to the [**REDACTED**], there has not been a public market for our Shares. An active public market may not develop or be sustained after the [**REDACTED**]. The initial [**REDACTED**] range for our Shares was the result of, and the [**REDACTED**] will be the result of, negotiations among us and the [**REDACTED**] on behalf of the [**REDACTED**] and may not be indicative of prices that will prevail in the trading market after the [**REDACTED**].

We have applied to [**REDACTED**] and deal in our Shares on the Stock Exchange. However, even if approved, being [**REDACTED**] on the Stock Exchange does not guarantee that an active trading market for our Shares will develop or be sustained. If an active market for our Shares does not develop after the [**REDACTED**], the market price and liquidity of our Shares may be adversely affected. As a result, you may not be able to resell your Shares at prices equal to or greater than the price paid for the Shares in the [**REDACTED**].

The market price and trading volume of our Shares may be volatile, which could result in substantial losses for investors purchasing Shares in the [**REDACTED**]. The market price of our Shares may fluctuate significantly and rapidly as a result of a variety of factors, many of which are beyond our control, including:

- actual and anticipated variations in our results of operations;
- changes in securities analysts' estimates or market perception of our financial performance;
- announcement by us of significant acquisitions, dispositions, strategic alliances or joint ventures;
- recruitment or loss of key personnel by us or our competitors;
- market developments affecting us or the catering industry;
- the operating and stock price performance of other companies, other industries and other events or factors beyond our control;
- fluctuations in trading volumes or the release of lock-up or other transfer restrictions on our outstanding Shares or sales of additional Shares by us; and
- general economic, political and stock market conditions in Hong Kong, the PRC and elsewhere in the world.

Moreover, in recent years, stock markets in general have experienced significant price and volume fluctuations, some of which have been unrelated or disproportionate to the operating performance of the listed companies. These broad market and industry fluctuations may adversely affect the market price of our Shares.

Since there will be a gap of several days between pricing and trading of our [REDACTED], the price of our [REDACTED] could fall below the [REDACTED] when the trading commences.

The [**REDACTED**] of our Shares is expected to be determined on the [**REDACTED**]. However, our Shares will not commence trading on the Stock Exchange until they are delivered, which is expected to be three Hong Kong business days after the pricing date. As a result, investors may not be able to sell or deal in our Shares during that period. Accordingly, holders of our Shares are subject to the risk that the price of our Shares could fall below the [**REDACTED**] when the trading commences as a result of adverse market conditions or other adverse developments, that could occur between the time of sale and the time trading begins.

Purchasers of Shares will experience immediate dilution and may experience further dilution if we issue additional Shares in the future.

Based on the [**REDACTED**] range, the [**REDACTED**] is expected to be higher than the net tangible book value per Share prior to the [**REDACTED**]. Therefore, you will experience an immediate dilution in pro forma net tangible book value per Share. In addition, we may issue additional Shares or equity-related securities. If we issue additional Shares or equity-related securities in the future, the percentage ownership of our existing Shareholders may be diluted. In addition, such new securities may have preferred rights, options or pre-emptive rights that make them more valuable than or senior to the Shares.

There can be no assurance if and when we will pay dividends in the future. Dividends distributed in the past may not be indicative of our dividend payment in the future.

Distribution of dividends shall be formulated by our Board of Directors at their discretion and may be subject to Shareholders' approval. A decision to declare or to pay any dividends and the amount of any dividends will depend on various factors, including but not limited to our results of operations, cash flows and financial conditions, operating and capital expenditure requirements, distributable profits as determined under IFRS, our Articles of Association, market conditions, our strategic plans and prospects for business development, contractual limits and obligations, payment of dividends to us by our operating subsidiaries, taxation, and any other factors determined by our Board of Directors from time to time to be relevant to the declaration of dividend payments. As a result, our historical dividend distributions are not indicative of our future dividend distribution policy. There can be no assurance whether, when and in what form we will pay dividends in the future or that we will pay dividends in accordance with our dividend policy. See "Financial Information – Dividends" for more details of our dividend policy.

Our Controlling Shareholders may exert substantial influence over our operation and may not act in the best interests of our independent Shareholders.

Immediately following the completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised, our Controlling Shareholders will control approximately [**REDACTED**]% of our issued share capital. Therefore, they will be able to exercise significant influence over all matters requiring Shareholders' approval, including the election of Directors and the approval of significant corporate transactions. They will also have veto power with respect to any shareholder action or approval requiring a majority vote except where it is required by relevant rules to abstain from voting. Such concentration of ownership also may have the effect of delaying, preventing or deterring a change in control of us that would otherwise benefit our Shareholders. The interests of the Controlling Shareholders may not always coincide with us or your best interests. If the interests of the Controlling Shareholders conflict with the interests of us or our other Shareholders, or if the Controlling Shareholders choose to cause our business to pursue strategic objectives that conflict with the interests of us or other Shareholders, we or those other Shareholders, including you, may be disadvantaged as a result.

We were incorporated under the laws of the Cayman Islands and these laws may provide different protections to minority Shareholders than the laws of Hong Kong.

Our corporate affairs are governed by the Memorandum and the Articles and by the Companies Act and laws of the Cayman Islands. The laws of the Cayman Islands relating to the protection of the interest of minority Shareholders may differ in some respects from those established under statutes or judicial precedent in existence in Hong Kong. Such differences could mean that the minority Shareholders may have different protections than they could have under the laws of Hong Kong.

Sale, or perceived sale, of substantial amounts of our Shares in the public market could adversely affect the prevailing market price of our Shares.

Save for existing Shareholders who are subject to certain lock-up periods, our existing Shareholders may dispose of our Shares that they may own now or in the future. Sales of substantial amounts of our Shares in the public market, or the perception that these sales may occur, could materially and adversely affect the prevailing market price of our Shares.

Statistics in this document provided by CIC are subject to assumptions and methodologies set forth in the "Industry Overview."

Facts and statistics in this document relating to the market and the industry we operate, including those relating to the economy and the global catering industry, are derived from an industry report prepared by CIC and commissioned by us, as well as from various official government sources. Information and statistics from official government sources have not been independently verified by us, the Joint Sponsors, the [**REDACTED**], the [**REDACTED**], the [**REDACTED**], the [**REDACTED**], the [**REDACTED**] or any other party involved in the [**REDACTED**] and no representation is given as to its accuracy and completeness. Investors should not place undue reliance on such facts or statistics.

Forward-looking statements contained in this document are subject to risks and uncertainties.

This document contains certain statements and information that are forward-looking and uses forward-looking terminology such as "anticipate," "believe," "could," "going forward," "intend," "plan," "project," "seek," "expect," "may," "ought to," "should," "would" or "will" and similar expressions. You are cautioned that reliance on any forward-looking statement involves risks and uncertainties and that any or all of those assumptions could prove to be inaccurate and as a result, the forward-looking statements based on those assumptions could also be incorrect. In light of these and other risks and uncertainties, the inclusion of forward-looking statements in this document should not be regarded as representations or warranties by us that our plans and objectives will be achieved and these forward-looking statements should be considered in light of various important factors, including those set forth in this section. Subject to the requirements of the Listing Rules, we do not intend publicly to update or otherwise revise the forward-looking statements in this document, whether as a result of new information, future events or otherwise. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements in this document are qualified by reference to this cautionary statement.

You should read the entire document carefully and we strongly caution you not to place any reliance on any information contained in press articles and/or other media regarding us, our business, our industry and/or the [REDACTED].

There may have been prior to the publication of this document, and there may be subsequent to the date of this document but prior to the completion of the [**REDACTED**], press and/or media regarding us, our business, our industry and/or the [**REDACTED**]. None of us, the Joint Sponsors, the [**REDACTED**], the [**REDACTED**], the [**REDACTED**], the [**REDACTED**], the [**REDACTED**] or any other person involved in the [**REDACTED**] has authorized the disclosure of information about the [**REDACTED**] in any press or media and none of these parties accepts any responsibility for the accuracy or completeness of any such information or the fairness or appropriateness of any forecasts, views or opinions expressed by the press and/or other media regarding our Shares, the [**REDACTED**], our business, our industry or us. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information, forecasts, views or opinions expressed in any such publications. To the extent that such statements, forecasts, views or opinions are inconsistent or conflict with the information contained in this document, we disclaim them. Accordingly, you should make your investment decisions on the basis of the information contained in this document only and should not rely on any other information.

In preparation for the [**REDACTED**], our Company has sought the following waivers from strict compliance with the relevant provisions of the Listing Rules.

MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 of the Listing Rules, we must have sufficient management presence in Hong Kong. This normally means that at least two of the executive Directors must be ordinarily resident in Hong Kong. Since all of our Company's business operations and management are located in the PRC, there is no need to appoint executive Directors based in Hong Kong. As all of our executive Directors currently reside in the PRC, we do not and, for the foreseeable future, will not have sufficient management presence in Hong Kong for the purpose of satisfying the requirement under Rule 8.12 of the Listing Rules.

Accordingly, we have applied to the Stock Exchange for[, and the Stock Exchange has agreed to grant,] a waiver from strict compliance with the requirements under Rule 8.12 of the Listing Rules. In order to maintain effective communication with the Stock Exchange, we will put in place the following measures in order to ensure that regular communication is maintained between the Stock Exchange and us:

(a) we have appointed two authorized representatives pursuant to Rule 3.05 of the Listing Rules, who will act as our principal channel of communication with the Stock Exchange. The two authorized representatives are Mr. Wang, our executive Director and Ms. Lai Siu Kuen (黎少娟) ("**Ms. Lai**"), one of our joint company secretaries. Both of the authorized representatives: (i) are, and will be, readily contactable by telephone, facsimile and/or email to deal promptly with any enquiries which may be made by the Stock Exchange; (ii) have the means to contact all the Directors (including the independent non-executive Directors) promptly at all times, as and when the Stock Exchange wishes to contact the Directors on any matters; and (iii) are to act at all times as the principal channel of communication between the Stock Exchange and us;

(b) each of the authorized representatives has means to contact all Directors (including the non-executive Directors and the independent non-executive Directors) promptly at all times as and when the Stock Exchange wishes to contact our Directors on any matters. We have implemented a policy whereby:

   (i) each Director has provided his/her mobile phone number, office phone number, email address and facsimile number to the authorized representatives;

   (ii) each Director has provided his/her phone numbers or means of communication to the authorized representatives when he/she is travelling; and

   (iii) each Director has provided his/her mobile phone number, office phone number, email address and facsimile number to the Stock Exchange;

(c) in compliance with Rule 3A.19 of the Listing Rules, we have appointed Altus Capital Limited as our compliance adviser who will act as an additional channel of communication between the Stock Exchange and our Company for the period commencing on the [**REDACTED**] and ending on the date that our Company publishes our financial results for the first full financial year after the [**REDACTED**] pursuant to Rule 13.46 of the Listing Rules;

(d) any meeting between the Stock Exchange and our Directors may be arranged through the authorized representatives or the Company's compliance adviser, or directly with the Directors within a reasonable time frame;

(e) our Company will inform the Stock Exchange promptly in respect of any change in our Company's authorized representatives, the Directors, and/or the compliance adviser of the Company in accordance with the Listing Rules;

(f) our Directors who are not ordinarily resident in Hong Kong possess or are able to apply for valid travel documents to visit Hong Kong for business purposes and would be able to come to Hong Kong and meet with the Stock Exchange upon reasonable notice; and

(g) we will retain a Hong Kong legal adviser to advise us on the application of the Listing Rules and other applicable Hong Kong laws and regulations after our [**REDACTED**].

JOINT COMPANY SECRETARIES

Pursuant to Rules 3.28 and 8.17 of the Listing Rules, our company secretary must be an individual who by virtue of his or her academic or professional qualifications or relevant experience is, in the opinion of the Stock Exchange, capable of discharging the functions of company secretary. The Stock Exchange considers the following academic or professional qualifications to be acceptable:

(a) a member of Hong Kong Chartered Governance Institute;

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

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

We have appointed Ms. Lu Juan (盧娟) as one of the joint company secretaries. Ms. Lu Juan has extensive knowledge about our business operations and corporate culture and has extensive experience in matters concerning the Board and our corporate governance. Our Directors consider that it would be in the best interests of our Company and the corporate governance of our Group to have Ms. Lu Juan as the Company's joint company secretary as she possesses day-to-day knowledge of our Group's affairs, and is familiar with our Group's business operations and management. She has been working closely with the management of the Company since May 2021. For details of Ms. Lu Juan (盧娟)'s biography, please refer to the section headed "Directors and Senior Management – Joint Company Secretaries" in this document. However, Ms. Lu Juan does not possess the specified qualifications strictly required by Rule 3.28 of the Listing Rules and may not be able to solely fulfill the requirements as stipulated under Rule 3.28 and Rule 8.17 of the Listing Rules. As a result, we have appointed Ms. Lai, a fellow of both The Hong Kong Chartered Governance Institute (formerly known as The Hong Kong Institute of Chartered Secretaries) and The Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators), who meets the requirements under Rule 3.28 of the Listing Rules, to act as the other joint company secretary and to provide assistance to Ms. Lu Juan for an initial period of three years from the [**REDACTED**] so as to fully comply with the requirements set forth under Rules 3.28 and 8.17 of the Listing Rules.

We have applied for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements of Rules 3.28 and 8.17 of the Listing Rules, for an initial period of three years from the [**REDACTED**], on the condition that Ms. Lai is engaged as a joint company secretary and provides assistance to Ms. Lu Juan during this period. The waiver would be immediately revoked if: (a) Ms. Lai ceased to provide assistance to Ms. Lu Juan as the joint company secretary during the three years following the [**REDACTED**]; or (b) if there are material breaches to the Listing Rules by our Company. In addition, Ms. Lu Juan will comply with the annual professional training requirement under Rule 3.29 of the Listing Rules and will enhance her knowledge of the Listing Rules during the three-year period from the [**REDACTED**]. Our Company will further ensure that Ms. Lu Juan has access to the relevant training and support that would enhance her understanding of the Listing Rules and the duties of a company secretary of an issuer listed on the Stock Exchange. Before the expiry of the three-year period, we will conduct a further evaluation of the qualification and experience of Ms. Lu Juan to determine whether the requirements as stipulated in Rules 3.28 and 8.17 of the Listing Rules can be satisfied and will demonstrate to the Stock Exchange's satisfaction on the experience of Ms. Lu Juan before the expiry of the three-year period. We and Ms. Lu Juan would then endeavor to demonstrate to the Stock Exchange's satisfaction that Ms. Lu Juan, having had the benefit of Ms. Lai's assistance for three years, would have acquired the relevant experience within the meaning of Note 2 to Rule 3.28 of the Listing Rules and there is no need to further apply for a waiver.

CONTINUING CONNECTED TRANSACTIONS

We have entered into, and are expected to continue after the [**REDACTED**], certain transactions that will constitute non-exempt continuing connected transactions of our Company under the Listing Rules upon the [**REDACTED**]. Accordingly, we have applied to the Stock Exchange for[, and the Stock Exchange has granted,] waivers in relation to certain continuing connected transactions between us and certain connected persons under Chapter 14A of the Listing Rules from strict compliance with the announcement, circular and independent shareholders' approval requirements (as applicable) in respect of certain non-exempt continuing connected transactions. See the section headed "Continuing Connected Transactions" in this document.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

DIRECTORS

Name	Residential Address	Nationality
Executive Directors		
Wang Qinsong (王勤松)	Room 101, Unit 1, No. 7 Building Chunxiao Garden, Guihua Cheng Wen'er Road West Wenxin Street, Xihu District Hangzhou, Zhejiang PRC	Chinese
Yu Liying (于麗影)	Room 101, Unit 3, No. 10 Building Chunxiao Garden, Guihua Cheng Wen'er Road West Wenxin Street, Xihu District Hangzhou, Zhejiang PRC	Chinese
Wang Jiawei (王佳偉)	No. 335 Tiyuchang Road Xiacheng District Hangzhou, Zhejiang PRC	Chinese
Non-executive Directors		
Lu Changmei (路長梅)	Room 101, Unit 1, No. 7 Building Chunxiao Garden, Guihua Cheng Wen'er Road West Wenxin Street, Xihu District Hangzhou, Zhejiang PRC	Chinese
Liu Sheng (劉盛)	Room 102, No. 1 No. 1299 Lane, Dingxiang Road Shanghai PRC	Chinese
Xu Ruijie (徐睿婕)	Room 101, No. 3 Lane 180, Yuyao Road Jing'an District Shanghai China	Chinese

Independent Non-Executive Directors

Shao Xiaodong (邵曉東)	Room 1202, Unit 2, Building No. 32 Xinzhouhuayuan, Binjiang District Hangzhou, Zhejiang PRC	Chinese
Bruno Robert Mercier	No. 30 Tai Au Mun Village Clear Water Bay, Sai Kung Hong Kong	French
Fan Yongkui (范永奎)	Room 703, Unit 2, Building No. 5 Guanhejinting, Binjiang District Hangzhou, Zhejiang PRC	Chinese

Further information about the Directors and other senior management members are set out in the section headed "Directors and Senior Management" in this document.

PARTIES INVOLVED IN THE [REDACTED]

[REDACTED], the [REDACTED] and Joint Sponsors *(in alphabetical order)*	**Citigroup Global Markets Asia Limited** 50/F Champion Tower Three Garden Road Central Hong Kong **CMB International Capital Limited** 45/F, Champion Tower 3 Garden Road Central Hong Kong
[REDACTED] and [REDACTED] *(in alphabetical order)*	**Citigroup Global Markets Asia Limited** *(in relation to the* **[REDACTED]** *only)* 50/F Champion Tower Three Garden Road Central Hong Kong

Citigroup Global Markets Limited
(in relation to the **[REDACTED]** *only)*
33 Canada Square
Canary Wharf
London E14 5LB
United Kingdom

CMB International Capital Limited
45/F, Champion Tower
3 Garden Road
Central
Hong Kong

Legal Advisers to Our Company

As to Hong Kong and U.S. laws:

Simpson Thacher & Bartlett
35/F, ICBC Tower
3 Garden Road
Central
Hong Kong

As to PRC laws:

Commerce & Finance Law Offices
12-15th Floor, China World
Office 2
No. 1 Jianguomenwai Avenue
Chaoyang District
Beijing

As to PRC cybersecurity and data compliance matters:

Commerce & Finance Law Offices
12-15th Floor, China World
Office 2
No. 1 Jianguomenwai Avenue
Chaoyang District
Beijing

	As to Cayman Islands laws: **Appleby** Suites 4201-03 & 12 42/F, One Island East Taikoo Place 18 Westlands Road Quarry Bay Hong Kong
Legal Adviser to Partners Gourmet	**Fangda Partners** 24/F, HKRI Centre Two HKRI Taikoo Hui 288 Shi Men Yi Road Shanghai
Legal Advisers to the Joint Sponsors and the [REDACTED]	*As to Hong Kong and U.S. laws:* **Clifford Chance** 27/F, Jardine House One Connaught Place Central Hong Kong *As to PRC law:* **Tian Yuan Law Firm** 5/F, Tower A, Corporate Square 35 Financial Street Xicheng District Beijing
Auditor and Reporting Accountants	**KPMG** *Certified Public Accountants* 8th Floor, Prince's Building 10 Chater Road Central Hong Kong
Industry Consultant	**China Insights Consultancy Limited** 10F, Block B Jing'an International Center 88 Puji Road, Jing'an District Shanghai

[REDACTED]

CORPORATE INFORMATION

Registered Office	71 Fort Street PO Box 500 George Town Grand Cayman KY1-1106 Cayman Islands
Head Office in the PRC	No. 1 Lingyin Road Xihu District Hangzhou Zhejiang Province PRC
Principal Place of Business in Hong Kong	5/F, Manulife Place 348 Kwun Tong Road Kowloon Hong Kong
Company's Website	**www.china-greentea.com.cn** *(The information on the website does not form part of this document)*
Joint Company Secretaries	**Ms. Lu Juan (盧娟)** Room 402, No. 45 Tongbo New Village Songjiang District Shanghai PRC **Ms. Lai Siu Kuen (黎少娟)** (FCG HKFCG) 5/F, Manulife Place 348 Kwun Tong Road Kowloon Hong Kong

CORPORATE INFORMATION

Authorized Representatives	**Mr. Wang Qinsong (王勤松)** Room 101, Unit 1, No. 7 Building Chunxiao Garden, Guihua Cheng Wen'er Road West Wenxin Street, Xihu District Hangzhou, Zhejiang PRC
	Ms. Lai Siu Kuen (黎少娟) 5/F, Manulife Place 348 Kwun Tong Road Kowloon Hong Kong
Audit Committee	Mr. Fan Yongkui *(Chairman)* Mr. Bruno Robert Mercier Mr. Shao Xiaodong
Remuneration Committee	Mr. Shao Xiaodong *(Chairman)* Mr. Wang Qinsong Mr. Fan Yongkui
Nomination Committee	Mr. Wang Qinsong *(Chairman)* Mr. Bruno Robert Mercier Mr. Shao Xiaodong

[**REDACTED**]

Compliance Adviser	**Altus Capital Limited** 21 Wing Wo Street Central Hong Kong

Principal Banks

Bank of Communications Hong Kong Branch
Wheelock House
20 Pedder Street
Central
Hong Kong

United Rural Cooperative Bank of Hangzhou, Wushan Branch
221 Xihu Avenue
Shangcheng District
Hangzhou Zhejiang
PRC

Bank of Hangzhou, Haichuangyuan Branch
998 Wenyi Road West
Yuhang District
Hangzhou Zhejiang
PRC

Agricultural Bank of China, Nanshan Branch
1/F, Shandong Building
Nanhai Avenue
Shenzhen Guangdong
PRC

China Merchants Bank, Hangzhou Kejicheng Branch
84 Longyuan Road
Yuhang District
Hangzhou Zhejiang
PRC

Certain information and statistics presented in this section and elsewhere in this document relating to the industry in which we operate are derived from the CIC Report prepared by CIC, an independent industry consultant which was commissioned by us, and from various official government sources. The information extracted from the CIC Report should not be considered as a basis for investments in the [**REDACTED**] *or as an opinion of CIC as to the value of any securities or the advisability of investing in our Company. Our Directors have confirmed, after making reasonable enquiries and exercising reasonable care, that there is no adverse change in the market information since the date of publication of the CIC Report or any of the other reports which may qualify, contradict or have an impact on the information in this section. Information and statistics from official government sources have not been independently verified by us, the Joint Sponsors, the* [**REDACTED**], *the* [**REDACTED**], *the* [**REDACTED**], *the* [**REDACTED**], *the* [**REDACTED**] *or any other parties involved in the* [**REDACTED**] *or their respective directors, officers, employees, advisers, or agents, and no representation is given as to the accuracy or completeness of such information and statistics. Accordingly, you should not place undue reliance on such information and statistics. Unless and except for otherwise specified, the market and industry information and data presented in this section is derived from the CIC Report.*[(1)]

THE CATERING MARKET IN CHINA

China has become the world's second largest catering market with its annual catering revenue of RMB5.3 trillion in 2023. Total revenue of catering market in China has grown from RMB4,672.1 billion in 2019 to RMB5,289.0 billion in 2023, representing a CAGR of 3.1%. Although the catering market in China has been continuously affected by regional outbreaks of COVID-19 in 2022, which forced the temporary closures of many restaurants, China's catering industry has generally recovered since 2023 as the Chinese government eased the "zero-COVID" policy in December 2022. The revenue of catering market is expected to grow at a CAGR of 7.0% from 2023 to 2028, reaching RMB7,423.2 billion in 2028, primarily attributable to the growing consumption power of Chinese residents and their increasing frequency of dining out.

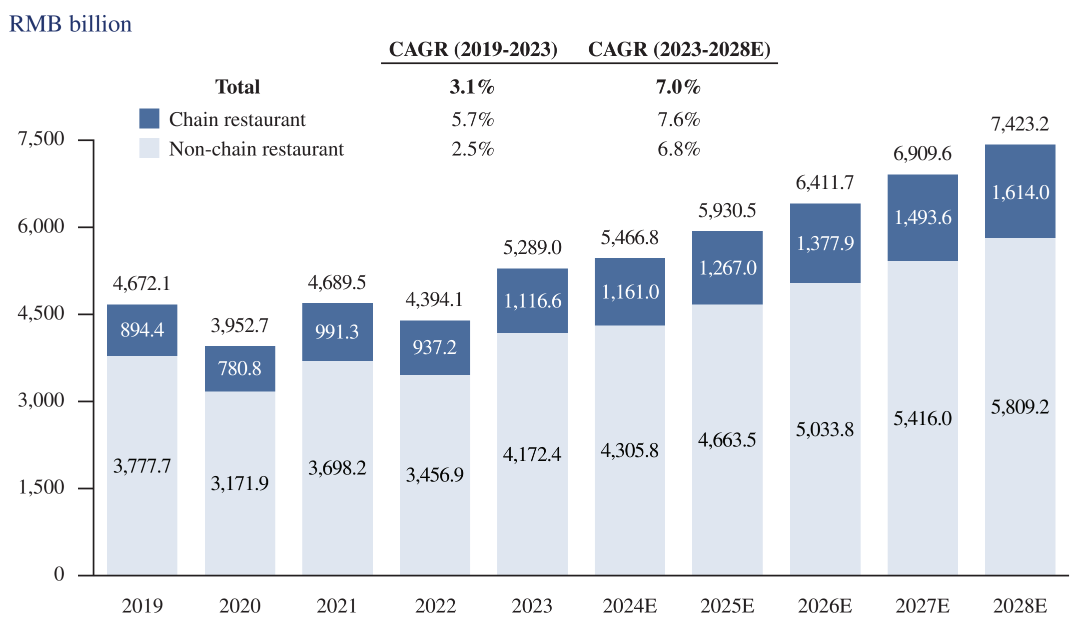
(1) The contract sum to CIC is RMB1,390,000 for the preparation and use of the CIC Report, and we believe that such fees are consistent with the market rate. CIC is an investment consulting company originally established in Hong Kong. In compiling and preparing the CIC Report, CIC has adopted the following assumptions: (i) the overall social, economic, and political environment in China is expected to remain stable during the forecast period; (ii) related key industry drivers are likely to propel the continued growth in China's casual Chinese cuisine restaurant market, such as increasing demand for dining out, greater growth potential for chain restaurants, rapid development of commercial activities, expansion into tier two, tier three and lower tier cities, use of social media, rise of national style, advancement of technologies; and (iii) there is no extreme force majeure or unforeseen industry regulations in which the market may be affected in either a dramatic or fundamental way. CIC has conducted detailed primary research which involved discussing the status of the industry with leading industry participants and industry experts.

CIC has also conducted secondary research which involved reviewing company reports, independent research reports and data based on its own research database. CIC has obtained the figures for the projected total market size from historical data analysis plotted against macroeconomic data as well as specific related industry drivers.

The catering market in China can be divided into two categories based on operating model, chain restaurants and non-chain restaurants. Chain restaurants refer to a number of restaurants that operate under shared corporate ownership or franchise arrangement, leverage economies of scale and share brand awareness. Non-chain restaurants refer to standalone businesses that operate independently, serving customers in a specific location. The catering market in China is highly fragmented and dominated by non-chain restaurants. Chain restaurants in China accounted for only 21.1% of all restaurants in terms of revenue in 2023, demonstrating a huge growth potential as compared to 58.6% in the United States and 53.5% in Japan. In terms of concentration, the top 100 restaurant companies in China accounted for approximately 10% of total revenue of catering market in China in 2023, while in the United States, the top 100 restaurant companies accounted for approximately 30.0% of the total revenue of the catering market. These differences show that chain restaurants in China have great potential in expanding in terms of market share. With higher operating efficiency, more standardized food and services, better cost management and higher brand awareness, the total revenue of chain restaurants in China is expected to continue to grow at a CAGR of 7.6% from 2023 to 2028, faster than that of non-chain restaurants at a CAGR of 6.8%.

The following chart sets forth a breakdown of the catering market in China by operating model.

Breakdown of catering market in China by operating model in terms of revenue, 2019-2028E

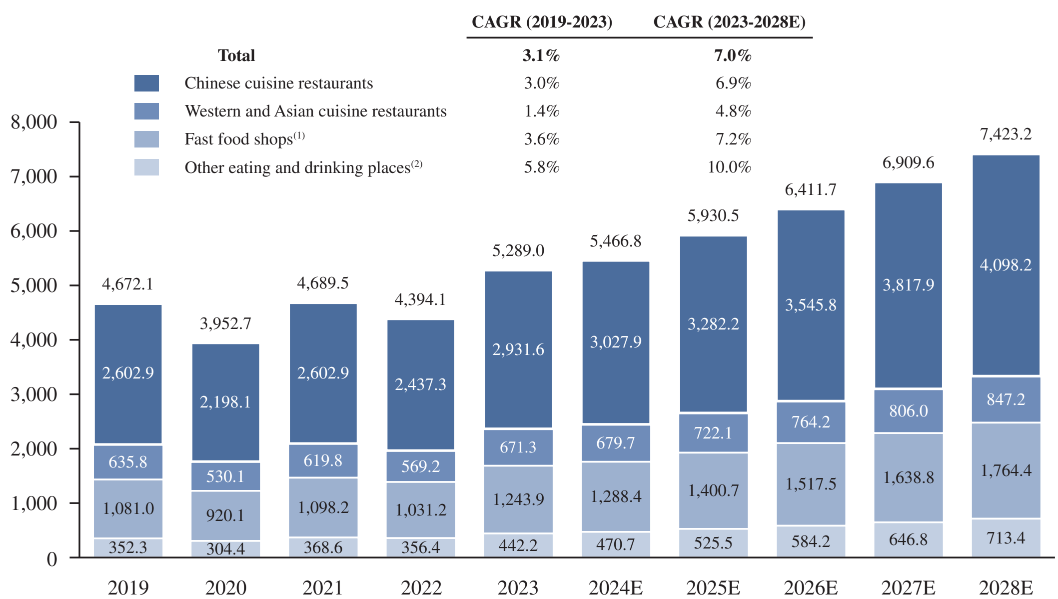


Source: CIC Report

The catering market in China can also be divided into four segments based on cuisine and service type, including Chinese cuisine restaurants, Western and Asian (excluding China) cuisine restaurants, fast food shops and other eating and drinking places. Chinese cuisine restaurants constitute the largest segment in the catering market in China in terms of revenue, with a market share of approximately 55.4% in 2023. The total revenue of Chinese cuisine restaurant market increased from RMB2,602.9 billion in 2019 to RMB2,931.6 billion in 2023 representing a CAGR of 3.0%. In addition, Chinese cuisine restaurant market is expected to maintain a steady growth at a CAGR of 6.9% from 2023 to 2028, reaching RMB4,098.2 billion in 2028, maintaining its dominant position as the most popular type of cuisine in China. The following chart sets forth a breakdown of the catering market in China by cuisine and service type.

Market size of catering market in China by cuisine and service type in terms of revenue, 2019-2028E

RMB billion



Source: CIC Report

(1) Including, among others, Chinese quick-service restaurants.

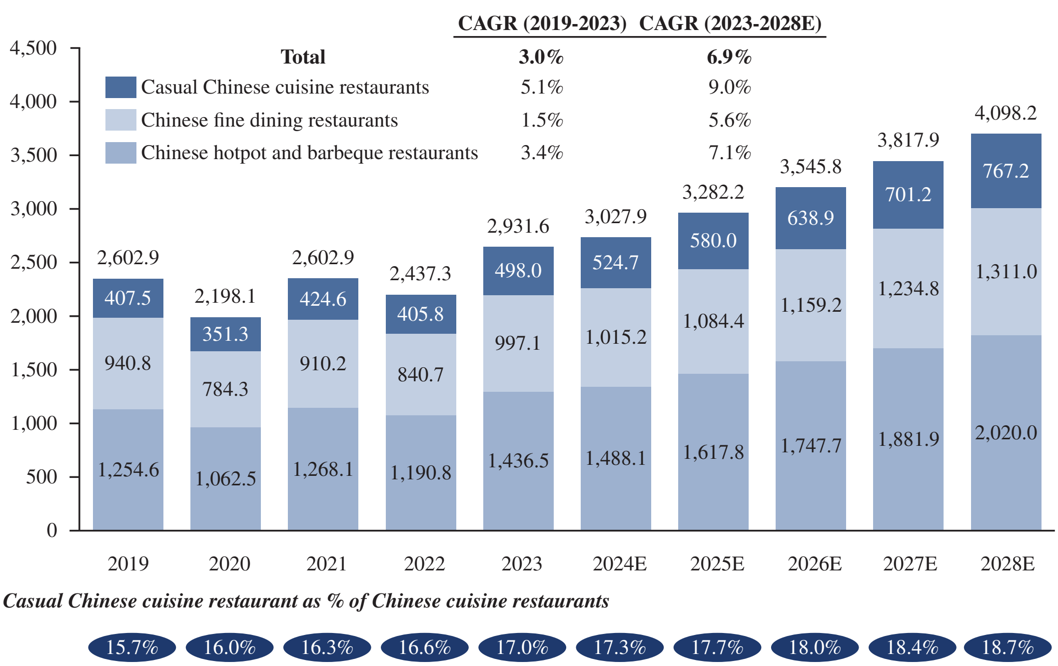
(2) Including, among others, cafeterias.

CASUAL CHINESE CUISINE RESTAURANT MARKET

The Chinese cuisine restaurants market can be further divided into three segments based on cuisine and service type, including casual Chinese cuisine restaurants, Chinese fine dining restaurants, Chinese hotpot and barbeque restaurants. Casual Chinese cuisine restaurant refers to the catering segment where restaurants offer ready-to-eat Chinese cuisine at an affordable price with an average spending per guest in the range of RMB50 to RMB100. The other two sub-segments within the Chinese cuisine restaurants market are (i) Chinese fine dining restaurants, which offer ready-to-eat Chinese cuisine with an average spending per guest above RMB100 and (ii) Chinese hot pot and barbeque restaurants.

With faster pace of life and increasing spending power among consumers in China, casual Chinese cuisine restaurants are welcomed by consumers with their comfortable dining environment, affordable price and convenient and efficient dining experience, as compared to other Chinese cuisine restaurants, such as Chinese fine dining restaurants and hot pot restaurants. As a result, casual Chinese dining that has better value for money has the highest growth among all segments of Chinese restaurant market as consumers become more value conscious, and the casual Chinese cuisine restaurants market grew from a total revenue of RMB407.5 billion in 2019 to RMB498.0 billion in 2023, representing a CAGR of 5.1%. Going forward, the total revenue of casual Chinese cuisine restaurants is expected to maintain a steady growth at a CAGR of 9.0% from 2023 to 2028, reaching RMB767.2 billion in 2028. With the declined popularity of fine dining catering in the market, casual Chinese cuisine restaurants have gradually become mainstream, and their total revenue grew as a percentage of Chinese cuisine restaurants from 15.7% in 2019 to 17.0% in 2023 and is expected to further increase to 18.7% in 2028.

Market size of casual Chinese cuisine restaurant market in terms of total revenue, 2019-2028E
RMB billion



Source: CIC Report

Note: Numbers in circles refer to market size of casual Chinese cuisine restaurants as a percentage of Chinese cuisine restaurants.

Casual Chinese Fusion Restaurants

Due to geographical and socioeconomic factors, consumers in China have diverse tastes and dining habits. As a result, diversified cuisine styles are developed to meet consumers' demand. A single regional cuisine style primarily targets consumers within that specific region, restricting its ability to serve people in other regions and resulting in limited growth potential. In order to satisfy diverse consumer preferences and tastes in different regions and age groups, casual Chinese fusion restaurants innovate their menu designs and introduce creative fusion dishes to create dining environments that meet the demand of different dining scenarios. Guests looking for a quick and light lunch during weekdays, or a proper dinner for friends and family gatherings, or business meal can all find a pleasant experience. These casual Chinese fusion restaurants have achieved strong customer followings and developed a competitive edge in the following areas as compared with other casual Chinese cuisine restaurants that feature traditional regional cuisines:

- *Wider variety of tastes.* Casual Chinese fusion restaurants provide dishes that combine various elements from cuisines of different regions and adjust the taste to satisfy the preferences of a diverse consumer base.

- *Refreshing dining experience.* Casual Chinese cuisine restaurants typically feature beautiful decoration, creative dishes and high-quality and efficient service.

- *Wider range of consumer groups.* Casual Chinese fusion restaurants are positioned to target the mass market due to their flexibilities in serving a diverse consumer group.

COMPETITIVE LANDSCAPE OF CHINESE CUISINE MARKET AND CASUAL CHINESE CUISINE MARKET IN CHINA

The total revenue of Chinese cuisine restaurant market in China reached RMB2,931.6 billion in 2023, accounted for approximately 55.4% of the catering market in China. The Chinese cuisine restaurant market in China is extremely fragmented, with the three largest players holding approximately 1.8% of the total market share in 2023.

The total revenue of casual Chinese cuisine restaurant market reached RMB498.0 billion in 2023, accounted for approximately 17.0% of the Chinese cuisine restaurant market and 9.4% of the catering market in China. Casual Chinese cuisine restaurant market is also highly fragmented, with a large number of restaurant brands participating in the market. In 2023, the five largest brands accounted for approximately 4.0% of the total revenue of casual Chinese cuisine restaurant market.

In 2023, restaurants under our *Green Tea* brand achieved a total revenue of RMB3.6 billion and ranked fourth with a market share of 0.7% in the casual Chinese cuisine restaurant market in China. With a total of 360 restaurants at the end of 2023, we ranked third in terms of number of restaurants among casual Chinese cuisine restaurant brands in China. In addition, we are the largest player that focuses on offering fusion cuisine among the top five casual Chinese restaurant operators. The table below sets forth the five largest casual Chinese cuisine restaurant brands and their restaurant count, total revenue and market shares in 2023:

Brand	Description of the brand	Restaurant Count	Total Revenue	Market Share(1)
			(in RMB billion)	
Brand A	A non-listed restaurant brand established in 1988, headquartered in Beijing, and focusing on northwestern Chinese cuisine	355	5.5	1.1%
Brand B	A non-listed restaurant brand established in 2013, headquartered in Tongling, Anhui Province, and focusing on Anhui cuisine	542	4.5	0.9%
Tai Er	A listed restaurant brand established in 2015, headquartered in Guangzhou, Guangdong Province, and focusing on pickled Chinese sauerkraut fish	578	4.5	0.9%
Green Tea	See "Business" for more details	360	3.6	0.7%
Brand C	A non-listed restaurant brand established in 1998, headquartered in Hangzhou City, Zhejiang Province, and focusing on Zhejiang cuisine	103	2.0	0.4%

Source: CIC Report

Note:

(1) Market share is calculated based on the brands' estimated revenue in 2023 divided by the total revenue of Chinese cuisine restaurant market in 2023

MARKET DRIVERS AND TRENDS

Key drivers and trends of the casual Chinese cuisine market and casual Chinese fusion restaurant market in China are set forth below:

- *Increasing demand for dining out.* Along with the rapid growth of urbanization, according to the National Bureau of Statistics, the per capita annual disposable income of urban households in China increased from RMB42,359.0 in 2019 to RMB51,821.0 in 2023 at a CAGR of 5.2%. Although dining out was once restricted because of the COVID-19 pandemic and the relevant restrictive measures imposed by the government, demand for dining out has rebounded since the government phased out the "zero-COVID" policy in December 2022. The per capita dining-out expenditure also increased from RMB3,337.0 in 2019 to RMB3,751.9 in 2023 at a CAGR of 3.0%. Consumers in China are expected to continue to incorporate dining-out consumption into their lifestyle, which will increase their dining out frequencies and promote dining-out culture. By 2028, per capita annual disposable income of urban household and per capita dining-out expenditure in China is expected to reach RMB66,053.0 and RMB5,304.6, respectively, at a CAGR of 5.0% and 7.2% from 2023 to 2028, respectively.

- *Greater growth potential for chain restaurants.* Generally, chain restaurants have better control of food quality and safety as compared to non-chain restaurants. Chain restaurants also typically have stronger capital support, control over supply chain and brand awareness. As consumers in China are placing increasing importance on food safety, quality, health and taste, chain casual Chinese cuisine restaurants are likely to have greater growth potential in the future.

- *Rapid development of commercial activities.* The rapid development of commercial activities generates new potential locations for casual Chinese fusion restaurants, including shopping malls, transportation hubs, tourist sites, office buildings and residential districts. These public places are expected to draw customer traffic and bring strong demand for catering services.

- *Expansion into tier two, tier three and lower tier cities.* Casual Chinese fusion restaurants are likely to continue to expand into tier two, tier three and lower tier cities. Nowadays, Chinese consumers value cost-effective dining experiences, quality of dishes, dining environment as well as dining services. As a result, casual Chinese fusion restaurants have become the ideal dine-out option for consumers by meeting the evolving demands of consumers for quality dishes with reasonable price and diversified tastes, especially in tier two, tier three and lower tier cities. Moreover, these cities typically have a large population base and growing economy. With the continuous development of tier two, tier three and lower tier cities, demand for casual Chinese fusion restaurants is expected to increase as consumers in these cities increase the frequency of dining out. Meanwhile, the growth of economy in these cities also entails increase in consumer purchasing power, which is likely to lead to higher spending at restaurants.

- *Use of social media.* Online social media platforms, where consumers share comments about dining experiences, have significant influence over consumers' dining decisions. As such, social media platforms are expected to continue to be the main venue for restaurants to conduct their marketing activities and strengthen their brand awareness. In the meantime, restaurants with unique design and menu are usually more popular on social media platforms. Such restaurants may gain more customer traffic as a result of the increasing influence of social media platforms.

- *Rise of national style.* In recent years, the younger generations in China have demonstrated particular interest in domestic brands and products that display traditional Chinese culture elements, which is also known as the rise of "national style" (國潮). In order to attract these young customers and build brand image and loyalty, some restaurant chains have collaborated with other domestic brands to launch joint marketing events using elements of traditional Chinese culture. Overall, the rise of national style is expected to benefit domestic brands and bring more opportunities to Chinese cuisine restaurants.

- *Advancement of technologies.* Restaurants have increased their utilization of digital technology in their businesses to improve customers' dining experience and their own operational efficiency. Advanced technologies have proven to be effective in streamlining operation procedures, reducing consumers' waiting time and improving dining experience, and it is expected that restaurants will continue to utilize such technologies to optimize their operations.

ENTRY BARRIERS AND CHALLENGES

Although there may not be significant entry barriers to operating and managing a single restaurant, there are significant entry barriers and challenges in becoming a successful large-scale restaurant chain brand, including the following:

- *Ability to provide affordable high quality dining services.* Consumers in China are becoming more selective in choosing restaurants as their income and living standards improve. They prefer restaurants that provide both delicious cuisine and enjoyable dining environment with affordable prices. As such, the ability to meet the demand for high-quality service with affordable pricing will be essential to restaurants.

- *Ability to continuously innovate.* Innovation and creativity are at the core of the Chinese fusion concept. As a result of the fierce competition in the industry, restaurants that continue to incorporate innovation into the development of menu items will gain competitive advantages by meeting the demand of diversified dining scenarios and broaden their customer base.

- *Brand recognition and reputation.* Brand awareness has become increasingly important to catering business as it has great influence on consumers' dining decisions. Therefore, restaurants with strong brand awareness will have larger customer base to achieve market leading position. In addition, as existing market participants have already taken up favorable locations in busy areas, such as shopping malls and popular sites with a high consumer traffic, new entrants may find it difficult to occupy such locations with promising revenue and to gain marketing exposure. Considering that existing market participants have already established their brand recognition and reputation and taken up favorable locations, new entrants with newly established brands may find it hard to gain brand recognition from customers in the short term.

- *Control over food safety and quality.* Large restaurant chains typically have more comprehensive food safety and supply chain management systems to ensure consistent quality of food. With increasing public concern over food quality and safety, consumers prefer to consume in restaurants that provide reliable and high-quality food and services. In the meantime, the policies published by the government also promote food quality and safety in the catering industry. Casual Chinese restaurants that have a strong reputation for food safety and are able to offer healthy food options are expected to experience stronger growth. Meanwhile, new market players may not have enough resources to establish a comprehensive food safety and quality control system.

- *Supply chain management.* Supply chain management is crucial to restaurants operations to ensure food quality and safety, control purchase costs of supplies and timely delivery of necessary ingredients to restaurants. Extensive experience in supply chain management for large-scale operations and maintaining cost efficiencies are key entry barriers for new market players.

CATERING SUPPLY CHAIN OF CASUAL CHINESE CUISINE RESTAURANT MARKET

The catering supply chain of the casual Chinese cuisine restaurant market mainly involves food procurement, food processing and food distribution. The food processing segment can be further divided into three types of food processing arrangements, namely processing at central kitchen, processing by designated food processing companies and processing by local restaurant kitchen.

- *Processing at central kitchen.* This type of arrangement allows restaurant operators to prepare products at a centralized facility and then distribute the products to their restaurants. It is beneficial to the restaurant operators as it simplifies the storage of supplies and centralizes food processing procedures. Once the food products are ready, the restaurant operators can deliver these food products to several locations over a large geographic area.

- *Processing by designated food processing companies.* Under this type of arrangement, the designated food processing companies produce semi-processed food products according to the recipes and instructions given by the restaurant operators. Such arrangement can save restaurant operators from making significant upfront investment for building their own processing facilities or central kitchen. It also creates higher utilization of the processing facilities as compared to central kitchens.

- *Processing by local restaurant kitchen.* Under this type of arrangement, raw materials are directly delivered to the restaurant without any prior food processing, and the restaurant staff process the raw materials at the restaurant kitchen. Currently, only smaller restaurant operators use this type of arrangement.

As medium to large restaurants chains increase their utilization of third-party food processing arrangements, the percentage of expenditure on external supply chain services of the overall raw material expenditure of catering market has increased from 9.6% in 2019 to 14.3% in 2023, and is expected to further increase to 23.1% in 2028.

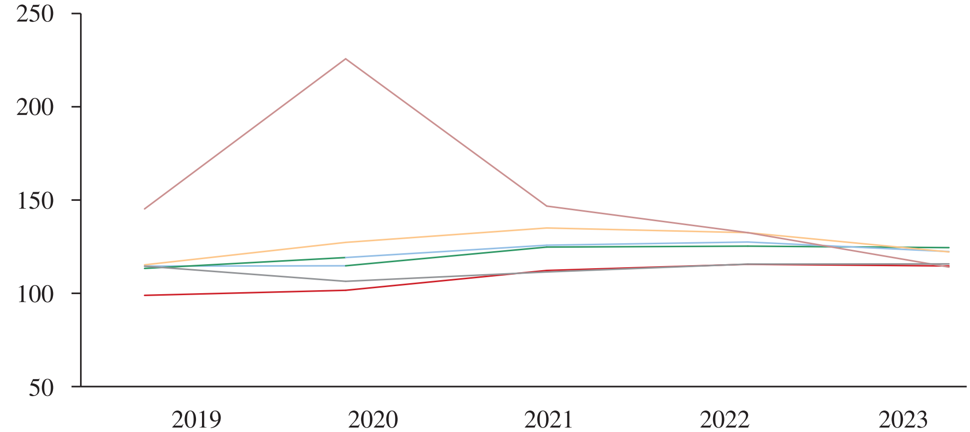
Leading catering supply chain service providers are moving towards specialization and diversification. With the development of the cold chain logistics industry, leading catering supply chain service providers have begun to offer trans-provincial operations. By partnering with these sizable catering supply chain service providers with trans-provincial operations, restaurant chains, such as our Company, are able to rapidly scale up and expand nationally with relatively low upfront investments, while maintaining the highest standard of food safety and quality.

COST OF RAW MATERIALS, LABOR AND COMMERCIAL RENT

The major food ingredients used in our restaurants include crop products, vegetables, aquatic products, beef, pork, and poultry. The price volatilities of such food ingredients are subject to factors such as domestic supply and demand, seasonality, weather conditions and natural disasters. Generally, the 2014 based consumption price index (the "**CPI**") (CPI, year of 2014 = 100) of food continued to increase from 2019 to 2022. However, due to the sufficient supply of food, the "CPI" of food slightly decreased in 2023. In addition, the food price index of pork fluctuated during 2019 to 2023, primarily due to the changing consumption structure of meat as well changes in supply and demand.

Food Price Index of Raw Food Material, China, 2019-2023

Food Price Index (2014=100)



	2019	2020	2021	2022	2023
Crop production	97.7	100.4	111.0	114.3	113.4
Vegetables	112.1	117.9	124.5	126.2	121.1
Aquatic products	113.3	113.5	123.5	124.0	123.2
Beef	114.0	126.0	133.7	131.2	120.9
Pork	143.9	224.1	145.4	131.2	112.8
Poultry	113.3	105.2	110.2	114.4	114.5

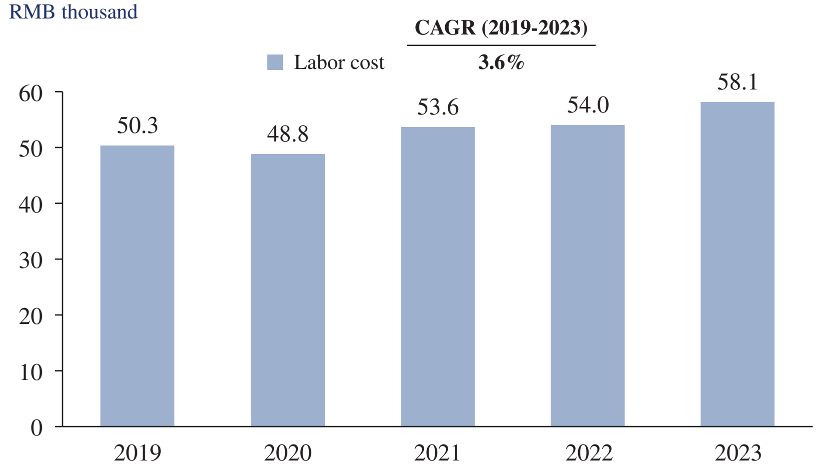
Source: National Bureau of Statistics

Note: The price indexes of crop products, vegetables, aquatic products, beef, pork and poultry refer to the price indexes of agricultural production.

In addition, the annual income of employees in the catering industry in urban areas in China has increased steadily from 2019 to 2023 at a CAGR of 3.6%. Labor cost is expected to keep growing in the coming five years due to the developing macro-economy, growing disposable income and CPI, as well as the inflation. The chart below sets forth the trend of labor cost of catering industry in urban areas in China for the periods indicated.

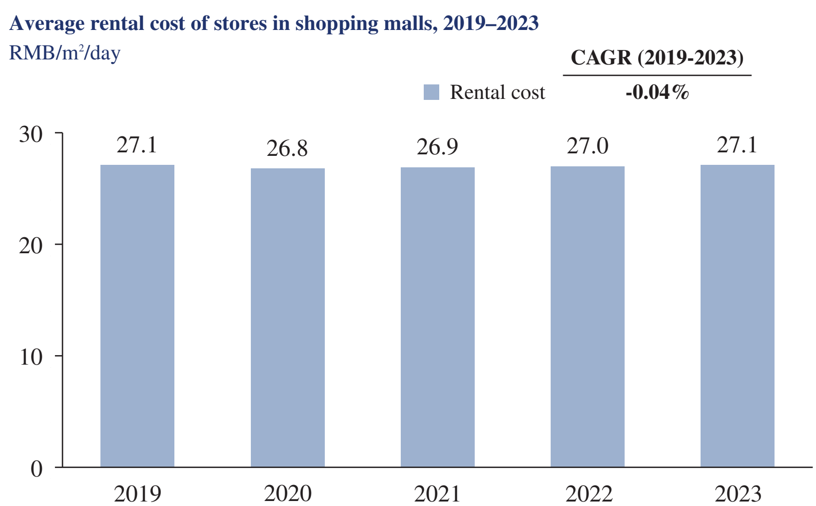
Labour cost of catering industry in urban area, 2019–2023

RMB thousand



Source: CIC Report

The rental cost of a restaurant is also considered to be one of the major costs in China's catering industry. The average rental cost for stores in shopping malls in China remained stable at around RMB27.0 m^2/day from 2019 to 2023 with a negative CAGR of 0.04%. With the further recovery of the consumer market, the average commercial rent of stores in shopping malls in China is expected to moderately increase in the future.



Source: China Real Estate Index System, CIC Report

Note: It refers to the average rental cost of stores in 100 typical shopping malls in China.

REGULATIONS ON FOREIGN INVESTMENT IN CATERING INDUSTRY

According to the Special Administrative Measures (Negative List) for Foreign Investment Access (2021 Edition) (the "Negative List", 《外商投資准入特別管理措施(負面清單)(2021年版)》) promulgated on December 27, 2021 and came into effect on January 1, 2022, the catering industry falls into the industries where foreign investment is not prohibited or restricted.

The Foreign Investment Law of the PRC (the "Foreign Investment Law", 《中華人民共和國外商投資法》) was promulgated by the National People's Congress (the "NPC") of the PRC on March 15, 2019, which came into force as of January 1, 2020. Under the Foreign Investment Law, the PRC adopts a system of pre-entry national treatment plus negative list with respect to foreign investment administration. Foreign investment and domestic industries outside the scope of the negative list would be treated equally.

LAWS AND REGULATIONS ON FOOD SAFETY AND LICENSING REQUIREMENTS FOR CATERING SERVICES

The Food Safety Law and Implementation Rules

In accordance with the Food Safety Law of the PRC (the "Food Safety Law",《中華人民共和國食品安全法》), which was promulgated on February 28, 2009 and amended on April 24, 2015, December 29, 2018 and April 29, 2021, respectively, food producers and traders must be liable for the safety of the food produced or traded by them and shall produce and trade food in accordance with relevant laws, regulations and food safety standards. Food producers and traders must ensure food safety, act in good faith and be self-disciplined, be accountable to society and the public, accept public supervision, and comply with their social responsibilities.

The Implementation Rules of the Food Safety Law (the "Implementation Rules",《中華人民共和國食品安全法實施條例》), which further specify the detailed measures to be taken and conformed to by food producers and business operators in order to ensure food safety, were promulgated on July 20, 2009 and came into effect on the same date, and were amended on February 6, 2016 and March 26, 2019, respectively. The Implementation Rules, which came into effect on December 1, 2019, introduced extra regulatory measures such as conducting random supervisory checks, improving the food safety violation reporting reward system, and establishing a blacklist system for food producers and business operators with serious food safety violations and a joint punishment mechanism against discreditable acts. The Implementation Rules state that food producers and operators have primary responsibility for food safety, detail the responsibilities of principals of enterprises, standardize food storage and transportation requirements, forbid false publicity of food, and optimize the administrative system for special food. The Implementation Rules also provide for strict legal liabilities for violating food safety-related laws and regulations.

In accordance with the Food Safety Law and the Implementation Rules, with the purpose of guaranteeing food safety and safeguarding the health and safety of the public, the PRC has set up a system for supervision, monitoring and appraisal of food safety risk, compulsory adoption of food safety standards, operating standards for food production, food inspection, food export and import and food safety accident response. Providers of food circulation services and consumer food services must comply with the aforementioned law and rules.

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

As penalties for violation, the Food Safety Law sets out various legal liabilities in the form of warnings, orders to rectify, confiscations of illegal gains, confiscations of utensils, equipment, raw materials and other articles used for illegal production and operation, fines, recalls and destructions of food in violation of laws and regulations, orders to suspend production and/or operation, revocations of production and/or operation license, and even criminal punishment.

Food Operation Licensing and Filing

On June 15, 2023, State Administration for Market Regulation promulgated the Administrative Measures for Food Operation Licensing and Filing (《食品經營許可和備案管理辦法》). According to Administrative Measures for Food Operation Licensing and Filing, the issuing date of a food operation license is the date on which the decision on granting the license is made, and the license is valid for five years. Food operators shall hang or place their food operation license originals or display their electronic ones in prominent places of their operation sites. If the information indicated on the food operation license change, the food operator shall, within ten working days after the change, apply to the department for market regulation which originally issued the license for alteration of the operation license. If a food operator relocates its operation site, and engages in food operation in a site other than the original operation site, it shall apply for a food operation license again.

Measures for the Supervision and Administration of the Safety of Food Offered through Online Catering Services

Pursuant to Measures for the Supervision and Administration of the Safety of Food Offered through Online Catering Services (《網絡餐飲服務食品安全監督管理辦法》) effective on January 1, 2018, which was amended on October 23, 2020, online catering service providers must have their own physical stores and must have obtained food business licenses according to the law, and shall carry out business activities pursuant to the business forms and business items specified on their own food business licenses, and must not do business beyond their business scope. A catering service provider that runs its own website must file the record with the administration for market regulation at its locality at county level, within 30 working days of filing for record with the competent authority of communications.

Regulations On The Sanitation Of The Public Assembly Venue

The Regulation for the Administration of Sanitation of the Public Assembly Venue (《公共場所衛生管理條例》) effective on April 1, 1987 and as amended on February 6, 2016 and April 23, 2019, and the Implementation Rules for the Regulation for the Administration of Sanitation of the Public Assembly Venue (《公共場所衛生管理條例實施細則》) effective on May 1, 2011, and as amended on January 19, 2016 and December 26, 2017, were promulgated by the State Council and the Ministry of Health (later known as National Health Commission of the PRC) respectively. The said regulations were adopted to create favorable and sanitary conditions for the public assembly venues, prevent disease transmission and safeguard people's health. Depending on the requirements of the local health and family planning administrations, a restaurant is required to obtain a public assembly venue hygiene license from the local health authority after it applies for a business license to operate its business.

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

Food Recall System

China Food and Drug Administration (now merged into the State Administration for Market Regulation) promulgated the Administrative Measures for Food Recall (the "Administrative Measures for Recall", 《食品召回管理辦法》) on March 11, 2015, which became effective on September 1, 2015 and amended on October 23, 2020. According to the Administrative Measures for Recall, where food operators find that the food involved thereby is unsafe, they must immediately suspend the operations, inform relevant food producers and operators of the suspension of production and operation, recommend consumers stop eating, and take necessary measures to prevent and control food safety risks. Food producers knowing that any food produced and traded thereby is unsafe must voluntarily recall such food. Food producers and operators must faithfully record the name, trademark, specification, production date, batch number, quantity and other contents of unsafe food subject to the suspension of production and operation, recall and disposal. Records must be kept for at least two years. Where food operators violate the Food Safety Law and the Administrative Measures for Food Recall and do not immediately suspend operation or voluntarily recall unsafe food, follow the prescribed time limit to activate recall procedures, recall unsafe food products in accordance with the recall plan or dispose of unsafe food products, the food and drug administrative authorities shall issue warnings to them and impose fines between CNY10,000 and CNY30,000 on them.

LAWS AND REGULATIONS ON FOOD ADVERTISEMENT

According to the Advertising Law of the PRC (the "Advertising Law", 《中華人民共和國廣告法》) promulgated by the Standing Committee of the NPC (the "SCNPC") on October 27, 1994 and most recently revised on April 29, 2021, no advertisement shall contain any false or misleading information, and shall not deceive or mislead consumers. Any advertiser, advertising agent or advertisement publisher shall, when engaging in advertising activities, comply with laws and administrative regulations, act in good faith, and conduct fair competition. In any advertisement, where there are statements regarding the performance, function, place of origin, purpose, quality, ingredients, price, producer, valid period and guarantees of the product, or the content, provider, form, quality, price and guarantees of the service, such statements shall be accurate, clear and explicit.

REGULATIONS ON LIQUOR CIRCULATION

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

However, liquor operators may be required by local governments to obtain local licenses for the distribution of alcoholic products. For example, pursuant to the Administrative Measures of Shanghai Municipality for Production and Sales of Alcohol Commodities (《上海市酒類商品產銷管理條例》), which was adopted by the Standing Committee of Shanghai People's Congress, local enterprises that engage in alcohol wholesaling must apply to the municipal wine monopoly bureau for an alcohol wholesale license, while local enterprises that engage in alcohol retailing must apply to the district wine administrative department for an alcohol retail license.

CYBER SECURITY LAW

The Cyber Security Law of the PRC (the "Cyber Security Law",《中華人民共和國網絡安全法》) was promulgated by the SCNPC on November 7, 2016 and came into effect on June 1, 2017. The Cyber Security Law applies to network construction, operation, maintenance and use of the network as well as to the supervision and administration of cyber security within PRC territory.

According to the Cyber Security Law, network operators, while carrying out business and service activities, must abide by laws and administrative regulations, show respect for social moralities, follow business ethics, act in good faith, comply with cyber security protection obligations, accept supervision by the government and society and comply with their social responsibilities. For the construction and operation of a network or the provision of services through a network, in accordance with the provisions of laws, administrative regulations and mandatory national standards, technical and other necessary measures are required to ensure the secure and stable operation of the network, effectively respond to cyber security incidents, prevent crimes committed on the network, and to maintain the integrity, confidentiality and availability of cyber data.

Network operators must keep users' personal information that they have collected strictly confidential, and establish and improve their system for the protection of users' information. To collect and use personal information, network operators must follow the principles of legitimacy, integrity and necessity, disclose their rules of data collection and use, clearly express the purpose, means and scope of collecting and using the information, and obtain the consent of the persons whose data is gathered. Network operators must adopt technical and other necessary measures to ensure the security of the personal information they have collected and to prevent such information from being divulged, damaged or lost. If personal information has been or may be divulged, damaged or lost, it is necessary to take immediate remedial measures and inform users promptly according and report the same to the relevant competent departments. Network operators who do not comply with the Cyber Security Law may be subject to fines, suspension of their businesses, shutdown of their websites, and revocation of their business licenses.

On July 30, 2021, the State Council promulgated the Regulations for Safe Protection of Critical Information Infrastructure (《關鍵信息基礎設施安全保護條例》) (the "Safe Protection Regulations") which came into effect on September 1, 2021. Pursuant to the Safe Protection Regulations, critical information infrastructure refers to important network infrastructure and information system in public telecommunications, information services, energy sources, transportation and other critical industries and domains, in which any destruction or data leakage will have severe impact on national security, the nation's welfare, the people's living and public interests.

According to the Cybersecurity Review Measures (2021) (《網絡安全審查辦法(2021)》) jointly promulgated by the Cyberspace Administration of China and other relevant authorities on December 28, 2021 and effective on February 15, 2022, critical information infrastructure operators who purchase network products and services that affect or may affect national security shall report to the cybersecurity review office for a cybersecurity review. Online platform operators possessing personal information of more than 1 million users must report to the cybersecurity review office for a cybersecurity review before going public abroad. Furthermore, where members of the cybersecurity review working mechanism believe that network products and services and data processing activities affect or are likely to affect national security, the Cybersecurity Review Office shall report to the Central Cyberspace Affairs Commission for approval as per procedure, and then conduct a review in accordance with the Cybersecurity Review Measures. According to the Cyber Data Security Administration Regulations (Draft for Comment) (《網絡數據安全管理條例(徵求意見稿)》) promulgated by the Cyberspace Administration of China on November 14, 2021 but not yet effective, any data processors processing personal information of more than one million individuals and seeking to go public abroad, or any data processors seeking to go public in Hong Kong, affect or may affect national security are subject to a cybersecurity review in accordance with relevant national regulations.

REGULATIONS RELATING TO PERSONAL INFORMATION OR DATA PROTECTION

On December 29, 2011, the MIIT issued *Several Provisions on Regulating the Market Order of Internet Information Services* (規範互聯網信息服務市場秩序若干規定), which became effective on March 15, 2012. *Several Provisions on Regulating the Market Order of Internet Information Services* provides that an internet information service provider may not collect any user's personal information or provide any such information to third parties without such user's consent. Pursuant to the Several Provisions on Regulating the Market Order of Internet Information Services, internet information service providers are required to, among others, (i) expressly inform the users of the method, content and purpose of the collection and processing of such users' personal information and may only collect such information necessary for the provision of its services; and (ii) properly maintain the users' personal information, and in case of any leak or possible leak of a user's personal information, online service providers must take immediate remedial measures and, in severe circumstances, make an immediate report to the telecommunications regulatory authority.

On August 22, 2019, the CAC issued the *Provisions on the Cyber Protection of Children's Personal Information* (兒童個人信息網絡保護規定), which became effective on October 1, 2019 and apply to the collection, storage, use, transfer and disclosure of the personal information of the minors under the age of 14, or the Children, via the Internet.

On November 28, 2019, the Secretary Bureau of the CAC, the General Office of the MIIT, the General Office of the Ministry of Public Security and the General Office of the SAMR jointly issued the Notice on the *Measures for Determining the Illegal Collection and Use of Personal Information through Mobile Applications* (App違法違規收集使用個人信息行為認定方法), which aims to provide reference for supervision and administration departments and provide guidance for mobile applications operators' self-examination and self-correction and social supervision by netizens, and further elaborates the forms of behavior constituting illegal collection and use of the personal information through mobile applications including: (i) failing to publish the rules on the collection and use of personal information; (ii) failing to explicitly explain the purposes, methods and scope of the collection and use of personal information; (iii) collecting and using personal information without the users' consent; (iv) collecting personal information unrelated to the services they provide and beyond the necessary principle; (v) providing personal information to others without the users' consent; (vi) failing to provide the function of deleting or correcting the personal information according to the laws or failing to publish information such as ways of filing complaints and reports.

Pursuant to the *Notice of the Ministry of Industry and Information Technology on the Record-filing of Mobile Internet Apps* (工業和信息化部關於開展移動互聯網應用程序備案工作的通知), promulgated by the MIIT on July 21, 2023 and took effective on the same day, any operator of APP (including mini programs and quick applications) that engages in Internet information services within the territory of the PRC shall go through the record-filing formalities in accordance with the *Law of the People's Republic of China Against Telecommunications and Internet Frauds* (中華人民共和國反電信網絡詐騙法), the *Administrative Measures on Internet-based Information Services* (互聯網信息服務管理辦法) and other regulations. Any APP operator that fails to complete the record-filing formalities shall not engage in APP Internet information services.

Pursuant to the *Ninth Amendment to the Criminal Law* (刑法修正案(九)), issued by the SCNPC on August 29, 2015, which became effective on November 1, 2015, any Internet service provider that fails to fulfill its obligations related to Internet information security administration as required under applicable laws and refuses to rectify upon orders shall be subject to criminal penalty. In addition, *Interpretations of the Supreme People's Court and the Supreme People's Procuratorate on Several Issues Concerning the Application of Law in the Handling of Criminal Cases Involving Infringement of Personal Information* (最高人民法院、最高人民檢察院關於辦理侵犯公民個人信息刑事案件適用法律若干問題的解釋), issued on May 8, 2017 and effective as of June 1, 2017, clarified certain standards for the conviction and sentencing of the criminals in relation to personal information infringement.

In addition, on May 28, 2020, the National People's Congress of the PRC approved the *PRC Civil Code* (中華人民共和國民法典), which came into effect on January 1, 2021. Pursuant to the PRC Civil Code, the collection, storage, use, process, transmission, provision and disclosure of personal information should follow the principles of legitimacy, properness and necessity. The personal information of a natural person shall be protected by the law. Any organization or individual shall legally obtain such personal information of others when necessary and ensure the safety of such information, and shall not illegally collect, use, process or transmit personal information of others, or illegally purchase or sell, provide or make public personal information of others.

Pursuant to the *Regulations for Medical Institutions on Medical Records Management* (醫療機構病歷管理規定) released on November 20, 2013, and effective from January 1, 2014, the medical institutions and medical practitioners shall strictly protect the privacy information of patients, and any leakage of patients' medical records for non-medical, non-teaching or non-research purposes is prohibited. The NHFPC released the *Measures for Administration of Population Health Information (Trial)* (人口健康信息管理辦法(試行)) on May 5, 2014, which refers the medical health service information as the population healthcare information, and emphasizes that such information cannot be stored in offshore servers, and the offshore servers shall not be hosted or leased.

On July 30, 2021, the state council promulgated the *Regulations on Protection of Critical Information Infrastructure* (關鍵信息基礎設施安全保護條例), which became effective on September 1, 2021. Pursuant to the Regulations on Protection of Critical Information Infrastructure, a critical information infrastructure refers to an important network facilities or information systems in important industries or fields such as public communication and information service, energy, communications, water conservation, finance, public services, e-government affairs and national defense science, which may endanger national security, people's livelihood and public interest in case of damage, function loss or data leakage. In addition, competent departments and administration departments of each important industry and field, or Protection Departments, shall be responsible to formulate determination rules and identify the critical information infrastructure operator in the respective important industry or field. The result of the determination of critical information infrastructure operator shall be informed to the operator, and notify the public security department of the State Council.

On August 20, 2021, the SCNPC promulgated the *PRC Personal Information Protection Law* (個人信息保護法), which took effect on November 1, 2021. Pursuant to the Personal Information Protection Law, "personal information" refers to any kind of information related to an identified or identifiable individual as electronically or otherwise recorded but excluding the anonymised information. The processing of personal information includes the collection, storage, use, processing, transmission, provision, disclosure and deletion of personal information. The Personal Information Protection Law applies to the processing of personal information of natural persons within the territory of the PRC, as well as personal information processing activities outside the territory of PRC, for the purpose of providing products or services to natural persons located within China, or for analysing or evaluating the behaviors of natural persons located within China, or for other circumstances as prescribed by laws and administrative regulations. A personal information processor may process the personal information of this individual only under the following circumstances: (i) where consent is obtained from the individual; (ii) where it is necessary for the execution or performance of a contract to which the individual is a party, or where it is necessary for carrying out human resource management pursuant to employment rules legally adopted or a collective contract legally concluded; (iii) where it is necessary for performing a statutory responsibility or statutory obligation; (iv) where it is necessary in response to a public health emergency, or for protecting the life, health or property safety of a natural person in the case of an emergency; (v) where the personal information is processed within a reasonable scope to carry out any news reporting, supervision by public opinions or any other activity for public interest purposes; (vi) where the personal information, which has already been disclosed by an individual or otherwise legally disclosed, is processed within a reasonable scope; or (vii) any other circumstance as provided by laws or administrative regulations. In principle, the consent of an individual must be obtained for the processing of his or her personal information, except under the circumstances of the aforementioned items (ii) to (vii). Where personal information is to be processed based on the consent of an individual, such consent shall be a voluntary and explicit indication of intent given by such individual on a fully informed basis. If laws or administrative regulations provide that the processing of personal information shall be subject to the separate consent or written consent of the individual concerned, such provisions shall prevail.

On June 10, 2021, the SCNPC passed the Data Security Law (數據安全法), which became effective as of September 1, 2021. The Data Security Law clarifies the scope of data to cover a wide range of information records generated from all aspects of production, operation and management of government affairs and enterprises in the process of the gradual transformation of digitalization, and requires that data collection shall be conducted in a legitimate and proper manner, and the theft or illegal collection of data is not permitted. Data processors shall establish and improve whole-process data security management rules, organize and implement data security training and take appropriate technical measures and other necessary measures to protect data security. In addition, data processing activities shall be conducted on the basis of the graded protection system for cybersecurity. Monitoring of data processing activities shall be strengthened, and remedial measures shall be taken immediately in case of discovery of risks regarding data security related defects or bugs. In case of data security incidents, responsive measures shall be taken immediately, and disclosure to users and report to the competent authorities shall be made in a timely manner.

On July 7, 2022, the CAC promulgated the *Measures for Data Cross-border Transfer Security Assessment* (數據出境安全評估辦法), which became effective on September 1, 2022. According to the Measures for Data Cross-border Transfer Security Assessment, where a data processor transfers data abroad, the data processor shall apply to the CAC for a data cross-border transfer security assessment through the local CAC at the provincial level when: (i) a data processor transfers important data abroad; (ii) a critical information infrastructure operator or a data processor processing the personal information of more than one million persons transfers personal information abroad; (iii) a data processor has provided a total of 100,000 persons' personal information or 10,000 persons' sensitive personal information abroad since January 1 of the previous year; or (iv) under other circumstances as stipulated by the CAC.

On March 22, 2024, the CAC promulgated the *Provisions on Promoting and Regulating Cross-border Data Flows* (促進和規範數據跨境流動規定), which became effective the same day. According to the Provisions on Promoting and Regulating Cross-border Data Flows, where a data processor transfers data abroad, it may be exempted from applying for a data cross-border transfer security assessment, concluding a standard contract for personal information to be provided abroad or passing a security certificate for protection of personal information if it satisfies any of the following conditions: (i) where it is really necessary to provide personal information abroad for the purpose of concluding or performing a contract to which an individual concerned is a party, such as cross-border shopping, cross-border delivery, cross-border remittance, cross-border payment, cross-border account opening, air ticket and hotel reservation, visa handling and examination services; (ii) where it is really necessary to provide employees' personal information abroad for the purpose of conducting cross-border human resources management in accordance with the employment rules and regulations and collective contracts formulated in accordance with the law; (iii) where it is really necessary to provide personal information abroad in an emergency to protect the life, health and property safety of a natural person; or (iv) where a data processor other than a critical information infrastructure operator provides abroad the personal information (excluding sensitive personal information) of not more than 100,000 persons accumulatively as of January 1 of the current year.

REGULATIONS RELATING TO OVERSEAS SECURITIES OFFERING AND LISTING

On February 17, 2023, the CSRC promulgated Trial Administrative Measures of the Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) (the "**Overseas Listing Trial Measures**") and five supporting guidelines, which came into effect on March 31, 2023.

Pursuant to the Overseas Listing Trial Measures, PRC domestic companies that seek to offer and list securities in overseas markets, either directly or indirectly, are required to fulfill the filing procedure with the CSRC and report the relevant information through filing reports and legal opinions. The Overseas Listing Trial Measures provides that an overseas listing or offering is explicitly prohibited, if any of the following: (i) such securities offering and listing is explicitly prohibited by provisions in laws, administrative regulations and relevant state rules; (ii) the intended securities offering and listing may endanger national security as scrutinized and determined in accordance with law by competent authorities under the State Council; (iii) the domestic company intending to make the securities offering and listing, or the controlling shareholder(s) and the actual controller of such company, have committed relevant crimes such as corruption, bribery, embezzlement, misappropriation of property or undermining the order of the socialist market economy during the latest three years; (iv) the domestic company intending to make the securities offering and listing is currently under investigations for suspicion of criminal offenses or major violations of laws and regulations, and no conclusion has yet been made thereof; or (v) there are material ownership disputes over equity held by the domestic company's controlling shareholder(s) or by other shareholder(s) that are controlled by the controlling shareholder(s) and/or actual controller.

The Overseas Listing Trial Measures also provides that the overseas securities offering and listing will be deemed as an indirect overseas offering by PRC domestic companies if (i) 50% or more of any of the issuer's operating revenue, total profit, total assets or net assets as documented in its audited consolidated financial statements for the most recent fiscal year are accounted for by PRC domestic companies; and (ii) the issuer's principal business activities are conducted in the PRC, or its principal place(s) of business are located in the PRC, or the senior executives responsible for its business operations and management are mostly Chinese citizens or persons domiciled in the PRC. Where an issuer submits an application for offering or listing to competent overseas regulators or overseas stock exchanges, such issuer must file with the CSRC within three business days after such application is submitted to the overseas regulators. The Overseas Listing Trial Measures also requires subsequent reports to be filed with the CSRC on any material events, such as change of control, investigation or punishment taken by overseas securities regulatory authorities or other competent authorities, change of listing status or listing plate, or voluntary or forced delisting of the issuer(s) who have completed overseas offerings and listings.

On the same day, CSRC also held a press conference for the release of the Overseas Listing Trial Measures and issued the Notice on Administration for the Filing of Overseas Offering and Listing by Domestic Companies (《關於境內企業境外發行上市備案管理安排的通知》), which among others, clarifies that (i) the PRC domestic companies that have already been listed overseas on or before the effective date of the Overseas Listing Trial Measures (i.e. March 31, 2023) shall be deemed as existing issuers, or the Existing Issuers. Existing Issuers are not required to complete the filling procedures immediately, and they shall be required to file with the CSRC when subsequent matters such as refinancing are involved; (ii) on or prior to the effective date of the Overseas Listing Trial Measures, PRC domestic companies that have already submitted valid applications for overseas offering and listing but have not obtained approval from competent overseas regulatory authorities or stock exchanges may reasonably arrange the timing for submitting their filing applications with the CSRC, and must complete the filing prior to the completion of their overseas offering and listing; (iii) a six-month transition period from March 31, 2023 will be granted to PRC domestic companies which, prior to the effective date of the Overseas Listing Trial Measures, (a) have already obtained the approval from overseas regulatory authorities or stock exchanges (such as the completion of hearing in the market of Hong Kong or the completion of registration in the market of the United States) for their indirect overseas offering and listing, and (b) it is not required to perform issuance and listing supervision procedures of the overseas regulatory authorities or stock exchanges again (such as rehearing on the Hong Kong market, etc.), if such companies complete their overseas offering and listing within such six months, they are deemed as Existing Issuers. However, if such domestic companies fail to complete the overseas issuance and listing within such six-month transition period, they shall file relevant documents with the CSRC in accordance with the requirements.

If domestic companies fail to fulfill the above-mentioned filing procedures or offer and list in an overseas market against the prohibited circumstances, they would be ordered to rectify, warned, and fined between RMB1 million and RMB10 million. The directly liable personnel would be warned and fined between RMB0.5 million and RMB5 million. The controlling shareholders and actual controllers of such domestic companies that organize or instruct the aforementioned violations would be warned and fined between RMB1 million and RMB10 million. The directly liable personnel would be fined between RMB0.5 million and RMB5 million. The securities companies and securities service providers failing to supervise the domestic companies for compliance of relevant rules would be warned and fined between RMB0.5 million and RMB5 million. The directly liable personnel would be warned and fined between RMB0.2 million and RMB2 million. Also, if there is any false records, misleading statement or any material omission in the filing documents, the domestic companies would be ordered to rectify, warned, and fined between RMB1 million and RMB10 million. The directly liable personnel would be imposed warnings and fined between RMB0.5 million and RMB5 million. The controlling shareholders and actual controllers of such domestic companies who organize or instruct the aforementioned violations or conceal the relevant matters leading to the occurrence of the aforementioned violations would be warned and fined between RMB1 million and RMB10 million. The directly liable personnel would be fined between RMB0.5 million and RMB5 million. The securities companies or securities service providers who fail to act with due diligence, make false records, misleading statements or material omissions in the documents produced and issued domestically, or in the documents produced and issued overseas which led to disruption of the domestic market order and infringement on the lawful rights and interests of domestic investors, would be, amongst others, fined up to 10 times of the service fees or between RMB0.5 million and RMB5 million if there are no service fees or the service fees are less than RMB0.5 million. The directly liable personnel would be warned and fined between RMB0.2 million and RMB2 million.

REGULATIONS ON FIRE PREVENTION

According to the Fire Prevention Law of the PRC (the "Fire Prevention Law", 《中華人民共和國消防法》) promulgated by the NPC on April 29, 1998 and amended on October 28, 2008, April 23, 2019 and April 29, 2021, respectively, and the Interim Provisions on Design Inspection and Acceptance of Fire Protection of Construction Projects (《建設工程消防設計審查驗收管理暫行規定》) promulgated by the Ministry of Housing and Urban-Rural Development of the PRC on April 1, 2020 and amended on August 21, 2023, for the restaurants, teahouses or coffee houses with more than 500 square meters and with entertainment functions are special construction projects, which must have their fire protection design reviewed by the competent fire protection design review and acceptance authority. This authority is legally responsible for the results of the review. If a special construction project has not undergone fire protection design review or if the review is not passed, neither the construction unit nor the construction company is allowed to commence construction.

According to the revised Fire Prevention Law (revised in 2019 and 2021), the competent housing and urban-rural development authority replaced fire prevention and rescue departments to monitor and administer the fire protection as-built acceptance check and filing. Upon completion of construction of a development project which is required to apply for fire safety inspection and acceptance as stipulated by the housing and urban-rural development authority, the developer shall apply to the housing and urban-rural development authority for fire safety inspection and acceptance. For other development projects, the developer shall complete filing formalities with the housing and urban-rural development authority following the inspection and acceptance, the housing and urban-rural development department shall conduct spot check. Pursuant to the Fire Prevention Law, the construction project that fails to complete as-built acceptance check on fire prevention shall be ordered by the relevant government authorities to close and shall be fined not less than CNY30,000 but not more than CNY300,000. The construction project that fails to complete fire safety filing shall be ordered to rectify and be subject to a fine of up to CNY5,000.

The Opinion on the Deepening the Reform of Fire Control Law Enforcement (《關於深化消防執法改革的意見》) promulgated jointly by the General Office of the CPC Central Committee and the General Office of the State Council on May 30, 2019, provides for the simplification of the fire protection inspections of public gathering places before their use and operation, and management in the form of a notification and a representation to safety standards. Fire protection authorities shall formulate the standards for fire safety in public gathering places and disclose such standards to the public, making available the text in the form of the letter of notification and representation to safety standards. A public gathering place shall, after obtaining the business license or being qualifying for use and operation under the law, commence use or operation by making a representation to the fire protection authorities that it has reached the standards for fire safety through an application face-to-face or via the online governmental affairs service platform. In practice, the relevant authority at its locality may formulate and implement relevant fire protection policies or implementation rules according to local conditions. Pursuant to the Fire Prevention Law amended on April 29, 2021, the fire safety inspection of public gathering places before they are put into use and open for business shall be subject to the management of notification and representation. Before the use or commencement of the business operations of public gathering places, the construction entities or the entities using such places shall file an application for fire safety inspection with the fire rescue agencies of the local people's governments of such places at or above the county level, and make a representation that the place meets the fire control technical standards and management regulations, and submit the requisite materials and be responsible for the authenticity of their representations and the submitted materials. The fire rescue agency inspects the materials submitted by the applicant, if the application materials are complete and conform to legal forms, approval shall be granted. Fire rescue agencies shall, in accordance with fire control technical standards and management regulations, conduct timely verification on the public gathering places that have made representations. If the applicant chooses not to take the form of notification and representation, the fire rescue agency shall inspect the site in accordance with fire control technical standards and management regulations within 10 working days from the date of accepting the application. Approval shall be given to those meeting the fire control safety requirements through inspection. Public gathering places shall not be put into use or open for business without approval of fire rescue agencies. If the public gathering places are put into use or open for business without approval of fire rescue agencies, or the use or business conditions of such places are found to be inconsistent with the contents promised after the verification of fire rescue agencies, such places shall be ordered to discontinue the use, production or operation and be fined not less than RMB30,000 but not more than RMB300,000.

LAWS AND REGULATIONS ON ENVIRONMENTAL PROTECTION

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

According to the provisions of the Environmental Protection Law, in addition to other relevant laws and regulations of the PRC, the Ministry of Environmental Protection and its local counterparts take charge of administering and supervising said environmental protection matters. According to the provisions of the Environmental Protection Law, the environmental impact statement shall be made for any such construction project and construction projects which have not carried out environmental impact assessment shall not commence construction.

Installations for the prevention and control of pollution in construction projects must be designed, built and commissioned together with the principal part of the project.

Installations for the prevention and control of pollution shall not be dismantled or left idle without authorization.

The Environmental Protection Law makes it clear that the liabilities for any violation of said law include, fine, rectification within a time limit, compulsory ceasing of operations, compulsory shutout or closedown, restitution, or even criminal punishment.

Law on Environment Impact Assessment

Pursuant to Law of the PRC on Environment Impact Assessment (《中華人民共和國環境影響評價法》), which was issued on October 28, 2002 and amended on July 2, 2016 and December 29, 2018, the State implements a classification-based management on the environmental impact assessment (the "EIA") of construction projects according to the impact of the construction projects on the environment. Construction units shall prepare the Environmental Impact Report (the "EIR") or the Environmental Impact Statement (the "EIS") or fill out the Environmental Impact Registration Form (the "EIRF") (hereinafter collectively referred to as the "EIA documents") according to the following rules: 1. For projects with potentially serious environmental impacts, an EIR shall be prepared to provide a comprehensive assessment of their environmental impacts; 2. For projects with potentially mild environmental impacts, an EIS shall be prepared to provide an analysis or specialized assessment of their environmental impacts; and 3. For projects with very small environmental impacts so that an EIA is not required, an EIRF shall be filled out.

The EIR or EIS of a construction project shall be submitted by the construction unit in accordance with the regulations of the State Council to the ecological environment department with powers to approve the project for review and approval. The State shall implement a record-filing-based management on EIRF. However, according to the Catalogue for the Classified Administration of the Environmental Impact Assessment of Construction Projects (2021) (《建設項目環境影響評價分類管理名錄(2021)》), construction projects with regard to the catering industry are no longer required to submit the EIA documents.

Law on the Environmental Protection of Construction Projects

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

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

Law on Prevention and Control of Water Pollution

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

Enterprises that engage in the activities of industry, construction, catering, and medical treatment, etc. that discharges sewage into urban drainage facilities shall apply to the relevant competent urban drainage department for collecting the permit for discharging sewage into drainage pipelines under relevant laws and regulations, including the Regulations on Urban Drainage and Sewage Disposal (《城鎮排水與污水處理條例》), which was promulgated on October 2, 2013 and came into force on January 1, 2014, and the Measures for the Administration of Permits for the Discharge of Urban Sewage into the Drainage Network (《城鎮污水排入排水管網許可管理辦法》), which came into force on March 1, 2015 and was subsequently amended on December 1, 2022. Drainage entities covered by urban drainage facilities shall discharge sewage into urban drainage facilities in accordance with the relevant provisions of the state. Where a drainage entity needs to discharge sewage into urban drainage facilities, it shall apply for a drainage license in accordance with the provisions of these Measures. The drainage entity that has not obtained the drainage license shall not discharge sewage into urban drainage facilities. Urban residents that discharge domestic sewage are not required to apply for the drainage license.

LAWS AND REGULATIONS ON LABOR

Labor Contract Law

According to the Labor Contract Law of the PRC (the "Labor Contract Law", 《中華人民共和國勞動合同法》), which was implemented on January 1, 2008 and amended on December 28, 2012, labor contracts must be concluded in writing if labor relationships are to be or have been established between enterprises or institutions and the laborers. Enterprises and institutions are forbidden to force the laborers to work beyond the time limit and the employers must pay laborers compensation for working overtime in accordance with national regulations. Labor wages must not be lower than local minimum wage standards and must be paid to the laborers in a timely manner. According to the Labor Law of the PRC (《中華人民共和國勞動法》) effective as of January 1, 1995, as amended on August 27, 2009 and December 29, 2018, enterprises and institutions must establish and perfect their system of work place safety and sanitation, strictly abide by state rules and standards and educate laborers regarding the same. Workplace safety and sanitation facilities must comply with state-fixed standards.

Production Safety Law

Pursuant to the Law on Work Safety of the PRC (the "Law on Work Safety",《中華人民共和國安全生產法》) (Order No. 70 of the PRC President, effective on November 1, 2002 and amended on August 27, 2009, August 31, 2014 and June 10, 2021 respectively), enterprises engaged in production activities must strengthen safety production management, establish and improve the responsibility system for safe production and ensure a safe production environment. The State establishes and implements a system for the accountability of production safety accidents. If the company fails to comply with the provisions of the Law on Work Safety, the supervisory authority on production safety may issue a rectification order, impose a fine, order the company to cease production and operation, or revoke the relevant permit.

Regulations on Social Insurance and Housing Fund

According to the Social Insurance Law of the PRC (《中華人民共和國社會保險法》) effective as of July 1, 2011 and as amended on December 29, 2018, the Regulations on Occupational Injury Insurance (《工傷保險條例》) effective as of January 1, 2004 and as amended on December 20, 2010, the Interim Measures concerning Maternity Insurance for Enterprise Employees (《企業職工生育保險試行辦法》) effective as of January 1, 1995, the Interim Regulations concerning the Levy of Social Insurance (《社會保險費徵繳暫行條例》) effective as of January 22, 1999 and as amended on March 24, 2019 and the Regulations concerning the Administration of Housing Fund (《住房公積金管理條例》) effective as of April 3, 1999, and amended on March 24, 2002 and March 24, 2019, enterprises and institutions in the PRC must provide their employees with welfare schemes covering pension insurance, unemployment insurance, maternity insurance, occupational injury insurance and medical insurance, as well as a housing fund and other welfare plans.

LAWS ON INTELLECTUAL PROPERTY RIGHTS

Trademarks

Trademarks are protected by the PRC Trademark Law (《中華人民共和國商標法》) which was adopted in 1982 and subsequently amended in 1993, 2001, 2013 and 2019, respectively, as well as the Implementation Regulation of the PRC Trademark Law (《中華人民共和國商標法實施條例》) adopted in 2002 and amended in 2014 by the State Council. The Trademark Office under National Intellectual Property Administration (the "NIPA") handles trademark registrations and grants a term of ten years to registered trademarks which may be renewed for consecutive ten-year periods upon request by the trademark owner. The trademark registrant may, by concluding a trademark licensing contract, authorize other persons to use the registered trademark. The licensor shall supervise the quality of the goods for which the licensee uses the licensor's registered trademark, and the licensee shall guarantee the quality of the goods for which the registered trademark is used. The party authorized to use another's registered trademark must indicate the name of the licensee and the place of origin on the goods that bear the registered trademark. When granting others use of the registered trademarks, the licensor shall file the trademark license with the Trademark Office for their records, and the Office shall announce the same. Without putting the trademark license on record, the trademark may not be used to defend a bona fide third party.

Domain Names

The Measures for the Administration of Internet Domain Names (the "Domain Name Measures", 《互聯網域名管理辦法》) was promulgated by the Ministry of Industry and Information Technology of the PRC on August 24, 2017 and came into effect on November 1, 2017. The Implementation Rules for National Top-level Domain Name Registration (the "Implementation Rules for Registration", 《國家頂級域名註冊實施細則》) was promulgated by the China Internet Network Information Center on June 18, 2019 and came into effect on the same date. The Domain Name Measures regulate the registration of domain names. Application for registration of national top-level domain names ".CN" and ".China" and provision of national top-level domain name registration related services shall further comply with the Implementation Rules for Registration.

Patent

The SCNPC adopted the PRC Patent Law (《中華人民共和國專利法》) in 1984 and amended it in 1992, 2000, 2008 and 2020, respectively. A patentable invention or utility model must meet three conditions, e.g. novelty, inventiveness and practical applicability. Patents will not be granted for scientific discoveries, rules and methods for intellectual activities, methods used to diagnose or treat diseases, animal and plant breeds or substances obtained by means of nuclear transformation. The Patent Office under the State Intellectual Property Office is responsible for receiving, examining and approving patent applications. A patent is valid for a twenty-year term for an invention, a ten-year term for a utility model, or a fifteen-year term for a design, starting from the application date. Except for certain specific circumstances provided by law, any third-party users must obtain consent or a proper license from the patent owners to use the patent, otherwise the use of patent will constitute an infringement of the rights of the patent holder.

REGULATIONS ON FOREIGN EXCHANGE

Pursuant to the Foreign Exchange Administrative Regulations of the PRC (《中華人民共和國外匯管理條例》), as amended in August 5, 2008, the RMB is freely convertible for current account items, including for the distribution of dividends, interest payments, trade and service-related foreign exchange transactions, but not for capital account items, such as direct investments, loans, repatriation of investments and investments in securities outside the PRC, unless prior approval of the State Administration of Foreign Exchange ("SAFE") is obtained and prior registration with SAFE is made.

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

According to the Circular of the State Administration of Foreign Exchange on Further Simplifying and Improving the Foreign Exchange Management Policies for Direct Investment ("Circular 13", 《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》), which was promulgated on February 13, 2015 and with effect from June 1, 2015, enterprises are not required to get foreign exchange registration approval under domestic direct investment or overseas direct investment. Domestic investors (including domestic foreign-invested enterprises, domestic investing entities of foreign enterprises) should carry out foreign exchange registration of direct investment with banks.

According to the Circular of the State Administration of Foreign Exchange on Reforming the Management Approach regarding the Settlement of Foreign Exchange Capital of Foreign-invested Enterprises ("Circular 19",《國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知》) promulgated on March 30, 2015 and effective on June 1, 2015 and the Circular of the State Administration of Foreign Exchange on Reforming and Regulating Policies on the Control over Foreign Exchange Settlement under Capital Accounts ("Circular 16",《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》) promulgated and effective on June 9, 2016, domestic enterprises (including Chinese-funded enterprises and foreign-invested enterprises, excluding financial institutions) may go through foreign exchange settlement formalities for their foreign debts at their discretion. Where the current regulations contain any restrictive provisions on the foreign exchange settlement of foreign exchange receipts under capital accounts of domestic institutions, such provisions shall prevail. Domestic institutions may, at their discretion, settle up to 100% of foreign exchange receipts under capital accounts for the time being. The SAFE may adjust the above proportion in due time according to the balance of payments. While being eligible for discretionary settlement of foreign exchange receipts under capital accounts, domestic institutions may also opt to use their foreign exchange receipts according to the payment-based settlement system. A bank shall, in handling each transaction of foreign exchange settlement for a domestic institution according to the principle of payment-based settlement, review the authenticity and compliance of the use of the funds settled in the previous transaction (including discretionary settlement and payment-based settlement) of such institution.

The Circular of the State Administration of Foreign Exchange on Further Promoting Cross-border Trade and Investment Facilitation ("Circular 28", 《國家外匯管理局關於進一步促進跨境貿易投資便利化的通知》) was promulgated and became effective on October 23, 2019. According to the Circular 28, non-investment foreign-funded enterprises are allowed to lawfully make domestic equity investments using their capital if the domestic investment projects are in compliance with the prevailing special administrative measures for access of foreign investments and the relevant regulations.

LAWS AND REGULATIONS ON EMPLOYEE INCENTIVE PLANS

On February 15, 2012, the SAFE promulgated the Circular on Issues concerning the Administration of Foreign Exchange Used for Domestic Individuals' Participation in Equity Incentive Plans of Companies Listed Overseas ("Circular 7", 《關於境內個人參與境外上市公司股權激勵計劃外匯管理有關問題的通知》). According to Circular 7 and other relevant provisions and rules, Chinese residents participating in the equity incentive plans of overseas listed companies must file a registration and carry out other certain procedures with the SAFE or its local institutions. Chinese residents participating in equity incentive plans must employ a qualified Chinese agent, which may be the Chinese affiliated company of such overseas listed company or any other qualified domestic organization appointed by such affiliate, to file the registration and carry out other procedures related to equity incentive plans on their behalf.

The participants must employ an overseas entrusted organization to deal with the execution of share options, transactions relating to shares or rights, fund transfers, etc. In addition, if any material changes are made to the equity incentive plan, Chinese agent or overseas entrusted organization, the Chinese agent shall file the change registration concerning the equity incentive plan. The Chinese agent shall, on behalf of the Chinese resident who has the right to exercise the employee's share options, apply to the SAFE or its local branch for the amount of annual foreign exchange payment in respect of the foreign currency payment related to the exercise of the employee's share options by the Chinese resident. The foreign exchange income received by the Chinese resident from the sale of shares under the equity incentive plan and the dividends received from overseas listed companies shall be remitted to the bank account opened in China by the Chinese agent before distribution to such Chinese residents.

TAXES

Corporate Income Tax

Pursuant to the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》), which was promulgated on March 16, 2007 and last amended on December 29, 2018, and the Regulation on the Implementation of the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法實施條例》) which was promulgated on December 6, 2007 and further amended on April 23, 2019, the income tax rate for both domestic and foreign-invested enterprises is 25%. Furthermore, resident enterprises, which are enterprises that are set up in accordance with PRC law, or that are set up in accordance with the law of a foreign country (region) but with their actual administration institution in the PRC, must pay enterprise income tax originating both within and outside the PRC. While non-resident enterprises that have set up institutions or premises in the PRC shall pay enterprise income tax in relation to their income originating from the PRC and obtained by their institutions or establishments, and their income incurred outside the PRC but where there is an actual relationship with the institutions or establishments set up by such enterprises. Non-resident enterprises that have not set up institutions or establishments in the PRC, or where institutions or establishments are set up but where there is no actual relationship with the income obtained by the institutions or establishments set up by such enterprises, they must pay enterprise income tax in relation to the income originating from the PRC at the rate of 10%.

Value-added Tax

Pursuant to the Provisional Regulations on Value-added Tax of the PRC (《中華人民共和國增值稅暫行條例》) promulgated on December 13, 1993 and last amended on November 19, 2017 and its implementation rules, all entities or individuals in the PRC engaging in the sale of goods, the provision of processing services, repairs and replacement services, and the importation of goods are required to pay value-added tax (the "VAT"). Pursuant to the Circular on Comprehensively Promoting the Pilot Program of the Collection of Value-added Tax in Lieu of Business Tax (《關於全面推開營業稅改徵增值稅試點的通知》) promulgated on March 23, 2016 and as amended on July 11, 2017, December 25, 2017 and March 20, 2019 respectively, upon approval of the State Council, as of May 1, 2016, the pilot program of the collection of value-added tax in lieu of business tax shall be promoted nationwide in a comprehensive manner, and all taxpayers of business taxpayers engaged in the building industry, the real estate industry, the financial industry and the life service industry shall be included in the scope of the pilot program with regard to payment of value-added tax instead of business tax.

Pursuant to the Provisional Regulations on Value-added Tax of the PRC, the Circular on Comprehensively Promoting the Pilot Program of the Collection of Value-added Tax in Lieu of Business Tax, the Circular of the Ministry of Finance and the State Administration of Taxation on Adjusting Value-added Tax Rates (《財政部、稅務總局關於調整增值稅稅率的通知》) promulgated by Ministry of Finance and State Administration of Taxation on April 4, 2018 and became effective on May 1, 2018, and the Announcement on Relevant Policies for Deepening Value-Added Tax Reform《財政部、稅務總局、海關總署關於深化增值稅改革有關政策的公告》 promulgated by the Ministry of Finance, the State Administration of Taxation and General Administration of Customs on March 20, 2019 and became effective on April 1, 2019, with respect to VAT taxable sales of a VAT general taxpayer, the applicable VAT rates are 13%, 9% and 6% respectively.

OVERVIEW

We are a well-known operator of casual Chinese restaurants in China. Our Company was incorporated in the Cayman Islands on June 4, 2015 and is the holding company of our Group. Our business history traces back to 2008 when Mr. Wang and Ms. Lu (the spouse of Mr. Wang), our co-founders, started our first *Green Tea* restaurant under the brand "Green Tea" by the beautiful West Lake in Hangzhou, Zhejiang province. Prior to the opening of Green Tea restaurant, Mr. Wang and Ms. Lu operated a youth hostel next to the West Lake in Hangzhou, Zhejiang province where they explored the opportunity of setting up a business venture in food and beverage industry focusing on innovative modern Chinese fusion cuisine. Please refer to section headed "Directors and Senior Management – Directors – Executive Directors" for the relevant industry experience of Mr. Wang and Ms. Lu.

Over the years, we have gradually expanded our restaurants to 21 provinces, four municipalities and two autonomous regions in the PRC and ranked third in terms of number of restaurants and fourth in terms of revenue among casual Chinese restaurant brands in China in 2023, according to the CIC Report. As of the Latest Practicable Date, our restaurant network consisted of 382 *Green Tea* restaurants, covering all tier one cities, 15 new tier one cities, 30 tier two cities, and 79 tier three cities and below in the PRC.

BUSINESS MILESTONE

The following is a summary of our key business development milestones since our inception:

Year	Event
2008	We established our first Green Tea restaurant in Hangzhou, Zhejiang province
2009	Our Green Tea restaurant was awarded 2009 Top 50 Most Popular Restaurant (2009年度最受歡迎餐廳 Top 50) by Dianping.com (大眾點評)
2010	We opened our first Green Tea restaurant in Beijing, China and started building our presence in tier one cities of China
2011	We opened our first Green Tea restaurant in Shanghai, China
2013	We opened our first Green Tea restaurant in Shenzhen, China
2015	Our Green Tea restaurant was awarded 2015 Top 10 Creative Culture Restaurants (2015年度(「中國服務」)十佳創意文化餐廳) by Chinese Culinary Association

Year	Event
2018	We opened our 100th Green Tea restaurant in China
2020	"Green Tea" brand was recognized as "Top 50 Most Influential Chain Brand in China" (中國連鎖品牌影響力50強) by Committee of Development of China Brand Chain Conference (中國品牌連鎖發展大會委員會)
2021	We were recognized as Dianping's "Must-Eat List" Restaurants (大眾點評"必吃榜"餐廳) by Dianping.com (大眾點評)
2023	We were awarded Meituan Waimai Best Category Innovation Award of the Year of 2022 (美團外賣年度最佳品類創新獎) by Meituan Waimai (美團外賣)
2023	We were recognized as "Consumer's Favorite Brand" (消費者青睞品牌) by Meituan (美團)

INFORMATION ON MEMBERS OF OUR GROUP

As of the Latest Practicable Date, we have a total of 291 intermediate holding companies and subsidiaries in the Republic of Seychelles, Hong Kong and PRC. We set forth below information on our subsidiaries that made material contribution to our results of operations during the Track Record Period:

	Name of subsidiary	Date of establishment	Place of establishment	Ownership as of the date of this document	Principal business activities
1.	HK Green Tea Group	August 21, 2015	Hong Kong	100%	Investment holding
2.	Hangzhou Dinghuan	March 27, 2017	PRC	100%	Restaurant operations
3.	Green Tea WFOE	December 23, 2015	PRC	100%	Investment holding
4.	Tibet Green Tea F&B	March 30, 2016	PRC	100%	Restaurant operations
5.	Zhejiang Lvqin	December 29, 2020	PRC	100%	Food procurement

	Name of subsidiary	Date of establishment	Place of establishment	Ownership as of the date of this document	Principal business activities
6.	Sanquan F&B	March 27, 2017	PRC	100%	Restaurant operations
7.	Wuhan Lujia	March 30, 2017	PRC	100%	Restaurant operations

We describe below the major changes in the shareholding of our Company and our material operating subsidiaries up to the date of this document:

Our Company

Our Company is the holding company of our Group. Our Company was incorporated as an exempted company with limited liability in the Cayman Islands on June 4, 2015. At the time of incorporation, our Company had an authorized share capital of US$50,000 divided into 50,000 ordinary shares of a nominal or par value of US$1.00 each. On July 9, 2015, one ordinary share of our Company was issued and allotted to an initial subscriber, who on the same day transferred the same to Time Sonic. On July 9, 2015, our Company allotted and issued 9,999 ordinary shares, each with a par value of US$1.00, at par to Time Sonic.

Since the incorporation of our Company, we have completed one round of Strategic Investment. On May 25, 2017, our Company repurchased 2,688 ordinary shares from Time Sonic for an aggregate consideration of US$2,688.0 which was paid out of the proceeds from the issuance of new Series-A Preferred Shares to Time Sonic (the "**Repurchase**") as described below. Upon completion of the Repurchase, the repurchased shares were cancelled. On the same date following the Repurchase, the authorized share capital of US$50,000 was re-designated and divided into 46,867 ordinary shares of a nominal or par value of US$1.00 each and 3,133 Series-A Preferred Shares of a nominal or par value of US$1.00 each (the "**Re-designation**").

After the Re-designation on May 25, 2017, pursuant to the Strategic Investment, 2,688 and 445 Series-A Preferred Shares were issued and allotted to Time Sonic and Partners Gourmet with a consideration of US$2,688.0 and US$10,036,686.7, respectively. On the same date, Time Sonic transferred 2,688 Series-A Preferred Shares to Partners Gourmet with a consideration of US$60,594,465.7 which was determined based on arm's length negotiations between the parties after taking into account the then operating results and prospect of our business and operating entities. Upon completion of the Strategic Investment, a total of 7,312 ordinary shares and 3,133 Series-A Preferred Shares were held by Time Sonic and Partners Gourmet, accounting for approximately 70.0% and 30.0% of the equity interests in our Company, respectively. For further details, see the paragraphs headed "Strategic Investment" and "Reorganization" in this section.

On March 22, 2021, in preparation of the [**REDACTED**], each ordinary share of par value US$1.00 each was sub-divided into [**REDACTED**] Shares of par value US$[**REDACTED**] each, and each Series-A Preferred Share with a par value of US$1.00 each was subdivided into [**REDACTED**] Series-A Preferred Shares with a par value of US$[**REDACTED**] each. Accordingly, the authorized share capital of the Company comprises [**REDACTED**] Shares with a par value of US$[**REDACTED**] each and [**REDACTED**] Series-A Preferred Shares with a par value of US$[**REDACTED**] each.

HK Green Tea Group

HK Green Tea Group was incorporated in Hong Kong with limited liability on August 21, 2015. Upon incorporation, 10,000 shares were issued and allotted to Everlasting Thrive Limited. As of the Latest Practicable Date, HK Green Tea Group was wholly owned by Everlasting Thrive Limited. During the Track Record Period, our Company has exercised control over Everlasting Thrive Limited.

Hangzhou Dinghuan

Hangzhou Dinghuan was established as a limited liability company in the PRC on March 27, 2017 with a registered capital of RMB10.0 million and was wholly owned by HK Green Tea Group. As of the Latest Practicable Date, Hangzhou Dinghuan was wholly owned by HK Green Tea Group.

Green Tea WFOE

Green Tea WFOE was established as a wholly foreign-owned in the PRC on December 23, 2015 with a registered capital of RMB0.5 million and was wholly owned by HK Green Tea Group. The registered share capital was increased to RMB10.0 million by injection of additional capital by HK Green Tea Group in July 12, 2018. As of the Latest Practicable Date, Green Tea WFOE was wholly owned by HK Green Tea Group.

Tibet Green Tea F&B

Tibet Green Tea F&B was established as a limited liability company in the PRC on March 30, 2016 with a registered capital of RMB10.0 million and was wholly owned by Green Tea WFOE. The registered capital of Tibet Green F&B was increased to RMB20.0 million in April 13, 2017 by injection of additional capital of RMB10.0 million by Hangzhou Dinghuan. As a result of the above capital injection, Tibet Green Tea F&B was owned by Hangzhou Dinghuan and Green Tea WFOE as to 50.0% and 50.0%, respectively. The registered capital of Tibet Green F&B was increased to RMB20.4 million in February 27, 2023 by injection of additional capital of RMB408,200 by Hangzhou Dinghuan. As a result of the above capital injection, Tibet Green Tea F&B was owned by Hangzhou Dinghuan and Green Tea WFOE as to 51.0% and 49.0%, respectively. As of the Latest Practicable Date, Tibet Green Tea F&B was held as to 51.0% by Hangzhou Dinghuan and as to 49.0% by Green Tea WFOE.

Zhejiang Lvqin

Zhejiang Lvqin was established as a limited liability company in the PRC on December 29, 2020 with a registered capital of RMB10.0 million and was owned by Tibet Green Tea Enterprise and Shenzhen Green Tea Trading as to 99.9% and as to 0.1%, respectively. As of the Latest Practicable Date, Zhejiang Lvqin was held as to 99.9% by Tibet Green Tea Enterprise and 0.1% by Shenzhen Green Tea Trading.

Sanquan F&B

Sanquan F&B was established as a limited liability company in the PRC on March 27, 2017 with a registered capital of RMB0.1 million and was wholly owned by Tibet Green Tea F&B. As of the Latest Practicable Date, Sanquan F&B was wholly owned by Tibet Green Tea F&B.

Wuhan Lujia

Wuhan Lujia was established as a limited liability company in the PRC on March 30, 2017 with a registered capital of RMB0.1 million and was wholly owned by Tibet Green Tea F&B. As of the Latest Practicable Date, Wuhan Lujia was wholly owned by Tibet Green Tea F&B.

Major Acquisitions and Disposals

We did not conduct any major acquisitions, disposals or mergers during the Track Record Period and up to the Latest Practicable Date.

STRATEGIC INVESTMENT

Pursuant to the subscription and purchase agreement dated January 17, 2017 ("**Subscription and Purchase Agreement**") entered into among our Company, Time Sonic, our Controlling Shareholders and Partners Gourmet, Time Sonic transferred 2,688 Series-A Preferred Shares, representing approximately 25.74% of the then total issued shares of our Company on a fully diluted basis after the completion of subscription, to Partners Gourmet and our Company issued 445 Series-A Preferred Shares, representing approximately 4.26% of the then total issued shares of our Company on a fully diluted basis after the completion of subscription. After the transfer and the subscription, our Company was held as to approximately 30.0% by Partners Gourmet.

Principal Terms of the Strategic Investment

The following table sets out a summary of the principal terms of the equity investment by Partners Gourmet:

Completion of the subscription and payment date of the consideration	:	May 25, 2017
Amount of consideration paid	:	USD70,631,152.4
Basis of determining the consideration	:	The consideration was determined based on arm's length negotiations between Partners Gourmet, our Company and the Controlling Shareholders after taking into consideration the then consolidated operating results from 2013 to 2016, the scale of operation of our Company, enterprise value to EBITDA multiples with reference to comparable private and public companies in the market, and prospect of our business and operating entities. Such valuation has not been assessed by any third party.
Cost per Share paid(1)	:	USD[**REDACTED**]
Discount to [REDACTED] of the [REDACTED] range	:	[**REDACTED**]
Shareholding in the Company immediately after the investment	:	Approximately [**REDACTED**]%
Shareholding in the Company immediately after the completion of the [REDACTED] (assuming the [REDACTED] is not exercised)	:	Approximately [[**REDACTED**]%]
Use of strategic investment proceeds	:	The proceeds are intended to be utilized towards our general working capital and expansion of restaurant network. As of the Latest Practicable Date, all of the proceeds from the strategic investments had been utilized.
Strategic benefits to the Company	:	Our Directors are of the view that our Company would benefit from the additional capital provided by Partners Gourmet in our Company and their investments serve as an endorsement of our Company's strength and prospects.

Note:

(1) The approximate cost per Share is calculated based on the amount of consideration paid by Partners Gourmet divided by the number of Shares to be held by it as at the date of this document.

Special Rights Granted to Partners Gourmet

With respect to the Strategic Investment, Partners Gourmet has been granted certain special rights in relation to our Company, including, rights of first refusal, right of first offering, co-sale rights, information rights and inspection rights, nomination rights, veto rights on certain matters relating to our Group and redemption rights. The redemption rights shall terminate and be of no further force or effect immediately before the Company submits its application for the [**REDACTED**] of our Shares on the Stock Exchange (the "**Submission**"), provided in the event where the Submission is withdrawn, rejected, lapses and is not renewed within a prescribed period of time, or the Company fails to consummate the [**REDACTED**], such redemption rights shall automatically be reinstated in full. All other special rights will be terminated automatically upon completion of the [**REDACTED**].

Each Series-A Preferred Share will be converted into one ordinary Share of US$[**REDACTED**] par value pursuant to Preferred Shares Conversion.

Information about Partners Gourmet

Partners Gourmet was incorporated under the laws of Cayman Islands on December 8, 2016, and was an investment holding company jointly owned by Partners Group Global Value SICAV (tradable fund, no limited partners) as to 32.2%, Partners Group Barrier Reef, L.P. (with one general partner and one limited partner) as to 31.8%, Partners Group Global Value 2014 (EUR) S.C.A., SICAR (with one general partner and 23 limited partners) as to 13.2%, SEDCO Partners Group Opportunities Fund, L.P. (with one general partner and two limited partners) as to 12.8%, Partners Group Global Growth 2014, L.P. Inc. (with one general partner and 18 limited partners) as to 4.3%, Partners Group Emerging Markets 2015, L.P. Inc. (with one general partner and 13 limited partners) as to 4.3%, and Partners Group Access 564 L.P. (with 74 limited partners) as to 1.4%, which are investment vehicles managed and/or advised by entities ultimately controlled by Partners Group. Partners Group is a global private market investment manager listed on the SIX Swiss Exchange and has approximately USD147 billion in assets under management as of December 31, 2023. Its investment sector coverage includes private equity, private debt, private real estate and private infrastructure. Other than its strategic investment in our Company, Partners Group has also invested in (i) a chain retailer that offers a one-stop solution of baby products, (ii) a service provider that engages in design, manufacturing and installation of retail display fixtures, and (iii) a cross-border logistics service provider, in the PRC.

We became acquainted with Partners Group in 2015 through introduction by private equity investment team of Partners Group through their professional network. After its assessment of the restaurant industry in China in 2015 and various meetings with our Directors over the course of two years, Partners Gourmet decided to invest in our Company after taking in account (i) the *Green Tea* brand reputation with nationwide coverage; (ii) standardized and scalable business model; and (iii) the strong fit and aligned objectives between our Company and Partners Group. Following the completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised), Partners Gourmet will be interested in [**REDACTED**] Shares, representing approximately [**REDACTED**]% of the total number of our Shares in issue. As Partners Gourmet will be a substantial shareholder of our Company, hence the Shares held by Partners Gourmet will not be treated as part of the public float of our Company following [**REDACTED**] for the purpose of Rule 8.08 of the Listing Rules. Partners Gourmet will be subject to a lock-up period of six months after [**REDACTED**]. The share price offered to Partners Gourmet was substantially lower than the [**REDACTED**] because the then scale of operation of our Company was relatively smaller with a total of 61 restaurants in 2016, and has reflected the equity risk assumed by Partners Gourmet in investing in an unlisted company. Although the share price offered to Partners Gourmet was substantially lower than the [**REDACTED**] and the valuation has not been assessed by any third party, the Directors consider that the basis of determination of the consideration was fair and reasonable as the valuation was determined based on earnings before interest, taxes and amortization (EBITDA) of the Company in 2016 and enterprise value to EBITDA multiples with reference to comparable private and public companies. Our Company, having taken into consideration that (i) the strategic investment and the additional expertise would be beneficial to the future business development at the prevailing time; (ii) the [**REDACTED**] is conditional and may or may not go forward; (iii) the equity risk assumed by Partners Gourmet in investing in an unlisted company; and (iv) the basis of determination of the consideration as disclosed above, believes that despite the significant discount to the [**REDACTED**], it is in our commercial interests to enter into the strategic investment.

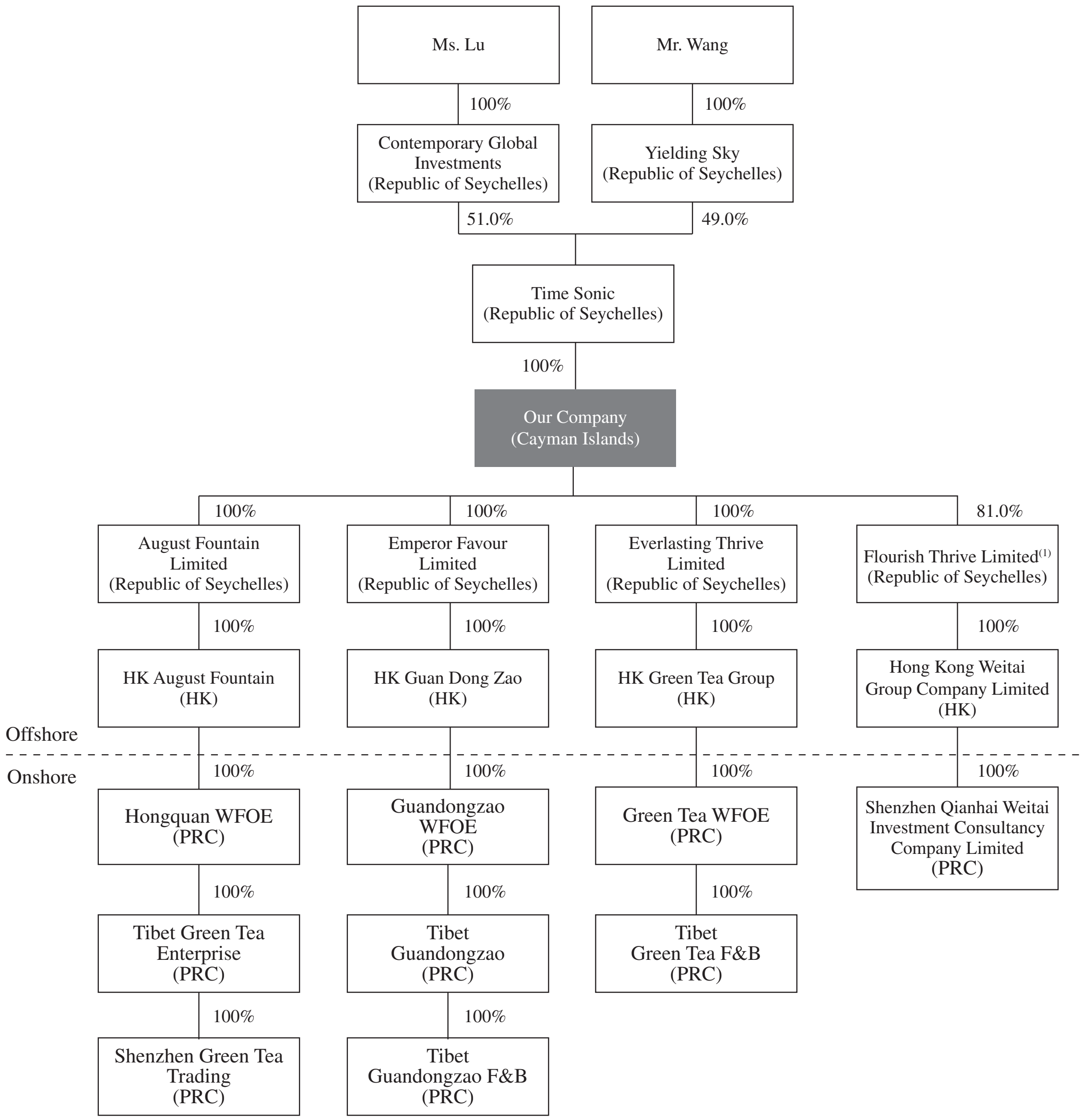
Compliance with Interim Guidance

The Joint Sponsors have confirmed that the terms of the strategic investment as described above are in compliance with the Chapter 4.2 under the Guide for New Listing Applicants published by the Stock Exchange effective from January 1, 2024.

REORGANIZATION

In anticipation of the [**REDACTED**], we underwent the Reorganization pursuant to which our Company became the holding company and [**REDACTED**] vehicle of our Group.

Set forth below is a diagram of our corporate structure immediately before the Reorganization:



Note:

(1) The remaining 10.0% and 9.0% equity interest in Flourish Thrive Limited was ultimately held by Mr. Shen Lian and Mr. Zhou Hailong, all of which were independent third parties, respectively.

We underwent the following steps in effecting the Reorganization:

1. Acquisition and subscription of Series-A Preferred Shares by Partners Gourmet

On January 17, 2017, our Company, Time Sonic, Mr. Wang, Ms. Lu and Partners Gourmet entered into a subscription and purchase agreement for the transfer and subscription of Series-A Preferred Shares of our Company. See "Information on Members of our Group – Our Company" and "Strategic Investment" above for further details.

2. Establishment of Hangzhou Dinghuan and increase of registered capital in Tibet Green Tea F&B by Hangzhou Dinghuan

Please see paragraph headed "Information on Members of our Group – Hangzhou Dinghuan" and "Information on Members of our Group – Tibet Green Tea F&B" above for more details.

3. Disposal of Flourish Thrive

As part of the Reorganization, in order to simplify our corporate structure, our Group had disposed of Flourish Thrive, which is an investment holding company and incorporated under the laws of Seychelles that had no business operations. Pursuant to the share purchase agreement dated December 31, 2017, George Eugene Dent III, an independent third party, purchased 81.0% equity interest in Flourish Thrive from our Company at a nominal consideration of US$1.00 which was determined based on arm's length negotiation among the parties as Flourish Thrive did not have any business operation. After the completion of the said transfer on December 31, 2017, Flourish Thrive ceased to be a subsidiary of our Company and no longer formed part of our Group.

4. Establishment of Green Tea Family Trust

Green Tea Family Trust was established by Mr. Wang and Ms. Lu as the settlors and Vistra Trust as the trustee. On March 5, 2021, Time Sonic allotted and issued 11,988,000 shares at par value of US$1.00 each to Absolute Smart Ventures, which is wholly owned by East Superstar, representing 99.9% of the share capital of Time Sonic. East Superstar is wholly owned by Vistra Trust. Green Tea Family Trust is a discretionary trust and the beneficiaries of which are Yielding Sky, a wholly-owned holding company of Mr. Wang, and Contemporary Global Investments, a wholly-owned holding company of Ms. Lu.

5. Establishment of onshore PRC subsidiaries

Since November 19, 2020, we have established 280 onshore PRC subsidiaries mainly to conduct restaurant operations. Please see note 13 to Accountants' Report set forth in in Appendix I for further details and particulars of the onshore PRC subsidiaries which principally affected the results, assets or liabilities of the Group.

Under the Green Tea Family Trust, certain discretions of Vistra Trust as the trustee are only exercisable by it at the direction of the respective settlors, namely Mr. Wang and Ms. Lu. Based on the terms of the trust deed, for so long as Vistra Trust holds or controls any Shares, all voting rights attaching to such Shares shall be exercised by Mr. Wang and Ms. Lu and/or such other person(s) as Mr. Wang and Ms. Lu may wish to appoint.

As confirmed by our PRC Legal Advisers, we have obtained and completed all necessary approvals and/or registrations in all material aspects from the relevant PRC regulatory authorities in respective of the steps of the Reorganization as to PRC laws in relation to our PRC subsidiary as described above.

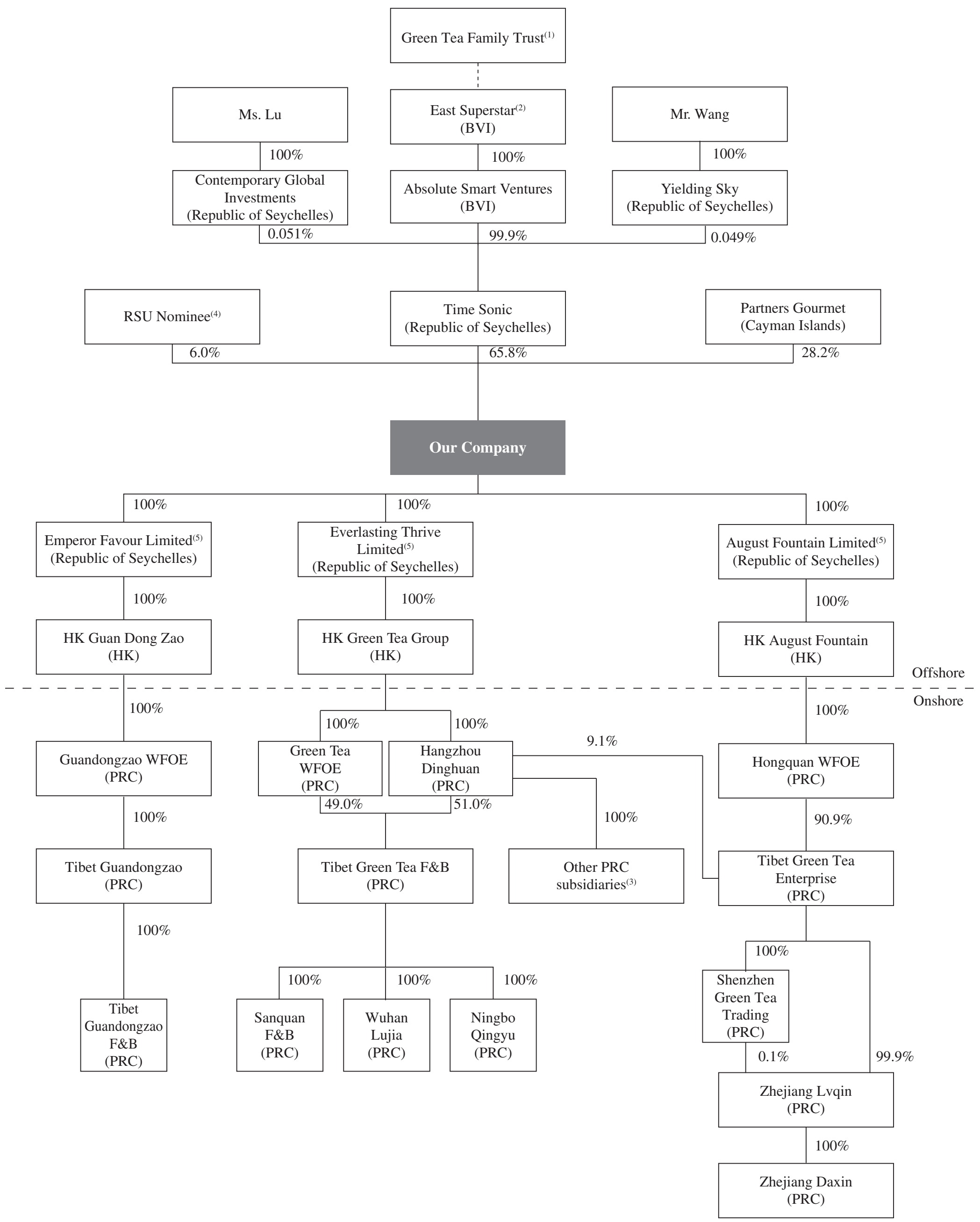
RSU SCHEME

We adopted the RSU Scheme on February 28, 2020, which was further amended and approved on May 20, 2022 and [●], 2024, respectively to motivate and retain skilled and experienced personnel to strive for the future development and expansion of the Group by providing them with the opportunity to own equity interests of the Company. Longjing Memory Limited (the "**RSU Nominee**") was established in the BVI for the purpose of holding Shares for grant under the RSU Scheme. On March 1, 2021, our Company entered into a trust deed (the "**Trust Deed**") with The Core Trust Company Limited (the "**RSU Trustee**"), pursuant to which the RSU Trustee has agreed to act as the trustee to administer the RSU Scheme and to hold the Shares underlying the RSU Scheme through the RSU Nominee. On March 17, 2021, the Company issued 667 ordinary shares to the RSU Nominee, and subsequently on March 22, 2021, each ordinary shares of par value US$1.00 each was sub-divided into [**REDACTED**] Shares of par value US$[**REDACTED**] each. As a result, [**REDACTED**] ordinary Shares were held by the RSU Nominee, representing approximately [**REDACTED**]% of the total issued share capital of our Company upon the completion of the [**REDACTED**]. RSU Nominee will be ultimately beneficially owned by the eligible participants under the RSU Scheme upon vesting and exercise of the RSUs under the RSU Scheme, including employees, Directors or officers of the Company or any of its subsidiaries or any eligible person as maybe designated by the Board who receive an award under the RSU Scheme. For details, please see section headed "Statutory and General Information – D. Share Incentive Scheme" in Appendix IV to this document. Our Company will issue announcements according to applicable Listing Rules, disclosing particulars of any RSUs granted under the RSU Scheme, including the date of grant, number of Shares involved, the vesting period, the appointment and arrangement with the Trustee and comply with Chapter 14A and Chapter 17 of the Listing Rules.

Partners Gourmet exerted its influence on our Company as a passive investor primarily through Mr. Liu Sheng, our non-executive Director, Ms. Xu Ruijie, our non-executive Director, Mr. Tao Ye, our former non-executive Director, and Mr. Tim Pihl Johannessen, our former non-executive Director, who have been appointed since May 2017, since December 2023, from September 2021 to December 2023, and from May 2017 to September 2021, respectively, and as board representatives of Partners Gourmet, they were not involved in the day-to-day management of our Company and were responsible for providing strategic guidance and specialist advice. Accordingly, there was no material change in Partners Gourmet's influence on our management and the actual dynamics between Partners Gourmet, our Controlling Shareholders and the management team of our Company during the Track Record Period. Based on the above, our Directors are of the view that the decrease in Partners Gourmet's shareholding upon establishment of the RSU Scheme to approximately [**REDACTED**]% does not affect the Company's ownership continuity under Rule 8.05(1)(c) of the Listing Rules. Based on the reasoning above, the Joint Sponsors agree with the Directors' view above.

CORPORATE STRUCTURE IMMEDIATELY BEFORE THE [REDACTED]

Set forth below is our corporate structure upon completion of the Reorganization and immediately before completion of the [**REDACTED**]:



Notes:

(1) A discretionary trust established by Mr. Wang and Ms. Lu as the settlors, with Vista Trust as trustee and with Yielding Sky and Contemporary Global Investments as the beneficiaries.

(2) East Superstar is wholly owned by Vistra Trust, the trustee of the Green Tea Family Trust.

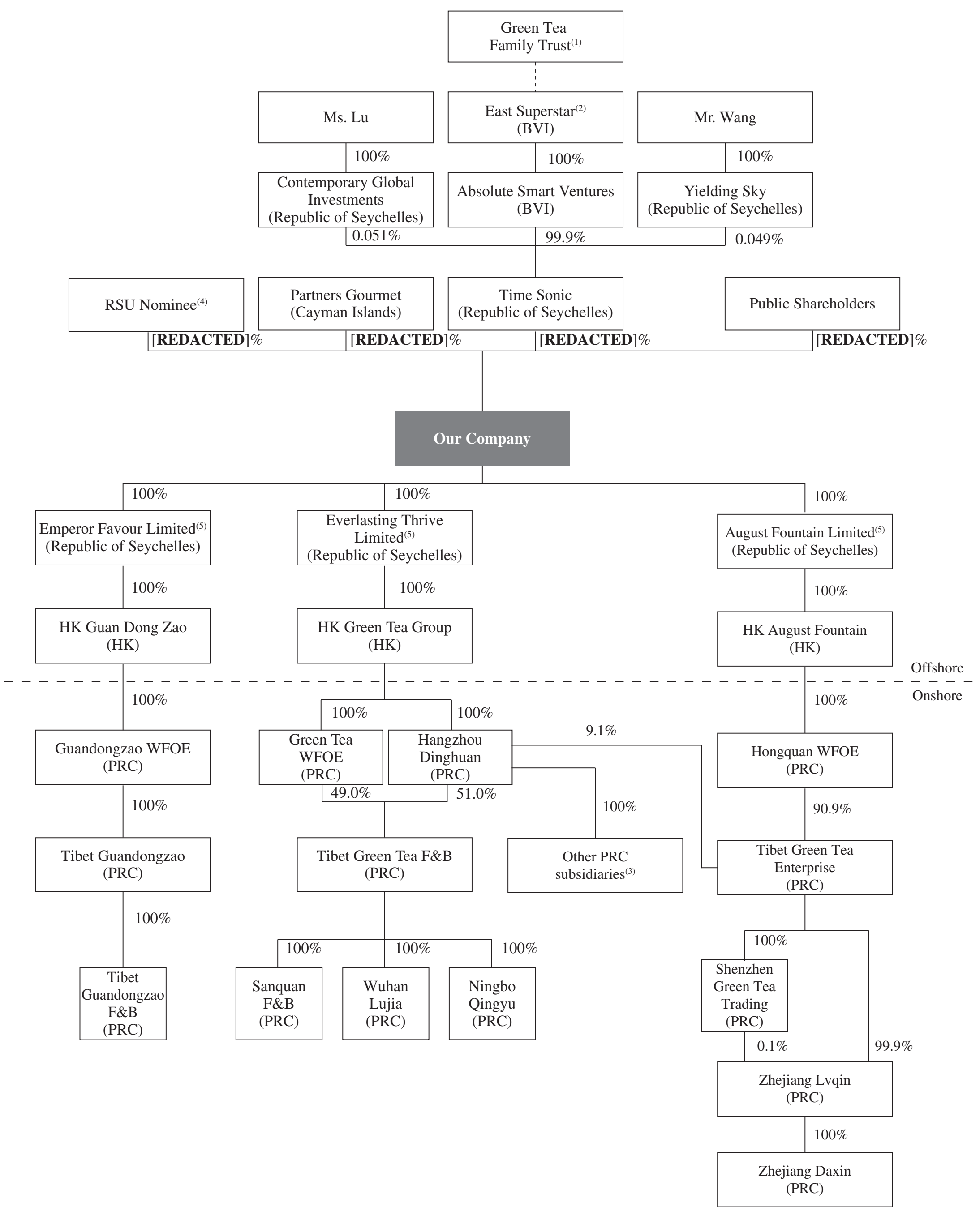
(3) Please see section headed "Accountants' Report" in Appendix I for further details and particulars of our other PRC subsidiaries which principally affected the results, assets or liabilities of the Group.

(4) RSU Nominee was held by RSU Trustee for the benefit of the eligible participants under RSU Scheme as of the Latest Practicable Date.

(5) These subsidiaries are investment holding companies of our Group and our Company incorporated these subsidiaries in the Republic of Seychelles due to lower set up and administrative cost. As of the Latest Practicable Date, our Group did not have any overseas business and operation.

CORPORATE STRUCTURE UPON COMPLETION OF THE [REDACTED]

Set forth below is our corporate structure immediately following the completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised):



Notes:

(1) A discretionary trust established by Mr. Wang and Ms. Lu as the settlors, with Vista Trust as trustee and with Yielding Sky and Contemporary Global Investments as the beneficiaries.

(2) East Superstar is wholly owned by Vistra Trust, the trustee of the Green Tea Family Trust.

(3) Please see section headed "Accountants' Report" in Appendix I for further details and particulars of our other PRC subsidiaries which principally affected the results, assets or liabilities of the Group.

(4) RSU Nominee was held by RSU Trustee for the benefit of the eligible participants under RSU Scheme as of the Latest Practicable Date.

(5) These subsidiaries are investment holding companies of our Group and our Company incorporated these subsidiaries in the Republic of Seychelles due to lower set up and administrative cost. As of the Latest Practicable Date, our Group did not have any overseas business and operation.

PRC REGULATORY REQUIREMENTS

Reorganization of the Domestic Equity Companies of the Proposed Listed Company

In accordance with the Rules on the Acquisition of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》) (the "**M&A Rules**") which was promulgated by the MOFCOM, the State-owned Assets Supervision and Administration Commission of the State Council, the State Administration of Taxation of PRC, the State Administration for Industry and Commerce of PRC, China Securities Regulatory Commission and the State Administration of Foreign Exchange of PRC, which took effect on September 8, 2006 and was subsequently amended on June 22, 2009 by the MOFCOM, a foreign investor was required to obtain necessary approvals when (i) a foreign investor acquires equity in a domestic non-foreign invested enterprise thereby converting it into a foreign-invested enterprise, or subscribes for new equity in a domestic enterprise via an increase of registered capital thereby converting it into a foreign-invested enterprise; or (ii) a foreign investor establishes a foreign-invested enterprise which purchase and operates the assets of a domestic enterprise, or which purchases the assets of a domestic enterprise and injects those assets to establish a foreign-invested enterprise.

According to Article 11 of the M&A Rules, where a domestic company or enterprise, or a domestic natural person, through an overseas company established or controlled by it/him, acquires a domestic company which is related to or connected with it/him, approval from Ministry of Commerce of PRC is required. Parties are not allowed to circumvent M&A Rules through domestic investments by a foreign-invested enterprise. However, the indirect investments of the proposed listed company to establish the domestic equity companies does not fall in the Article 11 of the M&A Rules, and therefore is no need to obtain approval, permission or other approval procedures from the China Securities Regulatory Commission and the Ministry of Commerce.

Overseas Investments by Domestic Residents

Pursuant to the Circular on Relevant Issues concerning Foreign Exchange Administration of Overseas Investment and Financing and Return Investments Conducted by Domestic Residents through Overseas Special Purpose Vehicles 《關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》(the "**SAFE Circular No. 37**"), promulgated by SAFE and which became effective on July 4, 2014, a PRC resident ("**PRC Resident**") shall apply for going through procedures for foreign exchange registration of overseas investments with the local SAFE branch before he or she contributes his or her legal domestic or overseas assets or equity interests to an overseas special purpose vehicle ("**Overseas SPV**").

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

As advised by our PRC Legal Adviser, Mr. Wang and Ms. Lu have duly completed the relevant registrations as required under SAFE Circular No. 37 and Circular 13.

OVERVIEW

We are a well-known operator of casual Chinese restaurants in China. We create customer value by providing fusion cuisine at accessible price points and unique decoration inspired by Chinese traditional culture. With this vision, we opened our first *Green Tea* restaurant in 2008 by the beautiful West Lake in Hangzhou, and have built a nationwide restaurant network consisting of 382 restaurants and covering 21 provinces, four municipalities and two autonomous regions in the PRC as of the Latest Practicable Date. We ranked third in terms of number of restaurants and fourth in terms of revenue among casual Chinese restaurant brands in China in 2023, according to the CIC Report. Furthermore, we are the largest in terms of revenue that focuses on offering fusion cuisine among the casual Chinese restaurant brands, according to the same source. According to the CIC report, casual Chinese cuisine restaurant market is highly fragmented due to a large number of market participants, and we had a market share of 0.7% in 2023. In addition, according to the CIC report, casual Chinese cuisine restaurants have an average spending per guest in the range of RMB50 to RMB100.

The vision for *Green Tea* restaurants was conceived by our co-founders, Mr. Wang Qinsong (王勤松) and Ms. Lu Changmei (路長梅), during their days of managing Green Tea Youth Hostel, which they established near the West Lake of Hangzhou in 2004. Surrounded by beautiful tea farms, the hostel attracted backpackers from across China and the rest of the world. As our co-founders came to know their diverse guests, they gradually realized that fusion cuisine was best suited to their restaurant. Therefore, they started to experiment with fusion food and developed several popular dishes, such as roasted chicken and grilled shrimp. Besides the food, guests loved the hostel restaurant because of its beautiful views of natural sceneries. As the restaurant primarily served young backpackers, the menu items were offered at accessible prices. The hostel restaurant was highly popular and became the prototype for *Green Tea* restaurants.

Today, we operate a nationwide restaurant network, and we have remained true to our original vision. Leveraging the flexibility of Chinese fusion cuisine, we regularly update our menu to refresh and enhance our guests' dining experience. We infuse the timeless elements of Chinese traditional art and natural landscape into the decoration of our restaurants, offering a dining experience that differentiates us from other casual restaurants. We also firmly believe that gourmet should not be a privilege, and we have kept our menu items at accessible prices. We create significant customer value by employing flexible supply chain arrangements and continuously optimizing operating efficiency. In addition, we place the highest priority on food safety. Without customers' trust in our food, we can never build a lasting brand.

We believe we can create significant customer value through continuously optimizing operating efficiency by doing the following:

- Leveraging centralized procurement through our direct procurement center to effectively control procurement cost and our inventory level. We believe such centralized procurement will enable us to provide better value-for-money experience to our customers and achieve better pricing and stable margin despite the fluctuation of costs of ingredients. This will create customer value by enabling our customers to consistently enjoy quality food at a reasonable price point.

- Collaborating with food processing partners, which enables us to standardize our kitchen operations and increase our operating efficiency without compromising the quality of our food. This will create customer value by enabling our customers to enjoy meals with a high standard of food safety and consistent quality.

- Developing menu items that require relatively few steps of standardized preparation at our restaurants before serving to our guests, while maintaining the taste and quality of these menu items. This will shorten the waiting time for our customers and create customer value by improving customer satisfaction.

- Investing in and upgrading our technology infrastructure to further digitize our operations. We plan to optimize our customer relationship management system to better analyze sales results and other data collected from restaurants. Our data insights will enable us to further improve our food and service and thereby creating customer value.

Fusion food, unique restaurant decoration, accessible pricing and close focus on food safety have been the recipe for our success. We will keep applying this recipe to each of our restaurants.

Restaurant Network Expansion

Our restaurant network experienced substantial growth during the Track Record Period. Our total restaurants increased from 236 as of December 31, 2021 to 360 as of December 31, 2023, representing a CAGR of 23.5%. During the Track Record Period, we primarily focused on establishing our market presence in three key regions, namely Eastern China, Guangdong province and Northern China, which are the major economic centers of China. We took advantage of our brand reputation in these regions and opened new restaurants in districts with high pedestrian traffic. We also opened a number of restaurants in other regions during the Track Record Period as part of our effort to understand the market conditions and customer preferences in such regions. We expect such effort will serve as a foundation for our future expansion in these new markets. In addition to different geographical regions, we also focused on penetrating the market in each region by developing our market presence in tier two, tier three and lower tier cities. During the Track Record Period, we opened a total of 130 restaurants in tier two, tier three and lower tier cities.

We opened 89 new restaurants in 2023 and we plan to open 112, 150, 200 and 213 new restaurants in 2024, 2025, 2026 and 2027, respectively. We aim to increase our market share by further penetrating our existing markets as well as expanding our business into new markets.

Results of Operations

In 2021 and 2022, our results of operations were affected by the impact of the COVID-19 pandemic, the relevant restrictive measures imposed by the relevant government authorities and the business strategies we deployed in response to the COVID-19 pandemic. Our revenue increased by 3.6% from RMB2,292.7 million in 2021 to RMB2,375.5 million in 2022, primarily due to the successful expansion of our restaurant network from 236 as of December 31, 2021 to 276 as of December 31, 2022, partially offset by a decrease in overall total guests served as a result of the negative impact of the resurgence of COVID-19 outbreaks in China. Our revenue further increased by 51.1% from RMB2,375.5 million in 2022 to RMB3,589.2 million in 2023, primarily attributable to (i) the strong recovery of our customer traffic due to a significant surge in consumer spending in the first half of 2023 following the easing of government-imposed restrictions related to COVID-19 in December 2022 and (ii) an increase in our restaurants in operation due to our restaurant expansion. In addition, as a result of our successful operation, we recorded net cash generated from operating activities of RMB377.0 million, RMB347.6 million and RMB793.2 million in 2021, 2022 and 2023, respectively.

COMPETITIVE STRENGTHS

Well-known and fast-growing operator of casual Chinese restaurants in China

We are a well-known operator of casual Chinese restaurants in China. Our iconic *Green Tea* brand is synonymous with a refreshing dining experience that combines Chinese fusion cuisine with decoration inspired by Chinese traditional culture, which resonates well with consumers across China. We ranked third in terms of number of restaurants and fourth in terms of revenue among casual Chinese restaurant brands in China in 2023, according to the CIC Report. Furthermore, we are the largest in terms of revenue that focuses on offering fusion cuisine among the casual Chinese restaurant brands, according to the same source.

Our fusion cuisine offerings are designed to address China's entire casual Chinese cuisine restaurant market, which had a size of RMB498.0 billion in 2023 and is expected to grow at a CAGR of 9.0% from 2023 to 2028. Our unique Chinese fusion concept provides us with an innovative edge and enables us to satisfy diverse customer preferences and tastes in different regions and age groups. Because of our origin from Hangzhou, our menu is influenced by Hangzhou and Zhejiang cuisine, and we also draw inspirations from other parts of China, as well as cuisines from across the world. For example, *Green Tea Roasted Chicken* (綠茶烤雞) has been our signature dish since the early days of our business. Based on both Chinese and Western culinary techniques, the dish was an instant success and remains highly popular among guests of all age groups. Our focus on Chinese fusion cuisine also offers us a competitive advantage in geographic expansion, as we have the flexibility to localize our menu when entering into a new region. For example, we introduced *Sautéed Beef with Cold Noodles* (小炒牛肉拌粉) to our restaurants in Nanchang, and the dish is inspired by a popular local street food. Leveraging our innovative and flexible menu, we have built a nationwide restaurant network, with strong presence in Eastern China, Guangdong province and Northern China, which are the major economic centers of China. Our restaurants can also be found in all other major geographic regions of China, such as Harbin in the northeast, Lanzhou in the west, Kunming in the southwest, Zhengzhou and Wuhan in central China and the satellite cities of these major cities. In addition, we have developed a variety of designs for restaurants of different sizes and layouts, which makes us well positioned to occupy new sites across China.

As a result of our innovative concept and refreshing dining experience, we were able to significantly expand our restaurants from 236 as of December 31, 2021 to 382 as of the Latest Practicable Date.

Fusion menu offerings and value-for-money experience to attract a broad base of customers

We are dedicated to bringing fusion menu items to customers at accessible price points, and we have lived up to this aspiration since our inception. As a result of such longstanding dedication and our unique Chinese fusion concept, our *Green Tea* brand has become a household name in the casual Chinese cuisine restaurant market. We have strategically designed our menu to achieve an average spending per guest of approximately RMB60 to RMB80. Our value-for-money pricing positions us well in competing in the casual Chinese cuisine restaurant market. Guests looking for a quick and light lunch during weekdays, or a proper dinner for friends and family gatherings, or business meals with clients can all find a pleasant experience in our restaurants. We tailor our menu and pricing based on different local conditions, with the goal of maintaining our competitive advantage in value-for-money pricing. Our flexible pricing strategy enhances our ability to expand into tier two, tier three and lower tier cities, where the catering market has demonstrated stronger growth as compared with tier one cities.

When designing our menu items, we enjoy the full freedom to draw inspirations from regional cuisines in China and other parts of the world. In the meantime, we respect China's culinary traditions to ensure the popularity of our food. As a result of our balance between innovation and tradition, we are able to create food that satisfies the evolving preferences of our diverse customer base. Our guests come from all age groups, and we have something for everyone to enjoy. For example, young children may find our *Bread Temptation* (麵包誘惑) irresistible, while our *Signature Stone Pot Rice in Boiling Soup* (招牌石鍋沸騰飯) is particularly popular among elderly guests. Our Chinese fusion model also provides us with the flexibility to adjust our menu based on price and availability of ingredients, thereby enabling us to maintain food quality, achieve robust financial performance and enhance our adaptability in expanding in new markets. Typically, each of our restaurants offers 50 to 80 menu items, which mainly consist of signature dishes, appetizers, soups, main courses, vegetable dishes, desserts and beverages.

Our strong menu innovation capability has been the engine of our growth. We have devoted significant resources to menu innovation. Our menu development team is directly led by our co-founder and chairman, Mr. Wang Qinsong (王勤松), and the team members have over 17 years of experience in the catering industry on average. We also engage external consultants, including award-winning chefs, to develop new menu items for us and advise on menu improvement. While some recipes are designed for our nationwide restaurant network, others are developed by our restaurant staff, which cater to local tastes.

Our menu development efforts are informed by analysis of market data. We analyze sales results and other data collected from restaurants to understand our target guests from different regions and their food preferences. In addition, we constantly experiment with different elements to enhance our menu and continuously drive growth in customer flow and revenue. For example, we incorporate traditional Chinese medicine concepts into our menu and roll out dishes that suit the philosophies of traditional Chinese medicine. We typically engage in four menu development cycles each year, with each cycle taking three to four months and consisting of key steps including project proposal, committee approval and trial launch. We follow a rigorous menu development process to ensure the quality of our menu items. Our tasting committee evaluates dishes proposed by our menu development team based on visual presentation, taste, profitability, marketability, preparation process and other relevant factors and then selects the new items that will be launched at selected restaurants on a trial basis. If a new item does not generate satisfactory sales results after the trial launch, our menu development team will typically adjust the recipe based on customer preferences or take it off our menu. We usually update around 20% of our menu items each year, and we introduced 178, 172 and 168 new menu items in 2021, 2022 and 2023 respectively.

In addition to bringing culinary delights to our guests, our menu development efforts are also guided by certain pragmatic principles. We develop our menu around ingredients that meet our rigorous food safety standards and can be procured from stable sources. Furthermore, we focus on developing menu items that can be prepared through standardized procedures. Such practical approach ensures the consistency in food quality as well as the highest standard of food safety throughout our restaurant network.

Unique dining environment infused with elements of Chinese traditional art to build our iconic brand and strong customer traffic

Our mission is to establish a warm and compassionate brand image and offer a comfortable dining environment for our guests. We believe in the lasting and universal appeal of tradition and nature. Therefore, we infuse the timeless elements of Chinese traditional art and natural landscape into the decoration of our restaurants. We typically choose among six design templates to decorate our new restaurants. For example, our *Longjing Boat Banquet* template (龍井船宴) features the essential elements of a beautiful Jiangnan water town, such as boats, waterways and bridges. Our *Jiangnan Landscape* template (水墨江南) follows a minimalist style and features screens with natural sceneries, as well as grey bricks and black tiles, which are the hallmarks of traditional Jiangnan architecture. Our *Bamboo Breeze* template (清風竹影) is inspired by the elegant bamboo forest in spring. It resembles the tranquil scenery of dappled morning light which shines through Hangzhou bamboo groves abounding in breeze, and creates an immersive yet refreshing dining experience. Inspired by the same design philosophy, our design templates allow us to maintain a consistent brand image across China.

We believe our unique dining environment and iconic brand image provide us with the following competitive advantages:

- *Participation in the rise of national style (國潮)*. In recent years, elements of Chinese traditional art are gaining popularity in fashion, interior design and other aspects of mass culture. Our restaurants attract young consumers who are passionate about Chinese traditional culture, as well as other guests who value the aesthetic aspect of their dining experience. Our unique dining experience satisfies not only our guests' palate but also their pursuit of a memorable cultural experience. Some guests are dressed in Hanfu (漢服), a type of Chinese traditional costume, while dining at our restaurants and take selfies to record the memorable occasion.

- *Strong brand image*. Our unique restaurant designs create an immersive dining experience for our guests. Our decoration offers a dining experience that differentiates our brand from other casual restaurants. As our guests take pictures and share their dining experience on social media, they help enhance our brand image and attract more customer traffic to our restaurants.

- *Flexibility*. Our design templates can be easily adapted to sites of various sizes and layouts. The flexibility of our design templates enables us to standardize the design and renovation process for our restaurants, thereby enhancing our ability to rapidly expand our restaurant network. It typically takes 55 to 75 days to complete the renovation project for a new restaurant.

- *Favorable lease terms*. Our proven track record and strong reputation make us an attractive tenant in a wide variety of large-scale shopping malls, which allows us to negotiate favorable lease terms. In tier two, tier three and lower tier cities, we are often offered the opportunity to select the most desirable location of a shopping mall, as well as reimbursement of renovation cost.

Highly standardized and scalable business model supported by flexible supply chain arrangement

We have built a highly standardized and scalable business model, which has been instrumental to our success in achieving value-for-money pricing and rapid restaurant network expansion. In particular, we standardize the taste and quality of our dishes through a flexible combination of third-party food processing and direct procurement. We have been collaborating with third-party food processing companies for many years, and have developed strong expertise in such arrangements. As of the Latest Practicable Date, we collaborated with 174 third-party food processing companies. We pay close attention to food preparation processes in menu development and whenever feasible, allocate the major portion of the preparation process for a dish to the highly automated facilities of these third-party processing food companies. As a result, food products supplied by them require relatively few steps of standardized preparation at our restaurants before serving to our guests, which enables us to maintain consistent taste and quality and increase operating efficiency at our restaurants.

Currently, some of our signature dishes involve preparation of semi-processed food products and bakery products by third-party food processing companies. For example, our signature dish *Green Tea Roasted Chicken* (綠茶烤雞) only requires our kitchen staff to roast a semi-processed chicken in an oven for a set amount of time.

Certain food ingredients, such as vegetables and fruits, have relatively short shelf lives, and we procure them directly from local suppliers to ensure the freshness of such ingredients. The preparation of menu items relating to such ingredients still often involves our food processing partners to improve operating efficiency. To enhance our ability to source fresh ingredients at competitive prices, we have established a direct procurement center in Hangzhou in January 2021. The direct procurement center is managed and supervised by our supply chain management department and is responsible for selecting and managing suppliers and procuring semi-processed food products, bakery products and fresh ingredients, such as vegetables and fruits. Our direct procurement center is also in charge of matching suppliers with our restaurants and settling payments with our suppliers.

We believe our supply chain arrangement provides us with the following competitive advantages:

- *Consistency*. Centralized food preparation enables us to provide our food with consistent taste, quality and presentation across our nationwide restaurant network. Variation in skills and styles of trained kitchen staff at different restaurants would have minimum impact on our guests' dining experience.

- *Food safety*. Centralized food preparation also allows us to efficiently implement our food safety measures through careful selection and close monitoring of the relevant food processing companies. We require our food processing partners to implement stringent supplier selection criteria, and we periodically inspect the quality of food ingredients that they procure. We also conduct site visits to confirm that the facilities of our food processing partners have proper equipment and procedures in place to ensure food safety. In addition, centralized food preparation allows us to easily identify the party responsible for any deficiency in food safety and take the appropriate corrective measures.

- *Efficiency*. Our collaboration with food processing companies enables us to focus on innovating new menu items and food processing procedures. Centralized food preparation also standardizes our kitchen operations and reduces our reliance on highly skilled chefs to a certain extent. As such, the limited supply in highly skilled chefs does not present a bottleneck to our expansion plan. We further enhance efficiency by adopting standard procedures for dish preparation at our kitchens. Each member of our kitchen staff focuses on the preparation of a limited number of menu items, and their specialization results in higher productivity.

- *Fast expansion*. We form collaboration with professional food processing companies by signing framework agreements with such companies. Our collaboration with food processing companies enables us to accelerate the expansion of our restaurant network across China at a relatively low cost. We avoid the large upfront investments related to the construction self-operated central kitchens. Furthermore, while food processing companies are typically able to deliver their products across China, the role of central kitchens is constrained by a limited service radius. As such, our food processing partners help us effectively maintain consistency in the taste, quality and safety of our food while expanding into new cities. Our collaboration with food processing partners also allows us to take advantage of the well-established supply chain of such partners. We only need to manage a limited number of food processing partners instead of numerous suppliers in different regions, thereby freeing up our management capacities and resources.

Comprehensive and stringent food and operational safety control

We believe health and safety of our guests are fundamental to our long-term success. We have established a comprehensive set of standards and specifications with respect to each aspect of our operations, including procurement, storage and logistics and restaurant operations to ensure our food and operational safety.

We have a safety center at our headquarters which oversees food safety, fire safety and production safety matters, as well as disciplinary matters, throughout our Group and hire external food safety consultant with experience working at the relevant regulatory authorities to provide professional advice on such matters. Our safety center directly reports to our co-founder and chairman, Mr. Wang Qinsong (王勤松). We also designate an employee in each region as food safety manager, who is responsible for ensuring that the day-to-day operations at the restaurant in the region are in accordance with our food safety requirements.

We set comprehensive standards for the selection of suppliers and the inspection of different categories of food ingredients and other supplies to ensure their safety and quality. In addition to the quality inspection carried out by us, we also require our suppliers to provide us with reports of food tests and regularly engage third parties to conduct quality inspections. Our procurement team based at our headquarters is primarily responsible for coordinating and monitoring the purchase, storage and delivery of supplies throughout our restaurant network. We also rely on restaurant staff to inspect food ingredients and other supplies from our suppliers.

Restaurant operations management is key to safeguarding our food and operational safety. In 2019, we established a central monitoring team and installed a comprehensive video monitoring system to visually monitor operations of all of our restaurants through closed-circuit television. We also have a restaurant patrol team that conducts unannounced inspections of our restaurants to identify and rectify potential quality and food safety issues. The team evaluates, among other things, the storage condition of food ingredients and the quality and hygiene of food to be served to guests. If the restaurant patrol team identifies any serious issue, we may terminate employment with the manager of the relevant restaurant. In addition, we rely on continuous training programs for our restaurant staff to ensure their understanding of and compliance with our food safety and quality standards. Our employees and restaurant staff are also required to obtain certain relevant certificates and qualifications.

Digitalized restaurant and operations management

We have made significant investments to establish our technological infrastructure, which serves as a foundation of our restaurant management and overall business operations. We are committed to digitalize our restaurants by leveraging such technological infrastructure. Our technological infrastructure supports various aspects of our business operation, including but not limited to supply chain management, restaurant management, kitchen management, delivery management, equipment management, as well as overall operation analysis.

We believe our technological infrastructure enables us to improve operational efficiency and reduce cost by streamlining, digitalizing and automating our operations at both our headquarters and restaurant level, which in turn improve the overall dining experience of our customers.

We have implemented the following measures to digitalize our restaurants.

- *Mobile-enabled restaurant experience*. We were among the first major restaurant chains in China to enable ordering through mobile phones, according to the CIC Report. Mobile ordering system allows us to shorten the ordering time for each table. Such system enables us to not only efficiently track guest orders but also use such data to understand customer preferences and improve our menu offerings. Furthermore, we allow our guests to use mobile payment and therefore streamline our checkout process. In 2023, approximately 98.5% of the total amount paid by our dine-in guests was settled through mobile payment.

- *Digital supply system*. We have implemented an efficient digital supply system that is controlled by our procurement team and collects orders for supplies from our restaurants and automatically assigns orders to specific suppliers. The system enables our restaurant staff to order supplies based on the situations of their respective restaurants and receive supplies on a timely basis. The system also enables our procurement team to continuously monitor consumption patterns across our restaurant network, as well as costs, procurement amount and inventory level at each restaurant to reduce waste.

- *Restaurant management*. We have established a comprehensive monitoring system that enables the staff of the central monitoring room at our headquarters to visually monitor all of our restaurants through closed-circuit television. This system allows us to ensure efficient and quality services are provided at our restaurants and make timely adjustments to the restaurant operations as necessary. In addition, we have implemented a menu and order management platform for enhancing the precision of and standardizing the information on our dishes and menus. Furthermore, for better management of our restaurant properties, we integrated a lease management platform in our operation.

- *Operation management*. We have implemented a business intelligence system, which collects the operational information and data of restaurants in real time, and perform business and financial analysis. Such analysis provides our management with comprehensive insights into the operations of our entire restaurant network and assist our management with decision making in optimizing our restaurant operations. For example, our business intelligence system automatically push the restaurants operating report for the previous day to each regional manager and the relevant management personnel at our headquarters. Such report typically includes information such as revenue, sales of our signature dishes and customer complaints. With this information, our regional managers can quickly identify restaurants with unsatisfactory performance, understand the situation and make necessary adjustments in terms of marketing and promotional strategies, dish preparation training and service quality, which will improve our operational management efficiency.

- *Kitchen management*. Our kitchen management system digitally monitors the status of orders, which enables us to prevent errors such as missed orders and duplicative orders.

- *Delivery management*. We have implemented a comprehensive system that connects our delivery management and kitchen management to create a seamless and more efficient delivery operation.

- *Equipment management*. We introduced an equipment repair and maintenance tracking system in our restaurants, which automatically sorts and dispatches repairing orders entered into the system by restaurant staff to corresponding maintenance team or maintenance suppliers, streamlining and ensuring the repair and maintenance work orders being handled in a timely manner, as well as optimizing equipment management.

Experienced and professional management team with zeal to excel

An experienced and professional management team has been instrumental to our success. Our chairman and co-founder, Mr. Wang Qinsong (王勤松), has over 20 years of experience in the hospitality and catering industries. Mr. Wang Qinsong (王勤松), together with his spouse Ms. Lu Changmei (路長梅), started their business career by founding Green Tea Youth Hostel in the West Lake Scenic Area in 2004 to provide customers from all over China and the world with accommodations and restaurant services. In 2008, they opened the first *Green Tea* restaurant and spearheaded our development into a well-known restaurant brand with their zeal to excel and their deep understanding and expertise of the Chinese culinary culture and modern culinary techniques. Meanwhile, we have assembled a talented senior management team with substantial experience across a broad range of disciplines, including menu innovation, marketing, restaurant operations, finance and accounting and supply chain management. Most of our senior management personnel have over 10 years of experience in the restaurant or catering industries and they are equipped with diverse professional experience and complementary expertise. Our management team has driven our past success and will continue to be a critical force in our future expansion and pursuit of excellence.

GROWTH STRATEGIES

Strategically expand our restaurant network to deliver sustainable growth

We plan to open 112, 150, 200 and 213 new restaurants in 2024, 2025, 2026 and 2027, respectively.

Our restaurants are typically located at shopping malls. We will continue to identify suitable sites with significant pedestrian traffic, such as department stores and shopping malls. According to the CIC Report, the number of department stores and shopping malls in China amounted to approximately 11,600 in 2023 and is expected to increase to over 13,000 in 2028. As of the Latest Practicable Date, substantially all of our restaurants were located in shopping malls. We are also exploring the opportunities to open restaurants in major tourist sites across China. According to the CIC report, the number of certified tourist sites in China amounted to approximately 15,000 in 2023. Furthermore, we may also explore the opportunities to open restaurants in major transport hubs, such as airports and train stations in the future. According to the CIC Report, there are approximately 260 airports and 2,000 railway hubs in China, providing ample growth opportunities for us.

Our expansion strategy consists of the following initiatives:

- *Increase market share in existing geographic markets*. During the Track Record Period, we primarily focused on establishing our market presence in three key regions, namely Eastern China, Guangdong province and Northern China, which are the major economic centers of China. We plan to increase our market share in existing geographic markets by expanding into selected new locations within these markets, including tier one and tier two cities, as well as lower tier cities. In particular, our value-for-money pricing gives us a competitive advantage when expanding into lower tier cities. For example, during the Track Record Period, we opened 69 new restaurants in Eastern China, of which 54 are located in tier two, tier three or lower tier cities. We plan to follow a hub-and-spoke strategy, under which we will penetrate a market by concentrating our resources in certain major commercial districts to create an "operating cluster," and gradually penetrate adjacent areas afterwards. We also plan to leverage on our existing infrastructure, local market expertise and brand recognition in the cities where we currently operate and expand into adjacent cities efficiently. With our strong brand recognition and ability to attract customer traffic, we will also benefit from the lower labor cost at such cities. As a result, we expect to achieve higher restaurant level profit margin in lower tier cities. See "– Our Business – Restaurant Network Expansion" for further details.

- *Expand into new geographic markets*. Our unique Chinese fusion concept enables us to adjust our menu items to satisfy diverse customer preferences and tastes in different regions. When we enter a new geographic market, we will initially open a limited number of restaurants to develop insights as to the local customers. After we identify the appropriate approach for serving the market, we will open more restaurants to further penetrate the market. As we have established ourselves as an attractive tenant to shopping malls with our proven track record and strong brand recognition, we are well positioned to secure premium locations with favorable lease terms. Even during the COVID-19 pandemic, we managed to continue our expansion by opening restaurants in certain new markets. As a result, the total number of our restaurants in other regions had increased to 117 as of December 31, 2023. While we currently have no overseas operations, we plan to open a total of around 30 new restaurants overseas from 2024 to 2027. In addition, we may continue to selectively open new restaurants in overseas metropolises where we expect our brand will resonate with a critical mass of local consumers.

- *Increase number of restaurants at tourist sites*. We plan to increase the number of our restaurants located at famous tourist sites to further enhance our brand image and increase our opportunities to further expand our restaurant network. Such approach is also in line with the government policy of the PRC to promote tourism industry. According to CIC, restaurants located at tourist sites in general have longer lease term and higher table turnover rate compared to restaurants located elsewhere. The three restaurants that we had opened at tourist sites as of the Latest Practicable Date had achieved higher profitability compared to our other restaurants. As such, we plan to leverage our unique dining environment, which is complementary to the landscape of tourist sites of historical value, to open more restaurants at such tourist sites. In addition to the three restaurants that we had opened as of the Latest Practicable Date, we had signed the lease agreements for two restaurants at tourist sites as of the Latest Practicable Date. We expect to open another 20 such restaurants from 2024 to 2027.

- *Increase number of small restaurants*. Going forward, we plan to focus on opening restaurants with smaller floor areas. Small restaurants are expected to have higher table turnover rate and lower operating costs, thereby enabling us to pursue a more flexible expansion strategy.

Drive sales and customer traffic flow by continuing to offer innovative and value-for-money gourmet

We are committed to enhancing our operating performance through further menu innovation and value creation. A main reason why guests keep coming back to our restaurants is that they can often discover new culinary delights at accessible price points. For example, we rolled out *Signature Prawns with Vermicelli* (招牌粉絲裹蝦) in August 2021 and *Dongpo Pork Ribs* (東坡仔排) in March 2024. Such dishes became our top five dishes in terms of sales within the first month after their debut and still remained our top five dishes as of the Latest Practicable Date. As such, we will continue to devote substantial resources to menu innovation, and we will continue to update at least 20% of our menu items each year. In particular, we plan to introduce a number of special menu items in different regional markets based on local tastes while continuing to offer our signature dishes across the nation. Furthermore, we will continuously fine-tune our menu based on customer behavior. By giving popular menu items greater prominence, we expect to reduce customers' ordering time and enhance the operating efficiency of our kitchen staff.

We also plan to diversify our menu items to increase sales and table turnover rate. We plan to design menu items for specific customer segments and occasions, such as guests who dine alone and business gatherings. We will also develop menu items to address customer demands outside regular mealtime. In addition, we plan to design menu items for deliveries outside regular mealtime.

The unique and comfortable ambience of our restaurants is integral to the *Green Tea* dining experience. We plan to refresh our design templates periodically to incorporate new design elements, and we apply such designs to our new restaurants. In addition, we explore efficient ways to give our existing restaurants new looks. We typically renovate a restaurant after it has been in operation for five years. We also periodically change some decorations or furniture to enhance guests' dining experience.

Enhance operating efficiency through supply chain optimization

Our centralized food preparation model has been instrumental to our success. To maintain consistency in food quality and enhance operating efficiency across our expanding restaurant network, we plan to implement the following initiatives:

- *Increase cooperation with large scale food processing companies*. Large scale food processing partners offer several advantages, including high level of standardization in production process, mature supply chain, stringent food safety standards and economies of scale. We plan to increase our purchases from large scale food processing companies that are capable of serving our restaurants across the nation or a large part of it.

- *Standardize food preparation procedures at restaurants*. Our collaboration with food processing partners enable us to provide food with consistent quality and taste. We will continue to develop menu items that require relatively few steps of standardized preparation at our restaurants before serving to our guests, while maintaining the taste and quality of these menu items. Without compromising the taste, such menu items enable us to enhance the operating efficiency of our kitchen staff.

- *Optimize supply chain for fresh ingredients*. With respect to fresh ingredients, we plan to increase our direct procurement from local sources, which will enable us to save cost and reduce the risk of food spoilage. We have established a direct procurement center in January 2021, which enables us to purchase fresh ingredients at competitive prices from local suppliers. For example, we identified a supplier of shrimps and started to procure shrimps directly from such supplier in 2023. We will also continuously identify and engage new suppliers to ensure stable supply of fresh ingredients.

- *Establish a self-operated food processing facility*. We plan to establish our own centralized food processing facility in Zhejiang Province, which is expected to be completed in the second quarter of 2026. We plan to install state-of-the-art food processing equipment at the facility, such as machines that automatically wash, cut and marinate various types of raw materials. We will selectively prepare semi-processed food products and bakery products at the facility, while continuing to cooperate with third-party food processing companies. By establishing the facility, we expect to achieve significant cost savings, enhance our menu development capabilities and explore new retail offerings.

- *Achieve better pricing*. As our business expands, we expect to enjoy stronger bargaining power during price negotiations, which will in turn enhance our profit margin.

- *Continue to ensure food safety*. We will continue to prioritize on the health and safety of our guests and explore new and more effective food safety measures. For example, we are developing new kitchen designs to further enhance kitchen hygiene.

Continuous investment in technology and digital marketing

We will continue to invest in and upgrade our technology infrastructure to further digitize our operations. We plan to optimize our customer relationship management system to better analyze sales results and other data collected from restaurants. Our data insights will enable us to further improve our food and service. In addition, we launched our own WeChat mini-program in December 2020, which has enhanced our membership management and offers new retail functions. We established a data-driven management platform connecting the operation system, financial system and supply chain system to improve data decision-making efficiency. Additionally, we also introduced a menu and order management platform for enhancing the precision of and standardizing the information on our dishes and menus. For better management of our restaurant properties, we integrated a lease management platform in our operation. We plan to upgrade and enhance the functions in the data-driven management platform, the menu and order management platform and the lease management platform. We also plan to establish a cost management platform for better cost control management and increase operational efficiency and profitability. Our other technological initiatives include enhancing our restaurant patrolling platform, adopting a uniform format for electronic invoices, further integration of various information technology functions and upgrading our financial system.

We will also dedicate more resources to raise our profile on social media. We will continue to engage key opinion leaders ("**KOLs**") to promote our restaurants on popular social media platforms. For example, we produce short videos of KOLs' dining experience at our restaurants and post such videos on social media.

OUR BUSINESS

We are a well-known operator of casual Chinese restaurants in China. During the Track Record Period, we primarily generated our revenue from restaurant operations and delivery service. We also generated revenue from certain other sources, such as cellphone charging services, sales of products such as cooking oil, condiments and gift boxes, and parking services. The following table sets forth the components of our revenue for the periods indicated.

	For the year ended December 31,					
	2021		2022		2023	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*
	(in thousands, except percentages)					
Restaurant operations	1,992,490	86.9	1,976,519	83.2	3,059,989	85.3
Delivery service	299,211	13.1	397,114	16.7	517,153	14.4
Others[1]	977	0.0	1,820	0.1	12,036	0.3
Total revenue	**2,292,678**	**100.0**	**2,375,453**	**100.0**	**3,589,178**	**100.0**

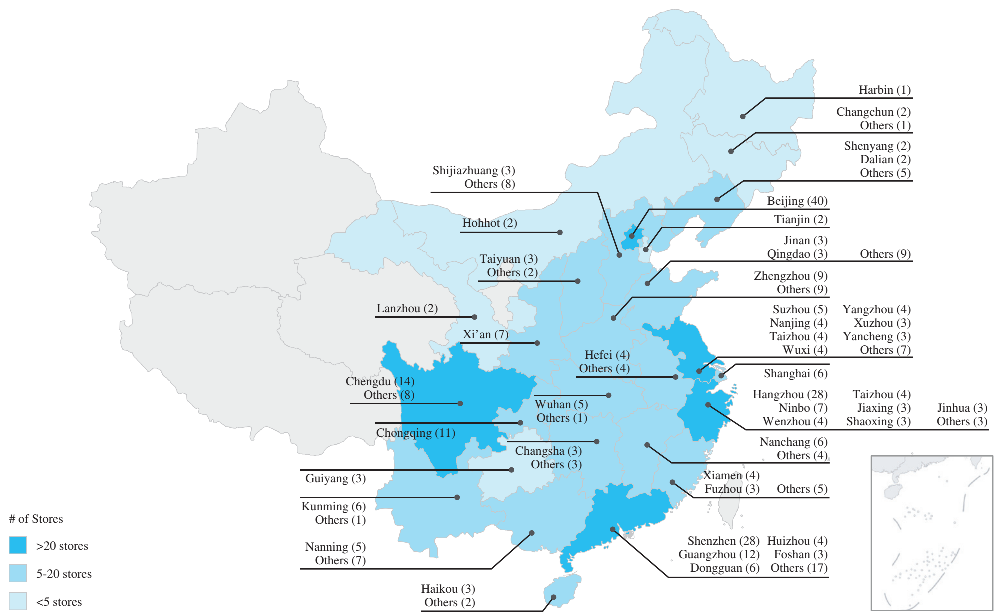
Note:

(1) Primarily consists of (i) commissions received from certain providers of cell phone charging services, (ii) sales of products such as cooking oil, condiments and gift boxes and (iii) fees for parking services.

Restaurant Network

We opened our first *Green Tea* restaurant in 2008 by the beautiful West Lake in Hangzhou, Zhejiang province, and have gradually expanded our restaurants to 21 provinces, four municipalities and two autonomous regions in the PRC. As of the Latest Practicable Date, our restaurant network consisted of 382 *Green Tea* restaurants, covering all tier one cities, 15 new tier one cities, 30 tier two cities, and 79 tier three cities and below in the PRC.

During the Track Record Period, we primarily focused on establishing our market presence in three key regions, namely Eastern China, Guangdong province and Northern China, which are the major economic centers of China. The map below illustrates the geographic location of restaurants in our network that are in operation as of the Latest Practicable Date.



The *Green Tea* Dining Experience

The *Green Tea* dining experience is defined by flavorful menu items showcasing Chinese fusion cuisine and decoration that distills the eternal beauty of Chinese traditional art for a modern customer base. In addition, our restaurants offer value-for-money pricing to our guests. We also try to make every guest feel at home through attentive service. Because of the broad appeal of the *Green Tea* dining experience, guests may visit our restaurants for a variety of casual occasions, such as meals with colleagues during weekdays and gatherings with family members and friends during weekends. Guests may also come to our restaurants for business gatherings, especially in tier three cities and below.

Cuisine and Menu

We strive to offer our guests a wide selection of menu items that are flavorful and innovative. Featuring Chinese fusion cuisine, our menu broadly appeals to guests from across China and most age groups. We enjoy full creative freedom when designing our menu items. Because of our origin from Hangzhou, our menu is influenced by Hangzhou and Zhejiang cuisine, particularly its emphasis on balanced flavors and fresh ingredients. We also draw inspirations from other parts of China, as well as cuisines from across the world. In the meantime, we respect China's culinary traditions to ensure the popularity of our food. As a result of our balance between innovation and tradition, we are able to create food that satisfies the evolving preferences of our diverse customer base.

We use high quality ingredients to prepare our food, and our menu items are offered at accessible price points to bring value-for-money proposition to our guests. We have strategically designed our menu to achieve an average spending per guest of approximately RMB60 to RMB80. Typically, each of our restaurants offers 50 to 80 menu items, which mainly consist of signature dishes, appetizers, soups, main courses, vegetable dishes, desserts and beverages. Our signature dishes are the highlights of our menu and have demonstrated enduring popularity among our guests. The menu at our restaurants may differ from one another based on food preferences and the size of our restaurants in the region considering our high standards for freshness, quality and food safety. Set forth below are pictures and information with respect to some of our popular menu items.

Signature Prawn with Vermicelli (招牌粉絲裹蝦). The recipe draws inspiration from traditional Cantonese cooking style, which allows the ingredients to absorb our special seafood sauce in the cooking process to create succulent prawns and juicy vermicelli. Garnished with our secret garlic sauce and served in a sizzling pot, this dish brings a waft of wonderful aroma and deliciousness to our customers.

Dongpo Pork Ribs (東坡仔排) The recipe was inspired by the renowned Hangzhou dish of braised pork belly, Dongpo Rou (東坡肉). We carefully select high-quality pork ribs, fry and braise them to perfection at our restaurants. After the braising process, the tender pork ribs absorb the rich and aromatic sauce, creating a delightful melt-in-the-mouth deliciousness.

Green Tea Barbeque Pork (綠茶烤肉). We marinate pork belly with special spices sourced from Southwest China and cook the dish using Western barbeque method. The dish features a balanced mixture of lean and fatty meat and has proven its popularity among our guests across China.

Stone Pot Tofu with Chicken Soup (石鍋雞湯豆腐). The recipe combines the culinary techniques of Hangzhou cuisine and Cantonese cuisine. We enhance the flavor of tofu with thick chicken soup, and the dish appeals to guests of all demographic backgrounds.

Green Tea Roasted Chicken (綠茶烤雞). Based on both Chinese and Western culinary techniques, the recipe involves marinating fresh chicken with over a dozen condiments and then roasting it in a German-manufactured oven. Featuring flavorful, juicy and tender meat, Green Tea Roasted Chicken has garnered enduring popularity among our guests.

Bread Temptation (麵包誘惑). Another iconic menu item inspired by Western cuisine, the dessert features soft bread cubes topped by a scoop of ice cream. While our guests enjoy the dessert, the ice cream gradually melts and soaks all bread cubes in sweet and delicious cream.

Leveraging the flexibility of Chinese fusion cuisine, we regularly update our menu to refresh and enhance our guests' dining experience and adapt to the latest trends. For details, see "– Product and Menu Development."

Ambience and Service

The unique and comfortable ambience of our restaurants is integral to our warm and compassionate brand image. We believe in the lasting and universal appeal of tradition and nature. Therefore, we infuse the timeless elements of Chinese traditional culture and natural landscape into the decoration of our restaurants, offering a dining experience that differentiates us from other casual restaurants. Our design philosophy is validated by the rise of national style (國潮) in recent years, as elements of Chinese traditional art is gaining popularity in fashion, interior design and other aspects of mass culture. Our restaurants attract young consumers who are passionate about Chinese traditional culture, as well as other guests who value the aesthetic aspect of their dining experience.

We typically choose among six design templates to decorate our new restaurants. Inspired by the same design philosophy, these design templates allow us to maintain a consistent brand image across China, while maintaining the flexibility to accommodate a variety of site layouts. We collaborate with third-party studios to develop our design templates. We have long-term relationships with such studios, which have developed a deep understanding of our vision and design philosophy. We refresh our design templates periodically to incorporate new design elements and adapt to the evolving taste of our guests.

Set forth below is the picture and information with respect to our *Bamboo Breeze* (清風竹影) template.

Bamboo Breeze (清風竹影) is inspired by the elegant bamboo forest in spring. It resembles the tranquil scenery of dappled morning light which shines through Hangzhou bamboo groves abounding in breeze, and creates an immersive yet refreshing dining experience.

Set forth below is the picture and information with respect to our *Longjing Boat Banquet* (龍井船宴) template.

Longjing Boat Banquet (龍井船宴) features the iconic elements of a beautiful Jiangnan water town, such as boats, waterways and bridges. The design reminds our guests of their soothing trips to Jiangnan water towns.

Set forth below is the picture and information with respect to our *West Lake Banquet* (西湖盛宴) template.

West Lake Banquet (西湖盛宴) is inspired by the iconic natural sceneries of the West Lake of Hangzhou. The design features traditional Chinese landscape paintings as wall decorations, as well as classic style furniture and lamps.

We aim to deliver warm hospitality and attentive service to our guests. We have adopted a set of strict table service standards to meet the expectations of our guests that include every step from welcoming the guests when they walk into the restaurant to properly saying goodbye. We also utilize our IT system and technologies to enhance service efficiency. Orders from our guests are collected by our central IT system, which is connected to both our restaurant kitchen and cashier to reduce error and ensure the efficiency of service. Our restaurants also support smart QR code menu ordering, which enables our customers to place orders with their smart phones. Such orders are transmitted to both the restaurant kitchens and cashiers on a real time basis.

Restaurant Network Expansion

In 2021, 2022, 2023, and the period from January 1, 2024 to the Latest Practicable Date, we opened 59, 47, 89 and 30 new restaurants, respectively. The following table sets out the total number of our restaurants and their movement during the Track Record Period and up to the Latest Practicable Date.

	For the year ended December 31,			From January 1, 2024 to the Latest Practicable Date
	2021	2022	2023	
Number of restaurants at the beginning of the period	180	236	276	360
Number of new restaurants opened during the period	59	47	89	30
Number of restaurants closed during the period	(3)	(7)	(5)	(8)
Number of restaurants at the end of the period	236	276	360	382

Despite the regional outbreaks of COVID-19 in certain parts of China in 2021, we continued to follow our expansion plan for 2021 and opened 59 new restaurants in 2021. We slowed down the pace of restaurant expansion in 2022 due to the regional outbreaks of COVID-19 and opened 47 new restaurants in 2022. We resumed the pace of restaurant expansion in 2023 after the impact of COVID-19 pandemic started to subside and opened 89 new restaurants in 2023. For details, see "– Expansion Plan and Management."

During the Track Record Period, we primarily focused on establishing our market presence in three key regions, namely Eastern China, Guangdong province and Northern China, which are the major economic centers of China. We increased market share in these existing geographical markets by expanding into selected new locations within these markets while increasing restaurant density in certain cities. In addition, we managed to continue our expansion by opening restaurants in certain new markets during the Track Record Period. As a result, the total number of our restaurants in other regions had increased to 117 as of December 31, 2023. In addition, we also started to focus on expanding our restaurant network in tier two, tier three and lower tier cities and the number of our restaurants in tier two, tier three and lower tier cities had increased from 81 as of December 31, 2021 to 173 as of

December 31, 2023. Going forward, we will continue to explore expansion opportunities in untapped locations to increase our footprint. The table below sets forth our market shares in each geographical regions during the Track Record Period according to CIC:

	For the year ended December 31,		
	2021	**2022**	**2023**
Eastern China[1]	0.41%	0.51%	0.67%
Guangdong province	1.35%	1.37%	1.51%
Northern China[2]	1.19%	1.30%	1.55%
Other[3]	0.24%	0.29%	0.41%

Notes:

(1) Consisting of Zhejiang, Shanghai, Anhui, Jiangsu, Jiangxi and Fujian.

(2) Consisting of Beijing, Hebei and Tianjin.

(3) Consisting of Yunnan, Inner Mongolia, Sichuan, Shandong, Shanxi, Guangxi, Henan, Hubei, Gansu, Tibet, Guizhou, Chongqing, Shaanxi, Heilongjiang, Liaoning, Jilin, Hunan and Hainan.

We believe the increase in restaurant density in a city will deliver operational synergies from economies of scale and improved restaurant level profitability, which will be driven by more efficient and flexible staffing. Regional managers can re-deploy staff members among nearby restaurants in cities with three or more restaurants to address short-term surges in customer traffic, thereby achieving efficient distribution of staff among different restaurants within the cluster. Restaurants located in different parts of a city, such as business districts and residential neighborhoods, tend to have different peak hours. As our restaurant staff receive standard training, a staff member does not need to undergo further training after being deployed to a different restaurant and can start working immediately.

Our staff costs mainly consists of restaurant level staff cost and other staff cost, which includes salaries and benefits payable to all other employees and staff, including Directors, senior management and headquarters personnel. The restaurant level staff cost in cities with three or more restaurants as a percentage of our revenue from restaurant operations and delivery service was 1.6, 1.7 and 1.2 percentage points lower in 2021, 2022 and 2023, respectively, when compared to that in cities with fewer than three restaurants, thereby improving our restaurant level profitability. The table below sets forth the breakdown of our staff costs during the periods indicated.

	For the year ended December 31,		
	2021	**2022**	**2023**
	(RMB in thousands)		
Restaurant level staff cost	493,747	548,939	804,516
Other staff cost	74,079	77,458	106,512
Staff costs	**567,826**	**626,397**	**911,028**

The table below sets forth our restaurant level staff cost as a percentage of our revenue from restaurant operations and delivery service during the periods indicated in cities with different level of restaurant density.

	For the year ended December 31,		
	2021	**2022**	**2023**
Cities with fewer than three restaurants	22.9%	24.4%	23.4%
Cities with three or more restaurants	21.3%	22.7%	22.2%
Overall	**21.5%**	**23.1%**	**22.5%**

We have operated certain restaurants owned by our connected persons pursuant to our cooperation agreements with such parties. As of December 31, 2021, 2022, 2023 and the Latest Practicable Date, four, four, four and four of the restaurants in our restaurant network were operated under such arrangements, respectively. As of the Latest Practicable Date, the four restaurants under such arrangements were Wangjing Restaurant, Wuhan Restaurant, Longjing Restaurant (Phase I) and Longjing Restaurant (Phase II). The lease agreement associated with Wuhan Restaurant is expected to expire in July 2024. We have decided to cease the operation of Wuhan Restaurant and will not renew the relevant lease agreement as well as the relevant cooperation agreement. For further information, see "Continuing Connected Transactions."

We closed a total of three, seven, five and eight restaurants in 2021, 2022, 2023 and the period from January 1, 2024 to the Latest Practicable Date, respectively. The closing down of most of such restaurants was determined on a case-by-case basis and primarily due to (i) the expiration of the relevant lease agreements and our business decisions not to renew such lease agreements, (ii) performance and other commercial reasons, including the impact of the COVID-19 pandemic, or (iii) winding down of certain landlords' operations.

RESTAURANT PERFORMANCE

Key Performance Indicators

The following table sets forth certain key performance indicators of our restaurants by location during the Track Record Period. Where applicable, the revenue in the table represents revenue from restaurant operations and delivery service.

	For the year ended December 31,		
	2021	2022	2023
Revenue (in thousands of RMB)(1)			
Eastern China(2)	617,906	710,137	1,107,548
Guangdong province	648,180	621,811	814,699
Northern China(3)	606,008	517,146	708,494
Other(4)	419,607	524,539	946,401
Total	**2,291,701**	**2,373,633**	**3,577,142**

	For the year ended December 31,	
	2021 2022	2022 2023
Revenue growth (%):		
Eastern China(2)	14.9	56.0
Guangdong province	(4.1)	31.0
Northern China(3)	(14.7)	37.0
Other(4)	25.0	80.4
Overall	**3.6**	**50.7**

	As of December 31,		
	2021	**2022**	**2023**
Number of restaurants			
Eastern China(2)	72	84	115
Guangdong province	57	63	72
Northern China(3)	52	55	56
Other(4)	55	74	117
Total	**236**	**276**	**360**
Number of restaurants			
Tier one and new tier one cities	155	163	187
Tier two cities	46	59	84
Tier three and lower tier cities	35	54	89
Total	**236**	**276**	**360**
Number of restaurants			
Small restaurants(5)	88	100	174
Large restaurants(6)	148	176	186
Total	**236**	**276**	**360**

	For the year ended December 31,		
	2021	**2022**	**2023**
Average daily restaurant sales per store (in thousands of RMB)(7)			
Eastern China(2)	26.2	23.9	27.2
Guangdong province	30.8	24.5	28.6
Northern China(3)	28.9	21.7	28.9
Other(4)	26.7	22.4	25.0
Overall	**28.1**	**23.2**	**27.2**
Total guests served (thousand)(8)			
Eastern China(2)	10,418	11,363	17,594
Guangdong province	10,808	9,804	13,184
Northern China(3)	9,679	8,261	11,469
Other(4)	6,952	8,358	15,675
Overall	**37,857**	**37,786**	**57,922**

	For the year ended December 31,		
	2021	2022	2023
Average guests served per day per restaurant(9)			
Eastern China(2)	494	441	508
Guangdong province	596	476	550
Northern China(3)	563	457	566
Other(4)	483	404	470
Overall	**535**	**444**	**516**
Average spending per guest (RMB)(10)			
Eastern China(2)	59.3	62.6	63.0
Guangdong province	60.0	63.5	61.8
Northern China(3)	62.6	62.7	61.8
Other(4)	60.4	62.8	60.4
Overall	**60.5**	**62.9**	**61.8**
Table turnover rate (times/day)(11)			
Eastern China(2)	2.92	2.71	3.11
Guangdong province	3.62	3.06	3.37
Northern China(3)	3.37	2.78	3.52
Other(4)	3.02	2.72	3.28
Overall	**3.23**	**2.81**	**3.30**

Notes:

(1) Representing revenue generated from restaurant operation and delivery service.

(2) Consisting of Zhejiang, Shanghai, Anhui, Jiangsu, Jiangxi and Fujian.

(3) Consisting of Beijing, Hebei and Tianjin.

(4) Consisting of Yunnan, Inner Mongolia, Sichuan, Shandong, Shanxi, Guangxi, Henan, Hubei, Gansu, Tibet, Guizhou, Chongqing, Shaanxi, Heilongjiang, Liaoning, Jilin, Hunan and Hainan.

(5) Refers to restaurants with GFA of less than 450 square meters.

(6) Refers to the restaurants with GFA of 450 square meters or more.

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

(8) Including dine-in guests and customers who order take-outs for the period in the same region. We count one delivery order as one guest.

(9) Calculated by dividing the total guests served for the period by the total restaurant operation days for the period in the same region. For further details on how we calculate total guests served, see note (8).

(10) Calculated by dividing revenue generated from restaurant operation and delivery service for the period by total guests served, including both dine-in customers and customers who order take-outs, for the period in the same region. For further details on how we calculate total guests served, see note (8).

(11) Calculated by dividing the total dine-in orders served for the period by the sum of products of total restaurant operation days for the period and table count of each restaurant during the period in the same region.

The COVID-19 pandemic and the restrictive measures imposed by the Chinese government in response to the pandemic have been major factors that affected our results of operations in 2021 and 2022. In 2022, our results of operations were adversely affected because the customer traffic of our restaurants were affected by the resurgence of COVID-19 outbreaks and the restrictive measures imposed by the relevant government authorities as a response. Our overall total guests served slightly decreased from 37.9 million in 2021 to 37.8 million in 2022; and our overall table turnover rate decreased from 3.23 in 2021 to 2.81 in 2022. In the meantime, we recorded an increase in total guests served in Eastern China and other regions in 2022 as we opened more new restaurants in these regions, which demonstrated the effectiveness of our restaurant network expansion strategies. Furthermore, our overall average spending per guest increased from RMB60.5 in 2021 to RMB62.9 in 2022, mainly attributable to (i) our effort to boost the sales of our set menu packages, which were fixed at a higher price as compared to our à la carte menu items; and (ii) the lower discount rates we offered for delivery orders as the demand for delivery orders increased due to the government-imposed restrictive measures. As a result of the foregoing, our revenue from restaurant operations and delivery service increased by 3.6% from RMB2,291.7 million 2021 to RMB2,373.6 million in 2022.

After the Chinese government phased out the "zero-COVID" policy in December 2022, our results of operation showed a strong recovery in 2023 due to a significant surge in consumer spending in the first half of 2023 following the COVID-19 pandemic. According to CIC, the strong performance in the catering industry in the first half of 2023 is primarily due to such significant surge in spending. In 2023, none of our restaurants suspended operation due to the COVID-19 pandemic and our customer traffic rebounded. As a result, our table turnover rate recovered to 3.30 in 2023, which was at similar level as the table turnover rate of 3.34 in 2019 before the COVID-19 pandemic. As our total guests served and table turnover rate increased in 2023 as compared with that in 2022, we recorded an increase in our revenue from restaurant operations and delivery service by 50.7% from RMB2,373.6 million in 2022 to RMB3,577.1 million in 2023.

Initial Breakeven Period and Cash Investment Payback Period

Over 95% of our restaurants opened during the Track Record Period and in operation as of the Latest Practicable Date achieved initial breakeven within two months. For the purpose of providing a meaningful analysis, we did not include the higher-end restaurant that generally has higher average spending per guest when analyzing the average time to achieve initial breakeven. Among the restaurants which have achieved cash investment payback as of the Latest Practicable Date, the average cash investment payback period for our restaurants opened during the Track Record Period and in operation as of the Latest Practicable Date was 19.0 months. After the COVID-19 pandemic, our restaurant level performance showed a strong recovery. As such, among the restaurants which have achieved cash investment payback as of the Latest Practicable Date, the average cash investment payback period for our restaurants opened in 2023 and in operation as of the Latest Practicable Date was 15.5 months.

The table below sets forth the information relating to breakeven of our restaurants opened during the periods indicated:

	For the year ended December 31,		
	2021	**2022**	**2023**
Number of restaurants that commenced operation during the year	59	47	89
Number of restaurants that did not achieve breakeven as of the end of the year	11	10	7
When all of the restaurants that commenced operation during the year achieved initial breakeven	June 2022	January 2023	March 2024

During the Track Record Period, we opened a total of 195 restaurants. As of the Latest Practicable Date, all of our restaurants have achieved initial breakeven.

Same Store Sales

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

	For the year ended December 31,			
	2021	**2022**	**2022**	**2023**
Number of same stores[(1)]				
Eastern China[(2)]	37		45	
Guangdong province	43		44	
Northern China[(3)]	42		46	
Other[(4)]	31		40	
Overall	**153**		**175**	
Same store sales (in thousands of RMB)[(5)]				
Eastern China[(2)]	384,304	345,060	446,473	563,046
Guangdong province	553,198	473,855	447,320	524,034
Northern China[(3)]	530,443	411,684	455,595	599,169
Other[(4)]	348,537	281,893	361,778	473,505
Overall	**1,816,482**	**1,512,492**	**1,711,166**	**2,159,754**
Same store sales growth (%)				
Eastern China[(2)]	(10.2%)		26.1%	
Guangdong province	(14.3%)		17.1%	
Northern China[(3)]	(22.4%)		31.5%	
Other[(4)]	(19.1%)		30.9%	
Overall	**(16.7%)**		**26.2%**	
Average same store sales per restaurant (in thousands of RMB)				
Eastern China[(2)]	10,387	9,326	9,922	12,512
Guangdong province	12,865	11,020	10,166	11,910
Northern China[(3)]	12,630	9,802	9,904	13,025
Other[(4)]	11,243	9,093	9,044	11,838
Overall	**11,872**	**9,886**	**9,778**	**12,341**

Notes:

(1) Consisting of restaurants that were open for more than 300 days during the years under comparison and had the same number of tables during the years under comparison.

(2) Consisting of Zhejiang, Shanghai, Anhui, Jiangsu, Jiangxi and Fujian.

(3) Consisting of Beijing, Hebei and Tianjin.

(4) Consisting of Yunnan, Inner Mongolia, Sichuan, Shandong, Shanxi, Guangxi, Henan, Hubei, Gansu, Tibet, Guizhou, Chongqing, Shaanxi, Heilongjiang, Liaoning, Jilin, Hunan and Hainan.

(5) Refers to the aggregate revenue generated from restaurant operation and delivery service at our same stores for the period indicated.

Explanation for changes in same store sales

In 2022, we recorded decreases in same store sales in all regions. Such decreases were primarily because of the resurgence of COVID-19 outbreaks in China, which greatly affected the operation of our restaurants.

In 2023, the same store sales in all three key regions increased as compared with that in 2022, as a result of the strong recovery of our customer traffic due to a significant surge in consumer spending in the first half of 2023 following the easing of government-imposed restrictions related to COVID-19 in December 2022. According to CIC, the strong performance in the catering industry in the first half of 2023 is primarily due to such significant surge in spending.

For details, see "Financial Information – Factors Affecting Our Financial Condition and Results of Operations."

Top 10 Restaurants

The table below sets forth our top 10 restaurants in terms of revenue by region and their key operating data for the period indicated.

	Revenue	Percentage of total revenue	Average time to achieve initial breakeven[1]	Cash investment payback period[1]	Table turnover rate	Total guests served	Average spending per guest
	(RMB'000)	*(%)*	*(months)*	*(months)*		*(thousand)*	*(RMB)*
2021							
Eastern China[3]	164,766	7%	1.8	12.3	3.46	2,661	61.9
Guangdong province	193,468	8%	1.8	8.7	4.31	3,209	60.3
Northern China[4]	176,972	8%	2.0	25.7	3.68	2,767	64.0
Other[5]	148,155	6%	2.0	20.3	3.90	2,371	62.5
2022							
Eastern China[3]	158,090	7%	1.6	13.1	3.88	2,432	65.0
Guangdong province	159,906	7%	2.0	12.4	3.79	2,526	63.3
Northern China[4]	137,638	6%	2.0	21.2	2.95	2,168	63.5
Other[5]	125,843	5%	1.7	15.7	3.53	1,889	66.6
2023							
Eastern China[3]	204,608	6%	1.6	12.2	4.32	3,107	65.9
Guangdong province	197,287	5%	1.5	10.8	4.44	3,137	62.9
Northern China[4]	174,475	5%	1.8	19.2	3.65	2,747	63.5
Other[5]	166,469	5%	1.9	18.4	4.59	2,554	65.2

Notes:

* We did not include the higher-end restaurant that generally has higher average spending per guest when analyzing the top 10 restaurants.

(1) Calculated based on the relevant data relating to the restaurants opened during the Track Record Period and are in operation as of the Latest Practicable Date that are among the top 10 restaurants in terms of revenue in each region during the year. For the purpose of providing a meaningful analysis, we only include restaurants that had achieved cash investment payback as of the Latest Practicable Date when analyzing the average cash investment payback period for our restaurants.

(2) These restaurants were opened prior to the Track Record Period.

(3) Consisting of Zhejiang, Shanghai, Anhui, Jiangsu, Jiangxi and Fujian.

(4) Consisting of Beijing, Hebei and Tianjin.

(5) Consisting of Yunnan, Inner Mongolia, Sichuan, Shandong, Shanxi, Guangxi, Henan, Hubei, Gansu, Tibet, Guizhou, Chongqing, Shaanxi, Heilongjiang, Liaoning, Jilin, Hunan and Hainan.

Loss-Making Restaurants

The table below sets forth the number of loss-making restaurants, which refer to restaurants that were in operation during the relevant period and recorded loss for the relevant period, and the key operating data relating to such restaurants for the periods indicated.

	As of/for the year ended December 31,		
	2021	**2022**	**2023**
Number of loss-making restaurants	44	54	30
Revenue of the loss-making restaurants (in RMB thousands)	126,749	187,935	59,614
As a percentage of total revenue (%)	5.5%	7.9%	1.7%
Restaurant level operating loss (in RMB thousands)	(24,355)	(48,344)	(9,897)
Table turnover rate	2.36	2.35	3.03
Total guests served (thousand)	2,105	2,836	988
Average spending per guest (RMB)	60.2	66.3	60.3

We had a total of 44, 54 and 30 restaurants that recorded restaurant level operating loss in 2021, 2022 and 2023, respectively. The reasons for such restaurants' financial results were (i) we had 31, 28 and 29 newly-opened restaurants that had limited time of operation in 2021, 2022 and 2023, respectively, and were still in the ramp-up phase, (ii) we had two restaurants that were under renovation in 2021, (iii) we had five and 22 restaurants that were affected by the COVID-19 pandemic in 2021 and 2022, respectively, (iv) we had one and one restaurant that recorded restaurant level operating loss in 2022 and 2023 as it had suspended operation due to lack of relevant Fire Safety Inspection Approvals, and (v) we had six and three restaurants that recorded restaurant level operating loss primarily due to unsatisfactory operating performance in 2021 and 2022.

The average turnaround period for the loss-making restaurants during the Track Record Period and were in operation as of the Latest Practicable Date was 1.4 months, 1.1 months and 1.5 months in 2021, 2022 and 2023, respectively. The turnaround period for a previously loss-making restaurant represents the amount of time for such restaurant to achieve its first monthly restaurant level operating profit after the relevant loss-making period. All of our restaurants opened in 2021 and 2022 and in operation as of the Latest Practicable Date achieved first monthly restaurant level operating profit after the relevant loss-making period. The restaurant level operating profit mentioned above is prepared in accordance with the IFRS and reflects adjustments in accordance with the IFRS, including the effect of IFRS 16 *Leases*, and deducted depreciation and amortization.

As of the Latest Practicable Date, among the 30 restaurants that recorded restaurant level operating loss for the year ended December 31, 2023, (i) 28 restaurant had recorded its first monthly restaurant level operating profit, (ii) one restaurant had been closed, and (iii) one restaurant had not recorded restaurant level operating profit, primarily due to unsatisfactory operating performance.

DELIVERY SERVICE

We offer our delivery services primarily through two major third-party online food delivery platforms in the PRC. According to our agreements with these third-party online food delivery platforms, we have agreed to pay 10% to 18% of the revenue generated through their platforms as commission fee. We are responsible for costs and expenses incurred during food preparation. Because we conduct all food preparation for orders made on these platforms, we will be responsible for any liabilities related to these orders.

Our delivery service is catered to the demand of our delivery guests and we have developed special dishes and combinations for such guests. During the Track Record Period, we did not devote significant effort in promoting our delivery service due to (i) our focus on dine-in customer experience and (ii) the increasing commission fees charged by third-party online food delivery platform. For the years ended December 31, 2021, 2022 and 2023, revenue from delivery service totaled RMB299.2 million, RMB397.1 million and RMB517.2 million, respectively, and the average spending per order for our delivery services was around RMB51, RMB58 and RMB59, respectively.

OTHER SOURCES OF REVENUE

During the Track Record Period, we also generated revenue from certain other sources. For example, we collaborate with certain providers of cell phone charging services, and we receive commissions from such service providers based on our guests' usage of their services at our restaurants. We also generate revenue from sales of products such as cooking oil, condiments, flour and gift boxes, and parking services. Revenue from other sources amounted to RMB1.0 million, RMB1.8 million and RMB12.0 million for the years ended December 31, 2021, 2022 and 2023, respectively.

PRODUCT AND MENU DEVELOPMENT

Leveraging the flexibility of Chinese fusion cuisine, we regularly update our menu to refresh our guests' dining experience and adapt to the latest trends. Our ability to continuously introduce new and popular menu items drives guests' enthusiasm towards our restaurants and differentiates us from other casual restaurants. We introduced 178, 172 and 168 new menu items in 2021, 2022 and 2023, respectively.

To ensure culinary creativity, we devote significant resources to menu innovation. Our menu development team is directly led by our co-founder and chairman, Mr. Wang Qinsong (王勤松), and constantly experiments with high-quality, fresh ingredients to create innovative and proprietary recipes. We also engage external consultants, including award-winning chefs, to develop new menu items for us and advise on menu improvement. While some recipes are designed for our nationwide restaurant network, others are developed by our restaurant staff, which cater to local tastes. In addition, we frequently introduce menu offerings that reflect the concept of a healthy diet based on the philosophies of Chinese traditional medicine.

Our menu development efforts are informed by analysis of market data. We analyze sales results and other data collected from the *Green Tea* restaurants nationwide to understand our target guests. For example, we compare the sales results of same menu items across different regions to gain insights as to food preferences in each region. We also track the product and menu development of our competitors to gather further information as to market trends.

Besides bringing culinary delights to our guests, our menu development efforts are also guided by the following principles.

- *Food safety*. We place the highest priority on food safety, and we avoid ingredients that are prone to food safety issues.

- *Stable supply of ingredients*. We only use ingredients of which we are able to obtain a stable supply. For example, we have selected chicken as an important ingredient for our menu offerings, because there has been a stable supply of chicken in China.

- *Feasibility of standardization*. We strive to maintain the consistency in taste, food quality and presentation of our food across our nationwide restaurant network. To this end, many of our menu items are designed to require relatively few steps of standardized preparation at our restaurants for serving. For example, an oven can be operated through simple and standard procedures, so we have designed a variety of popular menu items that only require our kitchen staff to roast or bake the food.

We typically engage in four menu development cycles each year, with each cycle taking three to four months and consisting of the following key steps.

- *Project proposal*. Based on the principles described above and thorough analysis of market data, our menu development team proposes a number of new items for each menu development cycle.

- *Committee approval.* The proposed dishes will be presented to a tasting committee at our headquarters. The tasting committee comprises of our co-founder and chairman, Mr. Wang Qinsong (王勤松), and members of our senior management and other menu development specialists. Our tasting committee will evaluate the proposed dishes based on visual presentation, taste, profitability, marketability, preparation process and other relevant factors. Once a new dish is approved by the tasting committee, our menu pricing committee will assess and determine the price of such dish. The menu pricing committee comprises of Mr. Wang Qinsong (王勤松), Ms. Yu Liying and Ms. Tai Fang, vice presidents of our Company, and regional managers.

- *Trial launch.* We conduct trial launches in selected restaurants and have adopted a set of strict criteria. If a new menu item does not generate satisfactory sales results after the trial launch, our menu development team will typically adjust the recipe based on customer preferences or take it off our menu. We also collect feedback from our guests and fine-tune the taste and quality of the proposed menu item during the trial launch.

ORGANIZATIONAL STRUCTURE

Our internal organization consists of three components, namely our headquarters, regional groups and restaurants. Our organizational structure enables us to implement uniform standards across our nationwide restaurant network, while providing our restaurants with sufficient flexibility to address local conditions.

Headquarters

Our headquarters effectively maintain control over critical aspects of restaurant management, including food safety, supplier selection and management, compliance, information technology, finance and restaurant expansion management. We believe that these aspects of our operations require standardized management to ensure the quality of our food and service. Moreover, we believe that standardized operations in these aspects facilitate our scalable expansion.

Regional Groups

Our restaurant network management consists of three regional groups, which are responsible for directly supervising the restaurants within their respective regions. Our regional managers are responsible for budgeting, cost control, operational management of the restaurants within their respective regions. They also support and supervise the individual restaurants to ensure their strict adherence to our uniform operational standards.

Restaurant Level

The day-to-day operations of our restaurants are managed by restaurant managers. Our restaurant managers are responsible for supervising the restaurant staff and handling guest complaints and emergency situations. Furthermore, restaurant managers are required to implement the rules set out in our employee manual, which are primarily related to human resource management, food safety and cash management. Each restaurant manager makes a monthly report to the relevant regional group, and the report covers key aspects of restaurant operations, such as sales, costs and expenses, inventory status, maintenance needs and human resources status. The employees at each restaurant are comprised of a kitchen staff and a service staff. The kitchen staff is directly supervised by a head chef, and the service staff is directly supervised by the restaurant manager.

EXPANSION PLAN AND MANAGEMENT

The success of our business depends on the continued healthy expansion of our restaurant network. We believe there is tremendous whitespace opportunity to expand in both existing and new cities in China and overseas. We have established a highly scalable business model by standardizing key aspects of restaurant operations, and we will continue to grow our restaurant network with discipline. We opened 59 new restaurants in 2021. In 2022, we slowed down our restaurant expansion plan again and opened 47 new restaurants due to the impact of COVID-19 pandemic. In 2023, we resumed our expansion plan after the impact of COVID-19 pandemic started to subside and opened 89 new restaurants. We expect to open 112, 150, 200 and 213 new restaurants in 2024, 2025, 2026 and 2027, respectively. The following table sets forth details of our plan to expand our restaurant network by geographical regions:

	2024	**2025**	**2026**	**2027**
Eastern China[(1)]	31	38	53	62
Guangdong Province	10	13	13	10
Northern China[(2)]	6	18	13	19
Other[(3)]	63	76	111	109
Overseas[(4)]	2	5	10	13
Total	**112**	**150**	**200**	**213**

Notes:

(1) Consisting of Zhejiang, Shanghai, Anhui, Jiangsu, Jiangxi and Fujian.

(2) Consisting of Beijing, Hebei and Tianjin.

(3) Consisting of Yunnan, Inner Mongolia, Sichuan, Shandong, Shanxi, Guangxi, Henan, Hubei, Gansu, Tibet, Guizhou, Chongqing, Shaanxi, Heilongjiang, Liaoning, Jilin, Hunan and Hainan.

(4) Consisting of Hong Kong, Southeast Asia and North America.

The following table sets forth details of our plan to expand our restaurant network by city tier:

	2024	2025	2026	2027
China				
Tier one and new tier one cities	50	30	56	44
Tier two cities	21	42	40	43
Tier three and lower tier cities	39	73	94	113
Overseas[1]	2	5	10	13
Total	**112**	**150**	**200**	**213**

Note:

(1) Consisting of Hong Kong, Southeast Asia and North America.

The following table sets forth details of our plan to expand our restaurant network by restaurant size:

	2024	2025	2026	2027
Small restaurants[1]	97	130	173	184
Large restaurants[2]	15	20	27	29
Total	**112**	**150**	**200**	**213**

Notes:

(1) Refers to restaurants with GFA of less than 450 square meters.

(2) Refers to restaurants with GFA of 450 square meters or over.

We plan to open 112 new restaurants in 2024. As of the Latest Practicable Date, we have commenced operation of 30 restaurants and signed the lease agreements for 37 additional restaurants, and renovation has been commenced for 27 of such 37 restaurants. We conducted feasibility studies before signing the lease agreement for each new restaurant and substantially all of our new restaurants achieved or are expected to achieve initial breakeven within two months of operation. During the Track Record Period, we opened more new restaurants in the second half of the years, which is consistent with the norm in the industry. We expect to continue to follow such pattern for our restaurant openings in the future.

Our estimated capital expenditure and other operating expenses for opening each new restaurant on average amount to approximately RMB2.4 million to RMB3.7 million in China and RMB6.0 million to RMB15.0 million overseas, mainly depending on the size of the restaurant. Such capital expenditure and operating expenses primarily include costs relating to construction and renovation, purchase of equipment and other one-off expenses associated with the opening of the relevant restaurant. In 2023, we opened a total of 89 new restaurants and incurred RMB282.5 million of investment costs for opening such new restaurants. For the years ending December 31, 2024, 2025, 2026 and 2027, our planned investment costs for opening new restaurants is expected to be approximately RMB298.0 million, RMB407.4 million, RMB572.2 million and RMB624.7 million, respectively. We plan to fund such restaurant network expansion with a mix of cash flow generated from our operations and the [**REDACTED**] from the [**REDACTED**]. For details, see the section headed "Future Plans and [**REDACTED**]." With respect to the new restaurants that we expect to open in 2024, including the 30 restaurants that had already commenced operation as of the Latest Practicable Date, we have incurred and committed amounts of approximately RMB148.2 million since January 1, 2024 and up to the Latest Practicable Date. In addition, we plan to open new restaurants in Hong Kong, Southeast Asia and North America starting in 2024 and we may continue to selectively open new restaurants in overseas metropolises where we expect our brand will resonate with a critical mass of local consumers. Moreover, we plan to increase the number of our restaurants located at famous tourist sites to further enhance our brand image and increase our opportunities to further expand our restaurant network. As of the Latest Practicable Date, we had opened three restaurant and signed the lease agreements for two restaurants at tourist sites. We expect to open another 20 such restaurants from 2024 to 2027. We expect substantially all of our new restaurants to achieve an initial breakeven within one to four months and have an average investment payback period of 18 months and we expect our restaurants opened or to be opened in 2024 to achieve initial breakeven and investment payback within such time frame as well.

We plan to both increase our market share in existing geographic markets and expand into new geographic markets. In particular, we believe our value-for-money pricing gives us a competitive advantage when expanding into tier two, tier three and lower tier cities. According to CIC, the casual Chinese cuisine restaurants market had witnessed a growth in the past few years and is expected to maintain a steady growth at a CAGR of 9.0% from 2023 to 2028, reaching RMB767.2 billion in 2028. In addition, the future growth potential of casual Chinese fusion restaurant market is promising as it targets customers in tier two, tier three or lower tier cities, which represent approximately 75% of the market share of the catering market in China. These cities have also shown higher rates of market expansion as compared to the tier one cities. Therefore, we believe there is still a significant market opportunity for us to further expand our restaurant network. Specifically, we will continue to increase the number of our restaurants in the three key regions, namely Eastern China, Guangdong province and Northern China. We plan to expand our presence in cities that have relatively high GDP and average disposable income, such as Chongqing, Haikou and Xiamen. We will also continue to seek collaboration with leading shopping malls within the relevant regions. Our management team typically devises annual restaurant expansion plans based on industry trends, our supply chain, human resources and financial condition.

As part of each annual restaurant expansion plan, we compile a list of potential restaurant locations. We consider several additional factors when deciding whether to expand in a certain region, including the level of urbanization, population, economic development, competition, our target operation results, available locations and our cash flow. Our management team will continue to review and adjust the expansion plan on a monthly basis based on the actual situation. In addition, we usually conduct a feasibility study before we open a new restaurant. Such study is normally conducted four to six months before the opening of each restaurant, taking into account the time required to conduct such feasibility study and prepare for the restaurant opening. The feasibility study typically covers the existing competitors close to the potential location, the population and demographic of the neighborhood, floor plan of the potential location and preliminary financial projections of the restaurant.

To avoid cannibalization among our own restaurants, we generally avoid opening a new restaurant within a three-kilometer radius of an existing restaurant in a tier one or new tier one city. In other cities, we may position our restaurants further apart from each other to ensure sufficient customer traffic at each location. In general, we only open one restaurant for every 300,000 to 500,000 residents within a city.

The actual number, location and timing of new restaurant openings in any period will be affected by a number of controllable and uncontrollable factors. We may make necessary adjustment to the number, location and timing of planned new restaurant openings depending on market conditions, status of preparation for new restaurant openings and other relevant factors. Based on the estimated growth in the casual Chinese cuisine restaurants market in China, as well as our well-established brand reputation and successful business model, our Directors are of the view that there is sufficient demand to support our expansion plans.

We have established a dedicated expansion management department, which is based at our Hangzhou headquarters and led by Ms. Yu Liying, our executive director and vice president, who is responsible for the management of supply chain, construction projects, public relations and the expansion of restaurant network. The team coordinates the expansion of our restaurant network across the nation, while paying close attention to local conditions. The team is responsible for, among other things, selecting sites for new restaurants, negotiating lease agreements with landlords, guiding the preparation for new restaurant openings and assessment of compliance with relevant laws and regulations.

Site Selection

We focus on selecting suitable sites where people want to gather for delicious and relaxing meals. Our restaurants are typically located at sites with significant pedestrian traffic, such as shopping malls. When evaluating a site, our expansion management department conducts thorough analysis of market data and site visits to form a holistic view as to its suitability. Relevant factors for site selection include, among other things:

- average disposable income and population density of the local community;

- performance of other casual Chinese restaurants in the vicinity;
- estimated customer traffic;
- accessibility to public transportation; and
- rental costs and estimated return on investment.

Lease Arrangement

The lease arrangements for our restaurants generally last for five to 10 years with an option to renew. We do not own any property for our restaurant sites and believe such approach reduces our capital investment requirements. Our leases typically include a rent-free period of up to three months to facilitate the decoration and renovation of the premises. Due to our popularity, certain landlords agree to reimburse our renovation cost. During the Track Record Period, the aggregate amount of reimbursement on renovation costs we received from our landlords was not material. During the Track Record Period, a majority of the lease agreements for our restaurants were under hybrid rent arrangements, which include both variable payment and fixed payment, and our variable rent payable was calculated with reference to the sales at the particular restaurant. Some of these leases also include a minimum rent payment clause pursuant to which we are required to pay the higher of the agreed minimum rent or the contingent rent calculated based on 1.0% to 12% of the sales of the restaurant. Other leases were either under fixed rent arrangements or contingent rent arrangements which are calculated based on 1% to 7% of the sales at the particular restaurant.

The table below sets forth the maturity profile of our lease agreements, as well as the lease agreements entered into in relation to the restaurants we operated under the cooperation agreements with our connected persons, as of the Latest Practicable Date.

	Restaurants	**Warehouses and storage units**	**Offices**	**Employee dormitories**	**Total**
One year and less	28	36	–	194	258
Two years	20	2	–	3	25
Three to five years	120	6	4	3	133
Six to 10 years	239	7	–	–	246
Over 10 years	5	–	1	–	6
	412*	**51**	**5**	**200**	**668**

Note:

* Including 30 leases entered into for restaurants that have not opened and were in the process of being opened as new restaurants in 2024.

Project Execution

New restaurant managers, with the support of our expansion management department, are responsible for executing new restaurant openings. To ensure the successful ramp up of our new restaurants, we typically select restaurant managers of our existing restaurants to act as new restaurant managers. We have standardized the new restaurant opening process, and our expansion management department will supervise and provide guidance throughout the process. Generally, it takes around four months from completing site selection to new restaurant opening. Key aspects of our new restaurant opening process include:

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

- *Restaurant decoration.* Our expansion management department selects the appropriate design template for the new restaurant. We engage third parties to undertake the decoration work based on our design template. The restaurant manager also orders the necessary restaurant appliances and materials.

- *Menu selection and pricing.* Our regional managers are generally responsible for selecting menu items for a new restaurant within their respective region and for ensuring that the new restaurant follows the prices set by our pricing committee.

- *Staff recruitment and training.* After recruiting the employees for a new restaurant, we provide training to such employees at our existing restaurants for two to four weeks before the opening of the new restaurant. We also relocate a number of employees from our existing restaurants to leverage their experience.

OPERATIONS MANAGEMENT

We closely supervise the operations of our restaurants to ensure the quality of food and services provided by our restaurants and enhance operational efficiency. To effectively manage our restaurant network, we mainly focus on standardization, pricing, restaurant performance, customer feedbacks, as well as settlement and cash management.

Standardization

We rely on standardized operation to maintain the consistency in the quality of food and services and the overall dining experience across our nationwide restaurant network. We have established a comprehensive set of standards and specifications with respect to the key aspects of our restaurant operations, including food storage, food preparation, restaurant hygiene, food serving, employee conduct, as well as our staff training programs. For example, our kitchen staff are required to follow standardized procedures to ensure the flavor, presentation, quality and hygiene standards of our menu items meet our standards. As a result, our guests can enjoy our food with consistent quality and taste at any of our restaurants in our network. Standardized operation also allows us to efficiently share knowledge and spread best practices when opening new restaurants.

Pricing

We offer high quality food at accessible price points to bring value-for-money proposition to our guests. Generally, pricing of our menu items are determined by our headquarters with close attention to local conditions. When making pricing decisions with respect to a city, we consider a number of factors, including the average disposable income, spending patterns of consumers in the local community, procurement and rental costs of the restaurants, prices set by competitors and our target profit margin. We also closely monitor the pricing of our competitors in the same city to evaluate our pricing. We may update our pricing from time to time to reflect market trends and general economic conditions.

Restaurant Performance Evaluation

We conduct periodic evaluation of the performance of our restaurants. Considering the nature of our business operations, our evaluation process combines traditional performance-based evaluation and on-site inspections by secret guests, who are independent third parties. Secret guests submit reports covering key areas such as service quality, food quality and restaurant hygiene after their inspections.

We also maintain a restaurant patrol team, which conducts unannounced inspections of our restaurants. We select a number employees to serve on the restaurant patrol team on a rolling basis, and their membership on the team is kept confidential from our restaurant staff. As of December 31, 2023, the restaurant patrol team consisted of 17 members. The team evaluates, among other things, the storage condition of food ingredients and the quality and hygiene of food to be served to guests.

When we identify an under-performing restaurant, we investigate the underlying reasons, which may be related to, among other things, the restaurant staff, menu offerings, pricing and/or restaurant location. We then take corrective actions to address the issues that we have identified, and we assess the effectiveness of such corrective actions after a period of time. The relevant restaurant manager may also be demoted if such step is deemed necessary.

Customer Feedback Management

We pay close attention to customer feedback to maintain the popularity of the *Green Tea* dining experience. Our restaurant managers are responsible for promptly resolving any complaint regarding quality of food and services at the restaurant level and are authorized to take remedial actions, including replacing the dishes that are the subjects of the customer's complaints or waiving charges on dishes. We also receive feedback or complaints from guests through various online channels, such as our online suggestion form and WeChat official accounts, as well as third-party restaurant review platforms. Our marketing team are tasked to provide timely response to such online customer feedback. During the Track Record Period, we did not receive any material customer complaint with respect to our restaurants.

Settlement and Cash Management

We accept cash, credit cards, WeChat Pay, Alipay and other online payment at our restaurants, as non-cash payments become increasingly common. As a result, cash payments as a percentage total payments from our guests was low during the Track Record Period, the percentage was approximately 1.0%. On the other hand, 98.5% and 0.5% of total payments from our guests were settled through mobile payment and credit card or debit card, respectively, for the year ended December 31, 2023. As advised by our PRC Legal Adviser, we are not required to obtain any specific license or permits, or subject to any laws and regulations, in order to accept mobile payments through WeChat Pay, Alipay and other online payment platforms.

To avoid misappropriation and embezzlement of cash, we have deployed a cash management and delivery system at each of our restaurants. Restaurant managers are responsible for ensuring that cash received during the day matches the sales records and transferring such cash to our bank accounts on a daily basis. In addition, our finance team monitors the accuracy of sales records through payment systems installed at our restaurants and cash balances in our bank accounts on a daily basis.

During the Track Record Period, we had not encountered any incident of cash misappropriation or embezzlement that had a material adverse impact on our business, results of operations or financial condition.

Cash Vouchers

We sign cooperation agreements with certain third-party platforms to use services provided by such platforms, such as online payment and offering of cash vouchers. Such agreements usually have a term of one year and are renewable for another year. These third-party platforms may offer cash vouchers to consumers, and such cash vouchers serve as a marketing measure for us. Customers can purchase such cash voucher at a discount from the face value from these third-party platforms. These third-party platforms include well-known online shopping platform, such as Meituan, and large commercial banks in the PRC. Such discount offered on the cash vouchers is agreed between us and the relevant third-party platform before issuance. According to the terms of the cash vouchers, holders of such cash vouchers (the "**Holder**") can use the cash vouchers when they make purchases at our restaurants. During the Track Record Period, RMB338.8 million, RMB401.2 million and RMB711.9 million, representing 14.0%, 15.9% and 18.8% of total payments from our guests were settled by the use of such cash vouchers in 2021, 2022 and 2023, respectively. The price paid by the customer at discount from face value is referred to as the purchase amount.

As advised by our PRC Legal Adviser, before a Holder uses such cash voucher, we have no contractual relationship with the Holder. We have no right to receive the purchase amount of the cash voucher paid by the Holder before the Holder uses such cash voucher. After the Holder has purchased, and before the use of, such cash voucher, only the third-party platform that offer such cash voucher has a contractual relationship with the Holder. As such, we are not bound by the terms of the cash vouchers before the Holders use such cash voucher and cash vouchers held by the Holders are not recorded as our liabilities.

After the Holder uses such cash voucher to make purchase at our restaurants according to the terms of the cash voucher, we have the contractual obligation to complete such purchase and provide services to the Holder according to the terms of the cash voucher. We also have the right to receive the purchase amount of the cash voucher, after deducting the platform service fees, from the third-party platform (the "**Platform Payment**"). According to the relevant terms in the agreements, the third-party platforms generally should settle the Platform Payment with us within seven days after the Holder uses such cash voucher. We will only recognize the purchase amount of the cash voucher as revenue after the Holder uses the cash voucher at our restaurants and record the platform service fees as expenses. The following table sets forth the percentage of total payments settled by using the cash vouchers of each of the five largest third-party platforms that we collaborated during the Track Record Period:

	For the year ended December 31,		
	2021	**2022**	**2023**
Platform A(1)	9.2%	10.8%	14.6%
Platform B(2)	0.0%	1.6%	2.4%
Platform C(3)	3.1%	1.7%	0.9%
Platform D(4)	1.3%	1.0%	0.4%
Platform E(5)	0.0%	0.1%	0.1%

Notes:

(1) An e-commerce platform that provides services in the PRC.

(2) A multimedia platform that provides services in the PRC.

(3) The mobile application platform of a major commercial bank in the PRC.

(4) The mobile application platform of a major commercial bank in the PRC.

(5) An e-commerce platform that provides services in the PRC.

These third-party platforms usually allow the Holders to request for refund at any time before usage and after expiration of such cash voucher, according to their agreements with the Holders. The relevant third-party platform is responsible for the refund under such circumstances as the Holder has not used the cash voucher at our restaurants. Since there is no contractual relationship between us and the Holder before the usage of the cash vouchers, we do not have any liabilities in relation to these refunds. A Holder has the right to file complaint to the relevant third-party platforms and request for refund and/or compensation if the service provided by us to the Holder is inconsistent with the terms of the cash voucher, or if we refuse to provide services to the Holders according to the terms of the effective cash voucher for any reason. According to the agreements with the third-party platforms, after a Holder uses the cash voucher, we should be responsible for such refund and/or compensation. During the Track Record Period and up to the Latest Practicable Date, such refunds or compensations were immaterial to us. In addition, after a Holder used the cash voucher, the Holder has the right to request us to compensate for any damages caused by the services provided by us in accordance with applicable laws and regulations. During the Track Record Period and up to the Latest Practicable Date, such compensation was immaterial to us.

Although we have the right to know the amount of cash voucher sold or to be sold by the relevant third-party platforms in advance, we do not have the right to decide or object to such amount. Notwithstanding the foregoing, we will use the following measures to manage the effect of such cash voucher on our overall discount policy:

(i) We may limit the use of cash voucher according to the terms of the cash voucher. For example, we may limit the Holders to use one cash voucher for each purchase.

(ii) We will also negotiate with the third-party platforms to adjust the discount provided on the cash voucher offered from time to time based on the its analysis of the overall level of discount offered at our restaurants on a monthly basis to reach a balance between our goal to attract more customer traffic and maintaining the overall level of discount offered at our restaurants.

In addition, we started to offer cash vouchers to customers on our WeChat mini-programs in April 2022. Customers can purchase such cash voucher at a discount from the face value on our WeChat mini-program and can use the cash vouchers when they make purchases at our restaurants. In 2022 and 2023, RMB1.0 million and RMB1.27 million, representing 0.04% and 0.03% of total payment from our guests, were settled by the use of cash vouchers offered by us. We allow customers who purchase cash vouchers on our WeChat mini-program to request for refund at any time before usage and after expiration of such cash voucher. During the Track Record Period and up to the Latest Practicable Date, such refunds or compensations were immaterial to us.

PROCUREMENT

We strive to obtain high quality supplies from reliable sources at reasonable prices. We primarily procure (i) food ingredients, such as vegetables, fruits, semi-processed food products and bakery products, as well as (ii) decoration materials, equipment and other supplies used in our restaurants. We have established a procurement team at our headquarters to implement a centralized purchase system for all purchase orders.

We collaborate with third-party food processing companies, which prepare semi-processed food products and bakery products for us based on our proprietary recipes. Such food products require relatively few steps of standardized preparation at our restaurants for serving. Our food processing partners are generally responsible for procuring the ingredients for their products. The centralized food preparation model helps us maintain the consistency in taste, food quality and presentation of our food across our nationwide restaurant network. Furthermore, it allows us to efficiently implement our food safety measures through careful selection and close monitoring of the relevant food processing companies. We typically have multiple suppliers for each of our main semi-processed food products and bakery products to minimize any potential disruption in our operations, maintain sourcing stability, avoid over-reliance risk, and secure competitive prices from suppliers.

Certain food ingredients, such as vegetables and fruits, have relatively short shelf lives, and we procure them directly from local suppliers to ensure the freshness of such ingredients. We also procure decoration materials and renovation services, kitchen and restaurant equipment and certain other supplies from various third parties.

Supplier Selection and Evaluation

We utilize a comprehensive set of criteria to evaluate the suitability of each prospective supplier. Such criteria includes, among other things, market reputation, financial conditions, qualifications, production capacities, pricing and quality and safety of products.

We continuously identify and evaluate prospective suppliers to optimize our supply chain arrangements. Our procurement team conducts market research on an ongoing basis and invites competent candidates to our selection process. We conduct thorough assessments, such as product sampling, before we engage each new supplier. With respect to food processing companies, we also conduct site visits of their facilities both before engagement and periodically afterwards. During such site visits, we assess whether the equipment and production environment meet our comprehensive set of quality control, hygiene and food safety criteria. We also collect feedbacks from our restaurants as to the quality and timeliness of the supplies they receive. Based on such assessments, we terminate suppliers that fail to meet our stringent standards.

Supply Agreements

Currently, we collaborate with 174 third-party food processing companies. We generally enter into standard one-year framework agreements with our suppliers for food ingredients, salient terms of which are set out as follows:

- *Quality.* We generally provide detailed specifications regarding the quality of the goods supplied. We require all suppliers to provide an inspection report or a certificate of quality, except for small volume seasonal procurements.

- *Quantity and Pricing*. We generally do not stipulate the purchase amount or price in the agreements, but set out the amount and price monthly or bi-monthly in the purchase orders depending on the types of product procured and with reference to the then market prices.

- *Delivery schedule.* We generally stipulate the delivery schedule in our agreements. The delivery schedule depends on the types of product procured.

- *Inspection and Acceptance.* The food products and ingredients are subject to our inspection upon arrival at our designated place, and we may refuse acceptance of any defective products and ingredients. In case of any quality defects that are not due to our negligence in storage, we are entitled to replacement or refund by the suppliers pursuant to the supply agreement.

- *Most favorable clause.* We generally require the supplier to give us prices and terms that are no less favorable than those given to any other customer.

- *Payment.* We generally settle payments with our suppliers once every one to three months.

In order to reduce our risks resulting from the relatively wide price fluctuations of bullfrogs, we enter into an agreement with a bullfrog supplier in November 2019, pursuant to which the price of bullfrogs we procure from it is fixed during the contract term. The material terms of our agreement with such bullfrog supplier are set out as follows:

- *Quality.* We provide detailed specifications regarding the quality and packaging of the bullfrogs supplied. We require the supplier to provide an inspection report or a certificate of quality.

- *Quantity and Pricing.* The agreement specifies a fixed quantity of bullfrogs that we are committed to purchase.

- *Delivery schedule.* We require the supplier to deliver bullfrog products to our designated warehouses on a monthly basis.

Our purchase of bullfrogs from such bullfrog supplier amounted to RMB12.9 million, RMB11.6 million and RMB27.8 million in 2021, 2022 and 2023, respectively.

Supplier Management

We had 336, 352 and 377 authorized suppliers as of December 31, 2021, 2022 and 2023, respectively. On average, we have approximately three years of business dealings with our major suppliers.

We typically have multiple suppliers for each of our main food ingredients to minimize any potential disruption in our operations, maintain sourcing stability, avoid over-reliance risk, and secure competitive prices from suppliers. During the Track Record Period, we did not experience any interruption in our supply of food ingredients, early termination of supply agreements, or failure to secure sufficient quantities of supplies that had any material adverse impact on our business or results of operations.

Our suppliers generally offer us a credit term up of 30 to 90 days. We typically settle trade payable obligations with respect to our suppliers through bank transfers.

The table below sets forth the details of our top five largest suppliers during the Track Record Period:

For the year ended December 31, 2023

Rank	Supplier	Nature of Supplier	Type of Product Suppliers	Purchase amount (RMB in thousands)	Percentage of total purchase
1	Supplier F[1]	Wholesaler and processor of food ingredients	Food ingredients	68,297	5.2%
2	Supplier B[2]	Processor of semi-processed food products and condiments	Semi-processed food products and condiments	49,548	3.8%
3	Supplier G	Wholesaler and processor of food ingredients	Food ingredients	42,380	3.2%
4	Supplier E	Processor of semi-processed food products	Semi-processed food products	41,754	3.2%
5	Supplier H[3]	Processor of food ingredients	Bakery products	39,473	3.0%
Total				**241,452**	**18.4%**

Notes:

(1) In 2023, Supplier F purchased beverage from us, which amounted to approximately RMB18,600, representing less than 0.1% of our total revenue in 2023.

(2) In 2023, Supplier B purchased cooking oil and beverage from us, which amounted to RMB0.5 million, representing less than 0.1% of our total revenue in 2023.

(3) In 2023, Supplier H purchased flour and beverage from us, which amounted to RMB2.7 million representing less than 0.1% of our total revenue in 2023.

For the year ended December 31, 2022

Rank	Supplier	Nature of Supplier	Type of Product Suppliers	Purchase amount (RMB in thousands)	Percentage of total purchase
1	Supplier F	Wholesaler and processor of food ingredients	Food ingredients	47,416	5.0%
2	Supplier A	Processor of food ingredients and semi-processed food products	Food ingredients and semi-processed food products	40,207	4.2%
3	Supplier B	Processor of semi-processed food products and condiments	Semi-processed food products and condiments	35,071	3.7%
4	Supplier G	Wholesaler and processor of food ingredients	Food ingredients	26,977	2.9%
5	Supplier D	Processor of food ingredients	Food ingredients	26,658	2.8%
Total				**176,329**	**18.6%**

For the year ended December 31, 2021

Rank	Supplier	Nature of Supplier	Type of Product Supplied	Purchase amount (RMB in thousands)	Percentage of total purchase
1	Supplier A	Processor of food ingredients and semi-processed food products	Food ingredients and semi-processed food products	102,754	10.0%
2	Supplier B	Processor of semi-processed food products and condiments	Semi-processed food products and condiments	39,079	3.8%
3	Supplier C	Processor of semi-processed food products	Bakery products	33,650	3.3%

Rank	Supplier	Nature of Supplier	Type of Product Supplied	Purchase amount (RMB in thousands)	Percentage of total purchase
4	Supplier D	Processor of food ingredients	Food ingredients	33,460	3.3%
5	Supplier E	Processor of semi-processed food products	Semi-processed food products	30,953	3.0%
Total				**239,896**	**23.4%**

Our purchases from Supplier A continuously declined during the Track Record Period due to our efforts to diversify our supplier base and reduce our reliance on our largest supplier.

All of our top five largest suppliers are independent third parties. None of our Directors, their associates or any of our current Shareholders (who, to the knowledge of our Directors, own more than 5% of our share capital) has any interest in any of our top five largest suppliers that is required to be disclosed under the Listing Rules.

Price Management

We manage our prices by closely monitoring market price fluctuations. We also implement certain measures to control our purchase costs, such as (i) integrating multiple supply sources in local, domestic and global markets to achieve cost optimization, (ii) entering into framework agreements with certain suppliers to secure sufficient supplies at agreed price and (iii) stocking certain ingredients according to market conditions and sales records. Moreover, we believe we are able to obtain favorable prices from suppliers as we generally conduct centralized procurement in large volumes. As is customary in our industry, we typically do not pass any short-term price increases of our supplies to guests.

The table below sets forth the sensitivity analysis of the impact to our results of operations during the Track Record Period from the fluctuation of the raw materials and consumables used. The range of fluctuations is based on historical fluctuations of key raw materials of our operations.

Hypothetical changes in raw materials and consumables used in 2023	**12%**	**9%**	**6%**	**-6%**	**-9%**	**-12%**
			(in RMB thousands)			
Raw materials and consumables	1,349,845	1,313,689	1,277,532	1,132,906	1,096,749	1,060,593
Changes in raw materials and consumables used	144,626	108,470	72,313	(72,313)	(108,470)	(144,626)
Changes in profit for the year	(118,594)	(88,945)	(59,297)	59,297	88,945	118,594

Hypothetical changes in raw materials and consumables used in 2022	**12%**	**9%**	**6%**	**-6%**	**-9%**	**-12%**
			(in RMB thousands)			
Raw materials and consumables	965,794	939,924	914,055	810,517	784,708	758,838
Changes in raw materials and consumables used	103,478	77,608	51,739	(51,739)	(77,608)	(103,478)
Changes in profit for the year	(84,852)	(63,639)	(42,426)	42,426	63,639	84,852

Hypothetical changes in raw materials and consumables used in 2021	**12%**	**9%**	**6%**	**-6%**	**-9%**	**-12%**
			(in RMB thousands)			
Raw materials and consumables used	947,568	922,187	896,806	795,280	769,899	744,518
Changes in raw materials and consumables used	101,525	76,144	50,763	(50,763)	(76,144)	(101,525)
Changes in profit for the year	(83,251)	(62,438)	(41,625)	41,625	62,438	83,251

Anti-bribery Measures

We have set forth strict guidelines against engaging in bribery and creating circumstances which may create a conflict of interest between us and our employees. In addition, we have a set of anti-bribery internal procedures. For example, all of our suppliers are required to sign an anti-bribery agreement with us and we may terminate our cooperation with the supplier if it violates any relevant laws or regulations or fail to report incident of bribery involving such supplier. We have also implemented a whistle-blower program under which employees will report instances of bribery or kickbacks directly to our safety center. The safety center had 14 employees based at our headquarters as of December 31, 2023. The safety center comprehensively oversees food safety, fire safety and production safety matters, as well as disciplinary matters, throughout our Group. The safety center implements internal anti-corruption policies, investigates relevant allegations and takes disciplinary actions when necessary. The centralized procurement system also enables us to limit the number of employees with the authority to select suppliers and thus to increase effectiveness of our internal control measures. We have designated a team of employees with the authority to select suppliers. As of the Latest Practicable Date, six employees had such authority. No other employee has the authority to select suppliers. During the Track Record Period, there was no kickback arrangement with any of our suppliers.

Sources of Supply and Ingredient Shelf Lives

We manage our suppliers and procurement strategy based on the categories of food and supply, and the source of our major food ingredients and their shelf life are summarized as follows:

- *Semi-processed pork products.* The third-party food processing companies we collaborate with source pork from the PRC. The semi-processed pork products typically have shelf lives of three months. Third-party logistics companies receive such products from the food processing companies and store such products in their warehouses before delivering to our restaurants. The delivery and storage are under cold-chain conditions. Upon delivery, our restaurant staff request test reports for antibiotics, hormone residues and other chemical substances and conduct quality inspection procedures such as visual inspection on color, smell, packaging and indication of spoilage.

- *Semi-processed chicken products.* The third-party food processing companies we collaborate with source chicken from the PRC. The semi-processed chicken products typically have shelf lives of three months. Third-party logistics companies receive such products from the food processing companies and store such products in their warehouses before delivering to our restaurants. The delivery and storage are under cold-chain conditions. Upon delivery to our restaurants, our restaurant staff request test reports for antibiotics, hormone residues and other chemical substances and conduct quality inspection procedures such as visual inspection on color, smell, packaging and indication of spoilage.

- *Semi-processed aquatic products.* The third-party food processing companies we collaborate with source aquatic products, such as fish and bullfrogs, from the PRC. Third-party logistics companies receive the semi-processed aquatic products from the third-party processing companies and store such products in their warehouses before delivering to our restaurants. The delivery and storage are under cold-chain conditions. Our semi-processed aquatic products typically have shelf lives of three months. Upon delivery, our restaurant staff request test reports for antibiotics and other chemical substances and conduct quality inspection procedures such as visual inspection on color, smell, packaging and indication of spoilage.

- *Vegetables and fruits.* To ensure freshness, we source vegetables and fruits from local suppliers with typical shelf lives of three days. We replenish our vegetables and fruits inventory at our restaurants on a daily basis. Upon delivery, our restaurant staff request test reports for pesticides and other chemical substances and conduct physical inspection to examine the freshness of the supplies.

Procurement Procedure

We have established centralized procurement procedures for all purchase orders. Our restaurants do not directly transact with suppliers, and we instead make payments to suppliers from bank accounts managed by our headquarters. Our centralized approach enables us to effectively manage our supply chain.

We utilize an ordering system for our restaurant staff to order supplies and our restaurant staff are only authorized to place order up to certain amount. After orders are placed, the ordering system automatically matches orders with our authorized suppliers. After our restaurants receive the supplies, we settle payments with the suppliers in accordance with the relevant credit terms.

FOOD PROCESSING FACILITY

We plan to establish our own centralized food processing facility in Zhejiang Province, which is expected to commence construction in the third quarter of 2025 and be completed in the second quarter of 2026. It is designed to have a total gross floor area of approximately 24,500 square meters. We have entered into a framework agreement with the local government of a town in Zhejiang Province. Pursuant to the framework agreement, the local government has agreed to assist us in acquiring land use rights to establish a food processing facility in the local area. We will continue to explore available parcels of land and select a suitable location once funding is in place. We expect to utilize HK$[**REDACTED**] million, representing approximately [**REDACTED**]% of our [**REDACTED**] to establish such facility. The facility is designed to produce (i) semi-processed meat products, such as semi-processed chicken for our *Green Tea Roasted Chicken* (綠茶烤雞); (ii) bakery products, such as bread for our *Bread Temptation* (麵包誘惑); and (iii) cleaned and processed ingredients, such as cleaned and processed vegetables. We plan to install state-of-the-art food processing equipment at the facility, such as machines that automatically wash, cut and marinate various types of raw materials.

During the initial 12 months of operation, we expect the facility to supply (i) approximately 7,800 tons of semi-processed food products and bakery products to a third of our restaurants nationwide and (ii) approximately 55,000 tons of cleaned and processed ingredients to all of our restaurants in Eastern China. We expect the facility to reach its maximum annual production capacity of approximately 165,000 tons by 2028, and will be able to produce approximately (i) 44,600 tons of semi-processed food products and bakery products and (ii) 120,400 tons of cleaned and processed ingredients. In the long run, we expect approximately 90% of the semi-processed food products and bakery products produced by the facility to be supplied to our restaurants nationwide and the remaining 10% will be sold to consumers as retail food products. On the other hand, all cleaned and processed ingredients produced by the facility will be supplied to all of our restaurants in Eastern China.

We will selectively prepare semi-processed food products, bakery products and ingredients at the facility, while continuing to cooperate with third-party food processing companies where such arrangements are advantageous to us. We expect the facility to offer us several benefits. First, it will give us direct control over raw material sourcing and production processes. As a result, we expect to more efficiently implement our standards on product quality and food safety in our facility. As we will continue to update 20% of our menu items each year, we also expect to leverage the facility to develop our new menu items and better protect the confidentiality of our proprietary recipes. We believe the facility can provide us with more flexibility in further standardizing our menu items and strengthen our development capabilities as compared to solely relying on third-party food processing companies.

In addition, given the production capabilities, the facility will enable us to explore new retail product offerings, such as semi-processed food products for our signature dishes that can be easily cooked by consumers with their home appliances, in the long run. In the meantime, we expect the facility will further improve the operating efficiency of our restaurant kitchens by providing semi-processed food products, bakery products, as well as cleaned, processed and ready to cook food ingredients at lower costs with improved economies of scale through centralized procurement. After taking into account of additional depreciation on long-term assets, logistics expenses and other costs, we believe the facility will create synergies with our overall operations, bring additional profit to our Group as a whole and further improve our results of operations.

AWARDS AND RECOGNITIONS

As a testament to the popular appeal of our brand and the quality of our dining experience, we have received various awards and recognitions. The table below sets forth our major awards and recognitions received during the Track Record Period.

Year	Awards and recognitions	Issuing authority
2023	Consumer's Favorite Brand (消費者青睞品牌)	Meituan (美團)
2023	Meituan Waimai Best Category Innovation Award of the Year of 2022 (美團外賣年度最佳品類創新獎)	Meituan Waimai (美團外賣)
2021	2021 Dianping's "Must-Eat List" Restaurants (2021年大眾點評"必吃榜"餐廳)	Dianping.com (大眾點評)
2020	Nominated for Top 20 Organizations in China (中國組織能力標竿企業20強入圍獎)	CEIBS Business Review (中歐商業評論)
2020	Top 50 Influential Chain Brands in China (中國連鎖品牌影響力50強)	China Chain Brand Development Conference (中國連鎖品牌發展大會)
2020	Exemplar Restaurants for Quality Dining (品質餐飲示範店)	Chinese Cuisine Association (中國烹飪協會)
2019	100 Restaurants in China with Tastiest Food (中國100家最好吃的餐廳)	Sohu News (搜狐新聞)

Year	Awards and recognitions	Issuing authority
2019	Outstanding Delivery Businesses on Meituan (美團外賣優質商家)	Meituan (美團)
2018	2018 Top 100 China Cuisine Brands (2018年度中國餐飲品牌力百強品牌)	2018 China Cuisine Brand Influence Summit (2018年中國餐飲品牌力峰會)
2015	2015 Top 10 Creative Culture Restaurants 2015年度(「中國服務」)十佳創意文化餐廳	Chinese Culinary Association (中國烹飪協會)

FOOD SAFETY AND QUALITY CONTROL

We place the highest priority on the health and safety of our guests, and we dedicate substantial resources, including our supply chain team and safety center staff, to help ensure that our guests enjoy safe food at our restaurants. We also implement stringent food safety and quality control standards and measures throughout different aspects of our operations, including (i) procurement, (ii) storage and logistics and (iii) restaurant operations.

We established a safety center in 2018. Our safety center had 14 employees based at our headquarters as of December 31, 2023. Among such 14 employees, three have the license to be safety production manager, three have the license to be food inspector, two are certified auditors for food safety management, one has the license to be food safety professional, two have the relevant license to operate fire safety equipment and one has the experience as a fire safety officer and has the license to work as a fire safety engineer. The safety center comprehensively oversees food safety, fire safety and production safety matters, as well as disciplinary matters, throughout our Group. The safety center supervises our restaurant patrol team, which consisted of 17 employees as of December 31, 2023. Our safety center directly reports to our co-founder and chairman, Mr. Wang Qinsong (王勤松). In addition, our restaurant patrol team conducts unannounced inspections of each of our restaurants four times a month. We also designate an employee in each region as food safety manager, who is responsible for ensuring that the day-to-day operations at the restaurant in the region are in accordance with our food safety requirements. Furthermore, to enhance our food safety measures, we have engaged an independent third party with deep knowledge of food safety regulations and 30 years of regulatory experience as our consultant since July 2019.

Procurement

We have established stringent standards for the selection and management of suppliers. All of our suppliers are required to comply with quality standards imposed by relevant regulatory authorities with respect to their food ingredients and other supplies. We have formulated detailed quality inspection standards for different categories of food ingredients and other supplies, which include specific inspection criteria, such as color, smell, taste and shape. When evaluating prospective suppliers, we visit their facilities and test samples in accordance with our comprehensive set of technical and safety criteria. Moreover, we actively conduct quality inspections and reviews of our existing suppliers, including site visits to the facilities of our suppliers. For more information on supply chain quality control, see "– Procurement – Supplier Selection and Evaluation."

Storage and Logistics

We request suppliers to deliver supplies with longer shelf lives, such as semi-processed food products, bakery products, sauces and condiments, directly to warehouses operated by third-party logistics companies that we collaborate with, which will then deliver such products to our restaurants based on instructions given by our restaurant managers. Other supplies that have shorter shelf lives, such as vegetables and fruits, are delivered to our restaurants directly by our suppliers. Upon delivery of semi-processed food products, bakery products and food ingredients to our restaurants, our staff will store such supplies under appropriate temperature and storage conditions in accordance with our food safety requirements.

Restaurant Operations

We adopt stringent food safety and quality control standards for all our restaurants with respect to (i) inspection of food ingredients and other supplies delivered from the suppliers and (ii) food preparation at our restaurants. In terms of inspection of food ingredients and other supplies, our restaurant staff report to our safety center on any deviation or irregularity in the quality of food ingredients and other supplies and reject any supplies which do not meet our standards after visual inspection upon delivery to the restaurants.

Our food safety and quality control measures for restaurant operations include the following:

- *Continuous training programs*. We continuously provide periodical training programs to our restaurant staff on food safety and quality standards. Furthermore, our restaurants broadcast certain food safety messages to our restaurant staff both before and after business hours every day, which serves to reinforce the importance of food safety in their minds.

- *Video monitoring system*. Through a comprehensive monitoring system, the staff of the central monitoring room at our headquarters can visually monitor all of our restaurants through closed-circuit television.

- *Inspections by restaurant patrol team*. Our restaurant patrol team conducts unannounced inspections of our restaurants to identify and rectify potential quality and food safety issues four times a month. The team evaluates, among other things, the storage condition of food ingredients and the quality and hygiene of food to be served to guests.

CUSTOMER BASE AND MARKETING

Guests

Our restaurants offer Chinese fusion cuisine, as well as value-for-money proposition, to our guests. As a testament to our popular appeal, the total number of guests we served in 2021, 2022 and 2023 was 37.9 million, 37.8 million and 57.9 million, respectively. The total number of guests we served significantly increased in 2023, primarily due to the strong recovery of our customer traffic due to a significant surge in consumer spending in the first half of 2023 following the easing of government-imposed restrictions related to COVID-19 in December 2022. To foster customer loyalty and promote our brand, we have a membership system, and guests create membership accounts free of charge by registering their name and cellphone numbers on our system. We also post marketing information relating to new menu items, new restaurant openings and new retail items on our membership system as part of our promotional efforts. In addition, we introduced an upgraded version of our WeChat mini-program in April 2023. This new version enhanced the user interface of our membership system and introduced new interactive functions, which in turn elevated our customer experience. We keep records of our members' ordering history and preferences, and we plan to leverage such behavioral data to enhance customer experience in the future. We use social media platforms to attract new members. As of the Latest Practicable Date, our membership system had attracted more than 12.0 million members.

Except for occasional promotional events, we typically do not grant any rebate or discount to our members. During the occasional promotional events, discounts granted to members typically ranged from 5% to 15%. In addition, we also grant discounts ranging from 20% to 40% during the first three days of the opening of a new restaurant. We launched our membership reward system in January 2021 to enhance our customer loyalty and reward for their long-term support which allows our members to earn reward points on their purchases. Our members can utilize the reward points to enjoy discounts when purchasing menu items at our restaurants. In 2023, the amount of discounts we offered through reward points was less than 0.1% of our revenue.

Revenue derived from our five largest customers accounted for less than 1.0% of our total revenue for each of the years ended December 31, 2021, 2022 and 2023. All of our five largest customers in 2021, 2022 and 2023 are independent third parties. None of our Directors, their associates or any of our Shareholders (who, to the knowledge of our Directors, own more than 5% of our share capital) has any interest in any of our five largest customers that is required to be disclosed under the Listing Rules.

Marketing

Our brand and reputation have primarily been built through word-of-mouth recommendations by enthusiastic guests who have enjoyed the *Green Tea* dining experience, and less so through active marketing and promotional efforts. We promote our restaurants through both online and offline channels. We maintain official accounts on several leading social media platforms, where we post marketing information relating to new menu items, new restaurant openings and new retail items. We also create and update factual content relating to our restaurants on a leading restaurant review platform. In addition, we place advertisements at selected offline locations with high pedestrian traffic, such as shopping malls and public transportation systems. To raise awareness of our new restaurants, we engage a third party to offer performance and small games on the opening days of certain new restaurants. Furthermore, we have also collaborated with certain major key players in the consumer-oriented service industry to offer promotional discounts to their customers to further expand the base of our customers.

We benefit from social media posts relating to the *Green Tea* dining experience by our fans, particularly KOLs. We will continue to engage KOLs to promote our restaurants on popular social media platforms. For example, we may produce short videos of KOLs' dining experience at our restaurants and post such videos on social media.

TECHNOLOGIES

We strive to stay at the forefront of China's catering market in applying the latest technologies, with a focus on enhancing guest experience and improving our operational efficiency. We are continuously exploring new technological measures that will enable us to create more value for our guests.

We have implemented the following measures to digitalize our restaurants.

- *Mobile-enabled restaurant experience*. We were among the first major restaurant chains in China to enable ordering through mobile phones, according to the CIC Report. Mobile ordering system allows us to shorten the ordering time for each table. Such system enables us to not only efficiently track guest orders but also use such data to understand customer preferences and improve our menu offerings. Furthermore, we allow our guests to use mobile payment and therefore streamline our checkout process. In 2023, 98.5% of the total amount paid by our dine-in guests was settled through mobile payment.

- *Digital supply system.* We have implemented an efficient digital supply system that is controlled by our procurement center and collects orders for supplies from our restaurants and automatically assigns orders to specific suppliers. The system enables our restaurant staff to order supplies based on the situations of their respective restaurants and receive supplies on a timely basis. The system also enables our procurement center to continuously monitor consumption patterns across our restaurant network, as well as costs, procurement amount and inventory level at each restaurant to reduce waste.

- *Restaurant management*. We have established a comprehensive monitoring system that enables the staff of the central monitoring room at our headquarters to visually monitor all of our restaurants through closed-circuit television. This system allows us to ensure efficient and quality services are provided at our restaurants and make timely adjustments to the restaurant operations as necessary. In addition, we have implemented a menu and order management platform for enhancing the precision of and standardizing the information on our dishes and menus. Furthermore, for better management of our restaurant properties, we integrated a lease management platform in our operation.

- *Operation management*. We have implemented a business intelligence system, which collects the operational information and data of restaurants in real time, and perform business and financial analysis. Such analysis provides our management with comprehensive insights into the operations of our entire restaurant network and assist our management with decision making in optimizing our restaurant operations. For example, our business intelligence system automatically push the restaurants operating report for the previous day to each regional manager and the relevant management personnel at our headquarters. Such report typically includes information such as revenue, sales of our signature dishes and customer complaints. With this information, our regional managers can quickly identify restaurants with unsatisfactory performance, understand the situation and make necessary adjustments in terms of marketing and promotional strategies, dish preparation training and service quality, which will improve our operational management efficiency.

- *Kitchen management*. Our kitchen management system digitally monitors the status of orders, which enables us to prevent errors such as missed orders and duplicative orders.

- *Delivery management*. We have implemented a comprehensive system that connects our delivery management and kitchen management to create a seamless and more efficient delivery operation.

- *Equipment management*. We introduced an equipment repair and maintenance tracking system in our restaurants, which automatically sorts and dispatches repairing orders entered into the system by restaurant staff to corresponding maintenance team or maintenance suppliers, streamlining and ensuring the repair and maintenance work orders being handled timely, as well as optimizing equipment management.

In addition, we implemented the following measures to digitalize our operations management.

- In 2016, we adopted a supply chain management system.

- In 2017, we adopted a human resources system.

- In 2019, we enhanced the level of automation for administrative tasks by adopting an office automation system.

- In 2020, we established a cost management system and upgraded the supply chain management system.

- In 2021, we implemented a restaurant patrolling platform, which allows the staff at our headquarters and our restaurant managers to conveniently manage restaurant operations through a mini-program on their mobile phones. We also introduced a feature that allows users of the restaurant patrolling platform to follow through the problems they previously identified. As advised by our PRC Legal Adviser, we are not required to obtain any specific license or permits, or subject to any laws and regulations, to operate the WeChat mini-program.

- In 2022, we integrated our human resources system and upgraded the office automation system to enhance the efficiency of our administrative functions and approval procedures. In addition, we implemented an equipment repair and maintenance tracking system in our restaurants which reduces the cost of maintenance by streamlining and ensuring the repair and maintenance work orders being handled in a timely manner, as well as optimizing equipment management. In order to simplify the procurement operation process and improve sorting efficiency, we further upgraded our supply chain system.

- In 2023, we established a data-driven management platform connecting the operation system, financial system and supply chain system to improve data decision-making efficiency. We also introduced a menu and order management platform for enhancing the precision of and standardizing the information on our dishes and menus. In addition, for better management of our restaurant properties, we integrated a lease management platform in our operation.

- In 2024, we plan to upgrade and enhance the functions in the data-driven management platform, the menu and order management platform and the lease management platform. We also plan to establish a cost management platform for better cost control management and increase operational efficiency.

USER PRIVACY AND DATA SAFETY

In the ordinary course of our business, we mainly collect, store and use certain personal information of our members from time to time. Personal information of our members are collected when our members fill out the relevant registration requests on our membership system on WeChat. Such information primarily include their names, mobile phone numbers and order information. In addition to the personal information of our members, we also collect personal information of our customers when they use our WeChat mini-program or order delivery though third-party platforms. Such information primarily includes the address, phone number, name, location, and order information of our customers. Personal information is collected with the consent of our members and customers and stored on the server provided by our cloud service provider. We have designated a dedicated person responsible for our network security and personal information protection, and established a series of internal systems and policies to ensure the safety of personal information. Based on the job responsibilities of the relevant employees, we determine their access rights to data and monitor their data operations. We also require employees to sign confidentiality agreements to ensure the safety of personal information of our members and customers.

During the Track Record Period and up to the Latest Practicable Date, we did not experience any data leakage of personal information of our customers and members. In addition, we had not been subject to any warnings, penalties, sanctions or any claims or litigations for violating applicable laws and regulations regarding data security or data privacy protection. Based on the foregoing, as advised by our PRC Legal Adviser, we believe we have complied with applicable laws and regulations on data security, personal information protection in all material aspects. For more details, see "Regulatory Overview – Cyber Security Law." Due to the evolving nature of the legislation and law enforcement on user privacy and data security in the PRC, we will closely monitor regulatory developments and take appropriate measures accordingly in a timely manner.

ENVIRONMENTAL SUSTAINABILITY AND SOCIAL RESPONSIBILITY

We are committed to building a lasting brand, and we believe our long-term success rests on our ability to make positive impacts on the environment and society. Corporate social responsibility is a core part of our business philosophy and will be pivotal to our ability to create sustainable value for our Shareholders. Accordingly, our Board of Directors [has adopted] a comprehensive policy on environmental, social and corporate governance responsibilities (the "**ESG Policy**") in accordance with the Listing Rules, which sets forth our corporate social responsibility objectives and provides guidance on practicing corporate social responsibility in our daily operations, including (i) the appropriate risk governance on environmental, social and governance ("**ESG**") matters, including climate-related risks and opportunities; (ii) identification of key stakeholders and the communication channels to engage with them; (iii) ESG governance structure; (iv) ESG strategy formation procedures; (v) ESG risk management and monitoring; and (vi) the identification of key performance indicators, the relevant measurements and mitigating measures.

Governance

According to our ESG Policy, we have established an ESG Committee under our Board, which is led by Mr. Wang Qinsong, our chairman and chief executive officer and Ms. Yu Liying, our executive director and vice president. Our ESG Committee is responsible for overseeing and guiding our Company's ESG initiatives. Set forth below are the principal duties and responsibilities of our ESG Committee:

- keeping abreast of the latest ESG-related laws and regulations, including the applicable sections of the Listing Rules, keeping the Board informed of any changes in such laws and regulations and updating our ESG Policy in accordance with the latest regulatory updates;

- identifying our Group's key stakeholders based on our business operations and understanding such stakeholders' influences and dependence with respect to ESG matters;

- assessing ESG-related risks on a regular basis according to the applicable laws, regulations and policies, especially risks in relation to climate change, to ensure we fulfill our responsibilities with respect to ESG matters;

- monitoring the effectiveness and ensuring the implementation of our ESG Policy; and

- reporting to our management on an annual basis on the implementation of our ESG Policy and preparing the ESG report.

During the Track Record Period and up to the Latest Practicable Date, we had not been materially adversely impacted by any ESG-related incidents.

Impact of ESG risks

We have identified the following ESG risks which we consider material and may have an impact on our business, strategy or financial performance:

(i) *Food safety and quality*. Our food safety and quality control standards and measures, inspections and checks, and training on proper food safety practices, among others, may not be adequate, which may increase the chance of contamination and food-borne illnesses. As a result, we may be subject to risks of receiving administrative or criminal penalties and our reputation may be adversely impacted.

(ii) *Supply chain management*. Responsible sourcing and sound supply chain management are essential for us to ensure reliable food quality and sustainability along our supply chain. If we are unable to select quality third-party suppliers or monitor, audit and manage different parties in the supply chain, we may be exposed to risks of suppliers' non-compliance with applicable laws and regulations and unethical practices, which could diminish our competitiveness and harm our reputation.

(iii) *Climate change adaption*. Floods, typhoons, storms, and other extreme weather conditions and natural disasters may cause price volatility of raw materials, fluctuation in supply and physical damage to our restaurants and offices, pose safety risks to our staff and lead to unsatisfactory service to our customers, among other consequences. In addition, against the backdrop of carbon peak and neutrality goals of the Chinese government, we may incur additional costs to design and apply innovative technologies and systems to improve energy efficiency, replace undegradable packaging, promote sustainable sourcing and engage in low-carbon footprint product development.

(iv) *Environmental compliance*. We are subject to relevant environmental laws and regulations. For details, please refer to "Regulatory Overview – Laws and Regulations on Environmental Protection." Regulators may impose more stringent environmental requirements and standards on us.

Identification, assessment, management and mitigation of ESG risks

Our ESG committee is responsible for identifying and evaluating ESG risks, and formulating and assessing strategic plans and mitigating measures. Our regional managers are responsible for the implementation of risk control and adaptation, and they report to our ESG committee on a monthly basis. We have adopted the following measures to identify, assess, manage and mitigate ESG risks.

Food safety and quality

We comply with relevant laws and regulations regarding food safety in all material respects in the PRC and are prudent in every aspect from procurement, storage and logistics, to restaurant operations. For details of the food safety laws and regulations that apply to us, please see "Regulatory Overview – Laws and Regulations on Food Safety and Licensing Requirements for Catering Services." Set forth below are the various measures that we undertake to manage and mitigate risks relating to food safety and quality:

(i) established a safety center that supervises our restaurant patrol team which conducts unannounced inspections of each of our restaurants four times a month to identify and rectify potential quality and food safety issues;

(ii) engaging an independent third party with deep knowledge of food safety regulations and 30 years of food safety regulatory compliance experience as our consultant;

(iii) establishing stringent standards for the selection and management of suppliers;

(iv) conducting quality inspections and reviews of our suppliers, including site visits to the facilities of our suppliers and formulating corresponding measures;

(v) requiring each of our restaurants to conduct pesticide residue checks, on a daily basis, on any two kinds of fresh fruits and vegetables delivered to the restaurants by random sampling using the pesticide detection test cards;

(vi) sending food products and food ingredients samples selected by our procurement center and safety center on a random basis to third party food safety testing organizations each month;

(vii) adopting stringent food safety and quality control standards for all our restaurants with respect to (i) inspection of food ingredients and other supplies delivered from the suppliers and (ii) food preparation at our restaurants;

(viii) continuously providing periodical training programs to our restaurant staff on food safety and quality standard;

(ix) monitoring all of our restaurants through closed-circuit television; and

(x) using tamper proof covers and food safety seals in food delivery to prevent the risk of contamination and ensure food quality.

Supply chain management

We have established a supplier selection process, through which suppliers must provide relevant qualifications or certifications, such as their business licenses or food production and operation licenses, and demonstrate legal compliance with environmental and social policies.

We have implemented stringent standards for the management of suppliers. We actively conduct quality inspections and reviews on our existing suppliers, including site visits to the facilities of our suppliers both before engagement and periodically afterwards. During such site visits, we assess whether the equipment, warehouse and production environment meet our comprehensive set of quality control, hygiene and food safety criteria. When visiting their facilities, we also test samples in accordance with our standards for the inspection of different categories of food ingredients and other supplies to ensure their safety and quality. In addition to the site visit and quality inspection carried out by us, we also require our suppliers to provide us with reports of food tests and regularly engage third parties to conduct quality inspections. If the suppliers are not compliant with the applicable laws and regulations regarding food safety and quality or commit misconducts or do not meet our standards and pass our inspections, we may terminate our contracts with them.

Climate change adaptation

We believe in the importance of caring for our planet and we strive to balance our role as a for-profit company with the betterment of people on the planet. Under our ESG Policy, we have established a comprehensive set of key performance indicators to evaluate and guide our business operations. We conduct monthly reviews on our restaurants based on such performance indicators. We also request our restaurant staff to attend mandatory trainings on energy saving on a regular basis.

Power Usage

Metrics and targets. We evaluate our power usage level using the metric of average annual power usage per restaurant. In 2023, our average annual power usage per restaurant was 348,152 kWh. We intend to reduce the level of our average annual power usage per restaurant over the next three years.

Measures we take to achieve the target. We will continue to optimize our restaurant design and apply innovative technologies and systems to improve energy efficiency. We purchase and use environmental-friendly equipment and facilities and will also leverage our video monitoring system to avoid unintended power usage during off-hours. In addition, we also raise energy consumption awareness of our employees during our trainings.

Water Usage

Metrics and targets. We evaluate our water usage level using the metric of average annual water usage per restaurant. In 2023, our average annual water usage per restaurant was 7,338 tons. We intend to reduce the level of our average annual water usage per restaurant over the next three years.

Measures we take to achieve the target. We continue to monitor and control water usage for dish-washing. We regularly inspect our water tanks to prevent water leakage. We strive to foster water conservation culture in our Group through a variety of activities and events.

In addition, we have continued to promote the application of innovative technologies and systems to improve energy efficiency, including the installation of high-efficiency oven, heat pump water heater and direct current air conditioning and ventilation system at certain of our restaurants. We also conducted a thorough research on energy consumption at our restaurants and devised a plan to adjust usage of each appliance to reduce energy consumption.

Environmental Compliance and Waste Management

We discharge wastewater mainly from restaurants and offices and emit a limited amount of cooking fumes from kitchens in our restaurants during our daily operations. We also produce packaging waste and food waste due to our packaging usage and unused or unfinished food in our restaurants.

We respond to initiatives worldwide to tackle food waste in our daily operation by continuously spreading food waste prevention message to minimize waste. We have also been proactive in addressing environmental issues. The following sets forth the various measures we take to ensure compliance with environmental laws and regulations and minimize the impact of our operations on the environment and natural resources:

(i) discharging sewage into urban sewage systems with the aim to cause little pollution to the environment;

(ii) installing fume extractors, smoke vents and smoke purifiers as stipulated by regulations and conducting regular cleaning and renewal in accordance with the requirements of local authorities in the PRC;

(iii) entering into disposal agreements with local authorities in the PRC to handle our non-hazardous waste; and

(iv) scheduling employee mandatory trainings and tests on waste reduction.

Corporate Social Responsibilities

During the Track Record Period, we have taken the following social responsibility initiatives.

- *Offering nutritious meals*. Our broad menu selections allow guests to enjoy balanced meals consisting of proteins, vegetables, grains and other nutritious ingredients. In addition, we frequently introduce menu offerings that reflect the concept of a healthy diet based on the philosophies of Chinese traditional medicine.

- *Controlling usage of food additives and other chemicals*. Our suppliers are required to provide information on the use of food additives and other chemicals in their products in accordance with Chinese national standards. We also adopted strict rules for procurement, storage, inventory management and usage of food additives and other chemicals at our restaurants.

- *Combatting COVID-19 pandemic*. We had taken a proactive role to combat the COVID-19 pandemic in China. In January 2021, we delivered a total of 6,000 Green Tea packaged meals to disease control staff and quarantined persons in Shijiazhuang.

- *Charitable efforts*. We have been proactively involved in various charitable causes. For example, in August 2023, we donated food and supplies to Zhuozhou when the city was affected by a flood.

We will also focus on embracing diversity within our organization, as well as equal and respectful treatment of all of our employees in their hiring, training, wellness and professional and personal development. We recognize and embrace the benefits of having a diverse Board of Directors to enhance the quality of its performance. To this end, we have adopted a board diversity policy which requires all board appointments to be based on meritocracy, and candidates to be considered against objective criteria. While maximizing equal career opportunity for everyone, we will also continue to promote work-life balance and create a happy culture in our workplace and restaurants for all of our employees.

Our Board of Directors has the collective and overall responsibility for establishing, adopting and reviewing the ESG vision, policy and target of our Group, and evaluating, determining and addressing our ESG-related risks at least once a year. Our Board of Directors may assess or engage independent third party(ies) to evaluate the ESG risks and review our existing strategy, target and internal controls. Necessary improvement will then be implemented to mitigate the risks.

LOGISTICS

Our procurement team based at our headquarters is primarily responsible for coordinating the purchase, storage and delivery of supplies throughout our restaurant network. Such centralized logistics system enables us to devise an optimal delivery plan to ensure sufficient level of inventories at our restaurants. Key benefits of our centralized logistics system also include centralized quality monitoring and control, economies of scale and optimized inventory management and logistics expenses.

We engage reputable and large-scale third-party logistics companies to provide logistics and warehousing services to us. We currently collaborate with 34 third-party logistics companies. We request suppliers to deliver certain supplies with longer shelf lives, such as semi-processed food products, bakery products, sauces and condiments, directly to warehouses operated by such logistics companies, which will then deliver such supplies to our restaurants based on instructions given by our restaurant managers. Other supplies that have shorter shelf lives, such as vegetables and fruits, are delivered to our restaurants directly by our suppliers. We bear the cost for logistics and warehousing services, and risks associated with the shipment are assumed by suppliers or third-party logistics companies, as the case may be.

COMPETITION

The casual Chinese cuisine restaurant market in China is intensely competitive with respect to food quality and consistency, price-value relationship, ambience, service, location, supply of high-quality ingredients and availability of trained employees. Key success factors in the industry include affordable and high-quality dining services, continuous innovation of menu items, strong brand awareness and utilization of technologies. We ranked third in terms of number of restaurants and fourth in terms of revenue among casual Chinese restaurant operators in China in 2023, according to the CIC Report. Our major competitors include other casual Chinese cuisine restaurant brands with chain restaurants mainly located in shopping malls.

We believe that our competitive advantage over our competitors lies in fusion menu offerings and value-for-money experience, unique dining environment, highly standardized and scalable business model, comprehensive and stringent food and operational safety control, digitalized restaurant and operations management, and strong operational management capabilities.

EMPLOYEES

As of December 31, 2021, 2022 and 2023 and the Latest Practicable Date, we had a total of 8,582, 10,459, 11,410 and 10,775 full-time employees, respectively. The table below sets forth our full-time employees by functions as of the Latest Practicable Date:

Function	Number of Employees (Full-time)
Restaurant staff	10,327
Management and administrative staff	293
Supply chain management	92
Marketing and promotion	25
Safety center	14
Expansion management	13
Menu development	11
Total	**10,775**

We may use third-party human resources companies from time to time to provide staff members to us in order to ensure sufficient staffing and efficient transfer of staff among different restaurants. We typically enter into agreements with such human resources companies for a period of one year. We usually require third-party human resources companies to pay the social insurance and housing provident funds for part-time restaurant staff. We have engaged and may continue to engage part-time employees to better support our restaurant operations. As of the Latest Practicable Date, we engaged 4,117 part-time employees, of which 3,988 part-time employees work as our restaurant staff, and the remaining 129 part-time employees were either electric technicians that perform electricity maintenance or installation work at our restaurants or staff that works at our supply chain warehouses. During the Track Record Period and up to the Latest Practicable Date, we did not discover any third-party human resources companies that did not fulfill their obligations or had made material underpayments; neither had there been any disqualification of, or termination of collaboration with, third-party human resources companies due to incidents of non-compliance with relevant laws and regulations or breaches of agreements by them.

We reward hard work with competitive compensation. Compensation for our employees includes base salary, bonuses and other staff benefits, such as employee meals and staff dormitories. In 2021, 2022 and 2023, our staff costs amounted to RMB567.8 million, RMB626.4 million and RMB911.0 million, representing 24.8%, 26.4% and 25.4% of our revenue, respectively.

We motivate our employees through our training and promotion program, which allows them to envision their career paths and growth potential with us. Our employees have a chance to be promoted to management positions at our restaurants after they successfully complete our leadership training program, which we refer to as *Green Tea University*. The *Green Tea University* curriculum trains our employees to embrace our core values, acquire the necessary skills for their respective positions and develop leadership and management competencies for career advancement. In addition, we currently cooperate with seven vocational schools; two of these schools participate in "*Green Tea* internship programs," which allows students at these schools to work as interns at our restaurants and potentially become our employees after completing the programs. In 2023, our training and promotion program had enabled us to promote over 300 of our restaurant staff to management positions at our restaurants, providing solid support for our organic expansion. Our training and promotion program also enables us to have high retention rate with our employees. As of the Latest Practicable Date, over a third of our restaurant managers had been working with our Company for over five years.

We are committed to hiring qualified candidates, including experienced restaurant managers, supporting staff and industry experts, to support our business and operations. Our human resources department is responsible for recruitment, primarily through recruitment websites, on-campus events and colleague referral. We are committed to providing fair and equal opportunities in all of our employment practices and have adopted policies and procedures to ensure a fair hiring, selection and promotion process.

As required by regulations of the PRC, we participate in various employee social security plans that are organized by municipal and provincial governments, including pension insurance, unemployment insurance, maternity insurance, work-related injury insurance, medical insurance and housing funds. Except as otherwise disclosed in "– Compliance, Licenses and Permits," our PRC Legal Adviser is of the view that, during the Track Record Period and up to the Latest Practicable Date, we had complied with the applicable PRC labor laws and regulations in all material respects.

Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, there were no material labor disputes or strikes that would have a material and adverse effect on our business, financial condition or results of operations except as otherwise disclosed in "– Compliance, Licenses and Permits".

INTELLECTUAL PROPERTY

We currently operate our restaurant network under the *Green Tea* brand. As of the Latest Practicable Date, we maintained 122 trademark registrations in China. As our brand name becomes more recognized among the customers, we are focused on enforcing our rights in our trademark portfolio, the protection of which is important to our reputation and branding. In the past, we found that certain third parties used or imitated our trademarks or trade name without our authorization to operate restaurants in cities where we did not have a presence. We have successfully brought proceedings to stop these infringing actions, and we do not believe these infringing actions had any material and adverse effects on our reputation, prospects, business, results of operations and financial condition. Ms. Yu Liying, our executive Director and vice president, is responsible for supervising our efforts in enforcing our intellectual property rights. Certain members of our headquarters staff, as well as our regional managers, are responsible for monitoring trademark and trade name infringements on an ongoing basis. Such staff members and regional managers report any instance of infringement to Ms. Yu Liying. If we notice any unauthorized use of our trademarks or trade names, we will initiate a lawsuit to protect our intellectual property rights. However, there can be no assurance that significant incidents of similar nature will not occur in the future. See "Risk Factors – Risks Relating to our Business – We may not be able to adequately protect our intellectual property, which could harm the value of our brand and adversely affect our business and operation."

We rely on trade secret protection and confidentiality agreements to safeguard our interests in proprietary know-how that is not patentable and process for which patents are difficult to enforce are also of significant importance to our operations. Certain elements in our operations are not covered by patents or copyrights. We have taken security measures to protect these elements.

All of our research and development personnel have entered into confidentiality and proprietary information agreements with us. These agreements typically address intellectual property protection issues and require our employees to assign to us all of the inventions, designs, recipe and consolidated know-how they develop during their employment with us. We also require our business partners to enter into confidentiality agreements before we disclose any sensitive aspects of our operations, technology or business plans.

During the Track Record Period and up to the Latest Practicable Date, no material claims or disputes were brought by or against us in relation to any infringement of intellectual property.

PROPERTIES

We do not own any property but instead lease certain properties in China in connection with our business operations. These properties are used for non-property activities as defined under Rule 5.01(2) of the Listing Rules. They mainly include premises for our restaurants, offices, warehouses, storage units and employee dormitories.

According to section 6(2) of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice, this document is exempted from compliance with the requirements of section 342(1)(b) of the Companies Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies Ordinance which require a valuation report with respect to all our Group's interests in land or buildings, for the reason that, as of December 31, 2023, none of the properties held or leased by us has a carrying amount of 15% or more of our consolidated total assets.

Leased Properties

As of the Latest Practicable Date, we leased 655 properties in the PRC with an aggregate GFA of approximately 214,484.8 square meters. Among such 655 properties, 408 were operated as restaurants or were in the process of being opened as new restaurants, and 247 were used as warehouses, storage units, offices or employee dormitories. As of the Latest Practicable Date, the four restaurants we operated under the cooperation agreements with our connected persons leased a total of 13 properties in the PRC with an aggregate GFA of approximately 4,053.9 square meters. Among such 13 properties, four were operated as restaurants, nine were used as employee dormitories and one was used as a warehouse. The following table sets forth the terms of our leases, as well as the leases entered into in relation to the restaurants we operated under the cooperation agreements with our connected persons, as of the Latest Practicable Date:

	Restaurants	Warehouses and storage units	Offices	Employee dormitories	Total
One year or less	4	28	–	171	203
Two years	1	2	–	21	24
Three to five years	15	4	1	8	28
Six to 10 years	284	9	3	–	296
11 to 15 years	100	6	–	–	106
16 to 20 years	6	2	1	–	9
21 to 31 years	2	–	–	–	2
	412*	**51**	**5**	**200**	**668**

Note:

* Including 30 leases entered into for restaurants that have not opened and were in the process of being opened as new restaurants in 2024.

As of the Latest Practicable Date, a total of eight of our restaurants, including the restaurants that we operate under the cooperation agreements with our connected person, have a lease term of over 15 years. We entered into such long term leases based on the following commercial rationale:

(i) We have extensive experience in operating restaurants. As such, the risk of us having to break the lease due to unsatisfactory performance of a certain restaurant is low.

(ii) Rents in China has been continuously increasing over the past couple of years. As such, it would be beneficial to us to enter into leases with fixed rent with a longer lease term to control our rental expenses.

We entered into the long term lease for each of the eight restaurants primarily due the following reasons:

- For the three restaurants with lease terms of 15 years and two months we believe such lease terms are generally in line with our usual length of leases. Entering into such leases is in line with our strategy to control our rental costs by entering into leases with longer terms.

- For the three restaurants with lease terms of 20 years, we entered into the relevant lease primarily because (i) these restaurants are located in either the city center or famous tourist sites and we wanted to secure such favorable location for a longer term; and (ii) the relevant landlord of one of these restaurants is a well-known developer of shopping malls with nationwide operations and we expect to establish a long-term relationship with such landlord to secure suitable locations for our restaurants in the future.

- The two restaurants with lease terms of 31 years are operated by us according to the cooperation agreements with our connected persons. These two restaurants are located in a tourist attraction with a large number of tourists all year round. The relevant landlord, which is the local government, is only willing to enter into long-term leases to maintain stable business operations at such tourist destination. We believe it is essential in building our brand image and reputation among tourists who may be our potential customers and we also believe that we will be able to negotiate with the landlord regarding potential termination if necessary. As such, we decided to enter into long-term leases for these restaurants.

According to the relevant lease agreements, breaking such leases generally require mutual agreement by us and the relevant landlord. Such arrangements may allow us to negotiate with the relevant landlords for better terms for such leases. According to CIC, our arrangements with respect to longer lease terms and termination clauses are in line with the industry norm.

Title Defects

Of the abovementioned 655 leased properties leased by us, the actual usage of 10 leased properties (with an aggregate GFA of approximately 2,065.1 square meters, representing approximately 1.0% of our total leased GFA) was inconsistent with the usage set out in such title certificates. Among such 10 properties, two was used as a restaurant (with a GFA of approximately 980.3 square meters, representing approximately 0.5% of our total leased GFA).

Among the abovementioned 655 leased properties leased by us, lessors of 36 leased properties (with an aggregate GFA of approximately 10,380.4 square meters, representing approximately 4.9% of our total leased GFA) did not provide sufficient or valid title certificates. Among such 36 leased properties, 22 were used as restaurants (with an aggregate GFA of approximately 10,380.4 square meters, representing approximately 4.8% of our total leased GFA). The lease agreements of such 36 properties will expire in the period from August 2024 to July 2032.

In addition, among the abovementioned 655 leased properties leased by us, lessors of 17 leased properties (with an aggregate GFA of approximately 3,058.0 square meters, representing approximately 1.1% of our total leased GFA) did not provide any form of permission to sublet from owners. Among such 17 leased properties, six were used as restaurants (with an aggregate GFA of approximately 2,403.1 square meters, representing approximately 1.1% of our total leased GFA). The lease agreements of such 17 leased properties will expire from July 2024 to April 2032.

In 2021, 2022 and 2023, revenue contribution from restaurants situated on leased properties with title defects amounted to RMB256.3 million, RMB208.9 million and RMB267.8 million, respectively, representing 11.2%, 8.8% and 7.5% of our total revenue for the respective period.

As advised by our PRC Legal Adviser, our use of these defective leased properties may be affected by third parties' claims or challenges against the lease. In addition, if the lessors do not have the requisite rights to lease these defective leased properties, the relevant lease agreements may be deemed invalid, and as a result we may be required to vacate these defective leased properties and relocate our restaurants. If we are required to vacate all of these lease properties and relocate our restaurants, we expect to incur a total estimated costs of RMB71.4 million. However, in the event that we are unable to continue using these defective leased properties, based on the advice of our PRC Legal Adviser, we, as the tenant, will not need to continue to pay the rents or the full amounts of such rents. Additionally, it is the lessors' responsibility to obtain the title certificates to enter into the leases, and, as a tenant, we will not be subject to any administrative punishment or penalties in this regard. These statutory protections significantly mitigate our risks arising from these defective leased properties due to claims for vacation from the legal owners of the properties. See also "Risk Factors – Risks Relating to our Business – Our rights to use some of our leased properties could be challenged by property owners or other third parties or due to usage defects, which may adversely affect our business operations and financial condition."

Having considered the foregoing, our Directors believe that these title defects described above will not, individually or in the aggregate, materially affect our business and results of operation, on the grounds that: (i) the abovementioned leased properties with title defects only constitute 6.7% of our total leased GFA as of the Latest Practicable Date, and leased properties with title defects and used as our restaurants constituted 6.0% of our total leased GFA as of the same date; (ii) during the Track Record Period and up to the Latest Practicable Date, to the best knowledge of our Directors, our leases with respect to these defective leased properties had never been challenged by any third parties; (iii) given that a substantial portion of our landlords are owners of large shopping malls and sizeable commercial real estate developers, we believe the risk that we are required to vacate and relocate from these premises is remote; (iv) considering these defective leased properties are geographically dispersed across China under the jurisdiction of different local governmental authorities, we believe it is unlikely that we would be at the same time subject to claims of rights from various third parties or required by the governmental authorities to relocate with respect to a significant number of these defective leased properties; and (v) according to the terms of certain lease agreements, the landlords agreed to indemnify for our losses as a result of title defect of the property.

Based on reasons stated above, the Directors are of the view that title defects are not material nor systemic non-compliance to the Company.

Nothing has come to the Joint Sponsors' attention that would cause them to disagree with the Directors' view.

Upon expiry of these lease agreements, we will assess the legal risk and will not renew such lease agreements if we believe the risks associated with the title defects are too high.

Starting in 2021, we have requested all of our lessors to provide the necessary documentation with respect to the title of the relevant leased property before we enter into lease agreements with them, and ask the lessors to indemnify us for any of our losses caused by any title defects.

Non-registration of Lease Agreements

As of the Latest Practicable Date, 624 lease agreements had not been registered with relevant authorities. The lease agreements of such 624 properties will expire in the period from July 2024 to July 2032. We could not register these lease agreements primarily because the registration of a lease agreement requires the cooperation between the lessor and lessee. However, lessors are typically unwilling to undertake the administrative burden of registration due to the low risk of penalty.

The non-registration of these leases does not constitute material nor systemic non-compliance of the Group for the following reasons.

- We have adopted internal policies that (i) request our employees to proactively coordinate with lessors to complete the registration for all of our lease agreements and (ii) require our employees to complete the registration of lease agreements in instances in which lessors are willing to cooperate in such procedures. However, as the registration of a lease agreement requires the cooperation between the lessor and lessee and lessors are typically unwilling to undertake the administrative burden due to the low risk of penalty, we were not able to complete the registration of lease agreements mentioned above.

- As advised by our PRC Legal Adviser, failure to complete the registration of lease agreements will not affect the validity of the lease agreements or the binding effect of the lease agreements over contracting parties or result in us being required to vacate the leased properties. In addition, such failure to complete the registration of lease agreement will have limited adverse impact on our normal business operation.

- The potential penalty of non-registration of lease agreements is not material. As advised by our PRC Legal Adviser, the relevant PRC authorities may impose a fine ranging from RMB1,000 to RMB10,000 for each unregistered lease. The aggregate amount of maximum fine will be approximately RMB6.2 million, which our directors believe will not have any material adverse impact on our business operations.

As of the Latest Practicable Date, no penalty had been imposed on us for our failure to register or file the relevant lease agreements. Moreover, we have been more stringent in terms of requiring our lessors to cooperate with us in registering our lease agreements with the relevant housing administrative authorities.

Having considered the foregoing, our Directors believe that the non-registration of leases described above will not, individually or in the aggregate, materially affect our business and results of operation. See also "Risk Factors – Risks Relating to our Business – Our rights to use some of our leased properties could be challenged by property owners or other third parties or due to usage defects, which may adversely affect our business operations and financial condition."

INSURANCE

We maintain (i) public liability insurance to cover liability for damages arising out of our business operations for all of our restaurants in China including, among other things, claims of food and drink poisoning by our customers and (ii) property insurance covering all risks for our restaurants to protect our business from certain natural disasters and other unfortunate events. Our Directors consider our insurance coverage to be customary for business of our size and type and in line with the standard commercial practice in China. However, our insurance coverage may not be adequate to cover all losses that may occur. See "Risk Factors – Risks Relating to Our Business – Our insurance policies may not provide adequate coverage for all claims associated with our business operations."

ENVIRONMENTAL AND OCCUPATIONAL HEALTH AND SAFETY MATTERS

We are subject to environmental protection, occupational health and safety laws and regulations in the PRC. During the Track Record Period, we complied with the relevant environmental, occupational health and safety laws and regulations in all material respects in the PRC, and we did not have any incidents or complaints which had a material and adverse effect on our business, financial condition or results of operations during the same period.

We strive to provide a safe working environment for our employees. We have implemented work safety guidelines setting out safety practices, accident prevention and accident reporting. Our work safety guidelines provide clear guidance on various occupational and restaurant safety matters which our staff are required to follow. In addition, the material equipment and machinery at our restaurants are subject to periodical maintenance from time to time and our employees are required to complete training programs that increase their awareness of safety in the workplace. During the Track Record Period and up to the Latest Practicable Date, we had not encountered any material safety incidents.

Due to the nature of our operations, we believe the waste we produced is not hazardous and has minimal impact on the environment. In order to comply with the relevant environmental laws and regulations, we have undertaken wastewater and solid waste disposal and processing measures, such as (i) daily collection of solid waste for which we contract qualified waste management companies and (ii) timely payment of wastewater processing fees as part of our water bills to the relevant authorities. See "Regulatory Overview" for additional information. Our Directors are of the view that the annual cost of compliance with applicable PRC environmental laws, regulations and policies was not material during the Track Record Period. Our environmental protection expenses were not material during the Track Record Period and are expected to remain at similar levels.

LEGAL PROCEEDINGS

We may from time to time become a party to various legal, arbitral or administrative proceedings arising in the ordinary course of our business. During the Track Record Period and as of the Latest Practicable Date, we were not involved in any legal, arbitral or administrative proceedings pending or, to our knowledge, threatened against us or any of our Directors that could have a material and adverse effect on our business, reputation, financial condition or results of operations.

COMPLIANCE, LICENSES AND PERMITS

Our Directors, as advised by our PRC Legal Adviser, confirm that as of the Latest Practicable Date, we had complied with all relevant PRC laws and regulations in all material respects and have obtained all material licenses, approvals and permits from relevant regulatory authorities for our operations in China, except as disclosed in the subsections headed "Fire Safety" and "Social Insurance and Housing Provident Funds" below. According to the Food Safety Law in the PRC, a person who engages in food production, food selling, or catering services must obtain a food operation license in accordance with the relevant regulations. During the Track Record Period and as of the Latest Practicable Date, all of our restaurants had obtained the necessary food operation license through the corresponding subsidiary that owns such restaurants. The expiration date of such food operation licenses ranges from October 1, 2024 to April 28, 2029. As of the Latest Practicable Date, neither our PRC Legal Adviser nor we had been informed of any legal impediment in renewing such material licenses that have expired or are going to expire in 2024.

Fire Safety

Background and Reasons for Non-Compliance

In 2021, we opened 18 new restaurants before obtaining the required as-built acceptance check on fire prevention, fire safety filing and/or fire safety inspection ("**Fire Safety Inspection Approvals**"). Except for the 18 new restaurants we opened in 2021, all of the newly opened restaurants and reopened restaurants during the Track Record Period had obtained the relevant Fire Safety Inspection Approvals before commencing their operations.

Such restaurants were opened prior to obtaining the relevant Fire Safety Inspection Approvals primarily due to the following reasons.

- We were unable to obtain the Fire Safety Inspection Approvals for certain restaurants due to the lack of Fire Safety Inspection Approvals for the entire properties in which the relevant restaurants are located that satisfy the regulatory requirements for our applications for the relevant Fire Safety Inspection Approvals ("**Landlords' Compliance Status**"). With respect to all of our restaurants that were in operation as of the Latest Practicable Date, the relevant landlords have obtained the Fire Safety Inspection Approvals for the entire premises in which such restaurants are located.

- In some instances, although it was not necessarily specified in the lease agreements, we were requested by the relevant property owners to open our restaurants by certain deadlines in order to align with their opening plans with respect to the relevant malls and/or schedules for commercial promotions ("**Landlord's Request**"). Such property owners are typically well-known developers of shopping malls with nationwide operations. We regard these property owners as strategic and important business partners, as most of our restaurants are located in shopping malls. Our ability to secure suitable locations for our restaurants in the future is affected by our relationships with such property owners. We opened the relevant restaurants pursuant to the deadlines as agreed with such property owners in order to maintain good relationships with them.

The table below sets forth the number of restaurants opened before obtaining the relevant Fire Safety Inspection Approvals during the Track Record Period under different reasons (the "**Historically Non-Compliant Restaurants**"). Such restaurants include both new restaurants and restaurants we reopened after renovation.

	Landlord's Compliance Status	**Landlord's Request**	**Total**
2021	1	17	**18**
2022	–	–	**–**
2023	–	–	**–**

As of the Latest Practicable Date, all of our restaurants that were in operation had obtained Fire Safety Inspection Approvals. Going forward, we will only open new restaurants after we have obtained the relevant Fire Safety Inspection Approvals. Furthermore, we will continue to liaise with our landlords to have more time to obtain the Fire Safety Inspection Approvals before restaurant opening and will ensure timely submission of relevant application materials to the relevant authorities to obtain the Fire Safety Inspection Approvals.

In 2021, 2022 and 2023, the amount of revenue attributable to those restaurants in operation without completing the necessary fire safety procedures during their respective non-compliant periods was RMB123.9 million, nil and nil, representing 5.4%, nil and nil of our total revenue, respectively.

Among the Historically Non-compliant Restaurants that remained in operation as of the Latest Practicable Date, all have obtained the Fire Safety Inspection Approvals. In addition, for all the Historically Non-compliant Restaurants that have subsequently obtained the Fire Safety Inspection Approvals, none of these restaurants have been subject to any material administrative penalty for past non-compliance after obtaining the Fire Safety Inspection Approvals. Based on the above, our PRC Legal Adviser has advised us that the risk that the Historically Non-compliant Restaurants would be subject to material administrative penalties for past non-compliance by the relevant fire safety authorities is low.

We closed one restaurant that lacked Fire Safety Inspection Approvals in April 2021. We were not able to complete the required Fire Safety Inspection Approvals for this restaurant because the owner of the leased property for such restaurant did not complete the required as-built acceptance check on fire prevention or fire safety filing for the entire property where the relevant restaurant was located.

Notwithstanding that some of our restaurants commenced operation before obtaining the relevant Fire Safety Inspection Approvals, all of our restaurants fully complied with our internal control measures on fire safety then in effect before its opening and are subject to the regular fire-related supervision of and inspection by the relevant authorities and have passed all subsequent regular inspections without material penalties and fines imposed on our Group during the Track Record Period and up to the Latest Practicable Date as further elaborated below.

Major steps in obtaining Fire Safety Inspection Approvals

In general, restaurants with a GFA of over 500 square meters should submit application for the as-built acceptance check. On the other hand, restaurants with a GFA of no larger than 500 square meters only need to complete the fire safety filing after the completion of construction.

In order to complete the as-built acceptance check, we need to submit certain application documents to the relevant authorities, such as fire safety designs, the approvals of design for the properties where our restaurants are located, the fire safety acceptance checks results and the construction completion inspection report. The relevant authorities will conduct on-site inspection on the restaurant and issue their opinion within 15 to 30 days of the receipt of our application. Our restaurants typically receive the approval within three to five business days after the on-site inspection by the relevant authorities.

For our smaller restaurants, in order to complete the fire safety filing, we are required to submit similar documents to the relevant authorities. We usually file the relevant application and submit the application documents to the relevant authorities as soon as practicable after the completion of the renovation. In addition, the relevant authorities will conduct spot check on a random basis on these smaller restaurants that are not required to complete the as-built acceptance check. If the authorities notice any non-compliance incidents, the restaurant will need to rectify and apply for a re-examination.

Lastly, except in certain regions where the local authorities do not require restaurants with smaller GFAs to complete fire safety inspections, all restaurants are required to complete the fire safety inspection prior to the commencement of operation and should submit application documents to the relevant authorities after the completion of the as-built acceptance check and fire safety filing, as applicable. The relevant authorities will conduct on-site inspection on the restaurant and issue their opinion within five business days after the receipt of our application and our restaurants typically complete the entire procedure of fire safety inspection within 13 business days after our initial application for the inspection.

Pursuant to the Fire Prevention Law further amended on April 29, 2021, Fire Safety Inspection Approvals can be issued based on the applicant's representation of its compliance status, subject to on-site fire safety inspection at a later time (the "**Representation Approach**"). According to the new rules, before the use or commencement of the business operations of the relevant restaurant, we need to file an application for fire safety inspection with the relevant authorities, and make a representation to the relevant authorities that the restaurant meets the fire control technical standards and management regulations. The relevant authorities will review the materials submitted by us and issue their approval if the application materials are complete and conform to legal requirements. The relevant authorities will then conduct on-site inspection on the restaurant at a later time. If we choose not to use the Representation Approach, according to the relevant laws and regulations, the relevant authorities will inspect the restaurant after our initial application for inspection and issue their opinion following the original approach mentioned in the paragraphs above (the "**Inspection Approach**").

Recently, certain local governments in the PRC have gradually improved the overall process of the enforcement of fire safety laws and implemented reforms to streamline the administrative procedures related to fire safety laws. According to such reforms, construction projects of smaller GFAs may be exempted from certain administrative procedures related to fire safety. For example, in some districts, public gathering places with a GFA of less than 500 square meters are no longer required to apply for fire safety inspections or fire protection as-built acceptance check and filing before commencing the relevant operations.

According to CIC, after the completion of construction, the entire Fire Safety Inspection Approval process normally takes one to two weeks under the original Inspection Approach. However, the duration of the entire Fire Safety Inspection Approval process varies based on actual situation and practice of the relevant local authorities, and it may take three months or longer for restaurants to complete as-built acceptance check and fire safety inspection after their submission of relevant application materials. Therefore, restaurants cannot be certain of the exact timing as to when the local fire safety authorities will conduct the as-built acceptance check and fire safety inspection.

The table below sets forth the average duration to complete the relevant Fire Safety Inspections during the Track Record Period:

	2021	**2022***	**2023***
New restaurants (days)	34	36	8
Restaurants reopened after renovation (days)	31	4	7
Overall (days)	**34**	**35**	**8**

* Except for certain restaurants that are exempted from obtaining the relevant Fire Safety Inspection Approvals, all of the new restaurants that were opened in 2022 and 2023 obtained the relevant Fire Safety Inspection Approvals before commencing their operations.

Potential Legal Consequences and Latest Status

As of the Latest Practicable Date, all of our restaurants that were in operation had obtained Fire Safety Inspection Approvals.

Our past non-compliance relating to Fire Safety Inspection Approvals for certain restaurants does not constitute systemic non-compliance. We opened the Historically Non-compliant Restaurants in the midst of the significant regulatory changes in fire safety laws and regulations during the Track Record Period and the rapid growth of chain restaurants. As elaborated in "– Background and Reasons for Non-compliance," we opened such restaurants primarily due to the Landlords' Compliance Status and Landlord's Request. Further background as to our decision to open the Historically Non-compliant Restaurants is set forth below.

Restaurants opened prior to March 2021

During the Track Record Period, commercial real estate market, especially shopping malls, and chain restaurants in China were growing at a fast pace. We followed the market closely and were focusing on strategically expanding our restaurant network to continue the growth and development of our business during such period.

In the meantime, the regulatory changes relating to fire safety created substantial burden on the application for Fire Safety Inspection Approvals for all market players in both commercial real estate and catering markets. Even if a restaurant operator or commercial real estate developer strictly followed the substantive requirements under the relevant fire safety laws and regulations, such as fire safety design, construction and equipment requirements, and diligently filed applications for Fire Safety Inspection Approvals for its restaurants or development project, the duration of the entire Fire Safety Inspection Approval process was highly unpredictable. In order to maintain and further increase their respective market shares in the fast-growing market, restaurant operators and commercial real estate developers would typically continue their expansions and commence the operation of new restaurants or development projects while continuing their applications for the relevant Fire Safety Inspection Approvals and ensuring the relevant substantive requirements under the fire safety laws and regulations are satisfied.

In addition, as we continue our expansion, we usually enter into lease arrangements with our landlords that require the relevant restaurants to be opened before a certain deadline in order to align with the opening plans with respect to the relevant shopping malls and/or schedules for commercial promotions. According to CIC, such arrangements are in line with market practice.

Restaurants opened between March 2021 and August 2021

Considering that, as advised by our PRC Legal Adviser, obtaining verbal permissions from competent authorities do not violate the relevant laws and regulations, we decided to obtain verbal permissions from the relevant competent authorities as an alternative under such circumstance. We requested verbal permission from the relevant competent authorities and file applications for Fire Safety Inspection Approvals only after we had completed the various internal control procedures described below to ensure the safety of our restaurants. As advised by our PRC Legal Adviser, according to the relevant provisions in the Fire Prevention Law and Administrative License Law, the relevant verbal permissions that we obtained for these restaurants were provided by competent authorities. Based on the verbal permissions obtained by the relevant restaurants and the other fire safety measures taken by such restaurants, our PRC Legal Adviser are of the view that the risk that such restaurants would be subject to material administrative penalties by the relevant fire safety authorities is low.

Internal control measures and procedures

The Directors have demonstrated their commitment to ensuring the safety of our restaurants. Despite the lack of relevant Fire Safety Inspection Approvals for certain restaurants, such restaurants do not present any material fire safety risk to our employees or guests.

- We have implemented rigorous measures to address potential fire safety risks and comply with the relevant fire safety design, construction and equipment requirements under the fire safety laws and regulations, including among other things, (i) engaging independent professional fire safety companies when renovating restaurants, (ii) devising a fire safety plan for each restaurant, (iii) installing the necessary fire safety equipment, (iv) applying fire resistant construction and decoration materials and (v) installing proper evacuation route indication signs and where applicable, proper emergency exits.

- After renovating each restaurant, we make timely submission of the applications for Fire Safety Inspection Approvals and proactively communicates with the competent authorities to facilitate the regulatory process for Fire Safety Inspection Approvals.

- We conduct extensive training for its restaurant staff, including periodic training on general fire safety awareness and knowledge, regular updates and training on the fire safety rules and regulations, and training on proper use of fire safety equipment and emergency evacuation plans. Furthermore, we conduct periodic internal fire safety review for our restaurants.

- Our Fire Safety Consultant has inspected all restaurants that had not obtained the Fire Safety Inspection Approvals as of January 6, 2021, which is the date of engagement with our Fire Safety Consultant, and our new restaurants opened before obtaining the Fire Safety Inspection Approvals after such date and concluded that, among other things, (i) all of these restaurants comply with the relevant fire safety design, construction and equipment requirements under the fire safety laws and regulations, (ii) the premises on which these restaurants are located have adequate fire safety equipment and signs and emergency evacuation plan, and (iii) the premises on which these restaurants are located are in compliance with applicable building fire protection and fire safety standards.

After considering the various factors and the internal control measures we undertook prior to restaurant openings mentioned above, we decided to open certain of our restaurants before obtaining the relevant Fire Safety Inspection Approvals in 2021.

No material risk for the Company's historic approach

Our past non-compliance relating to Fire Safety Inspection Approvals for certain restaurants does not give rise to any material risk of regulatory penalties.

- Our restaurants, including the Historically Non-compliant Restaurants, are subject to frequent and unannounced fire safety inspections by competent authorities. No material fire safety issue has been identified by such authorities during the Track Record Period and up to the Latest Practicable Date.

- We have never been imposed with any material administrative penalties or fines in relation to fire safety laws and regulations during the Track Record Period and up to the Latest Practicable Date.

- All of our restaurants that were in operation as of the Latest Practicable Date had obtained Fire Safety Inspection Approvals.

- According to our PRC Legal Adviser, the risk that the Historically Non-compliant Restaurants would be subject to material administrative penalties for past non-compliance by the relevant fire safety authorities is low.

- As part of their commitment to strictly comply with the relevant fire safety laws and regulations, the Directors have undertaken that we will only open new restaurants after we have obtained the relevant Fire Safety Inspection Approvals going forward.

Based on the above, our past non-compliance relating to Fire Safety Inspection Approvals for certain restaurants does not constitute systemic non-compliance.

Internal Control and Risk Management

Despite our failure to complete in time the necessary fire safety procedures due to the various reasons outlined above during the Track Record Period, we nonetheless placed significant importance on in-store fire safety, with a goal to mitigate our risk exposure to potential fire safety accidents and public safety concerns. To this end, we had taken a series of internal control measures before opening a restaurant, which include the following:

Site selection

Since November 2017, in addition to the selection criteria as set out in "– Expansion Plan and Management – Site Selection" and other commercial considerations, we also use our best efforts to find rental properties that are in compliance with all fire safety requirements, and will consider whether the structure of the building of the site has satisfied the relevant regulatory requirements including, among others, relating to fire safety, and whether the building for the location has been equipped with the relevant fire safety facilities. Our construction team will obtain the floor plans of the relevant properties and the structure plans of the relevant locations and conduct on-site inspections to ensure that fire safety designs are already in place. The independent construction companies and independent professional fire safety companies engaged by us will review the floor plans and structure plans to see if there is any fire safety issue.

Based on the recommendation made by our expansion management department and other factors such as our overall expansion strategies, our Chief Executive Officer, Mr. Wang Qinsong, our executive director and vice president, Ms. Yu Liying, our director of expansion management department, Mr. Li Peiming, and the relevant regional manager will make the final decision on whether we should enter into the lease agreement for a particular location.

We have further updated the relevant measures and, after the establishment of our safety center in June 2018, our safety center is also involved in the site selection process and, with the advice from our independent fire safety expert, will ensure that the relevant properties or locations have either completed the required as-built acceptance check on fire prevention, the fire safety filing, and the fire safety inspections or satisfied with the relevant fire safety acceptance checks requirements.

Except for four restaurants, all of our restaurants are located in shopping malls developed and operated by sizeable commercial real estate developers in the PRC as of the Latest Practicable Date.

Lease agreements

Since November 2017, some of the lease agreements for our restaurants include contractual terms providing that the owners of the relevant properties shall continuously assist us in making such applications in compliance with the applicable fire safety laws and regulations.

We have further updated the relevant measures and, started in January 2021, we requested in our lease agreements that owners of the relevant properties shall be responsible for providing the required fire safety documents for us to complete the relevant applications in compliance with the applicable fire safety laws and regulations.

Design, renovation and preparation for opening

Since November 2017, each of our restaurants was designed and constructed in compliance with the relevant fire safety laws and regulations and equipped with the necessary fire safety facilities. The renovations and construction were carried out by independent qualified construction companies and are overseen by our construction team, which is experienced in renovation works of restaurants. In addition, we engage independent professional fire safety companies to identify risks and design fire safety measures to prevent, control and mitigate the risk of fire related hazards when building new restaurants. Before we start the renovation, our construction team will submit the relevant design plan, together with fire safety designs, to the relevant fire safety authorities. Our construction team comprises of six members as of the Latest Practicable Date and is supervised by a manager and a deputy manager, both of whom have over 10 years of experience in construction and renovation works of restaurants and the relevant fire safety requirements. We also devise a fire safety plan with guidance on the use of building and decoration materials and electrical appliances, standard operation procedures in case of fire alarm and proper evacuation plan. In addition, we install the necessary fire safety equipment as required by applicable PRC laws and regulations, including fire extinguishers, smoke detectors and automatic water sprinklers.

Upon completion of the renovation of our restaurants and confirmation of compliance with all of our internal requirements on fire safety control which are based on the relevant fire safety laws and regulations, we would apply for the Fire Safety Inspection Approvals from the relevant authorities. The relevant authorities will inspect our restaurants and issue their formal approvals. Our restaurants are subject to the regular fire safety related supervision of and inspection by the relevant authorities.

We have further updated the relevant measures and, after the establishment of our safety center in June 2018, our safety center is also responsible for routine inspection on fire safety and overseeing the compliance of fire safety related requirements. In addition, since January 2021, we have also engaged an independent fire safety expert who has around 15 years of experience in the field of fire safety to provide relevant advice to our safety center to identify risks relating to the design and construction of a new restaurant.

Insurance coverage

Since November 2017, we have obtained public liability insurance for each of our restaurants to cover any potential damage, injury or death suffered by any third party (including our customers) and employer liability insurance to cover any potential injury or death suffered by our employees as a result of the accidents happened in the course of our business operation. Failure to complete the required as-built acceptance check on fire prevention, the fire safety filing, or the fire safety inspections does not bar our claim or affect the amount of compensation we can receive against the loss under our public liability insurance or employer liability insurance coverage. In the unlikely event that any guest or employee suffers damage, injury or death, as applicable, in relation to fire safety or other accidents, we expect that the relevant insurance policies will cover our liability towards such guest or employee.

We have implemented all of the internal control measures then in effect relating to site selection, lease agreements, design, renovation and preparation for opening and insurance coverage mentioned above before the opening of each restaurant, including those that did not obtain the relevant Fire Safety Inspection Approvals prior to their openings during the Track Record Period. We believe such internal control measures are effective and sufficient to mitigate our risk exposure to potential fire safety accidents and public safety concerns notwithstanding that the Fire Safety Approvals were not obtained for certain restaurants before their openings. In addition, no fire safety accident has ever occurred in any Historically Non-compliant Restaurant and we have never been subject to any material administrative penalty or fines due to any fire safety issues with respect to these restaurants. As of the Latest Practicable Date, all of the Historically Non-compliant Restaurants had obtained the relevant Fire Safety Inspection Approvals.

Due to the aforementioned internal control and risk management measures on fire safety, we had never been imposed with any material administrative penalties or fines during the Track Record Period and up to the Latest Practicable Date, notwithstanding the fact that some of our restaurants commenced operation before completing the required as-built acceptance check on fire prevention, the fire safety filing, or the fire safety inspections, as the case may be.

Rectifications

In order to ensure that our restaurants operate safely, we have engaged Shenzhen Anzhi Electric Fire Safety Testing Co., Ltd. as our Fire Safety Consultant in January 2021 to conduct fire safety inspection on the restaurant that had not obtained the Fire Safety Inspection Approvals as of January 6, 2021, which is the date of engagement with our Fire Safety Consultant, and to review our new restaurants prior to their commencement of operation. Incorporated in 2013, our Fire Safety Consultant primarily engaged in maintenance and inspection of fire safety facilities and fire safety evaluation and is qualified to conduct the relevant inspection and issue credible report and conclusion. Our Fire Safety Consultant holds ISO 9001, ISO 14001 and ISO 45001 certificates, and its inspection team consists of engineers, including fire safety specialist engineers who have extensive experience in fire safety evaluation work.

Our Fire Safety Consultant reviewed and inspected the following aspects of our operations through on-site inspection, surveys and document review: (i) the compliance of our fire protection system with laws and regulations and industry standards, (ii) the adequacy of the fire safety equipment and system and emergency evacuation plan of premises on which our restaurants are located and (iii) the compliance with applicable building fire protection and fire safety standards of the premises where our restaurants are located.

Upon their review, our Fire Safety Consultant have concluded that (i) all of the restaurants that had not obtained the Fire Safety Inspection Approvals as of the date of engagement with our Fire Safety Consultant and our new restaurants opened before obtaining the Fire Safety Inspection Approvals after such date (the "**Covered Restaurants**") comply with the relevant fire safety design, construction and equipment requirements under the fire safety laws and regulations, (ii) the premises on which the Covered Restaurants are located have adequate fire safety equipment and signs and emergency evacuation plan, (iii) the premises where the Covered Restaurants are located are in compliance with applicable building fire protection and fire safety standards, and (iv) no fire safety accident has ever occurred in the Covered Restaurants and we have never been subject to any material administrative penalty or public notice of violations due to any fire safety issues with respect to these restaurants. As confirmed by our Fire Safety Consultant, the Covered Restaurants have not obtained the Fire Safety Inspection Approvals primarily because the administrative procedures to obtain such approvals and/or filings are in process of being, or have not been, completed. Our Fire Safety Consultant has also confirmed that there are no material impediments for the Covered Restaurants to complete the required as-built acceptance check on fire prevention or fire safety filing or the fire safety inspections, as the case may be, upon submission of applications and all the requisite documents.

During the Track Record Period and up to the Latest Practicable Date, the relevant authorities had not imposed any material administrative penalties on us.

Furthermore, we have engaged our internal control consultant to conduct internal control review. We have enhanced our internal control measures and procedures with respect to fire safety as recommended by our independent internal control consultant to manage associated risks and prevent re-occurrence of such non-compliance incidents. Set forth below are key efforts we have made:

- *Training*. We conduct extensive training for our staff, including periodic training on general fire safety awareness and knowledge, regular updates and training on the fire safety rules and regulations, and training on proper use of fire safety equipment and emergency evacuation plans. We also conduct periodic fire drills at our premises to familiarize our staff with our evacuation plans.

- *Personnel*. We have designated personnel at each of our restaurants responsible for fire safety. We have also designated personnel at our headquarters, namely our safety center, that is responsible for conducting periodic review of fire safety work at our restaurants. We have also engaged an independent fire safety expert who has around 15 years of experience in the field of fire safety to provide relevant advice to our safety center.

- *Fire safety policies*. We have established detailed fire safety measures and procedures with respect to our restaurants, including frequent inspection of the stoves and electric appliances in our kitchens, the gas valves, pipes and electrical systems, and the fire safety equipment that we equip on our premises. We have also formulated evacuation plans, fire protection and rescue plans in the event of fire emergency, and have also installed signs for fire evacuation.

- *Equipment*. We equip our premises with the proper fire safety equipment and systems, and regularly assess the need to upgrade our equipment and facilities to achieve better ventilation, humidity, fire and heat protection.

- *Management of licenses and certificates*. We have devised our license and certificate management policies, which govern the applications for the required as-built acceptance check on fire prevention or fire safety filing or the fire safety inspections, as the case may be, among other things. The license and certificate management policies explicitly require every new restaurant to be opened only after we have obtained the relevant Fire Safety Inspection Approvals.

Our internal control consultant conducted the first follow-up review from March 17 to 24, 2021. During the review, our internal control consultant reviewed our internal control policy, measures and procedures with respect to fire safety. Our internal control consultant also conducted on-site inspection on certain sampled restaurants as part of their review with respect to our fire safety management and operational management measures.

As part of our enhanced compliance efforts, from March 2021 to August 2021, we required all of our restaurants to be opened only after obtaining verbal permissions from the relevant competent authorities. As such, all of our restaurants opened during such period obtained such verbal permissions from the relevant competent authorities before opening. In addition, we also proactively reached out to the relevant competent authorities to obtain verbal permissions for the restaurants that were still in the process of obtaining the relevant Fire Safety Inspection Approvals and remained in operation during this period to confirm that such restaurants may continue to operate. As advised by our PRC Legal Adviser, based on the above verbal permissions, the risk that we would be required to close the relevant restaurants is low.

We fully implemented the enhanced internal control measures in September 2021 and require all new restaurants to be opened only after we have obtained the relevant Fire Safety Inspection Approvals. From October 11 to 22, 2021, our internal control consultant conducted a second follow-up review with respect to our enhanced internal control measures and procedures that were fully implemented since September 2021. During this review, our internal control consultant reviewed our fire safety policies, measures and procedures. It also conducted on-site inspection on all of the new restaurants opened in September 2021 to review the relevant Fire Safety Inspection Approvals and understand the personnel responsible for fire safety in each restaurant, continuing fire safety education at the restaurant level, adequacy of fire safety equipment and system, emergency evacuation plan and fire safety drills. Except for six restaurants which we are not required to obtain the Fire Safety Inspection Approvals due to local regulatory exemptions, all of the other new restaurants we opened since September 1, 2021 have obtained the relevant Fire Safety Inspection Approvals before opening.

The following table sets forth a summary of the rectification measures we implemented before opening newly opened or reopened restaurants during the periods indicated. For details of internal control measures relating to fire safety, see "– Internal Control and Risk Management" above.

	Total number of restaurants that had not obtained the Fire Safety Inspection Approvals at the time of opening /reopening	Fire safety inspection by our Fire Safety Consultant	Obtain verbal permissions from the relevant competent authorities
January 1, 2021 to February 28, 2021(1)	5	5	–
March 1, 2021 to August 31, 2021(1)(2)	13	13	13

Notes:

(1) For each restaurant opened before obtaining the relevant Fire Safety Inspection Approvals during the relevant periods, we obtained the relevant inspection report from the Fire Safety Consultant concluding that (i) the relevant restaurant complies with the relevant fire safety design, construction and equipment requirements under the fire safety laws and regulations, (ii) the premise on which the relevant restaurant is located has adequate fire safety equipment and signs and emergency evacuation plan and (iii) the premise where the relevant restaurant is located is in compliance with applicable building fire protection and fire safety standards (the "**Inspection Report**"). We started to implement this rectification measure on January 6, 2021.

(2) For each restaurant opened before obtaining the relevant Fire Safety Inspection Approvals, we obtained (i) the Inspection Report from our Fire Safety Consultant before the opening of such restaurant and (ii) verbal permissions from the relevant competent authorities before the opening of such restaurant. We started to implement this rectification measure in March 2021.

Our Directors are committed to operating our restaurants in compliance with the applicable fire safety laws and regulations and have implemented rigorous internal control measures to this end. We strictly applied our internal control measures that were then in effect before opening each restaurant, including each Historically Non-compliant Restaurant. Our internal control measures with respect to fire safety have been effective, as we have never been subject to any material administrative penalty or public notice of violations due to any fire safety issues with respect to our restaurants during the Track Record Period and up to the Latest Practicable Date. Furthermore, as a result of our rectification efforts, all of our restaurants that were in operation as of the Latest Practicable Date had obtained Fire Safety Inspection Approvals. After taking into account the above rectification and enhanced internal control measures and the Directors' undertaking that we will only open new restaurants after we have obtained the relevant Fire Safety Inspection Approvals going forward, our Directors are of the view that our Group's enhanced internal control measures (including fire safety measures) are adequate and effective and sufficient to ensure our Group's compliance going forward. Based on the above, including but not limited to (i) the enhanced internal control measures and procedures with respect to fire safety taken by the Company, (ii) the improvement of the Company's overall fire safety management and control system, (iii) the Fire Safety Consultant's view that the restaurant that had not obtained the relevant fire safety approvals as of the Latest Practicable Date complies with fire safety laws and regulations and the premise where this restaurant is located is in compliance with the relevant fire safety design, construction and equipment requirements under the fire safety laws and regulations, and (iv) the Company's internal control consultant's follow-up reviews on establishment and implementation of the enhanced fire safety system currently adopted by the Company as well as the discussion with the Company, the Joint Sponsors agree with the Directors' view above.

All of our restaurants that were in operation as of the Latest Practicable Date had obtained Fire Safety Inspection Approvals. Our Directors believe that our past non-compliance relating to Fire Safety Inspection Approvals would not have a material and adverse effect on our business and results of operations, considering that: (i) our PRC Legal Adviser has advised us that the risk that the Historically Non-compliant Restaurants would be subject to material administrative penalties for past non-compliance by the relevant fire safety authorities is low, (ii) we did not received any material administrative fines or penalties with respect to the aforementioned non-compliance during the Track Record Period and up to the Latest Practicable Date, (iii) the non-compliance did not and will not affect the safety of our guests and employees given that the Fire Safety Consultant has advised us that this restaurant complies with fire safety standards provided by the relevant PRC laws and regulations and are subject to supervision of and regular fire-related inspection by the relevant authorities, (iv) the Fire Safety Consultant has advised us that the one restaurant for which we were not able to complete either the required as-built acceptance check on fire prevention or fire safety filing or the fire safety inspections has complied with the applicable fire safety laws, regulations and standards to the extent the required as-built acceptance check on fire prevention or fire safety filing or the fire safety inspections for such restaurant, as the case may be, could be completed and there are no material impediments for this restaurant to pass the required as-built acceptance check on fire prevention or fire safety filing of the fire safety authorities, (v) we have enhanced our internal control measures and procedures as recommended by our independent internal control consultant, (vi) we are actively working on advancing our fire safety applications with the relevant landlord and the relevant regulatory authorities, and (vii) we have obtained indemnity from the Controlling Shareholders to indemnify our Group against losses as a result of any the non-compliance incidents.

Having considered that: (i) the Company had implemented a series of enhanced internal control measures in relation to fire safety during and after the Track Record Period; (ii) the Company conducted rectification measures, including but not limited to the engagement of the Fire Safety Consultant to conduct fire safety inspection on the restaurants that had not obtained the Fire Safety Inspection Approvals as of January 6, 2021, which is the date of engagement with the Fire Safety Consultant, and to review the new restaurants prior to their commencement of operations; (iii) the Company has actively worked and will continue to actively work to advance our applications for the relevant Fire Safety Inspection Approvals for the Historically Non-Compliant Restaurants; (iv) all the restaurants that were in operation as of the Latest Practicable Date had obtained Fire Safety Inspection Approvals; and (v) going forward, the Company will only open new restaurants after we have obtained the relevant Fire Safety Inspection Approvals, the Joint Sponsors are satisfied that the historical fire safety non-compliance as stated above does not impugn on the suitability of the Directors under Rules 3.08 and 3.09 of the Listing Rules.

Social Insurance and Housing Provident Funds

Background and Reasons for Non-compliance

During the Track Record Period and as of the Latest Practicable Date, we did not make full social insurance and housing provident fund contributions for certain employees. In 2021, 2022 and 2023, the aggregate shortfall of social insurance and housing provident fund contributions amounted to RMB5.8 million, RMB7.1 million and RMB9.0 million, respectively. Such non-compliance was primarily because (i) we have a large labor force with relatively high mobility, (ii) certain of our employees were not willing to bear the costs associated with social insurance and housing provident funds strictly in proportion to their salary and (iii) a certain number of our employees are migrant workers who are typically not willing to participate in the social welfare schemes of the city where they temporarily reside as such contributions are not transferrable among cities. In the event that our employees are not willing to participate in the housing provident fund schemes, we provided those employees with compensation and benefits in lieu of the relevant contributions.

Potential Legal Consequences

According to relevant PRC laws and regulations, (a) in respect of outstanding social insurance contributions, the relevant PRC authorities may demand us to pay the outstanding social insurance contributions within a stipulated deadline and we may be liable to a late payment fee equal to 0.05% of the outstanding amount for each day of delay; if we fail to make such payments, we may be liable to a fine of one to three times the amount of the outstanding contributions; and (b) in respect of outstanding housing provident fund contributions, we may be ordered to pay the outstanding housing provident fund contributions within a prescribed time period. If we were ordered to make such payment, we will do so within the prescribed time period.

As of the Latest Practicable Date, no material administrative action, fine or penalty had been imposed by the relevant regulatory authorities with respect to our social insurance contributions and housing provident funds, nor had we received any order or been informed to settle the under-contributions.

For social insurance, pursuant to the Urgent Notice on Enforcing the Requirement of the General Meeting of the State Council and Stabilizing the Levy of Social Insurance Payment (《關於貫徹落實國務院常務會議精神切實做好穩定社保費徵收工作的緊急通知》) promulgated on September 21, 2018, it is prohibited for administrative enforcement authorities to organize and conduct centralized collection of enterprises' historical social insurance arrears.

Having considered the foregoing, our Directors believe that such non-compliance would not have a material and adverse effect on our business and results of operations, considering that: (i) as advised by our PRC Legal Adviser, based on the relevant regulatory policies and the facts stated above, the likelihood that we would be required by relevant authorities to pay any shortfall for social insurance and housing provident fund contribution or become subject to material administrative penalties by relevant authorities due to our failure to provide full social insurance and housing provident fund contributions for our employees is remote; (ii) as of the Latest Practicable Date, we had not received any notification from the relevant PRC authorities requiring us to pay material shortfalls or the penalties with respect to social insurance and housing provident funds; (iii) we had not been subject to any material administrative penalties during the Track Record Period and up to the Latest Practicable Date; and (iv) we were not aware of any material employee complaints nor were involved in any material labor disputes with our employees with respect to social insurance and housing provident funds during the Track Record Period and up to the Latest Practicable Date.

Internal Control and Remedial Measures

We have taken the following rectification measures to prevent future occurrences of such non-compliances:

- We have enhanced our human resources management policies, which explicitly require social insurance and housing provident fund contributions to be made in full in accordance with applicable local requirements;

- We are in the process of communicating with our employees with a view to seeking their understanding and cooperation in complying with the applicable payment base, which also requires additional contributions from our employees;

- We have designated our human resources department to review and monitor the reporting and contributions of social insurance and housing provident fund on a monthly basis;

- We will keep abreast of latest developments in PRC laws and regulations in relation to social insurance and housing provident funds; and

- We will consult our PRC legal counsel on a regular basis for advice on relevant PRC laws and regulations to keep us abreast of relevant regulatory developments.

In addition, we have obtained confirmations from relevant local authorities that, in respect of the relevant periods stated therein, no administrative penalties had been imposed. Such local authorities include the relevant human resources and social insurance authorities at the provincial, municipal and district levels, as well as the housing provident fund management centers at the municipal level. We undertake to make timely payments for the deficient amount and overdue charges, as soon as requested by the competent governmental authorities.

Indemnification by Controlling Shareholders

Our Controlling Shareholders have undertaken to indemnify us if we were to incur any losses as a result of the non-compliance incidents mentioned above and the title defects of our leased properties. Please refer to section headed "Statutory and General Information – E. Other Information – 1. Estate duty, tax and other indemnities" in Appendix IV to this document.

RISK MANAGEMENT AND INTERNAL CONTROL

We are exposed to various risks in our operations and have established a risk management system with relevant policies and procedures that we believe are appropriate for our business operations. For details on the major risks identified by our management, see "Risk Factors." Our policies and procedures relate to managing our restaurant operations, procurement and food safety and quality.

To monitor the ongoing implementation of our risk management policies and corporate governance measures after the [**REDACTED**], we have adopted or will continue to adopt, among other things, the following risk management measures:

- establish an audit committee to review and supervise our financial reporting process and internal control system. Our audit committee consists of three members, namely Mr. Fan Yongkui, who serves as chairman of the committee, Mr. Shao Xiaodong and Mr. Bruno Robert Mercier. For the qualifications and experience of these committee members, see "Directors and Senior Management;"

- adopt various policies to ensure compliance with the Listing Rules, including but not limited to aspects related to risk management, connected transactions and information disclosure; and

- continue to organize training sessions for our Directors and senior management in respect of the relevant requirements of the Listing Rules and duties of directors of companies listed in Hong Kong.

In addition, we plan to engage an internal control consultant to review the effectiveness of our internal controls associated with our major business processes, identify deficiencies and areas for improvement, provide recommendations and review the implementation status of these remedial actions on an annual basis.

Our Directors are of the view that our enhanced internal control system is adequate and effective for our current operations.

OUR CONTROLLING SHAREHOLDERS

Immediately following the completion of the [**REDACTED**] (assuming that the [**REDACTED**] is not exercised), Mr. Wang, his wholly-owned holding company Yielding Sky, Ms. Lu, her wholly-owned holding company Contemporary Global Investments and Time Sonic, which is controlled by Mr. Wang and Ms. Lu as it is owned as to 99.9% by Absolute Smart Ventures, which is in turn wholly owned by East Superstar, both the holding vehicles used by Vistra Trust, will be entitled to exercise voting rights of approximately [**REDACTED**]% of the issued share capital of our Company. Accordingly, Mr. Wang, Yielding Sky, Ms. Lu, Contemporary Global Investments, Time Sonic, Absolute Smart Ventures, East Superstar and Vistra Trust are a group of controlling shareholders after the [**REDACTED**].

COMPETING INTEREST

Mr. Wang and Ms. Lu (as the case may be) control(s) Hangzhou Greentea and Beijing Greentea, the business of which were not transferred to our Group due to certain reasons such as, (i) inability to obtain consent from land owner regarding change of shareholders in Hangzhou Greentea and prohibition by the land owner of the land where Longjing Restaurant is located to transfer the lease to other land users or occupiers; and (ii) unwillingness of the minority shareholders of Beijing Greentea to waive their pre-emptive rights. For further details of the reasons, please refer to the section headed "Continuing Connected Transactions – Non-exempt Continuing Connected Transactions" in this document. For details of interests of Mr. Wang and Ms. Lu in Hangzhou Greentea and Beijing Greentea, please refer to "Continuing Connected Transactions – Connected Persons" in this document. There are potential competing risks between the operation of Hangzhou Greentea and Beijing Greentea, and the operation of other restaurants under the Group. To avoid competing business, Hangzhou Greentea and Beijing Greentea entered into two cooperation agreements, respectively, with us, dated May 1, 2017, which were subsequently replaced by two new cooperation agreements. Pursuant to the two cooperation agreements, (i) we shall be responsible for the operation of relevant restaurants; (ii) management fees equal to the relevant profits before taxes during the cooperation period shall be paid to our Group, offsetting accumulated losses incurred during previous financial year (if any); and (iii) the management fees shall be paid to our Group every six months. All two cooperation agreements will expire on December 31, [2026] and will be automatically renewed unless Hangzhou Dinghuan and Sanquan F&B terminate the agreement upon expiry. Please refer to the details in the section headed "Continuing Connection Transactions" in this document. We have decided to enter into continuing connected transactions with our connected persons instead of independent third parties primarily because the connected persons hold a majority interest in Hangzhou Greentea and Beijing Greentea. The financial results and the financial position of the underlying restaurants operated by the Group, namely Longjing Restaurant and Wangjing Restaurant are consolidated into the financial statements of the Group. Besides, we have been taken measures to ensure the delineation of the potential competing business and our business, including (i) not operating new restaurants within a radius of 3 kilometers as a general principle; and (ii) conducting feasibility research on customers acquisition and customer traffic flow prior to opening of any new restaurant. In addition, each of Longjing Restaurant and Wangjing Restaurant are under the management of the Group, like the other restaurants in the Group, we take charge of the employees management and resources distribution in these two restaurants and have consistent standards in terms of menu and pricing. Therefore, we can arrange same level of resources in terms of management and operation, to make sure no more favourable resources to be distributed in Longjing Restaurant and Wangjing Restaurant and no less favourable resources to be distributed to the restaurants in our Group which can also prevent Longjing Restaurant and Wangjing Restaurant from operations and behaviors that are not comply to our standards and therefore protect our reputation as a whole.

Except as disclosed above, each of our Controlling Shareholders and Directors confirm that he/she/it does not have any interest in a business, apart from the business of our Group, which competes or is likely to compete, directly or indirectly, with our business, which would require disclosure under Rule 8.10 of the Listing Rules.

DEED OF NON-COMPETITION

To ensure that competition does not develop between us and other business activities and/or interest of our Controlling Shareholders, our Controlling Shareholders have entered into the Deed of Non-Competition dated [●] in favor of our Company (for itself and as trustee for its subsidiaries) pursuant to which each of our Controlling Shareholders has jointly and severally, unconditionally and irrevocably undertaken that, except for Mr. Wang and Ms. Lu's respective interest in Hangzhou Greentea and Beijing Greentea (as the case may be), he, she or it will not (except through the Group and any investment or interests held through the Group), and will procure that his/her or its associates (except members of our Group) will not, during the Non-Competition Period (as defined below), directly or indirectly (including through nominees), either on his/her or its own account or in conjunction with or on behalf of any person, firm or company, among other things,

- invest in, participate in, engage in and/or operate or be interested in (in each case whether as a shareholder, partner, agent, employee or otherwise) any business which competes or is likely to complete, directly or indirectly, with the existing businesses of any member of our Group as described in this document, being Chinese restaurant operating business in the PRC (the "**Restricted Business**"); or

- take any action which interferes with or disrupts or may interfere with or disrupt the Restricted Business including, but not limited to, solicitation of any of the then current customers, suppliers or employees from any members of our Group.

The non-competition undertaking does not apply to the holding of securities in a company that is engaged in the Restricted Business, provided that the Controlling Shareholder or his/its close associates does not individually and in aggregate hold or control, directly or indirectly, the voting rights in respect of 10% or more of the issued share capital in any company that is engaged in the Restricted Business and is not able to control the board of such company.

Each of the Controlling Shareholders has also undertaken to the Company that during the Non-Competition Period, if he/she or it or his/her or its close associates (except members of our Group) becomes aware of, notice, is recommended or provided with any new business opportunity which will directly or indirectly compete or is likely to compete with the Restricted Business (the "**New Opportunity**"), he/she or it shall refer, and shall procure his/her or its close associates (except members of our Group) to refer, such new business opportunities to our Group subject to relevant laws, requirements or contractual arrangements with third parties:

(a) the Controlling Shareholder or his/her or its close associates (except members of our Group) shall as soon as reasonably practicable provide us with a written notification which includes all reasonable and necessary information known by Controlling Shareholder or his/her or its close associates (except members of our Group) (including the nature of the New Opportunity and necessary information relation to the cost of relevant investment or acquisition) for us to consider whether such New Opportunity would constitute competition or potential competition to the Restricted Business and whether engaging in such New Opportunity would be in the best interest of our Group and the shareholders of our Company as a whole ("**Offer Notice**"); and

(b) we shall as soon as possible and in any case within thirty (30) days upon receipt of the Offer Notice respond to the Controlling Shareholder or his/her or its close associates (except members of our Group). If we fail to reply within the above period, we shall be deemed to have abandoned such New Opportunity. If we determine to take up the New Opportunity, the Controlling Shareholder or his/her or its close associates (except members of our Group) would be obligated to offer such New Opportunity to us.

Our Group shall only exercise the right of first refusal upon the approval of all independent non-executive Directors who do not have any interest in such opportunity. The relevant Controlling Shareholder(s) and the conflicting Directors (if any) shall abstain from participating in and voting at and shall not be counted as quorum at all meetings of the Board where there is a conflict of interest or potential conflict of interest including but not limited to the relevant meeting of our independent non-executive Directors for considering whether or not to exercise the right of first refusal.

Pursuant to the Deed of Non-Competition, the respective obligations of each of our Controlling Shareholders under the Deed of Non-Competition shall become effective on the [**REDACTED**] and the above restrictions would only cease to have effect upon the earlier of the date of: (i) our Shares being canceled or ceased to be [**REDACTED**] on the Stock Exchange; or (ii) so far as a Controlling Shareholder is concerned, it ceases to be a Controlling Shareholder of our Company (the "**Non-Competition Period**").

Our Company will adopt the following procedures to monitor the Deed of Non-Competition is being observed:

(i) our independent on-executive Directors shall review on an annual basis the above undertakings from the Controlling Shareholders and evaluate the effective implementation of the Deed of Non-Competition;

(ii) each of the Controlling Shareholders has undertaken to provide any information as is reasonably required by our Group or our independent non-executive Directors as a basis to decide whether to exercise the right of first refusal by our Company from time to time; and

(iii) each of the Controlling Shareholders has undertaken to provide all information necessary for the annual review by our independent non-executive Directors and the enforcement of the Deed of Non-Competition, and to provide an annual confirmation on the compliance of the non-competition undertaking for inclusion in the annual report of our Company.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Having considered the following factors, our Directors are satisfied that we are capable of carrying out our business independently from the Controlling Shareholders and their respective close associates after the [**REDACTED**].

Management Independence

The Board comprises three executive Directors, three non-executive Directors and three independent non-executive Directors. Although Mr. Wang is chairman of the Board, and executive Director and also a Controlling Shareholder, our management and operational decisions are made by our executive Directors and senior management as a whole, most of whom have served our Group for a long time and have substantial experience in the industry in which we are engaged. Please see the section "Directors and Senior Management" for further details.

Each of our Directors is aware of his/her fiduciary duties as a director which require, among others, that he/she must act for the benefit of and in the best interests of our Company and not allow any conflict between his/her duties as a Director and his/her personal interests. The Directors shall not vote in any Board resolution approving any contract or arrangement or any other proposal in which he/she or any of his/her associates has a material interest and shall not be counted in the quorum present at the particular Board meeting.

Based on the above, our Directors are satisfied that our Board as a whole together with our senior management team are able to perform the managerial role in our Group independently.

Operational Independence

Although the Controlling Shareholders will retain a controlling interest in our Company after the [**REDACTED**], we have full rights to make all decisions regarding, and to carry out, our own business operations independently from our Controlling Shareholders and their respective close associates. Our Company (through our subsidiaries) holds or enjoys the benefit of all relevant licenses necessary to carry out our businesses, and has sufficient capital, equipment and employees to operate our business independently from our Controlling Shareholders and their respective close associates.

Based on the above, our Directors are satisfied that we have been operating independently from our Controlling Shareholders and their respective close associates during the Track Record Period and will continue to operate independently.

Financial Independence

During the Track Record Period and up to the Latest Practicable Date, our Group has our own internal control, accounting and financial management system, accounting and finance department, independent treasury functions for cash receipts and payment and we make financial decisions according to our own business needs.

In addition, we have independent access to third party financing and our Group does not rely on our Controlling Shareholders and/or their close associates by virtue of their provision of financial assistance. As of the Latest Practicable Date, the Company has no loans, advances and balances due to the Controlling Shareholders. During the Track Record Period, we have received financial assistance from Mr. Wang and Ms. Lu in the form of guarantees up to RMB40 million, which have been released in July 2021. Our Directors believe that we are capable of obtaining financing from external sources without reliance on the Controlling Shareholders.

Based on the above, our Directors believe that we have the ability to operate independently of our Controlling Shareholders and their respective close associates from a financial perspective and are able to maintain financial independence from our Controlling Shareholders and their respective associates.

CORPORATE GOVERNANCE MEASURES

Our Directors believe that there will be adequate corporate governance measures in place to manage conflicts of interest after [**REDACTED**]. In particular, we will implement the following measures effective upon [**REDACTED**]:

(a) our independent non-executive Directors will review, at least on an annual basis, the compliance by our Controlling Shareholders with the Deed of Non-Competition, the compliance and enforcement of which will be disclosed in the annual reports of the Company;

(b) as part of our preparation for the [**REDACTED**], we have amended our Articles of Association to comply with the Listing Rules. In particular, our Articles of Association provided that, unless otherwise provided, a Director shall not vote on any resolution approving any contract or arrangement or any other proposal in which such Director or any of his/her associates have a material interest nor shall such Director be counted in the quorum present at the meeting;

(c) a Director with material interests shall make full disclosure in respect of matters that conflict or potentially conflict with our interest and abstain from voting at the board meetings on matters in which such Director or his/her associates have a material interest, unless the attendance or participation of such Director at such meeting of the Board is specifically requested by a majority of the independent non-executive Directors;

(d) we are committed that our Board should include a balanced composition of executive and non-executive Directors (including independent non-executive Directors). We have appointed three independent non-executive Directors and we believe our independent non-executive Directors possess sufficient experience and they are free of any business or other relationship which could interfere in any material manner with the exercise of their independent judgment and will be able to provide an impartial, external opinion to protect the interests of our public Shareholders. Details of our independent non-executive Directors are set out in "Directors and Senior Management – Directors – Independent Non-executive Directors";

(e) in the event that our independent non-executive Directors are requested to review any conflicts of interests circumstances between our Group on the one hand and our Controlling Shareholders and/or our Directors on the other hand, our Controlling Shareholders and/or our Directors shall provide our independent non-executive Directors with all necessary information and our Company shall disclose the decisions of our independent non-executive Directors either through its annual report or by way of announcements; and

(f) we have appointed Altus Capital Limited as our compliance adviser, which will provide advice and guidance to us in respect of compliance with the applicable laws and the Listing Rules including various requirements relating to directors' duties and corporate governance.

Further, any transaction that is proposed between our Company and our Controlling Shareholders and their respective associates will be required to comply with the requirements of the Listing Rules, including, where appropriate, the reporting, annual review, announcement and independent Shareholders' approval requirements.

CONTINUING CONNECTED TRANSACTIONS

We have entered into a number of continuing agreements and arrangements with our connected persons (as defined under Chapter 14A of the Listing Rules) in our ordinary and usual course of business. Upon the [**REDACTED**] of the Shares on the Stock Exchange, the transactions disclosed under this section will constitute continuing connected transactions under Chapter 14A of the Listing Rules.

SUMMARY OF OUR CONTINUING CONNECTED TRANSACTIONS

Transaction	Applicable Listing Rules	Waiver sought	Proposed annual cap for the year ending December 31,		
			2024	2025	2026
				(RMB'000)	
Longjing Cooperation Agreement	14A.35, 14A.76(2)(a)	Announcement	15,800	17,700	19,800
Wangjing Cooperation Agreement	14A.35, 14A.76(2)(a)	Announcement	1,710	1,950	2,200
Longjing Framework Purchase Agreement	14A.35, 14A.76(2)(a)	Announcement	24,200	26,100	28,200
Wangjing Framework Purchase Agreement	14A.35, 14A.76(2)(a)	Announcement	5,600	6,000	6,500

CONNECTED PERSONS

The following persons, among others, will be our connected persons upon [**REDACTED**]:

- Mr. Wang, an executive Director and a substantial Shareholder, hence our connected person;

- Hangzhou Greentea Catering Management Co., Ltd. ("**Hangzhou Greentea**"), a limited company incorporated in the PRC, with Mr. Wang controlling the exercise of 30% or more of the voting power at the general meetings, hence an associate (as defined under Chapter 14A of the Listing Rules) of Mr. Wang and our connected person. Hangzhou Greentea is wholly-owned by Mr. Wang; and

- Beijing Greentea Catering Management Co., Ltd. ("**Beijing Greentea**"), a limited company incorporated in the PRC, with Mr. Wang controlling the exercise of 30% or more of the voting power at the general meetings, hence an associate (as defined under Chapter 14A of the Listing Rules) of Mr. Wang and our connected person. Beijing Greentea is held as to 60.0% by Mr. Wang through an intermediate holding company. The remaining 40.0% is held equally by Mr. Yue Xiaojun and Mr. Jiang Zhuyu, two individual minority shareholders who are independent third parties. Both individuals are primarily engaged in the media and entertainment industry. They are responsible for providing advices and overseeing market expansion plan for Beijing Greentea. Their respective returns on investments are realized by payment of an annual consultation fee to the two independent minority shareholders, which amounted to RMB0.3 million, nil and RMB0.3 million for the years ended December 31, 2021, 2022 and 2023.

Accordingly, the following transactions, which will continue after the [**REDACTED**], will constitute continuing connected transactions of our Group under Chapter 14A of the Listing Rules.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

Our Group has entered into the following agreements and transactions which will, upon [**REDACTED**], constitute continuing connected transactions which are exempt from the independent shareholders' approval requirement, but subject to the reporting, annual review and announcement requirements under rule 14A.76(2) of the Listing Rules.

Cooperation Agreement with Hangzhou Greentea in relation to the restaurant located on Longjing Road, Hangzhou, which was established by Hangzhou Greentea ("Longjing Restaurant")

Parties: Hangzhou Greentea and Hangzhou Dinghuan (a wholly-owned subsidiary of our Group)

Principal terms: We entered into a cooperation agreement and a supplemental cooperation agreement with Hangzhou Greentea on May 1, 2017, and April 28, 2023, respectively, which were subsequently replaced by a new cooperation agreement dated [●], [2024] (the "**Longjing Cooperation Agreement**"). Pursuant to the Longjing Cooperation Agreement, (i) Hangzhou Dinghuan shall be responsible for the operation of Longjing Restaurant (including Phase I and Phase II); (ii) Hangzhou Greentea shall pay Hangzhou Dinghuan the management fees equal to its profits before taxes during the cooperation period (excluding the management fees), offsetting accumulated losses incurred during previous financial years (if any); (iii) the management fees shall be paid to Hangzhou Dinghuan every six months; and (iv) Hangzhou Greentea has been granted the right to use our trademarks and brand names.

The Longjing Cooperation Agreement will become effective on the [**REDACTED**] and will expire on December 31, [2026]. It will be automatically renewed for another three years subject to compliance with applicable Listing Rules unless terminated by Hangzhou Dinghuan upon expiry.

Reasons for the transaction: Longjing Restaurant is owned by Hangzhou Greentea and has not been transferred to our Group as the land owner does not allow any transfer of lease in the land users or occupiers on the land where Longjing Restaurant is located or agree to any change of shareholders of Hangzhou Greentea. We have negotiated with the land owner, however, as communicated between our Group and the land owner, they are not willing to transfer the lease because additional costs will be incurred from relevant procedures required for change of lease. The lease will expire in August 2051, and upon expiry of lease, our Company plans to use its best efforts to re-negotiate with the land owner for the transfer of lease from Hangzhou Greentea to our Group. To avoid any competition with our Group's business, Hangzhou Greentea and Hangzhou Dinghuan entered into the Longjing Cooperation Agreement.

Historical figures: The historical figures of the management and operation fees received by our Group under the Longjing Cooperation Agreement are set out below:

	Year ended December 31,		
	2021	**2022**	**2023**
		(RMB)	
Management and Operation Fees	6,724,739[(1)]	nil[(2)]	11,004,460[(3)]

Notes:

(1) Longjing Restaurant recorded an aggregate revenue of RMB32.8 million and a profit of RMB6.7 million (before the management and operation fees to our Group was deducted) for the year ended December 31, 2021.

(2) Longjing Restaurant recorded an aggregate revenue of RMB47.1 million and a loss of RMB1.0 million (before the management and operation fees to our Group was deducted) for the year ended December 31, 2022. Pursuant to the Longjing Cooperation Agreement, Hangzhou Greentea was not required to pay the management fees as a loss was recorded for the year ended December 31, 2022.

(3) Longjing Restaurant recorded an aggregate revenue of RMB69.2 million and a profit of RMB12.0 million (before the management and operation fees to our Group was deducted) for the year ended December 31, 2023. The Group received a management fee of RMB11.0 million after deducting the loss from year 2022.

(4) The Group is acting as a principal to operate the Longjing Restaurant with delegated decision-making rights pursuant to the Longjing Cooperation Agreement and controls the Longjing Restaurant business through the Longjing Cooperation Agreement under IFRS 10 *Consolidated financial statements*. Accordingly, the operation results of the Longjing Restaurant and related property, plant and equipment and right-of-use assets used for the operation of Longjing Restaurant are consolidated in the historical financial information of the Group during the Track Record Period.

Annual Caps: Our Directors expect that the amount of management and operation fees payable under the Longjing Cooperation Agreement will not exceed RMB15,800,000, RMB17,700,000 and RMB19,800,000 for the years ending December 31, 2024, 2025 and 2026, respectively.

Basis of Annual Caps: In determining the above annual caps, our Directors have considered (i) the historical management and operation cost during the Track Record Period; and (ii) the potential growth in its revenue of approximately 8.0% each year determined with reference to the number of operating days of 360 days per year and seating capacity of the restaurant with 503 seats and the overall growth of the casual Chinese restaurant market and the catering market in China. According to the CIC Report, casual Chinese restaurant market and the catering market in China are expected to maintain a growth at CAGR of 9.0% and 7.0% from 2023 to 2028, respectively. Our Company projects the growth for single store at a more conservative level than the industry overall growth.

Cooperation Agreement with Beijing Greentea in relation to the restaurant located in Wangjing area, Beijing, which was established by Beijing Greentea ("Wangjing Restaurant")

Parties: Beijing Greentea and Sanquan F&B (a wholly-owned subsidiary of our Group)

Principal terms: We entered into a cooperation agreement and a supplemental cooperation agreement with Beijing Greentea on May 1, 2017, and April 28, 2023, respectively, which were subsequently replaced by a new cooperation agreement dated [●], [2024] (the "**Wangjing Cooperation Agreement**"). Pursuant to the Wangjing Cooperation Agreement, (i) Sanquan F&B shall be responsible for the operation of Wangjing Restaurant; (ii) Beijing Greentea shall pay Sanquan F&B the management fees equal to its profits before taxes during the cooperation period (excluding the management fees), offsetting accumulated losses incurred during previous financial years (if any); (iii) the management fees shall be paid to Sanquan F&B every six months; and (iv) Beijing Greentea has been granted the right to use our trademarks and brand names.

The Wangjing Cooperation Agreement will become effective on the [**REDACTED**] and will expire on December 31, [2026]. It will be automatically renewed for another three years subject to compliance with applicable Listing Rules unless terminated by Sanquan F&B upon expiry.

Reasons for the transaction: Wangjing Restaurant was established by Beijing Greentea, which was also owned by two independent minority shareholders. Pursuant to the relevant PRC laws and regulations, any transfer of shares must obtain approval from the majority of other shareholders and the minority shareholders are entitled to pre-emption rights in case of any share transfers to parties other than the existing shareholders. We have negotiated with the minority shareholders, however as communicated between our Group and the minority shareholders, they are not willing to waive such pre-emptive rights and hence interest of Beijing Greentea is not able to be transferred to our Group. The minority shareholders are aware of and have consented to the continuing connected transactions with regards to Wangjing Restaurant. As long as the Company or Mr. Wang is not able to obtain waiver from the minority shareholders on their pre-emption rights and their approval regarding transfer of shares, even though Mr. Wang is a majority shareholder of Beijing Greentea, he is not able to transfer the entire business of Beijing Greentea to the Group unless the minority shareholders provided their consents. To avoid any competition with our Group's business, Beijing Greentea and Sanquan F&B entered into the Wangjing Cooperation Agreement.

Historical figures: The historical figures of the management and operation fees received by our Group under the Wangjing Cooperation Agreement are set out below:

	Year ended December 31,		
	2021	**2022**	**2023**
		(RMB)	
Management and Operation Fees	945,090[(1)]	nil[(2)]	1,446,151[(3)]

Notes:

(1) Wangjing Restaurant recorded an aggregate revenue of RMB13.1 million and a profit of RMB1.3 million (before the management and operation fees to our Group, as well as the annual consultation fee to minority shareholders were deducted) for the year ended December 31, 2021.

(2) Wangjing Restaurant recorded an aggregate revenue of RMB12.1 million and a loss of RMB0.3 million (before the management and operation fees to our Group, as well as the annual consultation fee to minority shareholders were deducted) for the year ended December 31, 2022. Pursuant to the Wangjing Cooperation Agreement, Beijing Greentea was not required to pay the management fees as a loss was recorded for the year ended December 31, 2022.

(3) Wangjing Restaurant recorded an aggregate revenue of RMB14.8 million and a profit of RMB2.0 million (before the management and operation fees to our Group, as well as the annual consultation fee to minority shareholders were deducted) for the year ended December 31, 2023. The Group received a management fee of RMB1.4 million after deducting the loss from year 2022.

(4) The annual consultation fee to minority shareholders is calculated by deducting headquarter expenses such as salary and R&D costs from profit before tax multiplied by 40%, representing the interest of the minority shareholders.

(5) The Group is acting as a principal to operate the Wangjing Restaurant with delegated decision-making rights pursuant to the Wangjing Cooperation Agreement and controls the Wangjing Restaurant business through the Wangjing Cooperation Agreement under IFRS 10 *Consolidated financial statements*. Accordingly, the operation results of the Wangjing Restaurant and related property, plant and equipment and right-of-use assets used for the operation of Wangjing Restaurant are consolidated in the historical financial information of the Group during the Track Record Period.

Annual Caps:

Our Directors expect that the amount of management and operation fees payable under the Wangjing Cooperation Agreement will not exceed RMB1,710,000, RMB1,950,000 and RMB2,200,000 for the years ending December 31, 2024, 2025 and 2026, respectively.

Basis of Annual Caps:

In determining the above annual caps, our Directors have considered (i) the historical management and operation cost during the Track Record Period; and (ii) the potential growth in its revenue of approximately 8.0% each year determined with reference to the number of operating days of 360 days per year and seating capacity of the restaurant with 232 seats and the overall growth of the casual Chinese restaurant market and the catering market in China. According to the CIC Report, casual Chinese restaurant market and the catering market in China are expected to maintain a growth at CAGR of 9.0% and 7.0% from 2023 to 2028, respectively. Our company projects the growth for single store at a more conservative level than the industry overall growth.

In respect of the cooperation agreements described above, since both of the two cooperation agreements were entered into between our Group and the entities controlled by Mr. Wang and the transactions are similar in nature, the transactions contemplated under the two cooperation agreements will be aggregated and treated as if they were one transaction pursuant to Rules 14A.82(1) and 14A.83 of the Listing Rules.

Accordingly, the annual caps in respect of the transactions contemplated under the two cooperation agreements are aggregated, and such aggregated amount is used when calculating the relevant percentage ratios under Chapter 14 of the Listing Rules.

In relation to Longjing Cooperation Agreement, subject to the financial performance and operating results of Longjing Restaurant and the consent from the land owner, we plan to transfer Longjing Restaurant to our Group upon expiry of the respective leases. As advised by our PRC Legal Adviser, Longjing Restaurant and Wangjing Restaurant did not have any material non-compliance during the Track Record Period.

Framework Purchase Agreement with Hangzhou Greentea

Parties:	Hangzhou Greentea and Zhejiang Lvqin, (a wholly-owned subsidiary of our Group)
Principal terms:	We entered into a framework purchase agreement with Hangzhou Greentea on [●] (the "**Longjing Framework Purchase Agreement**"), pursuant to which Hangzhou Greentea purchases food ingredients, semi-processed food products and bakery products from us. The term of the Longjing Framework Purchase Agreement shall commence on the [**REDACTED**] and end on December 31, [2026], and the agreement will be automatically renewed for another three years subject to compliance with applicable Listing Rules unless the parties terminate the agreement upon expiry.
Pricing policy:	Under the Longjing Framework Purchase Agreement, the sale price of our food ingredients, semi-processed food products and bakery products shall be determined on a cost basis, including but not limited to costs of food ingredients, food processing, transportation and storage. In addition, the sale price to be paid by Hangzhou Greentea shall not be lower than the price we charge other subsidiaries within our Group, which also purchase food ingredients, semi-processed food products and bakery products from our central procurement department.

Reasons for the transaction: Supply of food ingredients, semi-processed food products and bakery products from our procurement department to Hangzhou Greentea helps (i) ensure the consistency of quality, appearance, smell, taste and shape of dishes to be served at each restaurant; and (ii) lower the procurement costs of Hangzhou Greentea by taking advantage of the economies of scale of bulk procurement by our Group, which in turn increases the management fees payable to our Group which is equivalent to Longjing Restaurant's profit before tax.

Historical figures: The centralized procurement model was adopted in the beginning of 2021, and the purchase cost for the years ended December 31, 2021, 2022 and 2023 was RMB11.1 million, RMB16.7 million and RMB22.4 million, respectively.

Annual Caps: Our Directors expect that the total amount of sale proceeds payable to us under the Longjing Framework Purchase Agreement will not exceed RMB24,200,000, RMB26,100,000 and RMB28,200,000 for the years ending December 31, 2024, 2025 and 2026, respectively.

Basis of Annual Caps: In determining the above annual caps, our Directors have considered (i) the potential revenue growth of approximately 8.0% each year of Longjing Restaurant determined with reference to the number of operating days of 360 days per year and seating capacity of the restaurant with 503 seats and the overall growth of the casual Chinese restaurant market and the catering market in China; (ii) relevant costs, including but not limited to costs of food ingredients, food processing, transportation and storage; and (iii) the historical level of costs of food ingredients, semi-processed food products and bakery products procured from third parties as a percentage of total revenue of Longjing Restaurant. According to the CIC Report, casual Chinese restaurant market and the catering market in China are expected to maintain a growth at CAGR of 9.0% and 7.0% from 2023 to 2028, respectively. Our Company projects the growth for single store at a more conservative level than the industry overall growth.

Framework Purchase Agreement with Beijing Greentea

Parties:	Beijing Greentea and Zhejiang Lvqin, (a wholly-owned subsidiary of our Group)
Principal terms:	We entered into a framework purchase agreement with Beijing Greentea on [●] (the "**Wangjing Framework Purchase Agreement**"), pursuant to which Beijing Greentea purchases food ingredients, semi-processed food products and bakery products from us. The term of the Wangjing Framework Purchase Agreement shall commence on the [**REDACTED**] and end on December 31, [2026], and the agreement will be automatically renewed for another three years subject to compliance with applicable Listing Rules unless the parties terminate the agreement upon expiry.
Pricing policy:	Under the Wangjing Framework Purchase Agreement, the sale price of our food ingredients, semi-processed food products and bakery products shall be determined on a cost basis, including but not limited to costs of food ingredients, food processing, transportation and storage. In addition, the sale price to be paid by Beijing Greentea shall not be lower than the price we charge other subsidiaries within our Group, which also purchase food ingredients and semi-processed food from our central procurement department.
Reasons for the transaction:	Supply of food ingredients, semi-processed food products and bakery products from our procurement department to Beijing Greentea helps (i) ensure the consistency of quality, appearance, smell, taste and shape of dishes to be served at each restaurant; and (ii) lower the procurement costs of Beijing Greentea by taking advantage of the economies of scale of bulk procurement by our Group, which in turn increases the management fees payable to our Group which is equivalent to Wangjing Restaurant's profit before tax after deducting the consultation fee to minority shareholders.

Historical figures: The centralized procurement model was adopted in the beginning of 2021, and the purchase cost for the years ended December 31, 2021, 2022 and 2023 was RMB4.7 million, RMB4.6 million and RMB5.2 million, respectively.

Annual Caps: Our Directors expect that the total amount of sale proceeds payable to us under the Wangjing Framework Purchase Agreement will not exceed RMB5,600,000, RMB6,000,000 and RMB6,500,000 for the years ending December 31, 2024, 2025 and 2026, respectively.

Basis of Annual Caps: In determining the above annual caps, our Directors have considered (i) the potential revenue growth of approximately 8.0% each year of the Wangjing Restaurant determined with reference to the number of operating days of 360 days per year and seating capacity of the restaurant with 232 seats and the overall growth of the casual Chinese restaurant market and the catering market in China; (ii) relevant costs, including but not limited to costs of food ingredients, food processing, transportation and storage; and (iii) the historical level of costs of food ingredients, semi-processed food products and bakery products procured from third parties as a percentage of total revenue of the Wangjing Restaurant. According to the CIC Report, casual Chinese restaurant market and the catering market in China are expected to maintain a growth at CAGR of 9.0% and 7.0% from 2023 to 2028, respectively. Our Company projects the growth for single store at a more conservative level than the industry overall growth.

In respect of the framework purchase agreements described above, since both of the two framework purchase agreements were entered into between our Group and the entities controlled by Mr. Wang and the transactions are similar in nature, the transactions contemplated under the two framework purchase agreements will be aggregated and treated as if they were one transaction pursuant to Rules 14A.82(1) and 14A.83 of the Listing Rules.

Accordingly, the annual caps in respect of the transactions contemplated under the two framework purchase agreements are aggregated, and such aggregated amount is used when calculating the relevant percentage ratios under Chapter 14 of the Listing Rules.

THE DIRECTORS' VIEWS

In the view of the Directors (including the independent non-executive Directors), it is in the interests of our Group to continue with all the connected transactions described in this section after the [**REDACTED**], and that all these transactions are conducted on normal commercial terms, were entered into in the ordinary and usual course of business of our Group, the terms are fair and reasonable and are in the interests of the Shareholders as a whole. In addition, the proposed annual caps for the non-exempt continuing connected transactions described above are fair and reasonable and in the interests of the Shareholders as a whole.

CONFIRMATION FROM THE JOINT SPONSORS

Based on the data and information provided by the Company, having made reasonable inquiries and after due and careful consideration, the Joint Sponsors are of the view that as of the date of this document, the non-exempt continuing connected transactions described above, and for which waivers have been sought, will be entered into in the ordinary and usual course of business of our Group, on normal commercial terms or better that are fair and reasonable and in the interests of the Company and its Shareholders as a whole, and that the respective proposed annual caps are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

APPLICATION FOR WAIVER

In respect of the transactions described in "– Non-Exempt Continuing Connected Transactions" above, as the Directors currently expect, all relevant "percentage ratios" (other than the profits ratio) calculated for the purpose of Chapter 14A of the Listing Rules will be, on an annual and aggregated basis, more than 0.1% and less than 5%. The transactions will be exempt from the circular (including independent financial advice) and independent Shareholders' approval requirements but subject to the annual reporting and announcement requirements as set out in Rules 14A.49, and 14A.35 of the Listing Rules and the annual review requirements as set out in Rules 14A.55 to 14A.59 and 14A.71(6) of the Listing Rules.

As described above, we expect these non-exempt continuing connected transactions to be carried out on a continuing basis and to extend over a period of time. Our Directors therefore consider that strict compliance with the announcement requirements under the Listing Rules would be impractical and unduly burdensome and would impose unnecessary administrative costs upon us.

Accordingly, we have applied to the Stock Exchange for, [and the Stock Exchange has granted], a waiver from strict compliance with the announcement requirements relating to the continuing connected transactions under Rules 14A.35 of the Listing Rules in respect of the transactions described in "– Non-Exempt Continuing Connected Transactions" above.

We will, however, comply at all times with the applicable provisions under 14A.34, 14A.49, 14A.51, 14A.59, and 14A.71 of the Listing Rules in respect of these non-exempt continuing connected transactions.

In the event of any future amendments to the Listing Rules imposing more stringent requirements than those as of the date of this document on the continuing connected transactions referred to in this section, we will take immediate steps to ensure compliance with such new requirements.

DIRECTORS

The following table sets out certain information in respect of our Directors:

Name	Age	Position(s)	Date of appointment as Director	Date of joining our Group	Roles and responsibilities	Relationship with other Directors or Senior Management Members
Wang Qinsong (王勤松)	52	Chief executive officer, chairman of our Board and executive Director	July 9, 2015	October 2008	Overseeing the overall management and business operation, board affairs, formulating strategies and operational plans, and making major business decision of our Group	Spouse of Ms. Lu and uncle of Mr. Wang Jiawei
Yu Liying (于麗影)	37	Executive Director and vice president	May 25, 2017	October 2008	Responsible for the management of supply chain, construction projects and public relations and the expansion of restaurant network	Sister in law of Ms. Lu
Wang Jiawei (王佳偉)	40	Executive Director, financial director and board secretary	May 25, 2017	May 2013	Overseeing the development, day-to-day management and financial and capital management of our Group	Nephew of Mr. Wang
Lu Changmei (路長梅)	44	Non-executive Director	July 9, 2015	October 2008	Responsible for providing strategic advice and recommendations on the operations and management of our Group	Spouse of Mr. Wang
Liu Sheng (劉盛)	42	Non-executive Director	May 25, 2017	May 2017	Responsible for providing strategic advice and recommendations on the operations and management of our Group	None

Name	Age	Position(s)	Date of appointment as Director	Date of joining our Group	Roles and responsibilities	Relationship with other Directors or Senior Management Members
Xu Ruijie (徐睿婕)	34	Non-executive Director	December 5, 2023	December 5, 2023	Responsible for providing strategic advice and recommendations on the operations and management of our Group	None
Shao Xiaodong (邵曉東)	53	Independent non-executive Director	[●]	[●]	Providing independent judgment and advice to the Board	None
Bruno Robert Mercier	64	Independent non-executive Director	[●]	[●]	Providing independent judgment and advice to the Board	None
Fan Yongkui (范永奎)	39	Independent non-executive Director	[●]	[●]	Providing independent judgment and advice to the Board	None

SENIOR MANAGEMENT

Our senior management team, in addition to the executive Directors listed above, comprises the following:

Name	Age	Position(s)	Date of appointment	Date of joining our Group	Roles and responsibilities	Relationship with other Directors or Senior Management Members
Zhang Li (張立)	40	Chief Financial Officer	August 31, 2020	August 2020	Overseeing the finance, strategic investments and investors' relationship of our Group	None
Tai Fang (邰芳)	49	Vice president	January 15, 2019	January 2019	Responsible for business operation and management of our Group	None

DIRECTORS

The Board currently consists of nine Directors, comprising three executive Directors, three non-executive Directors and three independent non-executive Directors. The functions and duties of the Board include convening shareholders' meetings, reporting on the Board's work at these meetings, implementing the resolutions passed on these meetings, determining business and investment plans, formulating our annual budget and final accounts, and formulating our proposals for profit distributions and for the increase or reduction of registered capital. In addition, the Board is responsible for exercising other powers, functions and duties in accordance with the Articles of Association, and all applicable laws and regulations, including the Listing Rules.

The biography of each of our Directors is set out below.

Executive Directors

Mr. Wang Qinsong (王勤松), aged 52, is our co-founder, chairman of the Board, chief executive officer and executive Director. Mr. Wang has around 20 years of experience in the hospitality and food and beverage industries and is experienced in business management. With his extensive experience in restaurant operations, he is principally responsible for overseeing the overall management and business operation of our Group, including coordinating board affairs, formulating strategies and operational plans and making major business decisions. Mr. Wang has been the chairman of the board since January 2017 and the chief executive officer since January 2018 at Tibet Green Tea F&B. Mr. Wang served as a general manager at Hangzhou Green Tea Food & Beverage Management Company Limited (杭州綠茶餐飲管理有限公司) ("**Hangzhou Green Tea F&B**") from October 2008 to December 2016, which was the predecessor of Tibet Green Tea F&B. Prior to founding our Group, he established Green Tea Youth Hostel (綠茶青年旅舍) at November 2004 and served as the general manager from December 2004 to September 2007. Mr. Wang was admitted to Executive Education Program at the Cheung Kong Graduate School of Business (長江商學院) in April 2019, in the PRC.

Mr. Wang does not hold any current or past directorship in any listed companies in the last three years preceding the date of this document.

Ms. Yu Liying (于麗影), aged 37, is our executive Director and vice president. Ms. Yu has around 15 years of experience in restaurant operations and is experienced in business management. She is primarily responsible for the management of supply chain, construction projects and public relations and the expansion of restaurant network. Ms. Yu has been serving as a vice president at Tibet Green Tea F&B since January 2017. Ms. Yu managed stores between October 2008 to December 2011 for Hangzhou Green Tea F&B, which was the predecessor of Tibet Green Tea F&B. She was later promoted and successively served as a regional manager, then a regional general manager and then a vice president in charge of brand operation and chief operating officer at Hangzhou Green Tea F&B until December 2016. Ms. Yu is pursuing an executive master of business administration (EMBA) degree from the Cheung Kong Graduate School of Business (長江商學院) in the PRC.

Ms. Yu does not hold any current or past directorship in any listed companies in the last three years preceding the date of this document.

Mr. Wang Jiawei (王佳偉), aged 40, is our executive Director, financial director and board secretary. He has around 14 years of experience in finance and accounting and is primarily overseeing the development, day-to-day management and financial and capital management of our Group. Mr. Wang Jiawei has served as a board secretary at Tibet Green Tea F&B since January 2017 and has served as a financial director since November 2019. Mr. Wang Jiawei worked as a financial director at Hangzhou Green Tea F&B between May 2013 to December 2016, which was the predecessor of Tibet Green Tea F&B. Prior to joining our Group, Mr. Wang Jiawei was a project manager of BDO China Shu Lun Pan Certified Public Accountants LLP, Zhejiang Branch (立信會計師事務所(特殊普通合夥)浙江分所) from May 2010 to April 2013.

Mr. Wang Jiawei obtained his master's degree in finance from Zhejiang Institute of Finance & Economics (浙江財經學院) (now known as Zhejiang University of Finance & Economics (浙江財經大學)) in the PRC in March 2010. He has been a PRC certified public accountant (中國註冊會計師) certified by Zhejiang Province Certified Public Accountant Association (浙江省註冊會計師協會) since June 2012.

Mr. Wang Jiawei does not hold any current or past directorship in any listed companies in the last three years preceding the date of this document.

Non-executive Directors

Ms. Lu Changmei (路長梅), aged 44, is our co-founder and non-executive Director. Ms. Lu has around 20 years of experience in the hospitality and food and beverage industries and is experienced in business management. She is responsible for providing strategic advice and recommendations on the operations and management of our Group. Ms. Lu has been serving as a deputy general manager at Tibet Green Tea F&B since January 2017. She worked as the deputy general manager in Hangzhou Green Tea F&B between October 2008 to December 2016, which was the predecessor of Tibet Green Tea F&B. Prior to joining our Group, she established Green Tea Youth Hostel with Mr. Wang and served as the deputy general manager from December 2004 to September 2007.

Ms. Lu does not hold any current or past directorship in any listed companies in the last three years preceding the date of this document.

Mr. Liu Sheng (劉盛), aged 42, is our non-executive Director. With his extensive experience in finance and investment, Mr. Liu is primarily responsible for providing strategic advice and recommendations on the operations and management of our Group. Since 2013, he has been with Partners Group and has around 20 years of experience in finance and investment industry. He is managing director, head of greater China and a member of the Private Equity Direct Co-Investment in Health and Life Investment Committee in Partners Group and also a director in Partners Gourmet. Prior to joining Partners Group, Mr. Liu worked as an investment director at Cathay Capital Investment Consulting (Shanghai) Co., Ltd. from January 2007 to March 2013. He started his career at KPMG Hua Zhen LLP, Shanghai Branch, where he worked as an auditor from August 2004 to August 2006.

Mr. Liu has extensive experience in managing public and private companies. He has served as a director at Shanghai Aiyingshi Co., Ltd. (上海愛嬰室商務服務股份有限公司), a leading maternal and infant products retailer and relevant services provider listed on the Shanghai Stock Exchange (Stock Code: 603214) since its listing in March 2018. He has also served as a director in Moda Solution Limited, a leading store fixture solution service provider and in Apex Logistics Solutions International Pte. Ltd., a cross-border logistics service provider since September 2019 and February 2021, respectively.

Mr. Liu obtained his bachelor's degree in finance (securities and investment) from Shanghai University of Finance and Economics (上海財經大學) in the PRC in July 2004.

Ms. Xu Ruijie (徐睿婕), aged 34, is our non-executive Director. She is primarily responsible for providing strategic advice and recommendations on the operations and management of our Group. She has over 10 years of experience in consulting and private equity investment. She joined Partners Group in August 2016 and is currently a member of management for private equity Asia in Partners Group (Shanghai) Co. Ltd. Prior to joining Partners Group, Ms. Xu served as a senior consultant in consulting department at Booz & Company from July 2011 to July 2014.

Ms. Xu obtained her bachelor's degree in economics and international finance from University of Macau in Macau in August 2011 and a Master of Business Administration degree from Columbia University in the City of New York in May 2016.

Ms. Xu does not hold any current or past directorship in any listed companies in the last three years preceding the date of this document.

Independent Non-executive Directors

Mr. Shao Xiaodong (邵曉東), aged 53, was appointed as an independent non-executive Director of our Company on [●]. He is primarily responsible for providing independent judgment and advice to the Board.

Mr. Shao is a vice president of security and risk management group at Ant Group Co., Ltd. (螞蟻科技集團股份有限公司) (the "**Ant Group**"). He joined the Ant Group in July 2014 and has successively undertaken different roles including the deputy general manager of Alipay.com Co., Ltd, a leading third party payment platform provider and the general manager of safety management department and Xianghubao (相互寶). Prior to joining the Ant Group, he worked as a policeman for more than 23 years in Hangzhou Public Security Bureau (杭州市公安局) and was the head of the criminal investigation division when he left the Hangzhou Public Security Bureau in March 2014.

Mr. Shao graduated from East China University of Science and Technology (華東理工大學) in business administration via correspondence course in July 2006. He was honored as the outstanding chief security officer of the Yangtze River Delta region (長三角優秀首席安全官) in 2019 by Committee of the Outstanding Chief Security Officer of the Yangtze River Delta Region.

Mr. Shao does not hold any current or past directorship in any listed companies in the last three years preceding the date of this document.

Mr. Bruno Robert Mercier, aged 64, was appointed as an independent non-executive Director of our Company on [●]. He is primarily responsible for providing independent judgment and advice to the Board.

He is currently an independent non-executive director of Blue Moon Group Holdings Limited, a leader in the Chinese detergent market listed on the Main Board of the Stock Exchange (stock code: 6993), a director of Gramona SA, a family-owned Spanish premium winery and a non-executive member of the Supervisory Board of City Holdings Limited, a leading consumer products retailer and distributor in Myanmar, since February 2022.

He is also serving as an adviser to several other companies, including Driscoll's, a leading berries producer as well as a number of private equity and venture capital funds such as Nexus Point Capital. He is a member of the Bain Advisors Network, and an investor in tech start-ups focusing on retail and consumer goods. He also has provided one-off industry advice to Partners Group on three potential investment opportunities in 2015, 2018 and 2019.

From 2011 to 2017, Mr. Mercier was chief executive officer and executive director of Sun Art Retail Group Limited, one of China's largest and most profitable food retailers listed on the Main Board of the Stock Exchange (stock code: 6808). From 1999 to 2017, Mr. Mercier worked in the Auchan Group with various positions as development director, store manager and chief executive officer of Auchan (China) Investment Co., Ltd.. He also has many years of experience working in the consumer goods and consulting industries from 1983 to 1998, notably with Groupe Pernod Ricard, a global wines and spirits producer, in their China and Thailand operations as well as with McKinsey & Company.

Mr. Mercier holds a master's degree in business administration from European Institute of Business Administration (Institut Européen d'Administration des Affaires, "**INSEAD**"), and an engineering degree from the Ecole Nationale Supérieure Agronomique de Toulouse in France. He is an honorary citizen of the city of Suzhou and was awarded the Golden Magnolia medal by Shanghai City government in 2011.

Mr. Mercier was a director of the following company incorporated in the PRC when its business license was revoked. The relevant details are as follows:

Name of Company	Principal Business	Place of Incorporation	Reasons for the Revocation of Business License
Tianjin Auchan Supermarket Company Limited (天津歐尚超市有限公司) ("**Tianjin Auchan**")	Retail	PRC	Mr. Mercier was a director of Tianjin Auchan at the time of the revocation. To the best of Mr. Mercier's knowledge, the business licence of Tianjin Auchan was revoked in 2010 because of its failure to complete annual inspection as required under relevant PRC regulations and its failure to apply for deregistration following the cessation of its supermarket business. As confirmed by Mr. Mercier, the shareholders of Tianjin Auchan decided to cease the operation of Tianjin Auchan before 2010, therefore no annual inspection was conducted thereafter. Mr. Mercier further confirmed that Tianjin Auchan was solvent at the time of such revocation and cessation of business. Mr. Mercier confirmed that, as at the Latest Practicable Date, he has not incurred any liabilities as a result of such revocation and is not aware of any actual or potential claim that has been or will be made against him or Tianjin Auchan due to such revocation. In addition, our PRC legal advisers advised that, Mr. Mercier, as a director of Tianjin Auchan, is not in the position to apply or resolve to dissolve or deregister Tianjin Auchan, (which is a right reserved for shareholders) nor is at fault for the revocation of the business license of Tianjin Auchan.

Mr. Fan Yongkui (范永奎), aged 39, was appointed as an independent non-executive Director of our Company on [●]. He is primarily responsible for providing independent judgment and advice to the Board.

Mr. Fan has extensive experience in finance and accounting. He has been the vice president and chief financial officer of JNBY Design Limited (江南布衣有限公司) ("**JNBY**"), a leading designer brand fashion house listed on the Main Board of the Stock Exchange (stock code: 3306), since August 2021 and December 2022, respectively. Mr. Fan served as the finance director of JNBY from September 2015 to December 2022. Prior to joining JNBY, he worked as a financial analysis manager in (浙江大華技術股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 002236) from July 2010 to September 2015. Between May 2008 to June 2010, he was a project manager of BDO China Shu Lun Pan Certified Public Accountants LLP, Zhejiang Branch. He started his career in Zhejiang Zhongcheng Certified Public Accountants LLP (浙江中誠會計師事務所) in September 2006 and worked there until April 2008.

Mr. Fan obtained his bachelor's degree in landscape architecture from Zhejiang University (浙江大學) in June 2006. He has been a PRC certified public accountant (中國註冊會計師) certified by Zhejiang Province Certified Public Accountant Association (浙江省註冊會計師協會) since April 2009. He obtained the qualification for registered tax agent in the PRC in November 2013 and the qualification for certified public valuer in December 2011. He obtained a lawyer's practice certificate issued by the Ministry of Justice of the People's Republic of China in April 2021.

Mr. Fan does not hold any current or past directorship in any listed companies in the last three years preceding the date of this document.

Save as disclosed above, each of our Directors had no other relationship with any Directors, senior management, substantial shareholders or Controlling Shareholders of our Company and none of our Directors had held any other directorships in any other company listed in Hong Kong or overseas during the three years immediately preceding the date of this document. Save as disclosed herein, to the best knowledge, information and belief of our Directors having made all reasonable enquiries, there are no other matters in respect of each of our Directors that is required to be disclosed pursuant to Rule 13.51(2)(a) to (v) of the Listing Rules and there is no other material matter relating to our Directors that needs to be brought to the attention of our shareholders.

SENIOR MANAGEMENT

The biography of each of our senior management members is set out below.

Mr. Zhang Li (張立), aged 40, joined our Group and was appointed the chief financial officer on August 31, 2020. He has also been serving as chief financial officer at Tibet Green Tea F&B since August 2020. Mr. Zhang is primarily responsible for overseeing the finance, strategic investments and investors' relationship of our Group. He has around 15 years of experience in finance and accounting.

Mr. Zhang has been serving as an independent director of Nantong Yundom Precision Metal Works Co., Ltd (南通鋆鼎精密科技股份有限公司), an engineering and technology provider, since March 2023. Prior to joining our Group, Mr. Zhang was the chief financial officer at Hangzhou Runxian Finery Co., Ltd. between July 2019 to May 2020. Before that, he worked at Zhejiang Ronghe Network Technology Limited (浙江融合網絡技術有限公司), a website application developer and internet promotion marketing company as the chief financial officer between January 2017 to June 2019. From September 2015 to December 2016, Mr. Zhang served as a joint company secretary and board secretary at JNBY Design Limited (江南布衣有限公司), a leading designer brand fashion house listed on the Main Board of the Stock Exchange (stock code: 3306). From July 2014 to September 2015, he worked as the financial controller at JNBY Finery Co., Ltd. (江南布衣服飾有限公司), an indirectly wholly-owned subsidiary of JNBY Design Limited. Mr. Zhang started his career at Ernst & Young Hua Ming LLP, Shanghai Branch from October 2006 to April 2014, where he last served as an auditing manager.

Mr. Zhang graduated from Suzhou University (蘇州大學) with a bachelor's degree in international economy and trade in the PRC in June 2006 and is pursuing his EMBA degree from Zhejiang University (浙江大學) in the PRC. He has been a PRC Certified Public Accountant (中國註冊會計師) certified by The Chinese Institute of Certified Public Accountants (中國註冊會計師協會) since December 2009. He has been a Certified Management Accountant certified by The Institute of Management Accountants of United States of America since October 2020.

Mr. Zhang does not hold any current or past directorship in any listed companies in the last three years preceding the date of this document.

Ms. Tai Fang (邰芳), aged 49, joined our Group and was appointed as a vice president on January 15, 2019, primarily responsible for business operation and management of our Group. She has also been serving as vice president at Tibet Green Tea F&B since January 2019. Prior to joining our Group, Ms. Tai served as a store general manager, regional operation manager, senior operation director and vice president successively at South Beauty (Beijing) Enterprise Management Co., Ltd (俏江南(北京)企業管理有限公司), an F&B service management company in the PRC between 2004 to 2018.

Ms. Tai completed the China F&B president senior study program (中國餐飲業總裁高級研修班) in the School of Continuing Education at Tsinghua University in October 2007.

Ms. Tai does not hold any current or past directorship in any listed companies in the last three years preceding the date of this document.

JOINT COMPANY SECRETARIES

Ms. Lu Juan (盧娟), is the joint company secretary of our Company and was appointed on [●]. She is primarily responsible for the financial and the overall company secretarial matters of our Group.

Ms. Lu Juan joined our Group in May 2021 and has been serving as deputy director of financial department since then. She has over 10 years of experience in finance management. Prior to joining our Group, Ms. Lu Juan was the finance director at Zhejiang Yifuli Industrial Co., Ltd (浙江伊芙麗實業有限公司) from October 2019 to May 2021. Before that, she worked at Ribo Fashion Group Co, Ltd. (日播時尚集團股份有限公司), a fashion brand operation management group listed on Shanghai Stock Exchange (stock code: 603196) from February 2016 to September 2019, where she last served as senior financial manager. Ms. Lu Juan obtained a bachelor's degree in management from Donghua University (東華大學) in the PRC in March 2016 through online courses. She obtained the title of intermediate accountant (中級會計師) from Ministry of Finance of the People's Republic of China in September 2016 and a Certified Management Accountant certified by The Institute of Management Accountants United States of America since January 2022.

Ms. Lu Juan does not hold any current or past directorship in any listed companies in the last three years preceding the date of this document.

Ms. Lai Siu Kuen (黎少娟), is the joint company secretary of our Company and was appointed on [●]. She is a director of the company secretarial services of Tricor Services Limited, a global professional services firm. She is currently the company secretary or joint company secretary of certain companies, including Pujiang International Group Limited (stock code: 2060), Shanghai Junshi Biosciences Co., Ltd. (stock code: 1877) and Yangtze Optical Fibre and Cable Joint Stock Limited Company (stock code: 6869), the shares of which are all listed on the Main Board of the Stock Exchange. She has over 20 years of professional and in-house experience in the company secretarial field.

Ms. Lai obtained a bachelor's degree in accountancy from The Hong Kong Polytechnic University in November 1997. She is a fellow of both The Hong Kong Chartered Governance Institute (formerly known as The Hong Kong Institute of Chartered Secretaries) and The Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators).

BOARD COMMITTEES

Audit Committee

The Company established an audit committee in compliance with Rules 3.21 to 3.23 of the Listing Rules with written terms of reference in compliance with the Corporate Governance Code in Appendix C1 to the Listing Rules. The primary duties of our audit committee are to review, supervise and approve our financial reporting process and internal control system and to provide advice and comments to our Board.

Member of the audit committee are Mr. Fan Yongkui, Mr. Shao Xiaodong and Mr. Bruno Robert Mercier. Mr. Fan Yongkui is the chairman of the audit committee.

Remuneration Committee

The Company established a remuneration committee with written terms of reference in compliance with the Corporate Governance Code in Appendix C1 to Listing Rules. The remuneration committee reviews and recommends to our Board the remuneration and other benefits paid by us to our Directors and senior management. The remuneration of all our Directors and senior management is subject to regular monitoring by our remuneration committee to ensure that levels of their remuneration and compensation are appropriate.

Member of the remuneration committee are Mr. Shao Xiaodong, Mr. Wang Qinsong and Mr. Fan Yongkui. Mr. Shao Xiaodong is the chairman of the remuneration committee.

Nomination Committee

The Company established a nomination committee with written terms of reference in compliance with the Corporate Governance Code in Appendix C1 to the Listing Rules. The primary responsibilities of the nomination committee are to consider and recommend to our Board suitable and qualified candidates of Directors and to review the structure, size and composition of our Board and the board diversity policy adopted by our Company on a regular basis.

Member of the nomination committee are Mr. Wang Qinsong, Mr. Shao Xiaodong and Mr. Bruno Robert Mercier. Mr. Wang Qinsong is the chairman of the nomination committee.

BOARD DIVERSITY

To enhance the effectiveness of our Board and to maintain the high standard of corporate governance, we have adopted the board diversity policy which sets out the objective and approach to achieve and maintain diversity of our Board. Pursuant to board diversity policy, we seek to achieve board diversity by taking into consideration of various factors, including but not limited to professional experience, skills, knowledge, gender, age, cultural and education background, ethnicity and length of service with our Company.

Our Directors have a balanced mix of knowledge, skills and experience, including the areas of food and beverage, accounting, consumer goods and hospitality industries. They obtained academic degrees in various majors, including finance, accounting, landscape architecture and business administration. We have three independent non-executive Directors with different industry backgrounds, representing one-third of the members of our Board. Furthermore, our Board has a wide range of age, ranging from 34 years old to 64 years old. We have also taken, and will continue to take steps to promote gender diversity at all levels of our Company, including but not limited to the Board and the management levels. In particular, one of our executive Directors and two of our non-executive directors are also female. Going forward, our Company will take into consideration factors based on its own business model and specific needs from time to time in determining the optimum composition of our Board. All Board appointments will be based on meritocracy having due regard for the benefits of diversity on the Board.

Our Nomination Committee is responsible for ensuring the diversity of our Board members and compliance with relevant codes governing board diversity under the Corporate Governance Code contained in Appendix C1 of the Listing Rules. Our Nomination Committee will review the board diversity policy and our diversity profile (including gender balance) from time to time to ensure its continued effectiveness. We will also disclose in our corporate governance report about the implementation of the board diversity policy on an annual basis.

We are also committed to adopting similar approach to promote diversity, including but not limited to gender diversity, at all other levels of our Company from the Board downwards to enhance the effectiveness of our corporate governance as a whole.

CONFIRMATIONS FROM OUR DIRECTORS

Each of our Directors confirms that he or she (i) has obtained the legal advice referred to under Rule 3.09D of the Listing Rules in March 2021 and June 2024, and (ii) understands his or her obligations as a director of a listed issuer under the Listing Rules.

Each of the independent non-executive Directors has confirmed (i) his/her independence as regards each of the factors referred to in Rules 3.13(1) to (8) of the Listing Rules, (ii) he/she has no past or present financial or other interest in the business of the Company or its subsidiaries or any connection with any core connected person of the Company under the Listing Rules as of the Latest Practicable Date, and (iii) that there are no other factors that may affect his/her independence at the time of his/her appointments.

WAIVER GRANTED BY THE STOCK EXCHANGE

Management presence

We have applied to the Stock Exchange for[, and the Stock Exchange has granted], a waiver from strict compliance with the requirement under Rule 8.12 of the Listing Rules in relation to the requirement of management presence in Hong Kong. For details of the waiver, please see the section headed "Waivers from Strict Compliance with the Listing Rules – Management Presence in Hong Kong" in this document.

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

The aggregate amount of remuneration our Directors have received (including fees, salaries, contributions to pension schemes, discretionary bonuses, housing and other allowances and other benefits in kind) for the years ended December 31, 2021, 2022 and 2023 were approximately RMB3.1 million, RMB1.6 million and RMB3.2 million, respectively.

The aggregate amount of fees, salaries, contributions to pension schemes, discretionary bonuses, housing and other allowances and other benefits in kind paid to the five highest paid individuals of our Company, including Directors, for the years ended December 31, 2021, 2022 and 2023 were approximately RMB7.2 million, RMB3.6 million and RMB6.1 million, respectively.

Under the arrangements currently in force, the aggregate amount of remuneration, excluding discretionary bonuses, payable to our Directors for the year ending December 31, 2024 is estimated to be approximately RMB4.15 million.

No remuneration was paid by us to our Directors or the five highest paid individuals as an inducement to join or upon joining us or as a compensation for loss of office in respect of the years ended December 31, 2021, 2022 and 2023. Further, none of our Directors had waived any remuneration during the same period.

Save as disclosed above, no other payments have been made or are payable in respect of the years ended December 31, 2021, 2022 and 2023 by our Group to the Directors.

Our Board will review and determine the remuneration and compensation packages of our Directors and senior management which, following the [**REDACTED**], will receive recommendation from the Remuneration Committee which will take into account salaries paid by comparable companies, time commitment and responsibilities of the Directors and performance of our Group.

COMPLIANCE ADVISER

We have appointed Altus Capital Limited as our compliance adviser (the "**Compliance Adviser**") upon [**REDACTED**] of our Shares on the Stock Exchange in compliance with Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the Compliance Adviser will provide advice to us when consulted by us in the following circumstances:

- the publication of any regulatory announcement, circular or financial report;
- where a transaction, which might be a notifiable or connected transaction, is contemplated including share issues and share repurchases;
- where we propose to use the [**REDACTED**] of the [**REDACTED**] in a manner different from that detailed in this document or where its business activities, developments or results deviate from any forecast, estimate, or other information in this document; and
- where the Stock Exchange makes an inquiry of our Company regarding unusual movements in the price or trading volume of the Shares.

The term of the appointment shall commence on the [**REDACTED**] and end on the date on which our Company distributes its annual report in respect of its financial results for the first full financial year commencing after the [**REDACTED**]. This appointment may be subject to extension by mutual agreement.

CORPORATE GOVERNANCE CODE

Pursuant to code provision C.2.1 of the Corporate Governance Code in Appendix C1 to the Listing Rules, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. However, our Company does not have a separate chairman and president and the responsibility of both chairman and Chief Executive Officer vest in Mr. Wang. Our Board believes that vesting the responsibilities of both chairman and Chief Executive Officer in the same person has the benefit of ensuring the consistent leadership within our Group and enables more effective and efficient overall strategic planning of our Group. Besides, with three independent non-executive Directors out of a total of nine Directors in our Board, there will be sufficient independent voice within our Board to protect the interests of our Company and our Shareholders as a whole. Therefore, our Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable our Company to make and implement decisions promptly and effectively. Our Board will continue to review and consider splitting the roles of chairman of our Board and Chief Executive Officer of our Company at a time when it is appropriate and suitable by taking into account the circumstances of our Group as a whole.

As of the Latest Practicable Date, our Directors consider that our Company has fully complied with the Corporate Governance Code as set out in Appendix C1 to the Listing Rules. Our Directors will review the corporate governance policies of our Group and compliance with the Corporate Governance Code each financial year.

RSU SCHEME

We adopted the RSU Scheme on February 28, 2020, which was further amended and approved on May 20, 2022 and [●], 2024, respectively to motivate and retain skilled and experienced personnel to strive for the future development and expansion of the Group by providing them with the opportunity to own equity interests of the Company. The principal terms of the RSU Scheme are summarized in the section headed "Appendix IV – Statutory and General Information – D. Share Incentive Scheme" in this document.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following the completion of the [**REDACTED**] and assuming that the [**REDACTED**] is not exercised, the following persons will have an interest or a short position in Shares or underlying Shares of our Company which will be required to be disclosed to our Company and the Stock Exchange pursuant to the provisions of Division 2 and 3 of Part XV of the SFO or will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company:

		Immediately after the [REDACTED] (assuming the [REDACTED] is not exercised)(1)	
Name of Shareholder	**Nature of interest**	**Number of Shares(2)**	**Approximate percentage of interest in our Company**
Vistra Trust	Trustee of a trust(3)	[**REDACTED**]	[**REDACTED**]%
East Superstar	Interest in a controlled corporation(4)	[**REDACTED**]	[**REDACTED**]%
Absolute Smart Ventures	Interest in a controlled corporation(3)	[**REDACTED**]	[**REDACTED**]%
Time Sonic	Beneficial interest(3)	[**REDACTED**]	[**REDACTED**]%
Mr. Wang	Founder of a discretionary trust(3)	[**REDACTED**]	[**REDACTED**]%
Yielding Sky	Beneficiary of trust(3)	[**REDACTED**]	[**REDACTED**]%
Ms. Lu	Founder of a discretionary trust(3)	[**REDACTED**]	[**REDACTED**]%
Contemporary Global Investments	Beneficiary of trust(3)	[**REDACTED**]	[**REDACTED**]%
Partners Gourmet	Beneficial interest(5)	[**REDACTED**]	[**REDACTED**]%
Partners Group	Interest in controlled corporation(5)	[**REDACTED**]	[**REDACTED**]%

Notes:

(1) The calculation is based on the total number of [**REDACTED**] Shares in issue immediately following the completion of the [**REDACTED**] (assuming that the [**REDACTED**] is not exercised).

(2) All interests stated are long positions.

(3) Time Sonic is owned as to (i) 99.9% by Absolute Smart Ventures, the holding vehicle used by Vistra Trust, the trustee of Green Tea Family Trust, which is a discretionary trust established by Mr. Wang and Ms. Lu as the settlors and protectors and Yielding Sky (wholly-owned by Mr. Wang) and Contemporary Global Investments (wholly-owned by Ms. Lu) as the beneficiaries; (ii) 0.049% by Yielding Sky, which is wholly owned by Mr. Wang; and (iii) 0.051% by Contemporary Global Investments, which is wholly owned by Ms. Lu. Accordingly, each of Absolute Smart Ventures, Yielding Sky, Contemporary Global Investments, Mr. Wang and Ms. Lu is deemed to be interested in all the Shares held by Time Sonic.

(4) Absolute Smart Ventures is wholly owned by East Superstar, the holding vehicle used by Vistra Trust, the trustee of Green Tea Family Trust.

(5) Assuming the Series-A Preferred Shares are converted into the Shares on a one-for-one basis, Partners Gourmet shall hold [**REDACTED**] Shares, representing approximately [**REDACTED**]% of the total issued share capital of our Company upon [**REDACTED**]. Partners Gourmet is ultimately controlled by Partners Group, a company listed on the SIX Swiss Exchange (symbol: PGHN). As such, Partners Group is deemed to have an interest in the Shares held by Partners Gourmet.

Save as disclosed above and in the section headed "Statutory and General Information – C. Further Information about our Directors and Substantial Shareholders – 1. Disclosure of Interests" in Appendix IV to this document, our Directors are not aware of any person who will, immediately following the completion of the [**REDACTED**] and assuming that the [**REDACTED**] is not exercised, have an interest or a short position in the Shares or underlying Shares which will be required to be disclosed to our Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO or will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other Member of the Group.

SHARE CAPITAL

AUTHORIZED AND ISSUED SHARE CAPITAL

The following is a description of the authorized share capital of our Company as of the Latest Practicable Date and immediately following the completion of the [**REDACTED**] (without taking into account the exercise of the [**REDACTED**]):

Authorized share capital

As of the Latest Practicable Date:

Number of Shares	Description of Shares	Total Nominal Value *(US$)*	Approximate percentage of total share capital
[**REDACTED**]	Series-A Preferred Shares of US$[**REDACTED**] each	[**REDACTED**]	[**REDACTED**]%
[**REDACTED**]	Shares of US$[**REDACTED**] each	[**REDACTED**]	[**REDACTED**]%
[**REDACTED**]	Total	[**REDACTED**]	100.00%

Immediately following the completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised):

Number of Shares	Description of Shares	Total Nominal Value *(US$)*	Approximate percentage of total share capital
[**REDACTED**]	Shares of US$[**REDACTED**] each	[**REDACTED**]	100.00%

SHARE CAPITAL

The following is a description of the issued share capital of our Company in issue and to be issued as fully paid or credited as fully paid prior to and following the completion of the [**REDACTED**] (without taking into account the exercise of the [**REDACTED**]):

Issued share capital

As of the Latest Practicable Date:

Number of Shares	Description of Shares	Total Nominal Value (*US$*)	Approximate percentage of total share capital
[**REDACTED**]	Shares of US$[**REDACTED**] each	[**REDACTED**]	[**REDACTED**]%
[**REDACTED**]	Series-A Preferred Shares of US$[**REDACTED**] each	[**REDACTED**]	[**REDACTED**]%
[**REDACTED**]	Total	[**REDACTED**]	100.0%

Immediately following the completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised):

Number of Shares	Description of Shares	Total Nominal Value (*US$*)	Approximate percentage of total share capital
[**REDACTED**]	Shares in issue as of the date of this document (including the Shares on re-designation of the Series-A Preferred Shares)	[**REDACTED**]	[**REDACTED**]%
[**REDACTED**]	Shares to be issued pursuant to the [**REDACTED**]	[**REDACTED**]	[**REDACTED**]%
[**REDACTED**]	Total	[**REDACTED**]	100.00%

ASSUMPTIONS

The above table assumes that the [**REDACTED**] becomes unconditional and the Shares are issued pursuant to the [**REDACTED**]. The above does not take into account any Shares which may be issued pursuant to the exercise of the [**REDACTED**] or any Shares which may be issued or repurchased by our Company pursuant to the general mandates granted to our Directors to issue or repurchase Shares as described below.

MINIMUM PUBLIC FLOAT

At least [**REDACTED**]% of the total issued share capital of our Company must at all times be held by the public. The [**REDACTED**] represent not less than [**REDACTED**]% of the issued share capital of our Company upon [**REDACTED**].

RANKING

The Shares are ordinary shares in the share capital of our Company and rank equally with all Shares currently in issue or to be issued and, in particular, will rank in full for all dividends or other distributions declared, made or paid on the Shares in respect of a record date which falls after the date of this document.

CIRCUMSTANCES UNDER WHICH GENERAL MEETINGS AND CLASS MEETINGS ARE REQUIRED

Pursuant to the Companies Act and the terms of our Memorandum and Articles of Association, our Company may from time to time by ordinary resolution of shareholders (i) increase its capital; (ii) consolidate and divide its Shares into Shares of larger amount; (iii) divide its Shares into several classes; (iv) subdivide its Shares into Shares of smaller amount; and (v) cancel any Shares which have not been taken. In addition, our Company may, subject to the provisions of the Cayman Islands Law, reduce its capital or capital redemption reserve by special resolution of shareholders. For details, please see section headed "Summary of the Constitution of our Company and Cayman Islands Company Law – 2. Articles of Association – (iii) Alteration of capital" in Appendix III to this document.

Pursuant to the Companies Act and the terms of our Memorandum and Articles of Association, all or any of the special rights attached to the Share or any class of Shares may be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued Shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the Shares of that class. For details, please see section headed "Summary of the Constitution of our Company and Cayman Islands Company Law – 2. Articles of Association – (a)(ii) Variation of rights of existing shares or classes of shares" in Appendix III to this document.

Further, our Company will also hold general meetings from time to time as may be required under the Articles of Association, a summary of which is set out in the section headed "Summary of the Constitution of our Company and Cayman Islands Company Law" in Appendix III to this document.

GENERAL MANDATE TO ISSUE AND REPURCHASE SHARES

Subject to the conditions stated in "Structure and Conditions of the [**REDACTED**] – Conditions of the [**REDACTED**]", our Directors have been granted general unconditional mandates to issue and repurchase our Shares.

For further details of these general mandate, please see section headed "Statutory and General Information – A. Further Information About our Group – 3. Resolutions in Writing of the Shareholders of Our Company Passed on [●]" in Appendix IV to this document.

You should read the following discussion and analysis of our financial conditions and results of operations in conjunction with our consolidated financial statements as of and for each of the years ended December 31, 2021, 2022 and 2023, and the accompanying notes included in the Accountants' Report set out in Appendix I to this document. The consolidated financial statements have been prepared in accordance with IFRSs. Potential investors should read the Accountants' Report set out in Appendix I to this document in its entirety and not rely merely on the information contained in this section. The following discussion and analysis contain forward-looking statements that involve risks and uncertainties. For additional information regarding these risks and uncertainties, see "Risk Factors."

OVERVIEW

We are a well-known operator of casual Chinese restaurants in China. We create customer value by providing fusion cuisine at accessible price points and unique decoration inspired by Chinese traditional culture. With this vision, we opened our first Green Tea restaurant in 2008 by the beautiful West Lake in Hangzhou, and have built a nationwide restaurant network consisting of 382 restaurants and covering 21 provinces, four municipalities and two autonomous regions in the PRC as of the Latest Practicable Date. We ranked third in terms of number of restaurants and fourth in terms of revenue among casual Chinese restaurant brands in China in 2023, according to the CIC Report. Furthermore, we are the largest in terms of revenue that focuses on offering fusion cuisine among the casual Chinese restaurant brands, according to the same source. According to the CIC report, casual Chinese cuisine restaurant market is highly fragmented due to a large number of market participants, and we had a market share of 0.7% in 2023. In addition, according to the CIC report, casual Chinese cuisine restaurants have an average spending per guest in the range of RMB50 to RMB100.

Our restaurant network experienced substantial growth during the Track Record Period. Our total restaurants increased from 236 as of December 31, 2021 to 360 as of December 31, 2023, representing a CAGR of 23.5%. During the Track Record Period, we primarily focused on establishing our market presence in three key regions, namely Eastern China, Guangdong province and Northern China, which are the major economic centers of China. We took advantage of our brand reputation in these regions and opened new restaurants in districts with high pedestrian traffic. We also opened a number of restaurants in other regions during the Track Record Period as part of our effort to understand the market conditions and customer preferences in such regions. We expect such effort will serve as a foundation for our future expansion in these new markets.

Our revenue increased by 3.6% from RMB2,292.7 million in 2021 to RMB2,375.5 million in 2022, primarily due to the successful expansion of our restaurant network from 236 as of December 31, 2021 to 276 as of December 31, 2022, partially offset by a decrease in overall total guests served as a result of the negative impact of the resurgence of COVID-19 outbreaks in China. Our revenue further increased by 51.1% from RMB2,375.5 million in 2022 to RMB3,589.2 million in 2023, primarily attributable to (i) the strong recovery of our customer traffic due to a significant surge in consumer spending in the first half of 2023 following the easing of government-imposed restrictions related to COVID-19 in December 2022 and (ii) an increase in our restaurants in operation due to our restaurant expansion. In addition, as a result of our successful operation, we recorded net cash generated from operating activities of RMB377.0 million, RMB347.6 million and RMB793.2 million in 2021, 2022 and 2023, respectively.

FACTORS AFFECTING OUR FINANCIAL CONDITION AND RESULTS OF OPERATIONS

We believe the most significant factors that directly or indirectly affect our financial performance and results of operations include:

- number of restaurants in operation and expansion of our restaurant network;
- customer traffic and average spending per guest;
- same store sales;
- food supply prices;
- staff costs; and
- depreciation of right-of-use assets and other rentals and related expenses.

Number of restaurants in operation and expansion of our restaurant network

Our revenue is largely affected by the number of our restaurants in operation, and our future revenue growth depends on our ability to open new restaurants and expand our restaurant network. Set forth below is a summary of the changes in the number of restaurants in our network:

	For the year ended December 31,		
	2021	**2022**	**2023**
Number of restaurants at the beginning of the period	180	236	276
Number of new restaurants opened during the period	59	47	89
Number of restaurants closed during the period	(3)	(7)	(5)
Number of restaurants at the end of the period	236	276	360

During the Track Record Period, we primarily focused on establishing our market presence in three key regions, namely Eastern China, Guangdong province and Northern China, which are the major economic centers of China. We took advantage of our brand reputation in these regions and opened new restaurants in districts with high pedestrian traffic. The table below sets forth the breakdown of the number of our restaurants by geographical regions:

	As of December 31,		
	2021	**2022**	**2023**
Eastern China(1)	72	84	115
Guangdong province	57	63	72
Northern China(2)	52	55	56
Others(3)	55	74	117
Total	**236**	**276**	**360**

Notes:

(1) Consisting of Zhejiang, Shanghai, Anhui, Jiangsu, Jiangxi and Fujian.

(2) Consisting of Beijing, Hebei and Tianjin.

(3) Consisting of Yunnan, Inner Mongolia, Sichuan, Shandong, Shanxi, Guangxi, Henan, Hubei, Gansu, Tibet, Guizhou, Chongqing, Shaanxi, Heilongjiang, Liaoning, Jilin, Hunan and Hainan.

Our revenue further increased in 2022 as a result of our continuous restaurant network expansion effort and we opened 47 new restaurants in 2022. Our revenue also increased in 2023 as compared to that in 2022, primarily attributable to (i) the strong recovery of our customer traffic due to a significant surge in consumer spending in the first half of 2023 following the easing of government-imposed restrictions related to COVID-19 in December 2022 and (ii) an increase in our restaurants in operation due to our restaurant expansion. The table below sets forth the breakdown of our revenue generated from restaurant operation and delivery service by geographic regions for the periods indicated:

	For the year ended December 31,		
	2021	**2022**	**2023**
Revenue (in thousands of RMB):			
Eastern China(1)	617,906	710,137	1,107,548
Guangdong province	648,180	621,811	814,699
Northern China(2)	606,008	517,146	708,494
Others	419,607	524,539	946,401
Total	**2,291,701**	**2,373,633**	**3,577,142**

	For the year ended December 31,			
	2021	2022	2022	2023
Revenue growth (%):				
Eastern China(1)	14.9		56.0	
Guangdong province	(4.1)		31.0	
Northern China(2)	(14.7)		37.0	
Other(3)	25.0		80.4	
Total	**3.6**		**50.7**	

Notes:

(1) Consisting of Zhejiang, Shanghai, Anhui, Jiangsu, Jiangxi and Fujian.

(2) Consisting of Beijing, Hebei and Tianjin.

(3) Consisting of Yunnan, Inner Mongolia, Sichuan, Shandong, Shanxi, Guangxi, Henan, Hubei, Gansu, Tibet, Guizhou, Chongqing, Shaanxi, Heilongjiang, Liaoning, Jilin, Hunan and Hainan.

We opened 89 new restaurants in 2023 and plan to open 112, 150, 200 and 213 new restaurants in 2024, 2025, 2026 and 2027, respectively.

Customer traffic and average spending per guest

Our business is significantly affected by changes in our customer traffic and average spending per guest. The customer traffic and average spending per guest are affected by various factors, including macroeconomic factors, location of the restaurants, our menu mix and pricing, changes in discretionary spending patterns, as well as different spending and dine-out patterns for customers in different geographical locations. The following table sets forth our customer traffic and average spending per guest during the periods indicated:

	For the years ended December 31,		
	2021	2022	2023
Total guests served (thousands)(1)			
Eastern China(2)	10,418	11,363	17,594
Guangdong province	10,808	9,804	13,184
Northern China(3)	9,679	8,261	11,469
Other(4)	6,952	8,358	15,675
Overall	**37,857**	**37,786**	**57,922**

	For the years ended December 31,		
	2021	**2022**	**2023**
Average spending per guest (RMB)(5)			
Eastern China(2)	59.3	62.6	63.0
Guangdong province	60.0	63.5	61.8
Northern China(3)	62.6	62.7	61.8
Other(4)	60.4	62.8	60.4
Overall	**60.5**	**62.9**	**61.8**

Notes:

(1) Includes dine-in guests and customers who order take-outs for the period in the same region. We count one delivery order as one guest.

(2) Consisting of Zhejiang, Shanghai, Anhui, Jiangsu, Jiangxi and Fujian.

(3) Including Beijing, Hebei and Tianjin.

(4) Consisting of Yunnan, Inner Mongolia, Sichuan, Shandong, Shanxi, Guangxi, Henan, Hubei, Gansu, Tibet, Guizhou, Chongqing, Shaanxi, Heilongjiang, Liaoning, Jilin, Hunan and Hainan.

(5) Calculated by dividing revenue generated from restaurant operation and delivery service for the period by total guests served, including both dine-in customers and customers who order take-outs, for the period in the same region. For further details on how we calculate total guests served, see note (1).

Our overall total guests served slightly decreased from 37.9 million in 2021 to 37.8 million in 2022 because the operating hours of our restaurants were affected by the resurgence of COVID-19 outbreaks and the restrictive measures imposed by the relevant government authorities. However, we recorded an increase in total guests served in Eastern China and other regions in 2022 as we opened more new restaurants in these regions. In 2023, as the Chinese government lifted the "zero-COVID" policy in December 2022 and the performance of our restaurants showed a strong recovery due to a significant surge in consumer spending in the first half of 2023 following the COVID-19 pandemic, we recorded a strong recovery in total guests served in all regions as compared with that in 2022.

During the resurgence of COVID-19 outbreaks in 2022, our overall average spending per guest increased, mainly attributable to (i) our effort to boost the sales of our set menu packages, which were fixed at a higher price as compared to our à la carte menu items and (ii) the lower discount rates we offered for delivery orders as the demand for delivery orders increased due to the government-imposed restrictive measures. Our overall average spending per guest decreased in 2023, primarily because of the change in consumption preferences of our customers. According to CIC, such change is in line with the trend in our industry.

Same store sales

Our revenue and profitability are affected in part by our ability to successfully grow revenue from existing restaurants. Same store sales provide a year-to-year comparison of restaurant performance because it excludes the increases in revenue due to the opening of new restaurants by comparing the operational and financial performance of those restaurants that have been in operation.

The table below sets forth our same-store sales during the periods indicated.

	For the year ended December 31,			
	2021	2022	2022	2023
Number of same stores[1]				
Eastern China[2]	37		45	
Guangdong province	43		44	
Northern China[3]	42		46	
Other[4]	31		40	
Overall	**153**		**175**	
Same store sales (in thousands of RMB)[5]				
Eastern China[2]	384,304	345,060	446,473	563,046
Guangdong province	553,198	473,855	447,320	524,034
Northern China[3]	530,443	411,684	455,595	599,169
Other[4]	348,537	281,893	361,778	473,505
Overall	**1,816,482**	**1,512,492**	**1,711,166**	**2,159,754**
Same-store sales growth (%)				
Eastern China[2]	(10.2%)		26.1%	
Guangdong province	(14.3%)		17.1%	
Northern China[3]	(22.4%)		31.5%	
Other[4]	(19.1%)		30.9%	
Overall	**(16.7%)**		**26.2%**	

	For the year ended December 31,			
	2021	**2022**	**2022**	**2023**
Average same store sales per restaurant (in thousands of RMB)				
Eastern China[(2)]	10,387	9,326	9,922	12,512
Guangdong province	12,865	11,020	10,166	11,910
Northern China[(3)]	12,630	9,802	9,904	13,025
Other[(4)]	11,243	9,093	9,044	11,838
Overall	**11,872**	**9,886**	**9,778**	**12,341**

Notes:

(1) Consisting of restaurants that were open for more than 300 days during the years under comparison and had the same number of tables during the years under comparison.

(2) Consisting of Zhejiang, Shanghai, Anhui, Jiangsu, Jiangxi and Fujian.

(3) Consisting of Beijing, Hebei and Tianjin.

(4) Consisting of Yunnan, Inner Mongolia, Sichuan, Shandong, Shanxi, Guangxi, Henan, Hubei, Gansu, Tibet, Guizhou, Chongqing, Shaanxi, Heilongjiang, Liaoning, Jilin, Hunan and Hainan.

(5) Refers to the aggregate revenue generated from restaurant operation and delivery service at our same stores for the period indicated.

Explanation for changes in same store sales

In 2022, we recorded decreases in same store sales in all three key regions. Such decreases were primarily because of the resurgence of COVID-19 outbreaks in China, which greatly affected the operation of our restaurants.

In 2023, the same store sales in all three key regions increased as compared with that in 2022, as a result of the strong recovery of our customer traffic due to a significant surge in consumer spending in the first half of 2023 following the easing of government-imposed restrictions related to COVID-19 in December 2022. According to CIC, the strong performance in the catering industry in the first half of 2023 is primarily due to such significant surge in spending.

Food supply prices

Food supply prices have a direct impact on our cost of raw materials and consumables used, which in turn affects our profitability. Key supplies we use include semi-processed food products, bakery products and food ingredients, such as vegetables and fruits. We have devoted substantial efforts to secure sufficient supply of these supplies that meet our quality standards and at competitive prices. See "Business – Procurement" for further details. However, despite the various initiatives we have undertaken, the price and supply of these products and ingredients are nonetheless subject to a number of factors that are beyond our control, including availability and demand. See "Business – Procurement – Price Management." According to the National Bureau of Statistic of China, the PRC food price index, its food inflation indicator, increased by 15.5% from January 2019 to December 2023.

In 2021, 2022 and 2023, our raw materials and consumables used amounted to RMB846.0 million, RMB862.3 million and RMB1,205.2 million, respectively, representing 36.9%, 36.3% and 33.6% of our revenue for the respective periods. Throughout the Track Record Period, raw materials and consumables used as a percentage of our revenue continued to decrease despite inflation and increasing food prices in China. This is primarily a result of (i) improved economies of scale, (ii) our success in procurement cost control, (iii) our inventory control efforts and (iv) our ability to optimize our menu.

Going forward, the food price index in China is expected to moderately increase, subject to economic growth and consumption environment, according to CIC. In addition, we expect our raw materials and consumables used to increase in the future as we further expand our restaurant network across China. As a result, we plan to continue our procurement cost control efforts for our restaurants by optimizing our supply chain arrangements. For example, we have established a direct procurement center which will enable us to purchase fresh ingredients at competitive prices from local suppliers and control our procurement cost and monitor our inventory level. Our establishment of our centralized food processing facility and continuous collaboration with third-party food processing companies also enable us to standardize our food preparation process at our restaurants and increase operating efficiency to minimize our operational costs. We also plan to continue to adjust our menu and offer new menu items to offset the effect of inflation and rising food prices so as to maintain our profitability. We have conducted sensitivity analysis of the impact on our results of operations during the Track Record Period from hypothetical fluctuations in the food ingredient prices. See "Business – Procurement – Price Management" for more information.

Staff costs

Restaurant operations are highly service-oriented, and therefore our success, to a considerable extent, depends upon our ability to attract, motivate and retain a sufficient number of qualified employees, including restaurant managers and staff. Staff costs also have a direct impact on our profitability. As employee turnover rate tend to be higher in the catering industry, we offer competitive wages, career development opportunities and other benefits to our restaurant employees to manage employee turnover.

In 2021, 2022 and 2023, our staff costs amounted to RMB567.8 million, RMB626.4 million and RMB911.0 million, representing 24.8%, 26.4% and 25.4% of our revenue, respectively. Our staff costs as a percentage of our revenue increased from 24.8% in 2021 to 26.4% in 2022, primarily due to the negative impact of the recurrent outbreaks of COVID-19 which affected our results of operation. Our staff costs as a percentage of our revenue decreased from 26.4% in 2022 to 25.4% in 2023, primarily due to an increase in our restaurant level performance.

Going forward, the salary level in China and, in particular, in the catering industry is expected to further increase. We believe the resulting upward pressure on our staff costs as a percentage of total revenue could be mitigated by (i) further optimization of the restaurant level staffing and (ii) increasing utilization of food processing companies and further standardization at our restaurants. We also endeavor to enhance our operation efficiency to minimize the impact of the rising salary level in China.

Depreciation of Right-of-use Assets and Other Rentals and Related Expenses

We lease all of the properties on which we operate our restaurants and our headquarters. The lease arrangements for our restaurants generally last for five to 10 years with an option to renew. Our leases typically include a rent-free period of up to three months to facilitate the decoration and renovation of the premises and ramp-up of new restaurants. As of the Latest Practicable Date, we leased 655 properties in the PRC with an aggregate GFA of approximately 214,484.8 square meters, which are mainly used as restaurants.

The following table sets forth the lease profile of our restaurants, including restaurants that we operated under the cooperation agreements with our connected person, that are in operation as of the Latest Practicable Date:

	Lease term	Number of restaurants *(#)*	Total GFA *(square meter)*	Average GFA *(square meter)*	Average breakeven period for restaurants opened during the Track Record Period and are in operation as of the Latest Practicable Date[4] *(months)*
Eastern China[1]	One year or less	1	593	593	1.7
	Two years	1	465	465	
	Three to five years	3	1,682	560	
	Six to 10 years	80	38,081	476	
	11 to 15 years	34	16,509	486	
	16 to 20 years	4	1,985	496	
	21 to 31 years	2	940	470	

	Lease term	Number of restaurants *(#)*	Total GFA *(square meter)*	Average GFA *(square meter)*	Average breakeven period for restaurants opened during the Track Record Period and are in operation as of the Latest Practicable Date[(4)] *(months)*
Guangdong province	One year or less	1	470	470	1.8
	Two years	–	–	–	
	Three to five years	4	2,024	506	
	Six to 10 years	44	22,461	510	
	11 to 15 years	21	11,002	524	
	16 to 20 years	–	–	–	
	21 to 31 years	–	–	–	
Northern China[(2)]	One year or less	2	1,527	763	2.1
	Two years	–	–	–	
	Three to five years	4	2,307	577	
	Six to 10 years	33	17,048	517	
	11 to 15 years	13	7,115	547	
	16 to 20 years	1	498	498	
	21 to 31 years	–	–	–	
Other[(3)]	One year and less	–	–	–	1.8
	Two years	–	–	–	
	Three to five years	1	470	470	
	Six to 10 years	105	48,094	458	
	11 to 15 years	27	13,877	514	
	16 to 20 years	1	800	800	
	21 to 31 years	–	–	–	
Overall		**382**	**187,948**	**492**	**1.8**

Notes:

(1) Consisting of Zhejiang, Shanghai, Anhui, Jiangsu, Jiangxi and Fujian.

(2) Consisting of Beijing, Hebei and Tianjin.

(3) Consisting of Yunnan, Inner Mongolia, Sichuan, Shandong, Shanxi, Guangxi, Henan, Hubei, Gansu, Tibet, Guizhou, Chongqing, Shaanxi, Heilongjiang, Liaoning, Jilin, Hunan and Hainan.

(4) We did not include the higher-end restaurant that generally has higher average spending per guest when analyzing the average breakeven period.

In 2021, 2022 and 2023, our depreciation of right-of-use assets were RMB143.0 million, RMB161.0 million and RMB177.0 million, respectively, representing 6.2%, 6.8% and 4.9% of our revenue in the respective period, and our other rentals and related expenses were RMB63.9 million, RMB56.6 million and RMB80.3 million, respectively, representing 2.8%, 2.4% and 2.2% of our revenue in the respective periods. The increase in our depreciation of right-of-use assets as a percentage of our revenue from 2021 to 2022 was primarily due to the negative impact on our revenue in 2022 as we suspended the operation of a significant number of our restaurants for certain days in order to comply with the restrictive measures the government imposed to contain the COVID-19 pandemic. Our other rentals and related expenses as a percentage of our revenue decreased from 2.8% in 2021 to 2.4% in 2022 as the percentage of leases which were under variable payment arrangement decreased. Our depreciation of right-of-use assets as a percentage of our revenue decreased from 6.8% in 2022 to 4.9% in 2023, attributable to the strong recovery of our restaurant level performance in 2023. Our other rentals and related expenses as a percentage of our revenue decreased from 2.4% in 2022 to 2.2% in 2023, due to an increase in our restaurant level performance.

Going forward, we expect the rent for commercial real estate to further rise in China, particularly in the larger and more developed cities where a majority of our restaurants are located. As a result, we plan to take initiatives including (i) optimizing our location selection procedures and (ii) leveraging our strong brand recognition to negotiate with landlords and control our rental expenses and maintain our profitability. In addition, as we plan to continue our effort in expanding into lower-tier cities, where rent for commercial real estate is lower, we expect to incur lower rental expenses at these new locations.

IMPACT OF COVID-19

In 2021 and 2022, in an effort to control the COVID-19 pandemic, the PRC government placed significant restrictions on travel within China, implemented mandatory quarantine and closed certain businesses, work places and facilities, and governments outside of China have halted or sharply curtailed the movement of people, goods and services to and from China.

Due to the regional outbreaks of COVID-19 in various parts of China, we temporarily suspended the operation of a total of 47 restaurants across China for one to 59 days in 2021. We have reopened all of these restaurants as of the Latest Practicable Date.

The table below sets forth the information of restaurants that suspended operations in 2021 by geographical regions:

	Eastern China(1)	Guangdong province	Northern China(2)	Other(3)	Total
Number of restaurants closed for:					
– 1 day to 15 days	2	5	5	5	**17**
– 16 days to 30 days	1	10	4	7	**22**
– 31 days to 59 days	2	–	3	3	**8**
Total	**5**	**15**	**12**	**15**	**47**

Notes:

(1) Consisting of Zhejiang, Shanghai, Anhui, Jiangsu, Jiangxi and Fujian.

(2) Consisting of Beijing, Hebei and Tianjin.

(3) Consisting of Yunnan, Inner Mongolia, Sichuan, Shandong, Shanxi, Guangxi, Henan, Hubei, Gansu, Tibet, Guizhou, Chongqing, Shaanxi, Heilongjiang, Liaoning, Jilin, Hunan and Hainan.

Due to the regional outbreak of COVID-19 in various parts of China since January 2022, we temporarily suspended the operation of a total of 208 restaurants across China for one to 145 days in 2022 and have reopened all of these restaurants as of the Latest Practicable Date.

The table below sets forth the information of restaurants that suspended operations in 2022 by geographical regions:

	Eastern China(1)	Guangdong province	Northern China(2)	Other(3)	Total
Number of restaurants closed for:					
– 1 day to 15 days	18	11	2	9	**40**
– 16 days to 30 days	7	10	–	12	**29**
– 31 days to 60 days	7	28	25	18	**78**
– 61 days to 90 days	1	6	23	18	**48**
– 91 days to 145 days	5	–	5	3	**13**
Total	**38**	**55**	**55**	**60**	**208**

Notes:

(1) Consisting of Zhejiang, Shanghai, Anhui, Jiangsu, Jiangxi and Fujian.

(2) Consisting of Beijing, Hebei and Tianjin.

(3) Consisting of Yunnan, Inner Mongolia, Sichuan, Shandong, Shanxi, Guangxi, Henan, Hubei, Gansu, Tibet, Guizhou, Chongqing, Shaanxi, Heilongjiang, Liaoning, Jilin, Hunan and Hainan.

The Chinese government phased out the "zero-COVID" policy in December 2022 and there were no restaurants which suspended operation in 2023 due to the COVID-19 pandemic.

Despite regional outbreaks in certain parts of China in 2021, we continued to follow our expansion plan for 2021 and opened 59 new restaurants in 2021. We slowed down the pace of restaurant expansion in 2022 due to the regional outbreaks of COVID-19 and opened 47 new restaurants in 2022. We resumed our restaurant expansion plan and opened 89 new restaurants in 2023. We expect to continue our restaurant expansion plan and open 112, 150, 200 and 213 new restaurants in 2024, 2025, 2026 and 2027, respectively. See "Business – Expansion Plan and Management" for further details.

We adopted certain hygiene and precautionary measures in accordance with the applicable regulations implemented in relation to the pandemic. Meanwhile, our Directors monitored the situation on a daily basis during the COVID-19 pandemic to ensure the sustainability of our business and we adjusted the allocation of internal resources and strategies to ensure the sustainability of our business. We implemented a series of measures such as (i) adopting a shift system for our restaurant staff according to the customer traffic for each of our restaurants to save staff costs while retaining our staff; (ii) negotiating with our landlords to obtain more favorable terms including longer rent free period and lower variable rent payment; (iii) implementing more stringent cost controls in areas such as utilities and consumables; (iv) adjusting our restaurant expansion strategy; (v) suspending the distribution of any discretionary bonus for all employees, as well as the Directors; and (vi) obtaining short-term bank loans, which have been fully repaid as of the Latest Practicable Date, to fund our working capital.

In response to the impact of COVID-19 pandemic, a number of policies including the exemption of value-added tax have been promulgated by government authorities in 2020 to expedite resumption of economic activities. As such, we recognized government grants in relation to COVID-19 of RMB5.0 million in 2021. In addition, we also enjoyed rent concession granted by certain landlords due to the COVID-19 pandemic. In 2021, 2022 and 2023, we recognized income on COVID-19 rent concessions of nil, RMB10.2 million and nil, respectively.

We proactively communicated with our suppliers to ensure the stable supplies in raw materials and consumables during the COVID-19 pandemic. As the disruption of supplies in raw materials and labor overlapped with the suspension of certain of our restaurants' operations during the COVID-19 pandemic, except for such suspension, we did not encounter any material disruptions in our supply chain that affected our operations. See "Summary – Impact of the COVID-19 Outbreak" for further details.

The table below sets forth our revenue generated from restaurant operation and delivery service and same store sales by geographical regions during the periods indicated:

	For the year ended December 31,		
	2021	**2022**	**2023**
Revenue (RMB'000)			
Eastern China(1)	617,906	710,137	1,107,548
Guangdong province	648,180	621,811	814,699
Northern China(2)	606,008	517,146	708,494
Other(3)	419,607	524,539	946,401
Overall	**2,291,701**	**2,373,633**	**3,577,142**

	For the year ended December 31,			
	2021	**2022**	**2022**	**2023**
Revenue growth (%)				
Eastern China(1)	14.9		56.0	
Guangdong province	(4.1)		31.0	
Northern China(2)	(14.7)		37.0	
Other(3)	25.0		80.4	
Overall	**3.6**		**50.7**	

	For the year ended December 31,			
	2021	**2022**	**2022**	**2023**
Number of same stores(4)				
Eastern China(1)	37		45	
Guangdong province	43		44	
Northern China(2)	42		46	
Other(3)	31		40	
Overall	**153**		**175**	

	For the year ended December 31,			
	2021	**2022**	**2022**	**2023**
Same store sales (RMB'000)[(5)]				
Eastern China[(1)]	384,304	345,060	446,473	563,046
Guangdong province	553,198	473,855	447,320	524,034
Northern China[(2)]	530,443	411,684	455,595	599,169
Other[(3)]	348,537	281,893	361,778	473,505
Overall	**1,816,482**	**1,512,492**	**1,711,166**	**2,159,754**

	For the year ended December 31,			
	2021	**2022**	**2022**	**2023**
Same store sales growth (%)				
Eastern China[(1)]	(10.2%)		26.1%	
Guangdong province	(14.3%)		17.1%	
Northern China[(1)]	(22.4%)		31.5%	
Other[(3)]	(19.1%)		30.9%	
Overall	**(16.7%)**		**26.2%**	

Notes:

(1) Consisting of Zhejiang, Shanghai, Anhui, Jiangsu, Jiangxi and Fujian.

(2) Consisting of Beijing, Hebei and Tianjin.

(3) Consisting of Yunnan, Inner Mongolia, Sichuan, Shandong, Shanxi, Guangxi, Henan, Hubei, Gansu, Tibet, Guizhou, Chongqing, Shaanxi, Heilongjiang, Liaoning, Jilin, Hunan and Hainan.

(4) Consisting of restaurants that were open for more than 300 days during the years under comparison and had the same number of tables during the years under comparison.

(5) Refers to the aggregate revenue generated from restaurant operation and delivery service at our same stores for the period indicated.

Our overall revenue from restaurant operations and delivery service increased by 3.6% from RMB2,291.7 million in 2021 to RMB2,373.6 million in 2022 as a result of the successful expansion of our restaurant network from 236 as of the end of 2021 to 276 as of the end of 2022, partially offset by a decrease in overall total guests served as a result of the negative impact of the resurgence of COVID-19 outbreaks in China. Our overall revenue from restaurant operations and delivery service further increased by 50.7% from RMB2,373.6 million in 2022 to RMB3,577.1 million in 2023, primarily attributable to (i) the strong recovery of our customer traffic due to a significant surge in consumer spending in the first half of 2023 following the easing of government-imposed restrictions related to COVID-19 in December 2022 and (ii) an increase in our restaurants in operation from 276 as of the end of 2022 to 360 as of the end of 2023 due to our restaurant expansion.

In 2022, we recorded decreases in same store sales in all regions. Such decreases were because of the resurgence of COVID-19 outbreaks in China, which greatly affected the operation of our restaurants. Starting from the beginning of 2023, our customer traffic recovered and we recorded increases in same store sales in all regions in 2023 as compared with that in 2022, as a result of the easing of the COVID-19 pandemic in China since the beginning of 2023 and the relaxation of government-imposed restrictive measures related to COVID-19 in December 2022.

The table below sets forth our table turnover rate by geographical regions during the periods indicated:

	Year ended December 31,		
	2021	**2022**	**2023**
Table turnover rate (time/day)			
Eastern China	2.92	2.71	3.11
Guangdong province	3.62	3.06	3.37
Northern China	3.37	2.78	3.52
Other	3.02	2.72	3.28
Overall	**3.23**	**2.81**	**3.30**

In 2022, because the operating hours and customer traffic of our restaurants were greatly affected by the resurgence of COVID-19 outbreaks and the restrictive measures imposed by the relevant government authorities as a response, we recorded a decrease in overall table turnover rate from 3.23 in 2021 to 2.81 in 2022. Despite the sudden increase in cases of COVID-19 in January 2023 after the Chinese government eased the "zero-COVID" policy in December 2022 which had a short-term impact on our business, our customer traffic rebounded and our overall table turnover rate increased to 3.30 in 2023 as compared to 2.81 in 2022 as the pandemic has generally been controlled and the government eased the relevant restrictive measures related to COVID-19, and the performance of our restaurants showed a strong recovery due to a significant surge in consumer spending in the first half of 2023. Our overall turnover rate in 2023 has also generally returned to pre-pandemic level of 3.34 in 2019.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Some of our accounting policies require us to apply estimates and assumptions as well as complex judgments relating to accounting items. The estimates and assumptions we use and the judgments we make in applying our accounting policies have a significant impact on our financial position and results of operations. Our management continually evaluates such estimates, assumptions and judgments based on past experiences and other factors, including industry practices and expectations of future events that are believed to be reasonable under the circumstances. There has not been any material deviation between our management's estimates or assumptions and actual results, and we have not made any material changes to these estimates or assumptions during the Track Record Period. We do not expect any material changes in these estimates and assumptions in the foreseeable future.

Set forth below are discussions of the accounting policies that we believe are of critical importance to us or involve the most significant estimates, assumptions and judgments used in the preparation of our financial statements. Other significant accounting policies, estimates, assumptions and judgments, which are important for understanding our financial condition and results of operations, are set forth in detail in Notes 2 and 3 to the Accountants' Report in Appendix I to this document.

Revenue and other income

We classify income as revenue when it arises from the sales of goods or the provision of services.

We recognize revenue when control over a product or service is transferred to the customer, at the amount of promised consideration to which we are expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Where the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction with the customer, and interest income is accrued separately under the effective interest method. Where the contract contains a financing component which provides a significant financing benefit to us, revenue recognized under that contract includes the interest expense accreted on the contract liability under the effective interest method. We take advantage of the practical expedient in paragraph 63 of IFRS 15 and does not adjust the consideration for any effects of a significant financing component if the period of financing is 12 months or less.

Further details of our revenue and other income recognition policies are as follows:

(i) Revenue from contracts with customers

We principally generate revenue from restaurant operations. Revenue excludes value added tax or other sales taxes and is after deduction of other sales taxes or any trade discounts.

For restaurant operations for which the control of services is transferred at a point in time, revenue is recognized when the related services have been rendered to customers.

For sales of goods for which the control of goods is transferred at a point in time, revenue is recognised when the goods are delivered and accepted by the customers.

Revenue for rendering of other services is recognized over time by reference to the progress towards complete satisfaction of the relevant performance obligation as the customer simultaneously receives the benefits provided by our performance as we perform.

(ii) Interest income

Interest income is recognized as it accrues using the effective interest method.

(iii) Government grants

We recognize government grants in the statement of financial position initially when there is reasonable assurance that they will be received and that we will comply with the conditions attaching to them. Grants that compensate us for expenses incurred are recognized as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate us for the cost of an asset are initially recognized as deferred income at fair value and then recognized in profit or loss as other income on a systematic basis over the useful life of the asset.

Leased assets

At inception of a contract, we assess whether the contract is, or contains, a lease. 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. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

As a lessee

Where the contract contains lease component(s) and non-lease component(s), we have elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, we recognize a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets which, for us are primarily apartments and kitchen equipment. When we enter into a lease in respect of a low-value asset, we decide whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalized are recognized as an expense on a systematic basis over the lease term.

Where the lease is capitalized, the lease liability is initially recognized at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortized cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognized when a lease is capitalized is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see Note 2(h)(ii) set forth in the Accountants' Report set out in Appendix I to this Document).

Refundable rental deposits are accounted for separately from the right-of-use assets in accordance with the accounting policy applicable to investments in debt securities carried at amortized cost (see Note 2(d) set forth in the Accountants' Report set out in Appendix I to this Document). Any excess of the nominal value over the initial fair value of the deposits is accounted for as additional lease payments made and is included in the cost of right-of-use assets.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in our estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether we will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The lease liability is also remeasured when there is a lease modification, which means a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract, if such modification is not accounted for as a separate lease. In this case, the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are rent concessions that occured as a direct consequence of the COVID-19 pandemic and met the conditions set out in paragraph 46B of IFRS 16 *Leases*. In such cases, we have taken advantage of the practical expedient not to assess whether the rent concessions are lease modifications, and recognized the change in consideration as negative variable lease payments in profit or loss in the period in which the event or condition that triggers the rent concessions occurred.

In the consolidated statement of financial position, the current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after the reporting period.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see Note 2(h)(ii) set forth in the Accountants' Report set out in Appendix I to this Document).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognized in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write-off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

– Leasehold improvements	5-30 years, or lease term, which is shorter
– Kitchen equipment	5 years
– Furniture and fixture	3-5 years
– Electronic equipment and others	3-5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost or valuation of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

PRINCIPAL INCOME STATEMENT COMPONENTS

The following table sets forth a summary, for the periods indicated, of our consolidated results of operations. Each item has also been expressed as a percentage of our revenue.

	Year Ended December 31,					
	2021		2022		2023	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*
	(in thousands, except for percentages)					
Revenue	2,292,678	100.0	2,375,453	100.0	3,589,178	100.0
Other revenue	22,575	1.0	31,081	1.3	39,195	1.1
Raw materials and consumables used	(846,043)	(36.9)	(862,316)	(36.3)	(1,205,219)	(33.6)
Staff costs	(567,826)	(24.8)	(626,397)	(26.4)	(911,028)	(25.4)
Depreciation of right-of-use assets	(142,964)	(6.2)	(161,048)	(6.8)	(177,036)	(4.9)
Other rentals and related expenses	(63,901)	(2.8)	(56,611)	(2.4)	(80,294)	(2.2)
Depreciation and amortization of other assets	(126,276)	(5.5)	(163,641)	(6.9)	(192,947)	(5.4)
Utilities expenses	(79,454)	(3.5)	(90,049)	(3.8)	(123,562)	(3.5)
Delivery service expenses	(46,861)	(2.0)	(61,187)	(2.6)	(82,788)	(2.3)
Other expenses	(264,523)	(11.5)	(308,980)	(13.0)	(420,950)	(11.7)
Other net (losses)/income	(575)	(0.0)	8,413	0.4	(3,919)	(0.1)
Financial costs	(37,196)	(1.7)	(41,541)	(1.7)	(42,657)	(1.2)
Profit before taxation	**139,634**	**6.1**	**43,177**	**1.8**	**387,973**	**10.8**
Income tax	(25,778)	(1.1)	(26,598)	(1.1)	(92,430)	(2.6)
Profit for the year	**113,856**	**5.0**	**16,579**	**0.7**	**295,543**	**8.2**
Attributable to:						
Equity shareholders of the Company	113,856	5.0	16,579	0.7	295,543	8.2
Profit for the year	**113,856**	**5.0**	**16,579**	**0.7**	**295,543**	**8.2**

Non-IFRS Measures

To supplement our consolidated statements of profit or loss, which are presented in accordance with IFRS, we also use adjusted net profit and adjusted net profit margin as additional financial measures. The presentation of adjusted net profit and adjusted net profit margin facilitates comparisons of operating performance from period to period by eliminating potential impacts of certain items described below. Equity-settled share-based payment expenses are non-cash expenses arising from the RSU Scheme, and such amount does not directly correlate with the underlying performance of our business operations. [**REDACTED**] are related to the [**REDACTED**]. We believe that adjusted net profit and adjusted net profit margin are frequently used by other interested parties when evaluating the performance of a company. Our management uses such non-IFRS measures as additional measurement tools for business decision-making. In addition, we believe that such non-IFRS measures provide additional information to investors and others in understanding and evaluating our consolidated results of operations in the same manner as our management and in comparing financial results across accounting periods and to those of our peer companies. The use of the non-IFRS measures has limitations as analytical tools, and you should not consider it in isolation from, or as substitute for analysis of, our results of operations or financial condition as reported under IFRS. Other companies in our industry may calculate these non-IFRS measures differently than we do. As such, our presentation of the non-IFRS measures may not be comparable to similarly titled measures presented by other companies. Our presentation of the non-IFRS measures should not be construed as an inference that our future results will be unaffected by unusual items.

Adjusted net profit and adjusted net profit margin

We define adjusted net profit as for the year adjusted by excluding (i) equity-settled share-based payment expenses, (ii) [**REDACTED**], and (iii) impact on tax related to items (i) to (ii) above. The following table illustrates reconciliations to our adjusted net profit from our profit for the periods indicated:

	For the year ended December 31,		
	2021	**2022**	**2023**
	(in thousands of RMB)		
Profit for the year	113,856	16,579	295,543
Equity-settled share-based payment expenses	10,742	(779)	844
[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Impact on tax	(2,881)	(1,794)	(1,637)
Adjusted net profit (non-IFRS measure)	**138,470**	**25,216**	**303,297**

The following table sets forth our adjusted net profit margin for the periods indicated:

	For the year ended December 31,		
	2021	**2022**	**2023**
Adjusted net profit margin (%) (non-IFRS measure)	**6.0**	**1.1**	**8.5**

(1) Adjusted net profit margin is calculated by dividing adjusted net profit by revenue for the year.

Revenue

During the Track Record Period, we generated revenue from three services, including (i) restaurant operations, (ii) delivery service and (iii) others, including (a) commissions we receive from service providers for cellphone charging services, (b) sales of products such as cooking oil, condiments and gift boxes and (c) fees for parking services. The following table sets forth a breakdown of our revenue by service, each presented in absolute amount and as a percentage of our revenue, for the periods indicated:

	For the year ended December 31,					
	2021		2022		2023	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*
	(in thousands, except percentages)					
Restaurant operation	1,992,490	86.9	1,976,519	83.2	3,059,989	85.3
Delivery service	299,211	13.1	397,114	16.7	517,153	14.4
Others[(1)]	977	0.0	1,820	0.1	12,036	0.3
Total revenue	**2,292,678**	**100.0**	**2,375,453**	**100.0**	**3,589,178**	**100.0**

Note:

(1) Primarily consists of (i) commissions received from certain providers of cell phone charging services, (ii) sales of products such as cooking oil, condiments and gift boxes and (iii) fees for parking services.

The following table sets forth a breakdown of our revenue generated from restaurant operation and delivery service by geographical regions, each presented in absolute amount and as a percentage of our revenue, for the periods indicated:

	For the year ended December 31,					
	2021		2022		2023	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*
	(in thousands, except percentages)					
Eastern China[(1)]	617,906	27.0	710,137	29.9	1,107,548	31.0
Guangdong province	648,180	28.3	621,811	26.2	814,699	22.8
Northern China[(2)]	606,008	26.4	517,146	21.8	708,494	19.8
Other[(3)]	419,607	18.3	524,539	22.1	946,401	26.4
Overall	**2,291,701**	**100.0**	**2,373,633**	**100.0**	**3,577,142**	**100.0**

Notes:

(1) Consisting of Zhejiang, Shanghai, Anhui, Jiangsu, Jiangxi and Fujian.

(2) Consisting of Beijing, Hebei and Tianjin.

(3) Consisting of Yunnan, Inner Mongolia, Sichuan, Shandong, Shanxi, Guangxi, Henan, Hubei, Gansu, Tibet, Guizhou, Chongqing, Shaanxi, Heilongjiang, Liaoning, Jilin, Hunan and Hainan.

Although our revenue generated from restaurant operation showed a recovery trend in 2022, its growth rate was affected by the resurgence of COVID-19 outbreaks across most parts of China. Our revenue generated from restaurant operation increased in 2023 as compared with that in 2022, primarily attributable to (i) the strong recovery of our customer traffic due to a significant surge in consumer spending in the first half of 2023 following the easing of government-imposed restrictions related to COVID-19 in December 2022 and (ii) an increase in our restaurants in operation due to our restaurant expansion. During the Track Record Period, we primarily focused on opening new restaurants in Eastern China, Guangdong province and Northern China, which are the major economic centers of China. In 2021, 2022 and 2023, we generated 81.7%, 77.9% and 73.6%, respectively, of our revenue from restaurant operation and delivery service from our restaurants in these three key regions. Going forward, we expect to continue to capitalize on our established brand reputation in the three key regions by further penetrating these markets. We also plan to expand into other geographical regions to continue expand our nationwide restaurant network.

Other Revenue

Our other revenue primarily consists of (i) interest income on bank deposits and rental deposits and (ii) government grants, which mainly represent additional deduction and exemption on value-added tax granted by the government authorities in the PRC. The following table sets forth a breakdown of our other revenue, each presented in absolute amount and as a percentage of our revenue, for the periods indicated:

	For the year ended December 31,					
	2021		2022		2023	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*
	(in thousands, except for percentages)					
Interest income on:						
Bank deposits	1,792	0.1	2,895	0.1	2,527	0.1
Rental deposits	2,186	0.1	1,876	0.1	2,120	0.1
Investment income on wealth management products	350	0.0	1,214	0.0	4,418	0.1
Government grants	17,909	0.8	23,833	1.0	28,342	0.8
Lease incentives	338	0.0	1,263	0.1	1,788	0.0
Total	**22,575**	**1.0**	**31,081**	**1.3**	**39,195**	**1.1**

In 2021, 2022 and 2023, we recorded RMB5.0 million, nil and nil of government grants in relation to COVID-19, which were one-off in nature.

Raw Materials and Consumables Used

Our raw materials and consumables used consist of the costs of (i) semi-processed food products and bakery products we procured from third-party food processing companies, (ii) food ingredients we directly purchased from suppliers, and (iii) consumables used in our restaurants, such as napkins, packaging materials and other consumables used at our kitchens. In 2021, 2022 and 2023, our raw materials and consumables used amounted to RMB846.0 million, RMB862.3 million and RMB1,205.2 million, respectively, representing 36.9%, 36.3% and 33.6% of our revenue for the respective periods.

Changes in our raw materials and consumables used was generally in line with the increasing trend of our revenue during the Track Record Period. See "– Factors Affecting Our Financial Condition and Results of Operations – Food supply prices" and "– Results of Operations" for the historical and future trend of our raw materials and consumables used.

Staff Costs

Our staff costs comprise salaries, wages and other benefits, contributions to defined contribution retirement plan and equity-settled share-based payment expenses to our employees. Our staff costs amounted to RMB567.8 million, RMB626.4 million and RMB911.0 million in 2021, 2022 and 2023, respectively, representing 24.8%, 26.4% and 25.4% of our revenue for the respective periods. See "– Factors Affecting Our Financial Condition and Results of Operations – Staff costs" and "– Results of Operations" for the historical and future trend of our staff costs.

The following table sets forth a breakdown of our staff costs, each presented in absolute amount and as a percentage of our revenue, during the Track Record Period:

	For the year ended December 31,					
	2021		2022		2023	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*
	(in thousands, except for percentages)					
Salaries, wages and other benefits	548,258	23.9	615,115	25.9	895,245	25.0
Contributions to defined contribution retirement plan	8,826	0.4	12,061	0.5	14,939	0.4
Equity-settled share-based payment expenses	10,742	0.5	(779)	(0.0)	844	0.0
Total	**567,826**	**24.8**	**626,397**	**26.4**	**911,028**	**25.4**

Depreciation of Right-of-Use Assets

Our depreciation of right-of-use assets represents depreciation charges for our leases for our restaurants and employee dormitories. In 2021, 2022 and 2023, we recorded depreciation of right-of-use assets of RMB143.0 million, RMB161.0 million and RMB177.0 million, respectively, representing 6.2%, 6.8% and 4.9% of our revenue for the respective periods. See "– Factors Affecting Our Financial Condition and Results of Operations – Depreciation of Right-of-use Assets and Other Rentals and Related Expenses" for further details.

Other Rentals and Related Expenses

Our other rentals and related expenses mainly represent (i) lease payments for leases of low-value assets and leases that had a lease term of 12 months or less and (ii) the variable lease payments based on operation results of related restaurants rather than fix rates. In 2021, 2022 and 2023, our other rentals and related expenses were RMB63.9 million, RMB56.6 million and RMB80.3 million, respectively, representing 2.8%, 2.4% and 2.2% of our revenue for the respective periods.

The following table sets forth a breakdown of our other rentals and related expenses, each presented in absolute amount and as a percentage of our revenue, for Track Record Period:

	Year Ended December 31,					
	2021		**2022**		**2023**	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*
	(in thousands, except for percentages)					
Expense relating to leases of low-value assets and short-term leases	50,919	2.2	45,144	1.9	54,421	1.5
Variable lease payments not included in the measurement of lease liabilities	13,299	0.6	13,902	0.6	26,820	0.7
COVID-19 rent concessions deducted from variable payments	–	–	(1,764)	(0.1)	–	–
Lease incentives amortization deducted from variable payments	(317)	(0.0)	(671)	(0.0)	(947)	(0.0)
Total	**63,901**	**2.8**	**56,611**	**2.4**	**80,294**	**2.2**

Depreciation and Amortization of Other Assets

Our depreciation and amortization of other assets represent depreciation and amortization charges for our kitchen equipment, capitalized renovation costs of our restaurants, restaurant furniture, and amortization charges for software. In 2021, 2022 and 2023, we recorded depreciation and amortization of other assets of RMB126.3 million, RMB163.6 million and RMB192.9 million, respectively, or representing 5.5%, 6.9% and 5.4% of our revenue for the respective periods.

Utilities Expenses

Our utilities expenses primarily consist of expenses incurred for electricity, gas and water utilities by our restaurants. Our utilities expenses amounted to RMB79.5 million, RMB90.0 million and RMB123.6 million in 2021, 2022 and 2023, respectively, representing 3.5%, 3.8% and 3.5% of our revenue for the respective periods.

Delivery Service Expenses

Our delivery service expenses primarily consist of fees paid to third-party online food delivery platforms. During the Track Record Period, we offered delivery services to our customers through services provided by third-party online food delivery platforms. In 2021, 2022 and 2023, our delivery service expenses amounted to RMB46.9 million, RMB61.2 million and RMB82.8 million, respectively, representing 2.0%, 2.6% and 2.3% of our revenue for the respective periods.

Other Expenses

Our other expenses are primarily comprised of property management fees, expenses for cookware and kitchen utensils, services fees to third-party payment platforms and other third-party service providers, and transportation charges for raw material shipments. The table below sets forth a breakdown of our other expenses, each presented in absolute amount and as a percentage of our revenue, during the Track Record Period:

	For the year ended December 31,					
	2021		2022		2023	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*
	(in thousands, except for percentages)					
Property management expenses	48,301	2.1	59,444	2.5	72,110	2.0
Low-value consumables	64,045	2.8	67,279	2.8	91,345	2.6
Services fees to third-party service providers	32,651	1.4	56,898	2.4	65,879	1.8
Transportation charges	23,658	1.0	22,638	1.0	25,053	0.7

	For the year ended December 31,					
	2021		2022		2023	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*
	(in thousands, except for percentages)					
Impairment losses of property, plant and equipment and right-of-use assets	828	0.0	–	–	4,636	0.1
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Others	78,287	3.5	91,511	3.8	153,380	4.3
	264,523	11.5	308,980	13.0	420,950	11.7

In 2021, 2022 and 2023, our other expenses amounted to RMB264.5 million, RMB309.0 million and RMB421.0 million, respectively, representing 11.5%, 13.0% and 11.7% of our revenue for the respective periods.

Other Net (Losses)/Income

Other net (losses)/income primarily consisted of (i) restoration costs incurred when we close certain restaurants and terminate relevant lease agreements with lessors, (ii) rent concessions granted by lessors due to the COVID-19 pandemic, (iii) net foreign exchange (losses)/income, (iv) loss on disposal of assets, and (v) other income/(losses), primarily relating to inventory write-down. The following table sets forth a breakdown of our other net (losses)/income, each presented in absolute amount and as a percentage of our revenue, during the Track Record Period:

	For the year ended December 31,					
	2021		2022		2023	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*
	(in thousands, except for percentages)					
Losses on restaurant closures	(511)	(0.0)	(1,122)	(0.0)	(2,066)	(0.1)
Income on COVID-19 rent concessions	–	–	10,176	0.4	–	–
Gains on reassessment of right-of-use assets and lease liabilities	108	0.0	–	–	–	–
Net foreign exchange (losses)/income	(147)	(0.0)	62	0.0	14	0.0

	For the year ended December 31,					
	2021		2022		2023	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*
	(in thousands, except for percentages)					
Net loss on disposal of property, plant and equipment and right-of-use assets	(167)	(0.0)	(494)	(0.0)	(840)	(0.0)
Other income/(losses)	142	0.0	(209)	(0.0)	(1,027)	(0.0)
Total	**(575)**	**(0.0)**	**8,413**	**0.4**	**(3,919)**	**(0.1)**

Finance Costs

Our finance costs consist of interests on lease liabilities, long-term payable, provisions and bank loans. In 2021, 2022 and 2023, our finance costs amounted to RMB37.2 million, RMB41.5 million and RMB42.7 million, respectively, representing 1.7%, 1.7% and 1.2% of our revenue for the respective periods.

The following table sets forth a breakdown of our finance costs, each presented in absolute amount and as a percentage of our revenue, for the periods indicated:

	For the year ended December 31,					
	2021		2022		2023	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*
	(in thousands, except for percentages)					
Interest on bank loans	11	0.0	594	0.0	188	0.0
Interest on lease liabilities	32,069	1.4	35,450	1.5	36,640	1.0
Interest on long-term payable	3,371	0.2	3,925	0.2	3,818	0.1
Interest on provisions	1,745	0.1	1,572	0.0	2,011	0.1
Total	**37,196**	**1.7**	**41,541**	**1.7**	**42,657**	**1.2**

Income Tax

Our income tax consists of income tax paid or payable at the applicable tax rates in accordance with the relevant laws and regulations in each tax jurisdiction we operate or domicile. Our income tax expenses in 2021, 2022 and 2023 amounted to RMB25.8 million, RMB26.6 million and RMB92.4 million, respectively. Our income tax significantly increased in 2023 primarily due to an increase in our taxable income as our results of operations significantly improved in 2023. Our effective tax rate, calculated by dividing income tax by profit before taxation, was 18.5%, 61.6% and 23.8% in 2021, 2022 and 2023, respectively.

Cayman Islands

Under the current laws of the Cayman Islands, we are not subject to income tax or capital gains tax in the Cayman Islands.

Hong Kong

Our subsidiaries incorporated in Hong Kong are generally subject to Hong Kong profits tax at a rate of 16.5%. For the years 2019 and onwards, the first HK$2 million of profits generated by one entity incorporated in Hong Kong is taxed at a rate of 8.25%, while the remaining profits will continue to be taxed at the 16.5% tax rate. For the years ended December 31, 2021 and 2022 and 2023, our Hong Kong subsidiaries did not incur any profits tax in Hong Kong as they did not have any assessable profit for these years.

PRC

Generally, taxable income for our subsidiaries in the PRC are subject to PRC income tax rate of 25% for the years ended December 31, 2021, 2022 and 2023. On the other hand, Tibet Green Tea F&B was established in Tibet in 2016 and was entitled to a preferential income tax rate of 15% since its operation according to the Notice No. 51 issued by the Tibet People's Government on May 1, 2014. According to the Notice No. 23 issued by the Ministry of Finance, State Taxation Administration and National Development and Reform Commission on April 23, 2020, Tibet Green Tea F&B could continue to meet the relevant criteria to enjoy the preferential income tax rate. Thus, Tibet Green Tea F&B will continue to be entitled to the preferential income tax rate of 15% from 2021 to 2030.

For the year ended December 31, 2021, certain of our subsidiaries fulfilled the criteria required for preferential income tax rate granted to small and low profit-making enterprise in the PRC, and were entitled to a preferential income tax rate of 2.5% on taxable income for the first RMB1 million and 10% on taxable income for the subsequent RMB1 million to RMB3 million.

For the year ended December 31, 2022, certain of our subsidiaries fulfilled the criteria required for preferential income tax rate granted to small and low profit-making enterprise in the PRC, and were entitled to a preferential income tax rate of 2.5% on taxable income for the first RMB1 million and 5% on taxable income for the subsequent RMB1 million to RMB3 million.

For the year ended December 31, 2023, certain of our subsidiaries fulfilled the criteria required for preferential income tax rate granted to small and low profit-making enterprises in the PRC, and were entitled to a preferential income tax rate of 5% on taxable income within RMB3 million.

During the Track Record and as of the Latest Practicable Date, we did not have any disputes or unresolved issues with the relevant tax authorities.

RESULTS OF OPERATIONS

Year Ended December 31, 2022 Compared to Year Ended December 31, 2023

Revenue. Our revenue increased by 51.1% from RMB2,375.5 million in 2022 to RMB3,589.2 million in 2023, primarily attributable to (i) a robust rebound in our results of operations in all regions mainly due to the recovery of our customer traffic due to a significant surge in consumer spending in the first half of 2023 following the easing of government-imposed restrictions related to COVID-19 in December 2022 and (ii) the successful expansion of our restaurant network.

Our revenue generated from restaurant operations and delivery services in Eastern China increased by 56.0% from RMB710.1 million in 2022 to RMB1,107.5 million in 2023. Such increase was primarily due to (i) a robust rebound in our results of operations in this region, which led to increases in total guests served in this region from 11.4 million in 2022 to 17.6 million in 2023, same store sales in this region by 26.1% and table turnover rate in this region from 2.71 in 2022 to 3.11 in 2023 and (ii) the successful expansion of our restaurant network in this region.

Our revenue generated from restaurant operations and delivery services in Guangdong province increased by 31.0% from RMB621.8 million in 2022 to RMB814.7 million in 2023. Such increase was primarily attributable to (i) a robust rebound in our results of operations in this region, which led to increases in total guests served in this region from 9.8 million in 2022 to 13.2 million in 2023, same store sales in this region by 17.1% and table turnover rate in this region from 3.06 in 2022 to 3.37 in 2023 and (ii) the successful expansion of our restaurant network in this region.

Our revenue generated from restaurant operations and delivery services in Northern China increased by 37.0% from RMB517.1 million in 2022 to RMB708.5 million in 2023. Such increase was primarily due to a robust rebound in our results of operations in this region, which led to increases in total guests served in this region from 8.3 million in 2022 to 11.5 million in 2023, same store sales in this region by 31.5% and table turnover rate in this region from 2.78 in 2022 to 3.52 in 2023.

Our revenue generated from restaurant operations and delivery services in other region increased by 80.4% from RMB524.5 million in 2022 to RMB946.4 million in 2023. Such increase was primarily attributable to (i) a robust rebound in our results of operations in this region, which led to increases in total guests served in this region from 8.4 million in 2022 to 15.7 million in 2023, same store sales in this region by 30.9% and table turnover rate in this region from 2.72 in 2022 to 3.28 in 2023 and (ii) our successful expansion in Sichuan, Yunnan, Hainan and Shaanxi province.

Our revenue generated from delivery service increased by 30.2% from RMB397.1 million in 2022 to RMB517.2 million in 2023, primarily due to an increase in the number of restaurants which offered delivery service as a result of our restaurant expansion. Our revenue generated from delivery service as a percentage of our total revenue decreased from 16.7% in 2022 to 14.4% in 2023, primarily due to the robust rebound in our revenue generated from restaurant operation since the Chinese government lifted the "zero-COVID" policy in December 2022.

Our revenue generated from others increased by 561.3% from RMB1.8 million in 2022 to RMB12.0 million in 2023, primarily due to an increase in the sales of products such as cooking oil, condiments and gift boxes.

Other revenue. Our other revenue increased by 26.1% from RMB31.1 million in 2022 to RMB39.2 million in 2023, primarily due to an increase in additional deduction and exemption of value-added tax granted by the government authorities.

Raw materials and consumables used. Our raw materials and consumables used increased by 39.8% from RMB862.3 million in 2022 to RMB1,205.2 million in 2023, primarily due to a robust rebound in our restaurant sales. Our raw materials and consumables used as a percentage of our revenue decreased from 36.3% in 2022 to 33.6% in 2023, primarily due to (i) our effective procurement cost control, (ii) our effort in increasing direct procurement of raw materials from suppliers to enjoy more favorable procurement prices and (iii) decreases in the market price for certain food ingredients such as pork.

Staff costs. Our staff costs increased by 45.4% from RMB626.4 million in 2022 to RMB911.0 million in 2023, primarily due to (i) an increase in the number of our employees due to the expansion of our restaurant network and (ii) an increase in performance-based salaries paid to our restaurant staff as we recorded a robust rebound in our restaurant operations. Our staff costs as a percentage of our revenue decreased from 26.4% in 2022 to 25.4% in 2023, primarily due to the recovery of our restaurant level performance in 2023, partially offset by an increase in overall staff salary.

Depreciation of right-of-use assets. Our depreciation of right-of-use assets increased by 9.9% from RMB161.0 million in 2022 to RMB177.0 million in 2023, primarily as a result of an increase in our leases due to the increase in number of our restaurants. Our depreciation of right-of-use assets as a percentage of our revenue decreased from 6.8% in 2022 to 4.9% in 2023, primarily due to the recovery of our restaurant level performance in 2023.

Other rentals and related expenses. Our other rentals and related expenses increased by 41.8% from RMB56.6 million in 2022 to RMB80.3 million in 2023, primarily as a result of an increase in our leases due to the increase in the number of our restaurants. Our other rentals and related expenses as a percentage of our revenue decreased from 2.4% in 2022 to 2.2% in 2023, primarily due to increase in our restaurant level performance.

Depreciation and amortization of other assets. Our depreciation and amortization of other assets increased by 17.9% from RMB163.6 million in 2022 to RMB192.9 million in 2023, primarily due to an increase in restaurant renovation costs in relation to the expansion of our restaurant network. Our depreciation and amortization of other assets as a percentage of our revenue decreased from 6.9% in 2022 to 5.4% in 2023, primarily due to the recovery of our restaurant level performance in 2023.

Utilities expenses. Our utilities expenses increased by 37.2% from RMB90.0 million in 2022 to RMB123.6 million in 2023, primarily due to (i) an increase in the number of restaurants in operation and (ii) an increase in the total operating hours of our restaurants as the pandemic eases. Our utilities expenses as a percentage of our revenue decreased from 3.8% in 2022 to 3.5% in 2023, primarily due to the recovery of our restaurant level performance in 2023.

Delivery service expenses. Our delivery service expenses increased by 35.3% from RMB61.2 million in 2022 to RMB82.8 million in 2023, primarily due to an increase in the number of delivery orders and an increase in delivery commission fees charged by third-party online food delivery platforms. Our delivery service expenses as a percentage of our revenue slightly decreased from 2.6% in 2022 to 2.3% in 2023.

Other expenses. Our other expenses increased by 36.2% from RMB309.0 million in 2022 to RMB421.0 million in 2023, primarily due to increases in purchase of consumables, service fees to third-party service providers and advertisement expenses as we continue to expand our restaurant network and increase our sales. Our other expenses as a percentage of our revenue decreased from 13.0% in 2022 to 11.7% in 2023, due to the recovery of our restaurant level performance in 2023.

Other net (losses)/income. Our other net losses was RMB3.9 million in 2023 as compared to a net income of RMB8.4 million in 2022. Such increase in other net losses was primarily because we did not receive any rent concessions related to the COVID-19 pandemic in 2023 whereas we received income on COVID-19 rent concessions of RMB10.2 million in 2022.

Finance costs. Our finance costs increased by 2.7% from RMB41.5 million in 2022 to RMB42.7 million in 2023, primarily due to an increase in interests on lease liabilities associated with the increase in the number of our leases. Our finance costs as a percentage of our revenue decreased from 1.7% in 2022 to 1.2% in 2023, primarily due to the recovery of our restaurant level performance in 2023.

Profit before taxation. As a result of the foregoing, our profit before taxation increased to RMB388.0 million in 2023 from RMB43.2 million in 2022. Our profit before taxation as a percentage of our revenue was 1.8% in 2022 and 10.8% in 2023.

Income tax. Our income tax increased by 247.5% from RMB26.6 million in 2022 to RMB92.4 million in 2023 as a result of an increase in our taxable income in 2023. Our effective tax rate, calculated by dividing our income tax by our profit before taxation, was 61.6% in 2022 and 23.8% in 2023. Such decrease was primarily due to (i) the strong recovery of the performance of our restaurant in 2023 and (ii) an increase in the tax benefits our operating subsidiaries enjoyed.

Profit for the year. As a result of the cumulative effect of the above factors, our profit for the year increased from RMB16.6 million to RMB295.5 million.

Year Ended December 31, 2022 Compared to Year Ended December 31, 2021

Revenue. Our revenue increased by 3.6% from RMB2,292.7 million in 2021 to RMB2,375.5 million in 2022, primarily attributable to the successful expansion of our restaurant network from 236 as of the end of 2021 to 276 as of the end of 2022, partially offset by a decrease in overall same store sales by 16.7% as a result of the negative impact on customer traffic of our restaurants because of the resurgence COVID-19 outbreaks and the relevant government-imposed restrictive measures.

Our revenue generated from restaurant operations and delivery services in Eastern China increased by 14.9% from RMB617.9 million in 2021 to RMB710.1 million in 2022. Such increase was primarily due to (i) an increase in the number of our restaurants in this region by 12 from December 31, 2021 to December 31, 2022, (ii) our effort in engaging online marketing and promotional channels on multimedia platforms, partially offset by the negative impact on customer traffic of our restaurants as a result of the resurgence of COVID-19 outbreaks and the relevant government-imposed restrictive measures.

Our revenue generated from restaurant operations and delivery services in Guangdong province decreased by 4.1% from RMB648.2 million in 2021 to RMB621.8 million in 2022. Such decrease was primarily attributable to the negative impact on customer traffic of our restaurants as a result of the resurgence of COVID-19 outbreaks and the relevant government-imposed restrictive measures.

Our revenue generated from restaurant operations and delivery services in Northern China decreased by 14.7% from RMB606.0 million in 2021 to RMB517.1 million in 2022. Such decrease was primarily due to the negative impact on customer traffic of our restaurants as a result of the resurgence of COVID-19 outbreaks and the relevant government-imposed restrictive measures.

Our revenue generated from restaurant operations and delivery services in other region increased by 25.0% from RMB419.6 million in 2021 to RMB524.5 million in 2022. Such increase was primarily attributable to (i) an increase in the number of our restaurants in this region by 19 from December 31, 2021 to December 31, 2022, (ii) an increase in the average spending per guest in this region due to our effort to boost the sales of our set menu packages, which were fixed at a higher price as compared to our à la carte menu items, partially offset by the negative impact on customer traffic of our restaurants as a result of the resurgence of COVID-19 outbreaks and the relevant government-imposed restrictive measures.

Our revenue generated from delivery service increased by 32.7% from RMB299.2 million in 2021 to RMB397.1 million in 2022, primarily due to an increase in delivery orders in 2022 as a result of (i) the increase in demand for delivery service as a result of the resurgence of COVID-19 outbreaks in 2022 and (ii) an increase in the number of restaurants which offers delivery service. Our revenue generated from delivery service as a percentage of our total revenue increased from 13.1% in 2021 to 16.7% in 2022, primarily due to the higher demand for delivery service in 2022 due to the resurgence of the COVID-19 outbreaks and the relevant government-imposed restrictive measures.

Our revenue generated from others increased by 86.3% from RMB1.0 million in 2021 to RMB1.8 million in 2022, primarily due to an increase in the sales of our products, such as gift boxes.

Other revenue. Our other revenue increased by 37.7% from RMB22.6 million in 2021 to RMB31.1 million in 2022, primarily due to an increase in the number of our restaurants that received government grants relating to the COVID-19 pandemic.

Raw materials and consumables used. Our raw materials and consumables used increased by 1.9% from RMB846.0 million in 2021 to RMB862.3 million in 2022, primarily due to (i) an increase in the number of our restaurants in operation in 2022 as compared with 2021 and (ii) an increase in the procurement price of certain food ingredients. Our raw materials and consumables used as a percentage of our revenue decreased to 36.3% in 2022 as compared to 36.9% in 2021, primarily due to our effective procurement cost control.

Staff costs. Our staff costs increased by 10.3% from RMB567.8 million in 2021 to RMB626.4 million in 2022, primarily due to an increase in the number of our employees due to the expansion of our restaurant network. Our staff costs as a percentage of our revenue increased from 24.8% in 2021 to 26.4% in 2022 as a result of the negative impact on our revenue by the resurgence of COVID-19 outbreaks in China in 2022.

Depreciation of right-of-use assets. Our depreciation of right-of-use assets increased by 12.6% from RMB143.0 million in 2021 to RMB161.0 million in 2022, primarily as a result of an increase in the number of our restaurants in operation by 47 from 2021 to 2022. Our depreciation of right-of-use assets as a percentage of our revenue increased from 6.2% in 2021 to 6.8% in 2022, primarily due to the negative effect on our revenue caused by the resurgence of COVID-19 outbreaks.

Other rentals and related expenses. Our other rentals and related expenses decreased by 11.4% from RMB63.9 million in 2021 to RMB56.6 million in 2022, primarily as a result of (i) a decrease in the percentage of the leases which were under the variable payment arrangement and (ii) the rent concession enjoyed by certain restaurants during 2022. Our other rentals and related expenses as a percentage of our revenue decreased from 2.8% in 2021 to 2.4% in 2022, primarily due to the same reasons.

Depreciation and amortization of other assets. Our depreciation and amortization of other assets increased by 29.6% from RMB126.3 million in 2021 to RMB163.6 million in 2022, primarily due to an increase in our number of restaurants in operation. Our depreciation and amortization of other assets as a percentage of our revenue increased from 5.5% in 2021 to 6.9% in 2022, primarily due to the negative effect on our revenue caused by the resurgence of COVID-19 outbreaks.

Utilities expenses. Our utilities expenses increased by 13.3% from RMB79.5 million in 2021 to RMB90.0 million in 2022, primarily due to an increase in the number of our restaurants in operation during the year. Our utilities expenses as a percentage of our revenue increased from 3.5% in 2021 to 3.8% in 2022, primarily due to the negative effect on our revenue caused by the resurgence of COVID-19 outbreaks.

Delivery service expenses. Our delivery service expenses increased by 30.6% from RMB46.9 million in 2021 to RMB61.2 million in 2022, which was in line with the increase in our revenue generated from delivery service. Our delivery service expenses as a percentage of our revenue increased from 2.0% in 2021 to 2.6% in 2022, which is in line with the increase in our revenue generated from delivery service as a percentage of our total revenue.

Other expenses. Our other expenses increased by 16.8% from RMB264.5 million in 2021 to RMB309.0 million in 2022, primarily due to (i) an increase in service charges we paid to third-party payment platforms for our marketing events during 2022 for which settlement channel collected a higher service charge rate and (ii) an increase in property management fees alongside the increase in the number of our restaurants. Our other expenses as a percentage of our revenue increased from 11.5% in 2021 to 13.0% in 2022, due to the negative impact of COVID-19 outbreaks on our income.

Other net (losses)/income. We recorded other net income of RMB8.4 million in 2022 as compare to other net losses of RMB0.6 million recorded in 2021, primarily due to the rent concessions provided by our landlords in response to the resurgence of COVID-19 outbreaks in 2022.

Finance costs. Our finance costs increased by 11.7% from RMB37.2 million in 2021 to RMB41.5 million in 2022, primarily due to an increase in interests on lease liabilities associated with the increase in the number of our leases. Our finance costs as a percentage of our revenue remained stable at 1.7% in 2021 and in 2022.

Profit before taxation. As a result of the foregoing, we recorded a profit before taxation of RMB43.2 million in 2022 as compare to a profit before taxation of RMB139.6 million in 2021. Our profit before taxation as a percentage of our revenue was 6.1% in 2021 and our profit before taxation as a percentage of our revenue was 1.8% in 2022.

Income tax. Our income tax increased by 3.2% from RMB25.8 million in 2021 to RMB26.6 million in 2022 as a result of the PRC dividend withholding tax of RMB20.7 million we recorded in the 2022 which was related to the dividend our subsidiaries in the PRC declared to our subsidiaries in Hong Kong in 2022. Our effective tax rate, calculated by dividing our income tax by our profit before taxation, was 18.5% in 2021 and 61.6% in 2022. Such increase was attributable to the withholding tax accrued in respect of the dividend our subsidiaries in the PRC declared to our subsidiaries in Hong Kong in 2022.

Profit for the year. As a result of the cumulative effect of the above factors, we recorded profit in 2022 of RMB16.6 million as compared to profit of RMB113.9 million in 2021.

ANALYSIS OF SELECTED STATEMENT OF FINANCIAL POSITION ITEMS

Inventories

Our inventories consist of food and beverages and other consumables for restaurant operations. The following table sets forth the balance of our inventories as of the dates indicated:

	As of December 31,		
	2021	**2022**	**2023**
	(RMB in thousands)		
Food and beverages, and other operating items for restaurant operations	47,155	56,395	59,576

The balance of our inventories increased from RMB47.2 million as of December 31, 2021 to RMB56.4 million as of December 31, 2022, and further increased to RMB59.6 million as of December 31, 2023 primarily due to increases in the number of our restaurants in operation.

As of April 30, 2024, RMB59.6 million, or 100% of inventories as of December 31, 2023, had been used, consumed or sold subsequent to December 31, 2023.

The following table sets forth our restaurant related inventory turnover days for the Track Record Period:

	Year Ended December 31,		
	2021	**2022**	**2023**
Total inventory turnover days[(1)]	16.5	21.9	17.6

Note:

(1) Inventory turnover days are calculated using the average of opening balance and closing balance of restaurant related inventory for a year divided by raw materials and consumables used for the relevant year and multiplied by 365 days.

Our inventory turnover days increased to 21.9 days in 2022 primarily due to the impact of COVID-19. Our inventory turnover days decreased to 17.6 days in 2023, primarily attributable to the robust recovery of our restaurant operations. We aim to continue to actively manage our inventory turnover in the future.

Trade and Other Receivables

Our trade and other receivables primarily consist of (i) trade debtors, which primarily represented receivables from third-party payment platforms; (ii) other receivables and deposits, which mainly represented rental deposits for our restaurants and other deposits relating to our business operations; (iii) prepayments, which primarily represented prepayments relating to rental expenses, utilities expenses and marketing and advertisement expenses; (iv) value added tax recoverable; and (v) amounts due from related parties, which represented (x) the expenses relating to the expansion and renovation of the Longjing restaurant we advanced to Hangzhou Greentea and (y) receivables relating to our operation of certain restaurants under the cooperation agreements with our connected persons. See "Continuing Connected Transactions" for the historical management fees under the cooperation agreements with our connected persons. The management fees under the cooperation agreements during the Track Record Period were under the same payment terms as the cooperation agreements to be entered into with Hangzhou Greentea and Beijing Greentea as disclosed in the section headed "Continuing Connected Transactions" in the document.

The following table sets forth our trade and other receivables as of the dates indicated:

	As of December 31,		
	2021	**2022**	**2023**
	(RMB in thousands)		
Trade debtors	15,704	18,485	36,298
Other receivables and deposits	36,636	50,320	45,137
Amounts due from related parties	8,953	24,298	28,943
Value added tax recoverable	98,833	109,788	149,396
Prepayments	44,398	37,339	54,726
Trade and other receivables	**204,524**	**240,230**	**314,500**

As of the Latest Practicable Date, approximately RMB253.9 million, or 80.7%, of our trade and other receivables as of December 31, 2023 had been settled subsequent to December 31, 2023.

Trade debtors

The majority of our trade debtors were primarily in connection with (i) bills settled through third-party payment platforms such as Alipay or WeChat Pay, which were normally settled within a short period of time; and (ii) bills received by shopping malls on behalf of us for certain restaurants, which were normally settled within one month.

The following table sets forth an aging analysis of our trade debtors as of the dates indicated.

	As of December 31,		
	2021	**2022**	**2023**
	(RMB in thousands)		
Within one month	14,680	16,903	35,046
One to two months	631	372	864
Two to three months	199	371	279
Other three months but within one year	194	839	109
Total trade debtors	15,704	18,485	36,298

The following table sets forth our trade debtors turnover days for the Track Record Period.

	Year Ended December 31,		
	2021	**2022**	**2023**
Trade debtors turnover days(1)	2.1	2.6	2.8

Note:

(1) Trade debtor turnover days are calculated using the average of opening balance and closing balance of trade debtors for a year divided by revenue for the relevant year and multiplied by 365 days.

Our trade debtor turnover days were primarily affected by the settlement periods with third-party payment platforms and shopping malls. Going forward, we do not expect to experience significant change in our trade debtor turnover days.

We did not have any past due trade debtors as of December 31, 2021, 2022 and 2023. As of the Latest Practicable Date, approximately RMB36.2 million, or 99.8%, of our trade debtor as of December 31, 2023 had been settled subsequent to December 31, 2023.

Our value added tax recoverable increased from RMB98.8 million as of December 31, 2021 to RMB109.8 million as of December 31, 2022, and further increased to RMB149.4 million as of December 31, 2023. Such increases were primarily due to the expansion of our restaurant network.

Other receivables and deposits

Our other receivables and deposits primarily consist of rental deposits for our restaurants. Our other receivables and deposits increased from RMB36.6 million as of December 31, 2021 to RMB50.3 million as of December 31, 2022, primarily due to the increase in our rental deposits as we continued to expand our restaurant network. Our other receivables and deposits decreased from RMB50.3 million as of December 31, 2022 to RMB45.1 million as of December 31, 2023, primarily due to a decrease in our rental deposits which were returned after the completion of restaurant renovation.

Prepayments

Our prepayments primarily consist of prepayments made for rental, utilities and marketing and advertising related expenses. Our prepayments decreased from RMB44.4 million as of December 31, 2021 to RMB37.3 million as of December 31, 2022 due to the negative impact on our restaurant network expansion plan towards the end of 2022 as a result of the increase in cases of COVID-19 after the Chinese government eased the "zero-COVID" policy in December 2022. Our prepayments increased to RMB54.7 million as of December 31, 2023, primarily due to the recovery of our business from the COVID-19 pandemic.

Amounts due from related parties

Our amounts due from related parties primarily consist of (i) the expenses relating to the expansion and renovation of the Longjing restaurant we advanced to Hangzhou Greentea and (ii) receivables relating to our operation of certain restaurants under the cooperation agreements with our connected persons, which are trade in nature. See "Continuing Connected Transactions" for further details. As of December 31, 2021 and 2022 and 2023, four, four and four of the restaurants in our restaurant network were operated under such arrangement, respectively. Our amounts due from related parties increased from RMB9.0 million as of December 31, 2021 to RMB24.3 million as of December 31, 2022 and further increased to RMB28.9 million as of December 31, 2023. Such changes are primarily attributable to (i) the changes in profit before tax of the restaurants we manage under the cooperation agreements, and (ii) an increase in the volume of food ingredients procurement from our Group by the restaurants we manage under the cooperation agreements. As our amounts due from related parties are generated from on-going cooperation with our connected persons, we expect to continue to record such amounts and will not settle the amounts prior to the [**REDACTED**].

Property, Plant and Equipment

Our property, plant and equipment is comprised of leasehold improvements, kitchen equipment, furniture and fixture, electronic equipment and others and construction in progress relating to our restaurants. Our property, plant and equipment increased from RMB480.7 million as of December 31, 2021 to RMB518.9 million as of December 31, 2022, and further increased to RMB649.0 million as of December 31, 2023, primarily due to the expansion of our restaurant network.

Right-of-Use Assets

Our right-of-use assets are comprised of the leases for our restaurants and employee dormitories. Our right-of-use assets increased from RMB723.6 million as of December 31, 2021 to RMB754.5 million as of December 31, 2022 and further increased from RMB754.5 million as of December 31, 2022 to RMB822.1 million as of December 31, 2023. Such increases were primarily due to the expansion of our restaurant network.

Financial assets at fair value through profit or loss ("FVPL")

Our financial assets at FVPL consist of low-risk wealth management products. We managed and evaluated the performance of wealth management products on a fair value basis in accordance with our business needs and investment strategy. See "– Policies for Wealth Management Products" below for further details on our policies for wealth management products.

In relation to the valuation of the financial assets at FVPL, we adopted the following procedures:

(i) reviewed the terms of the relevant wealth management products;

(ii) reviewed the fair value measurement assessment of the relevant wealth management products presented by our finance department and carefully considered all information available and various applicable valuation techniques and process in determining the valuation of the relevant wealth management products; and

(iii) reviewed the fair value measurement of the financial assets at FVPL taking into account of the valuation techniques and assumptions of unobservable inputs and determine if the level 3 fair value measurement is in compliance with the applicable IFRS.

Based on the above procedures, our Directors are of the view that the valuation analysis is fair and reasonable, and our financial statements are properly prepared. The Joint Sponsors have conducted the following independent due diligence work in relation to the level 3 fair value measurement: they (i) reviewed the relevant notes included in the Accountants' Report as contained in Appendix I to this document; (ii) discussed with the Company on the work they have performed, primary factors taken into account, key assumptions and methodologies adopted for the valuation of the level 3 financial assets, and the internal control measures undertaken by the Company for reviewing and approving the relevant valuation; and (iii) discussed with the Reporting Accountants in respect of the work performed in relation to the valuation of the level 3 financial assets for the purpose of reporting on the historical financial information of the Group for the Track Record Period as a whole. Having considered the work done by the Directors and the Reporting Accountants as stated above, nothing material has come to the attention of the Joint Sponsors that would cause the Joint Sponsors to disagree with the valuation analysis performed by the Company.

Details of the fair value measurement of financial assets at FVPL, particularly the fair value hierarchy, the valuation techniques and key inputs, including significant unobservable inputs, the relationship of unobservable inputs to fair value are disclosed in Note 28(e) to the Accountants' Report in Appendix I to this document. The Reporting Accountants' Opinion on Historical Financial Information, as a whole, of the Group for the Track Record Period is set out on pages I-1 to I-3 of Appendix I to this document.

Impairment losses for property, plant and equipment and right-of-use assets

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 as of December 31, 2021, 2022 and 2023. In view of the unfavorable future prospects of certain restaurants, we recognized an impairment loss of RMB0.8 million and RMB4.6 million for the years ended December 31, 2021 and 2023.

Although certain restaurants recorded operating losses for the year ended December 31, 2022, the recoverable amount of these restaurants with an indication of impairment exceeds the carrying amount. Therefore, no impairment loss was recognized for the year ended December 31, 2022.

Trade and Other Payables

The following table sets forth our trade and other payables as of the dates indicated:

	As of December 31,		
	2021	**2022**	**2023**
	(RMB in thousands)		
Trade payables	210,317	193,354	248,488
Staff cost payable	51,363	53,103	86,790
[REDACTED]	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Other payables and accrued charges	75,405	70,689	139,778
Other taxes payable	1,979	2,944	5,466
Total trade and other payables	**339,524**	**331,862**	**493,355**

Trade payables

The majority of our trade payables were in connection with payables to our suppliers. Our suppliers typically grant us a credit period of 30 to 90 days. The following is an aging analysis of our trade payables based on the invoice date for the periods indicated:

	As of December 31,		
	2021	**2022**	**2023**
	(RMB in thousands)		
Within one year	208,232	188,464	244,325
Over one year but within two years	1,626	4,862	1,443
Over 2 years but within 3 years	459	28	2,720
	210,317	**193,354**	**248,488**

The following table sets forth our trade payables turnover days during the Track Record Period:

	Year Ended December 31,		
	2021	**2022**	**2023**
Trade payable turnover days[1]	85.0	85.4	66.9

Note:

(1) Trade payables turnover days are calculated using the average of opening balance and closing balance of trade payables for a year divided by raw materials and consumables used for the relevant year and multiplied by 365 days.

Our trade payables turnover days remained relatively stable at 85.4 days in 2022 as compared to 85.0 days in 2021. Our trade payables turnover days decreased to 66.9 days in 2023, primarily due to the increase in procurement from suppliers which have shorter payment terms as such suppliers generally offer lower procurement prices.

As of the Latest Practicable Date, RMB246.0 million, or 99.0% of our trade payables as of December 31, 2023, had been settled subsequent to December 31, 2023.

Staff cost payables

Our staff cost payables increased from RMB51.4 million as of December 31, 2021 to RMB53.1 million as of December 31, 2022, primarily due to an increase in the number of our employees as we continued to expand our restaurant network. Our staff cost payables further increased to RMB86.8 million as of December 31, 2023, primarily due to an increase in performance-based compensation as the performance of our restaurants showed a strong recovery after the easing of the COVID-19 pandemic.

Other payables and accrued charges

Our other payables and accrued charges are comprised of payables relating to restaurant renovations, delivery services and utilities. Our other payables and accrued charges decreased from RMB75.4 million as of December 31, 2021 to RMB70.7 million as of December 31, 2022, primarily because we slowed down the pace of restaurant expansion in 2022. Our other payables and accrued charges increased to RMB139.8 million as of December 31, 2023, primarily due to the increase in number of restaurants in operation.

Contract Liabilities

Our contract liabilities primarily consist of (i) prepayments made by customers for subsequent spending at our restaurants, (ii) consideration from the offering of cash vouchers on our WeChat mini-program and (iii) estimated loyalty points arising from our membership reward system, which could be used in the future consumptions in our restaurants by members of our membership reward system. Our contract liabilities increased from RMB0.7 million as of December 31, 2021 to RMB5.5 million as of December 31, 2022, primarily due to (i) an increase in the number of customers who joined our membership reward system in 2022 and (ii) an increase in advanced payment received because we started to offer cash voucher to our customers on our WeChat mini-program in April 2022. Our contract liabilities further increased from RMB5.5 million as of December 31, 2022 to RMB6.8 million as of December 31, 2023, primarily attributable to (i) an increase in the amount of prepayments from our customers and (ii) an increase in the number of customers who joined our membership reward system.

Deferred Lease Incentives

During the Track Record Period, certain landlords granted lease incentive amounts to us under certain lease agreements for the reimbursement of leasehold improvement costs of the leased properties. We firstly accounted for the benefit of the lease incentive amounts as a deduction of the initial carrying amount of the right-of-use assets, and then the excess as deferred lease incentives which are amortized on a straight-line basis over the term of the leases. As of December 31, 2021, 2022 and 2023, we had deferred lease incentives of RMB12.5 million, RMB15.5 million and RMB12.8 million, respectively.

LIQUIDITY AND CAPITAL RESOURCES

Overview

To date, we have financed our operations primarily through cash from our operations and equity investments. As of December 31, 2023, we had RMB356.3 million in cash and cash equivalents, substantially all of which were denominated in Renminbi. Our cash and cash equivalents primarily consist of cash on hand and cash at bank.

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

	Year Ended December 31,		
	2021	2022	2023
	(RMB in thousands)		
Net cash generated from operating activities	376,960	347,612	793,239
Net cash used in investing activities	(231,366)	(215,843)	(380,434)
Net cash used in financing activities	(163,484)	(127,866)	(190,797)
Net (decrease)/increase in cash and cash equivalents	(17,890)	3,903	222,008
Effect of foreign exchange rate changes	244	(711)	(129)
Cash and cash equivalents at the beginning of the year	148,864	131,218	134,410
Cash and cash equivalents at the end of the year	131,218	134,410	356,289

Operating Activities

Cash generated from operations reflects our profit before income tax, adjusted for (i) the cash flow effects of non-cash items, including depreciation, equity-settled share-based payment expenses, finance costs, net loss on disposal of property, plant and equipment and right-of-use assets; amortization of intangible assets; impairment loss on property, plant and equipment and right-of-use assets; gains on reassessment of right-of-use assets and lease liabilities; and interest income (ii) the effects of changes in our working capital, including changes in inventories, trade and other receivables, rental deposits, trade and other payables.

Net cash generated from operating activities in 2023 was RMB793.2 million, which was primarily attributable to profit before taxation of RMB388.0 million, adjusted for certain non-cash items and working capital adjustments. Negative working capital adjustment reflect primarily (i) an increase in trade and other receivables and rental deposits of RMB69.5 million and (ii) an increase in inventories of RMB3.2 million. Such negative working capital adjustments were offset in part by positive adjustments reflected primarily an increase in trade and other payables of RMB128.9 million, primarily due to the growth of our operation scale.

Net cash generated from operating activities in 2022 was RMB347.6 million, which was primarily attributable to profit before taxation of RMB43.2 million, adjusted for certain non-cash items and working capital adjustments. Negative working capital adjustment reflect primarily (i) an increase in trade and other receivables and rental deposits of RMB30.3 million and (ii) an increase in inventories of RMB9.2 million primarily due to the expansion of our restaurant network. Such negative working capital adjustments were offset in part by positive adjustments reflected primarily an increase in trade and other payables of RMB6.9 million, primarily due to the growth of our operation scale.

Net cash generated from operating activities in 2021 was RMB377.0 million, which was primarily attributable to profit before taxation of RMB139.6 million, adjusted for certain non-cash items and working capital adjustments. Negative working capital adjustment reflect primarily (i) an increase in trade and other receivables and rental deposits of RMB56.5 million and (ii) an increase in inventories of RMB17.7 million primarily due to the expansion of our restaurant network. Such negative working capital adjustments were offset by positive adjustments reflected primarily an increase in trade and other payables of RMB32.2 million, primarily due to the growth of our operation scale.

Investing Activities

Net cash used in investing activities in 2023 was RMB380.4 million, primarily attributable to (i) payment for purchase of wealth management products of RMB2,328.5 million and (ii) payment for the purchase of property, plant and equipment of RMB306.2 million in connection with the opening of new restaurants, which was partially offset by proceeds from disposal of wealth management products of RMB2,248.5 million. In 2023, we opened a total of 89 new restaurants.

Net cash used in investing activities in 2022 was RMB215.8 million, primarily attributable to payment for the purchase of property, plant and equipment of RMB219.8 million in connection with the opening of new restaurants. In 2022, we opened a total of 47 new restaurants.

Net cash used in investing activities in 2021 was RMB231.4 million, primarily attributable to (i) payment for the purchase of property, plant and equipment of RMB191.1 million in connection with the opening of new restaurants and (ii) payment for purchase of wealth management products of RMB80.0 million. In 2021, we opened a total of 59 new restaurants.

Financing Activities

Net cash used in financing activities in 2023 was RMB190.8 million, primarily attributable to (i) payment of capital element and interest element of lease liabilities of RMB182.4 million, (ii) repayment of bank loans of RMB31.0 million and (iii) placements of restricted bank deposits of RMB25.0 million.

Net cash used in financing activities in 2022 was RMB127.9 million, primarily attributable to (i) payment of capital element and interest element of lease liabilities of RMB155.0 million and (ii) repayment of bank loans of RMB85.5 million, which was partially offset by proceeds from bank loans of RMB116.0 million.

Net cash used in financing activities in 2021 was RMB163.5 million, primarily attributable to (i) payment of capital and interest element of lease liabilities of RMB153.5 million and (ii) repayment of bank loans of RMB6.0 million.

Policies for Wealth Management Products

From time to time, we may purchase wealth management products, which are low-risk investments with the primary purpose of capital preservation. We primarily consider the following factors before purchasing wealth management products.

- ***Product selection and investment risk***. We only invest in wealth management products offered by reputable commercial banks that guarantee the principal amounts of our investments.

- ***Investment return***. We select wealth management products that offer competitive returns compared to similar investment products.

- ***Investment amount and duration***. We only invest in wealth management products in amounts and with durations that are consistent with our working capital needs. Such durations are generally between 30 days to 90 days.

According to our internal control measures, the value of the wealth management product will decide whether the purchase of such product is subject to pre-approval by our Board or by our shareholders:

(i) If the value of such wealth management product is less than 10% of our net asset according to our most recent audited financials, our chief executive officer is authorized by the Board to approve the purchase of such product. Our chief executive officer is only required to report such purchase in the next Board meeting.

(ii) If the value of such wealth management product is over 10% but less than 20% of our net asset according to our most recent audited financials, purchase of such product requires pre-approval by our Board.

(iii) If the value of such wealth management product is over 20% of our net asset according to our most recent audited financials, purchase of such product needs to be pre-approved by our shareholders at a shareholders' meeting.

In addition, our internal audit team is responsible for monitoring the approval, purchase and audit of such wealth management products. Our audit committee also has the authority to review our investments, including the purchase of wealth management products.

COMMITMENTS

As of December 31, 2021, 2022 and 2023 the total amount of our capital expenditure contracted for but not yet provided was RMB17.6 million, RMB25.0 million and RMB15.9 million, respectively.

CAPITAL EXPENDITURES

Our capital expenditure consists of payment for purchases of property, plant and equipment, primarily used to open new restaurants, procure property, plant and equipment for new restaurants, renovate existing restaurants and purchase furniture and equipment used for our restaurant operations. We made payment for the capital expenditures of RMB191.1 million, RMB219.8 million and RMB306.2 million in 2021, 2022 and 2023, respectively. These historical capital expenditures were funded primarily by cash generated from our operating activities.

We currently plan to open approximately 82 new restaurants in 2024 (excluding restaurants that had been opened as of the Latest Practicable Date). We estimate the total capital expenditure for the opening of the 82 new restaurants to be RMB219.4 million. We plan to fund these capital expenditures with our existing cash and cash equivalents, cash flow generated from operating activities and [**REDACTED**] from the [**REDACTED**]. See "Business – Growth Strategies," "Business – Expansion Plan and Management" and "Future Plans and [**REDACTED**]" for further details about our planned capital expenditure.

WORKING CAPITAL

The table below sets forth the details of our current assets and liabilities as of the dates indicated:

	As of December 31,			As of April 30,
	2021	**2022**	**2023**	**2024**
	(RMB in thousands)			*(unaudited)*
Current assets				
Inventories	47,155	56,395	59,576	70,354
Trade and other receivables	204,524	240,230	314,500	328,613
Income tax prepayments	–	2,887	1,492	2,228
Financial assets at fair value through profit or loss ("FVPL")	40,157	40,000	120,192	10,000
Restricted Deposits	–	–	25,000	–
Cash and cash equivalents	131,218	134,410	356,289	519,352
Total current assets	**423,054**	**473,922**	**877,049**	**930,547**

	As of December 31,			As of April 30,
	2021	**2022**	**2023**	**2024**
	(RMB in thousands)			*(unaudited)*
Current liabilities				
Trade and other payables	339,524	331,862	493,335	490,518
Dividend payable	–	–	350,028	350,028
Contract liabilities	660	5,480	6,847	8,241
Current portion of long-term payables	7,505	6,148	7,593	7,652
Lease liabilities	183,779	181,859	214,345	206,370
Bank loans	501	31,000	50,100	–
Current taxation	7,760	5,831	55,442	68,491
Total current liabilities	**539,729**	**562,180**	**1,177,690**	**1,131,300**
Net current liabilities	**(116,675)**	**(88,258)**	**(300,641)**	**(200,753)**

Our net current liabilities decreased from RMB300.6 million as of December 31, 2023 to RMB200.8 million as of April 30, 2024, primarily due to the cash inflow from our operations in the first four months of 2024.

We recorded net current liabilities of RMB300.6 million as of December 31, 2023 as compared to net current liabilities of RMB88.3 million as of December 31, 2022, primarily due to (i) the dividend payable we recorded relating to the dividend to our existing Shareholders our Board declared in May 2023 and (ii) an increase in trade and other payables which was caused by the increase in the number of our restaurants in operation in 2023.

Our net current liabilities decreased from RMB116.7 million as of December 31, 2021 to RMB88.3 million as of December 31, 2022, primarily due to increases in our inventories and trade and other receivables as a result of an increase in the number of our restaurants, partially offset by an increase in bank loans and contract liabilities.

We recorded net current liabilities in 2021, 2022 and 2023, mainly because we utilized significant portions of cash generated from our operations to expand our restaurant network. As a result, we recorded significant amounts of (i) lease liabilities in accordance with IFRS 16 and (ii) trade and other payables in relation to renovation costs, purchases food ingredients and recruitment and employee expenses. In particular, the current portion of lease liabilities amounted to RMB183.8 million, RMB181.9 million and RMB214.3 million as of December 31, 2021, 2022 and 2023, respectively.

We believe that our net current liabilities position will be improved with net cash inflows generated from operating activities once the newly opened restaurants begin to make profit and from the [**REDACTED**] from the [**REDACTED**]. In addition, we will also continue to improve our net current liabilities position by leveraging centralized procurement through our direct procurement center to control costs, as well as the improved economies of scale as our restaurant network continues to grow. We also expect to take advantage of our strong brand recognition to continue negotiating with landlords for more favorable lease terms in lower tier cities in the future to control our costs.

Furthermore, we will continue to closely monitor our liquidity position to ensure that it is in line with our business operations and expansion needs. We will also manage the level of our cash and liquid assets to ensure the availability of sufficient cash flows to meet any planned or unexpected cash requirements arising from our operations. We will continue to assess the availability of resources for financing our business needs on an ongoing basis.

Taking into consideration the financial resources presently available to us, including cash on hand and cash at banks, the available banking facilities, expected cash generated from our operations and the estimated [**REDACTED**] from the [**REDACTED**], our Directors are of the view that we have sufficient working capital for our present working capital requirements for at least the next 12 months from the date of this document. As such, we believe that our business operation and financial condition will not be materially and adversely affected by our net current liabilities position.

INDEBTEDNESS

Bank Loans

As of December 31, 2021, 2022, 2023 and April 30, 2024, our outstanding bank loans amounted to RMB0.5 million, RMB31.0 million, RMB50.1 million and nil, respectively. All of our bank loans were repayable within one year or on demand. The interest rate on our bank loans is 3.50% to 3.85%.

As of the Latest Practicable Date, our unutilized banking facilities amounted to RMB450.0 million.

Our Directors confirm that there was no default in payments of our liabilities, and/or breach of covenants during the Track Record Period and up to the Latest Practicable Date.

Lease Liabilities

We lease rental properties for our restaurants. These leases are typically made for fixed terms and the longest lease term is 31 years. During the Track Record Period, a majority of the lease agreements for our restaurants were under hybrid rent arrangements, which include both variable payment and fixed payment, and our variable rent payable was tied to the sales at the particular restaurant. Some of these leases also include a minimum rent payment clause pursuant to which we are required to pay the higher of the minimum rent or the contingent rent calculated with reference to the revenue of the restaurant. Other leases were under fixed rent arrangements. The following table shows the remaining contractual maturities of our lease liabilities as of the dates indicated:

	As of December 31,			As of April 30,
	2021	**2022**	**2023**	**2024**
	(RMB in thousands)			
				(unaudited)
Within one year	183,779	181,859	214,345	206,370
After one year but within two years	135,712	139,603	148,404	150,173
After two years but within five years	309,182	308,436	336,390	335,821
After five years	118,125	157,894	174,413	167,107
	746,798	**787,792**	**873,552**	**859,471**

Save as disclosed above, we did not have outstanding indebtedness or any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or similar indebtedness, liabilities under acceptances (other than normal trade bills), acceptance credits, debentures, mortgages, charges, finance leases or hire purchase commitments, guarantees or other contingent liabilities or any covenant in connection therewith as of April 30, 2024, being our indebtedness statement date. After due and careful consideration, our Directors confirm that, up to the Latest Practicable Date, there has been no material adverse change in our indebtedness since April 30, 2024.

CONTINGENT LIABILITIES

As of April 30, 2024, we did not have significant contingent liabilities.

KEY FINANCIAL RATIOS

The following table sets forth the key financial ratios as of the dates indicated:

	As of December 31,		
	2021	**2022**	**2023**
Current ratio(1)	0.78	0.84	0.74
Quick ratio(2)	0.70	0.74	0.69
Gearing ratio(3)	0.1%	6.6%	12.1%

Notes:

(1) Current ratio is calculated by dividing current assets by current liabilities.

(2) Quick ratio is calculated by dividing current assets less inventory by current liabilities.

(3) Gearing ratio equals bank loans divided by total equity and multiplied by 100%.

Current Ratio

Our current ratio increased from 0.78 as of December 31, 2021 to 0.84 as of December 31, 2022, primarily due to the increase in the balance of cash and cash equivalents. Our current ratio decreased from 0.84 as of December 31, 2022 to 0.74 as of December 31, 2023, primarily due to the dividend payable we recorded in 2023 relating to the dividend to our existing Shareholders our Board declared in May 2023.

Quick Ratio

Our quick ratio increased from 0.70 as of December 31, 2021 to 0.74 as of December 31, 2022, and decreased to 0.69 as of December 31, 2023. Our quick ratio generally follows the trend of our current ratio and the changes are for the same reasons.

Gearing Ratio

Our gearing ratio increased from 0.1% as of December 31, 2021 to 6.6% as of December 31, 2022 and further increased to 12.1% as of December 31, 2023. Such increases were primarily due to the increase in bank borrowings. We have subsequently repaid all of our outstanding bank loan as of December 31, 2023 and did not have any outstanding bank loans as of April 30, 2024. As such, our gearing ratio had decreased to 0.0% as of April 30, 2024.

OFF-BALANCE SHEET ARRANGEMENTS

We have not entered into, nor do we expect to enter into, any off-balance sheet arrangements. We also have not entered into any financial guarantees or other commitments to guarantee the payment obligations of third parties. In addition, we have not entered into any derivative contracts that are indexed to our equity interests and classified as owners' equity. Furthermore, we do not have any retained or contingent interest in assets transferred to an unconsolidated entity that serves as credit, liquidity or market risk support to such entity. We do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or that engages in leasing, hedging or research and development services with us.

RELATED PARTY TRANSACTIONS

For a discussion of related party transactions, see note 30 to the Accountants' Report set forth in Appendix I to this document.

Our Directors believe that the related party transactions were carried out on an arm's length basis and will not distort our results during the Track Record Period or make such results not reflective of our future performance.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to a variety of market risks including credit risk and liquidity risk in the normal course of our business. We manage and monitor these exposures to ensure appropriate measures are implemented on a timely and effective manner. For details of the risks to which we are exposed, see Note 28 in "Appendix I – Accountants' Report" to this Document.

[**REDACTED**]

Our estimated total [**REDACTED**] (based on the [**REDACTED**] of our indicative [**REDACTED**] range for the [**REDACTED**] and assuming that the [**REDACTED**] is not exercised and all discretionary incentive fees in the [**REDACTED**] are paid in full) incurred or to be incurred in relation to the [**REDACTED**] are approximately RMB[**REDACTED**] (HK$[**REDACTED**]). Until December 31, 2023, RMB[**REDACTED**] (HK$[**REDACTED**]) of such [**REDACTED**] were charged as other expenses to our consolidated statement of profit or loss and other comprehensive income and approximately RMB[**REDACTED**] (HK$[**REDACTED**]) were recognized as prepayment, which were expected to be charged against equity upon [**REDACTED**]. We expect to incur additional [**REDACTED**] of RMB[**REDACTED**] (HK$[**REDACTED**]) after December 31, 2023 (assuming that the [**REDACTED**] is conducted at the [**REDACTED**] of the [**REDACTED**] range), of which RMB[**REDACTED**] (HK$[**REDACTED**]) is expected to be recognized as [**REDACTED**] in 2024 and RMB[**REDACTED**] (HK$[**REDACTED**]) is expected to be recognized as a deduction in equity directly. The [**REDACTED**] amounted to [**REDACTED**]% of our estimated [**REDACTED**] of HK$[**REDACTED**] from the [**REDACTED**], assuming an [**REDACTED**] of HK$[**REDACTED**] per [**REDACTED**] (being the [**REDACTED**] of the [**REDACTED**] range). The estimated [**REDACTED**] consist of (i) [**REDACTED**] expenses (including [**REDACTED**] fees and commissions) of HK$[**REDACTED**], (ii) fees and expenses of legal advisers and accountants of HK$[**REDACTED**] and (iii) other fees and expenses of HK$[**REDACTED**]. Our Directors do not expect such expenses to have a material adverse impact on our financial results in 2024.

DIVIDENDS

According to the Articles of Association, our Company may declare dividends in any currency to be paid to our Shareholders in general meetings, provided that no dividend shall exceed the amount recommended by our Directors. In addition, our Directors may from time to time pay to our Shareholders such interim dividends as appeared to our Directors to be justified by the financial conditions and profits of our Company. No dividend may be declared or paid other than out of profits and reserves of the Company lawfully available for distribution, including share premium.

We are a holding company incorporated under the laws of the Cayman Islands. As a result, the payment and amount of any future dividend will also depend on the availability of dividends received from our subsidiaries. PRC laws and regulations require that dividends be paid only out of the profit for the year calculated according to PRC accounting principles which differ in many aspects from the generally accepted accounting principles in other jurisdictions, including IFRS. PRC laws also require a foreign-invested enterprise to set aside at least 10% of its after-tax profits, each year to its general reserves or statutory capital reserve fund until the aggregate amount of such reserves reaches 50% of its respective registered capital. Distributions from us and our subsidiaries may also become subject to any restrictive covenants in bank credit facilities, convertible bond instruments or other agreements that we or our subsidiaries may enter into in the future.

Our Board did not declare any dividend to our Shareholders during the Track Record Period, primarily due to concerns of cash preservation for the potential needs in relation to the COVID-19 pandemic. Considering the ease of the COVID-19 pandemic since the first quarter of 2023, the robust rebound of our results of operations and the balance of our net current assets, our Board believes it would be beneficial to distribute dividends to our existing Shareholders. Therefore, in May 2023, the Board declared a dividend of RMB350 million to our then shareholders, namely Time Sonic, Partners Gourmet and Longjing Memory Limited in respect of our distributable retained profits of our PRC subsidiaries as of December 31, 2022. Such dividend will be settled with the cash available at the time of settlement prior to the completion of the [**REDACTED**]. We do not intend to take out extra bank borrowings for the purpose of dividend settlement. As of April 30, 2024, we had cash and cash equivalent of RMB519.4 million, and we expect to continuously record net cash inflows from operating activities going forward. Therefore, we believe that we will be able to maintain sufficient funds to meet our working capital requirements and debt obligations after we settle such dividend.

Dividends declared in the past are not indicative of our future dividend policy. All the dividends declared have been or will be settled before [**REDACTED**]. The amount of dividends actually distributed to our Shareholders will depend upon our earnings and financial condition, operating requirements, capital requirements and any other conditions that our Directors may deem relevant and will be subject to approval of our Shareholders. Our Board has the absolute discretion to recommend any dividend. We do not have any pre-determined dividend pay-out ratio.

DISTRIBUTABLE RESERVES

As of December 31, 2023, our Company had reserves of RMB37.8 million available for distribution to our members.

NO MATERIAL ADVERSE CHANGE

After due and careful consideration, our Directors confirm that, up to the date of this document, there has been no material adverse change in our financial and trading position or prospects since December 31, 2023, and there is no event since December 31, 2023 which would materially affect the information shown in the Accountants' Report, the text of which is set out in Appendix I to this document.

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

The following unaudited pro forma statement of adjusted consolidated net tangible assets of the Group prepared in accordance with Rule 4.29 of the Listing Rules is to illustrate the effect of the [**REDACTED**] on the consolidated net tangible assets of the Group attributable to equity shareholders of the Company as if the [**REDACTED**] had been completed on December 31, 2023. The unaudited pro forma statement of adjusted consolidated net tangible assets has been prepared for illustrative purpose only and because of its hypothetical nature, it may not give a true picture of the financial position of the Group had the [**REDACTED**] been completed as of December 31, 2023 or any future date.

	Consolidated net tangible assets of the Group attributable to equity shareholders of the Company as of December 31, 2023	Estimated [REDACTED] from the [REDACTED]	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to equity shareholders of the Company	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to equity shareholders of the Company per Share	
	RMB'000	*RMB'000*	*RMB'000*	*RMB*	*HK$*
	(Note 1)	*(Note 2)*		*(Note 3)*	*(Note 4)*
Based on an [REDACTED] of HK$[REDACTED] per Share	412,373	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Based on an [REDACTED] of HK$[REDACTED] per Share	412,373	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Notes:

[**REDACTED**]

(3) The number of shares used for the calculation of unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to equity shareholders of the Company per Share is based on [**REDACTED**] Shares in issue immediately upon the completion of the [**REDACTED**], assuming that the [**REDACTED**] has been completed on December 31, 2023, and taking no account of any Shares which may fall to be issued upon the exercise of the [**REDACTED**].

(4) For illustrative purpose, the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to equity shareholders of the Company per Share in RMB are converted to the Hong Kong dollar at the exchange rate of HK$1.00 to RMB0.9106 prevailing on June 11, 2024. No representation is made that the Hong Kong dollar amounts have been, could have been or may be converted to Renminbi, or vice versa, at the rate or at any other rates or at all.

(5) No adjustment has been made to reflect any trading result or other transactions of the Group entered into subsequent to 31 December 2023.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

As of the Latest Practicable Date, our Directors confirmed that there are no circumstances that will give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

NO SIGNIFICANT INTERRUPTIONS

Our Directors confirm that there have been no interruptions in our business that may have a material adverse effect on our financial position and results of operations in the 12 months period prior to the Latest Practicable Date.

FUTURE PLANS

See "Business – Growth Strategies" for a detailed description of our future plans.

[REDACTED]

We estimate the [**REDACTED**] of the [**REDACTED**] which we will receive, assuming an [**REDACTED**] of HK$[**REDACTED**] per [**REDACTED**] (being the [**REDACTED**] of the indicative [**REDACTED**] range stated in this document), will be approximately HK$[**REDACTED**], after deduction of [**REDACTED**] fees and commissions and estimated expenses payable by us in connection with the [**REDACTED**] and assuming the [**REDACTED**] is not exercised.

We intend to use the [**REDACTED**] of the [**REDACTED**] for the following purposes assuming the [**REDACTED**] is fixed at HK$[**REDACTED**] per [**REDACTED**] (being the [**REDACTED**] of the indicative [**REDACTED**] range).

- Approximately [**REDACTED**]%, or HK$[**REDACTED**], will be used to expand our restaurant network. Our estimated investment costs (including renovation expenses, equipment costs, rental deposits and start-up costs) for opening each new restaurant on average amount to approximately RMB[**REDACTED**] to RMB[**REDACTED**] in China and RMB[**REDACTED**] to RMB[**REDACTED**] overseas mainly depending on the size of the restaurant. On average, approximately 95% of the investment costs for opening each restaurant will be used as capital expenditure, such as construction, decoration and purchase of equipment and furniture; the remaining 5% will be used as pre-opening expense, including staff salary and training expenses, marketing expenses and other miscellaneous expenses incurred prior to the opening of the new restaurant. Set forth below is a breakdown of restaurants we expect to open by geographical regions from 2025 to 2027. We plan to fund the expansion plan with a mix of cash flow generated from our operations and the [**REDACTED**] from the [**REDACTED**]. Please refer to "Business – Expansion Plan and Management" for further details of our restaurant expansion plan.

	2025	**2026**	**2027**
China			
Eastern China(1)	38	53	62
Guangdong Province	13	13	10
Northern China(2)	18	13	19
Other(3)	76	111	109
Overseas(4)	5	10	13
Total	**150**	**200**	**213**

Notes:

(1) Consisting of Zhejiang, Shanghai, Anhui, Jiangsu, Jiangxi and Fujian.

(2) Consisting of Beijing, Hebei and Tianjin.

(3) Consisting of Yunnan, Inner Mongolia, Sichuan, Shandong, Shanxi, Guangxi, Henan, Hubei, Gansu, Tibet, Guizhou, Chongqing, Shaanxi, Heilongjiang, Liaoning, Jilin, Hunan and Hainan.

(4) Consisting of Hong Kong, Southeast Asia and North America.

Set forth below is a breakdown of restaurants we expect to open by city tiers from 2025 to 2027:

	2025	**2026**	**2027**
China			
Tier one and new tier one cities	30	56	44
Tier two cities	42	40	43
Tier three and lower tier cities	73	94	113
Overseas[(1)]	5	10	13
Total	**150**	**200**	**213**

Note:

(1) Consisting of Hong Kong, Southeast Asia and North America.

Set forth below is a breakdown of restaurants we expect to open by restaurant size from 2025 to 2027:

	2025	**2026**	**2027**
Small restaurants[(1)]	130	173	184
Large restaurants[(2)]	20	27	29
Total	**150**	**200**	**213**

Notes:

(1) Refers to restaurants with GFA of less than 450 square meters.

(2) Refers to restaurants with GFA of 450 square meters or more.

Set forth below is a breakdown of estimated costs of new restaurants we plan to open in the relevant periods:

Investment project	**Estimated cost**	**Percentage of [REDACTED]**
Open around 563 restaurants from 2025 to 2027	2025: HK$[**REDACTED**]	[**REDACTED**]%
	2026: HK$[**REDACTED**]	[**REDACTED**]%
	2027: HK$[**REDACTED**]	[**REDACTED**]%*
Total	HK$[**REDACTED**]	[**REDACTED**]%

Note:

* We expect to fund our restaurant expansion plan in 2027 with a mix of cash flow generated from our operations and the [**REDACTED**] from the [**REDACTED**].

- Approximately [**REDACTED**]%, or HK$[**REDACTED**], will be used to finance the capital expenditures required in connection with the establishment of our centralized food processing facility in Zhejiang Province. Set forth below is a breakdown of the estimated costs by nature for the establishment of our centralized food processing facility:

Investment projects	**Estimated cost**	**Percentage of [REDACTED]**	**Estimated time frame of implementation**
Acquisition of the land for the centralized food processing facility	HK$[**REDACTED**]	[**REDACTED**]%	2025: [**REDACTED**] 2026: [**REDACTED**] 2027 onward: [**REDACTED**]
Design, renovation and construction of the facility	HK$[**REDACTED**]	[**REDACTED**]%	2025: [**REDACTED**] 2026: [**REDACTED**] 2027 onward: [**REDACTED**]
Procurement of food processing equipment	HK$[**REDACTED**]	[**REDACTED**]%	2025: [**REDACTED**] 2026: [**REDACTED**] 2027 onward: [**REDACTED**]
Total	HK$[**REDACTED**]	[**REDACTED**]%	

The facility is designed to produce (i) semi-processed meat products, such as semi-processed roasted chicken for our Green Tea Roasted Chicken (綠茶烤雞); (ii) bakery products, such as bread for our Bread Temptation (麵包誘惑); and (iii) cleaned and processed ingredients, such as cleaned and processed vegetables.

The construction of our centralized food processing facility is expected to commence in the third quarter of 2025 and complete in the second quarter of 2026. We have entered into a framework agreement with the local government of a town in Zhejiang Province. Pursuant to the framework agreement, the local government has agreed to assist us in acquiring land use rights to establish a food processing facility in the local area. We will continue to explore available parcels of land and select a suitable location once funding is in place. During the first 12 months of operation, we expect the facility to supply (i) approximately 7,800 tons of semi-processed food products and bakery products to a third of our restaurants nationwide and (ii) approximately 55,000 tons of cleaned and processed ingredients to all of our restaurants in Eastern China. We expect the facility to reach its maximum annual production capacity of approximately 165,000 tons by 2028 along with the expansion of our restaurant network nationwide, and will be able to produce approximately (i) 44,600 tons of semi-processed products and bakery products and (ii) 120,400 tons of cleaned and processed ingredients. In the long run, we expect approximately 90% of the semi-processed food products and bakery products produced by the facility to be supplied to our restaurants nationwide and the remaining 10% will be sold to consumers as retail food products. On the other hand, all cleaned and processed ingredients produced by the facility will be supplied to all of our restaurants in Eastern China.

We expect the facility to offer us several benefits. First, it will give us direct control over raw material sourcing and production processes. As a result, we expect to more efficiently implement our standards on product quality and food safety in our facility. As we will continue to update 20% of our menu items each year, we also expect to leverage the facility to develop our new menu items and better protect the confidentiality of our proprietary recipes. We believe the facility can provide us with more flexibility in further standardizing our menu items and strengthen our development capabilities as compared to solely relying on third-party food processing companies.

In addition, given the production capabilities, the facility will enable us to explore new retail product offerings, such as semi-processed food products for our signature dishes that can be easily cooked by consumers with their home appliances, in the long run. We expect to start offering retail products after 2025. In the meantime, we expect the facility will further improve the operating efficiency of our restaurant kitchens by providing semi-processed food products and bakery products, as well as cleaned, processed and ready to cook food ingredients at lower costs with improved economies of scale through centralized procurement. For details, see "Business – Food Processing Facility."

We have conducted a costs saving analysis comparing the costs of production at the new facility and the costs of procuring semi-processed food products, bakery products and cleaned and processed ingredients from third parties. The costs saving analysis seeks to answer the question whether the new facility will generate operating profit, assuming that (i) the facility procures raw materials from third-party suppliers at fair market prices and (ii) the facility sells semi-processed food products, bakery products and cleaned and processed ingredients to our restaurants at fair market prices. Any operating profit of the new facility represents our cost savings compared to procurements from third-party food processing companies. Our analysis is primarily based on (i) our average historical procurement amounts per restaurant from third-party food processing companies, (ii) the cost structure of producing the semi-processed food products, bakery products provided by CIC based on its market research, (iii) the assumptions that the centralized food processing plants will be depreciated on a straight line basis over 30 years and the relevant food processing equipment will be depreciated on a straight line basis over 10 years, and (iv) our estimates as to the number of restaurants that the new facility will be able to support in each relevant year. The table below sets forth the calculation of the estimated operating profit margin of our centralized food processing facility for selling semi-processed food products, bakery products and cleaned and processed ingredients to our restaurants at fair market prices. Actual results may differ from the estimates set forth in this table.

	Year of operation		
	First year*	**Second year***	**Third year***
	(RMB in thousands, except for percentages)		
Semi-processed food products and bakery products:			
Revenue[(1)]	**287,278**	**372,926**	**726,937**
Cost of raw materials[(2)]	(215,458)	(279,694)	(545,203)
Cost of staff[(3)]	(17,237)	(22,376)	(43,616)
Cost of land acquisition[(4)]	(783)	(783)	(783)
Depreciation[(5)]	(7,101)	(7,101)	(7,101)
Utilities expenses[(6)]	(5,746)	(7,459)	(14,539)
Delivery service expenses[(6)]	(8,618)	(11,188)	(21,808)
Other expenses[(6)]	(7,182)	(9,323)	(18,173)
Operating profit	**25,153**	**35,002**	**75,714**
Operating profit margin	**8.8%**	**9.4%**	**10.4%**
Cleaned and processed ingredients:			
Revenue[(1)]	**142,914**	**185,548**	**240,792**
Cost of raw materials[(2)]	(100,040)	(129,884)	(168,555)
Cost of staff[(3)]	(18,579)	(24,121)	(31,303)
Cost of land acquisition[(4)]	(130)	(130)	(130)
Depreciation[(5)]	(2,037)	(2,037)	(2,037)
Utilities expenses[(6)]	(2,858)	(3,711)	(4,816)
Delivery service expenses[(6)]	(4,287)	(5,566)	(7,224)
Other expenses[(6)]	(6,431)	(8,350)	(10,836)
Operating profit	**8,551**	**11,749**	**15,892**
Operating profit margin	**6.0%**	**6.3%**	**6.6%**

Notes:

* For the purpose of the calculation of the estimated operating profit margin of our centralized food processing facility, the first year, second year and third year means the first 12 months, second 12 months and third 12 months of operation of the facility, respectively.

(1) Estimated using our average historical procurement amounts per restaurant from third-party food processing companies multiplied by the expected number of restaurants to be supported by the facility in the relevant year.

(2) Estimated based on the assumption that cost of raw materials will account for 75% and 70% of revenues for (i) semi-processed food products and bakery products and (ii) cleaned and processed ingredient, respectively, which assumption is based on market research conducted by CIC.

(3) Estimated based on the assumption that cost of staff will account for 6% and 13% of revenues for (i) semi-processed food products and bakery products and (ii) cleaned and processed ingredient, respectively, which assumption is based on market research conducted by CIC.

(4) Estimated based on the assumption that the land use right will be depreciated on a straight line basis over 30 years.

(5) Estimated based on the assumptions that the centralized food processing plants will be depreciated on a straight line basis over 30 years and the relevant food processing equipment will be depreciated on a straight line basis over 10 years.

(6) Estimated based on the assumption the relevant cost will account for a certain percentage of revenues, which percentage is based on market research conducted by CIC.

Based on the above analysis, we estimate that the facility will generate an operating profit margin of approximately 6% to 10%. Therefore, we expect to achieve cost savings by establishing the centralized food processing facility as compared to purchasing from third-party food processing companies.

We expect the facility to commence operation in the third quarter of 2026. We plan to engage third-party logistics service providers to support the logistics of the products of the facility.

- Approximately [**REDACTED**]%, or HK$[**REDACTED**], will be used over the next three years to upgrade our IT system and related infrastructure. Set forth below is a breakdown of estimated costs of each type of IT systems and related infrastructure we intend to upgrade with our [**REDACTED**] from the [**REDACTED**]:

Investment projects	Estimated costs	Percentage of [REDACTED]	Estimated timeline of implementation
Upgrade our finance, budgeting and data management systems	HK$[**REDACTED**]	[**REDACTED**]%	2025: HK$[**REDACTED**] 2026: HK$[**REDACTED**] 2027: HK$[**REDACTED**]

Investment projects	Estimated costs	Percentage of [REDACTED]	Estimated timeline of implementation
Upgrade our restaurant management system	HK$[**REDACTED**]	[**REDACTED**]%	2025: HK$[**REDACTED**] 2026: HK$[**REDACTED**] 2027: HK$[**REDACTED**]
Upgrade our office management systems	HK$[**REDACTED**]	[**REDACTED**]%	2025: HK$[**REDACTED**] 2026: HK$[**REDACTED**] 2027: [**REDACTED**]
Upgrade our supply chain management systems	HK$[**REDACTED**]	[**REDACTED**]%	2025: HK$[**REDACTED**] 2026: HK$[**REDACTED**] 2027: HK$[**REDACTED**]
Upgrade our customer relations management systems	HK$[**REDACTED**]	[**REDACTED**]%	2025: HK$[**REDACTED**] 2026: HK$[**REDACTED**] 2027: HK$[**REDACTED**]

- Approximately [**REDACTED**]%, or HK$[**REDACTED**], will be used to provide funding for our working capital and other general corporate purposes.

The above allocation of the [**REDACTED**] will be adjusted on a pro rata basis in the event that the [**REDACTED**] is fixed at a higher or lower level compared to the [**REDACTED**] of the estimated [**REDACTED**] range or the [**REDACTED**] is exercised.

If the [**REDACTED**] is fixed at HK$[**REDACTED**] per [**REDACTED**] (being the high end of the [**REDACTED**] range stated in this document) and assuming the [**REDACTED**] is not exercised, we will receive [**REDACTED**] of approximately HK$[**REDACTED**], after deduction of [**REDACTED**] fees and commissions and estimated expenses payable by us in connection with the [**REDACTED**].

If the [**REDACTED**] is fixed at HK$[**REDACTED**] per [**REDACTED**] (being the low end of the indicative [**REDACTED**] range stated in this document) and assuming the [**REDACTED**] is not exercised, the [**REDACTED**] we receive will be approximately HK$[**REDACTED**], after deduction of [**REDACTED**] fees and commissions and estimated expenses payable by us in connection with the [**REDACTED**].

In the event that the [**REDACTED**] is exercised in full, we will receive additional [**REDACTED**] ranging from approximately HK$[**REDACTED**] (assuming an [**REDACTED**] of HK$[**REDACTED**] per Share, being the low end of the indicative [**REDACTED**] range) to HK$[**REDACTED**] (assuming an [**REDACTED**] of HK$[**REDACTED**] per Share, being the high end of the indicative [**REDACTED**] range), after deduction of [**REDACTED**] fees and commissions and estimated expenses payable by us in connection with the [**REDACTED**].

To the extent that the [**REDACTED**] are not immediately applied to the above purposes and to the extent permitted by applicable law and regulations, we intend to deposit the [**REDACTED**] into short-term demand deposits in licensed banks and/ or financial institutions only. We will make an appropriate announcement if there is any change to the above proposed [**REDACTED**] or if any amount of the [**REDACTED**] will be used for general corporate purpose.

[**REDACTED**]

[REDACTED]

[REDACTED]

[**REDACTED**]

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[REDACTED]

[**REDACTED**]

The following is the text of a report set out on pages I-1 to I-65, received from the Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document.

KPMG

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF GREEN TEA GROUP LIMITED, CITIGROUP GLOBAL MARKETS ASIA LIMITED AND CMB INTERNATIONAL CAPITAL LIMITED

Introduction

We report on the historical financial information of Green Tea Group Limited (the "Company", formerly known as Affluent Fine Limited) and its subsidiaries (together, the "Group") set out on pages I-4 to I-65, which comprises the consolidated statements of financial position of the Group and the statements of financial position of the Company as at 31 December 2021, 2022 and 2023, and the consolidated statements of profit or loss, the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements, for each of the years ended 31 December 2021, 2022 and 2023 (the "Relevant Periods"), and material accounting policy information and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-4 to I-65 forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [●] (the "Document") in connection with the [**REDACTED**] of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purpose of the accountants' report, a true and fair view of the Company's and the Group's financial position as at 31 December 2021, 2022 and 2023 and of the Group's financial performance and cash flows for the Relevant Periods in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to Note 27(d) to the Historical Financial Information which contains information about the dividends paid by the Company in respect of the Relevant Periods.

No statutory financial statements for the Company

No statutory financial statements have been prepared for the Company since its incorporation.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

[●]

HISTORICAL FINANCIAL INFORMATION

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The consolidated financial statements of the Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by KPMG Huazhen LLP Hangzhou Branch in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "Underlying Financial Statements").

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

(Expressed in Renminbi)

	Note	**2021**	**2022**	**2023**
		RMB'000	*RMB'000*	*RMB'000*
Revenue	*4*	2,292,678	2,375,453	3,589,178
Other revenue	*5*	22,575	31,081	39,195
Raw materials and consumables used		(846,043)	(862,316)	(1,205,219)
Staff costs	*6(b)*	(567,826)	(626,397)	(911,028)
Depreciation of right-of-use assets		(142,964)	(161,048)	(177,036)
Other rentals and related expenses		(63,901)	(56,611)	(80,294)
Depreciation and amortisation of other assets		(126,276)	(163,641)	(192,947)
Utilities expenses		(79,454)	(90,049)	(123,562)
Delivery service expenses		(46,861)	(61,187)	(82,788)
Other expenses	*6(c)*	(264,523)	(308,980)	(420,950)
Other net (losses)/income	*6(d)*	(575)	8,413	(3,919)
Finance costs	*6(a)*	(37,196)	(41,541)	(42,657)
Profit before taxation	*6*	139,634	43,177	387,973
Income tax	*7*	(25,778)	(26,598)	(92,430)
Profit for the year		113,856	16,579	295,543
Attributable to:				
Equity shareholders of the Company		113,856	16,579	295,543
Earnings per share				
Basic earnings per share (RMB)	*10(a)*	0.21	0.03	0.55
Diluted earnings per share (RMB)	*10(b)*	0.21	0.03	0.55

The accompanying notes form part of the Historical Financial Information.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(Expressed in Renminbi)

	Note	**2021**	**2022**	**2023**
		RMB'000	*RMB'000*	*RMB'000*
Profit for the year		113,856	16,579	295,543
Other comprehensive income for the year				
Items that may not be reclassified to profit or loss:				
Exchange differences on translation of financial statements of the Company		(669)	2,423	477
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of financial statements of overseas subsidiaries		589	(1,841)	(366)
Total comprehensive income for the year		113,776	17,161	295,654
Attributable to:				
Equity shareholders of the Company		113,776	17,161	295,654

The accompanying notes form part of the Historical Financial Information.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Expressed in Renminbi)

	Note	**At 31 December 2021** *RMB'000*	**At 31 December 2022** *RMB'000*	**At 31 December 2023** *RMB'000*
Non-current assets				
Property, plant and equipment	*11(a)*	480,653	518,851	648,973
Right-of-use assets	*11(b)*	723,644	754,525	822,055
Intangible assets	*12*	2,082	1,751	2,138
Deferred tax assets	*24(c)*	30,503	36,876	45,095
Rental deposits		28,816	27,470	25,287
Other non-current assets	*25*	1,391	286	407
		1,267,089	1,339,759	1,543,955
Current assets				
Inventories	*14*	47,155	56,395	59,576
Trade and other receivables	*15*	204,524	240,230	314,500
Income tax prepayments	*24(a)*	–	2,887	1,492
Financial assets at fair value through profit or loss ("FVPL")	*28(e)*	40,157	40,000	120,192
Restricted deposits	*23*	–	–	25,000
Cash and cash equivalents	*16(a)*	131,218	134,410	356,289
		423,054	473,922	877,049
Current liabilities				
Trade and other payables	*17*	339,524	331,862	493,335
Dividend payable	*27(d)*	–	–	350,028
Contract liabilities	*18*	660	5,480	6,847
Current portion of long-term payables	*20*	7,505	6,148	7,593
Lease liabilities	*19*	183,779	181,859	214,345
Bank loans	*23*	501	31,000	50,100
Current taxation	*24(a)*	7,760	5,831	55,442
		539,729	562,180	1,177,690
Net current liabilities		(116,675)	(88,258)	(300,641)
Total assets less current liabilities		1,150,414	1,251,501	1,243,314
Non-current liabilities				
Lease liabilities	*19*	563,019	605,933	659,207
Long-term payables	*20*	65,990	79,283	76,685
Provisions	*21*	30,199	35,040	43,116
Deferred lease incentives	*22*	12,544	15,504	12,769
Deferred tax liabilities	*24(c)*	27,003	47,700	37,026
		698,755	783,460	828,803
NET ASSETS		451,659	468,041	414,511
CAPITAL AND RESERVES				
Share capital	*27(a)*	76	76	76
Reserves		451,583	467,965	414,435
TOTAL EQUITY		451,659	468,041	414,511

The accompanying notes form part of the Historical Financial Information.

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

(Expressed in Renminbi)

	Note	**At 31 December 2021** *RMB'000*	**At 31 December 2022** *RMB'000*	**At 31 December 2023** *RMB'000*
Non-current assets				
Interests in subsidiaries	*13*	80,587	80,912	82,234
Current assets				
Cash and cash equivalents		72	308	5,223
Other receivables	*15*	5,130	8,194	403,780
		5,202	8,502	409,003
Current liabilities				
Other payables	*17*	20,593	34,072	49,589
Dividend payable	*27(d)*	–	–	350,028
		20,593	34,072	399,617
NET CURRENT (LIABILITIES)/ ASSETS		(15,391)	(25,570)	9,386
NET ASSETS		65,196	55,342	91,620
CAPITAL AND RESERVES	*27(b)*			
Share capital		76	76	76
Reserves		65,120	55,266	91,544
TOTAL EQUITY		65,196	55,342	91,620

The accompanying notes form part of the Historical Financial Information.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Expressed in Renminbi)

	Note	Share capital	Share premium	Share-based payments reserve	Exchange reserve	Statutory surplus reserve	Shares held for RSU schemes	Retained profits	Total equity
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
		27(a)	*27(c)(i)*	*27(c)(ii)*	*27(c)(iii)*	*27(c)(iv)*	*27(c)(v)*		
Balance at 1 January 2021		72	45,250	42,771	(1,572)	11,956	–	228,664	327,141
Changes in equity for 2021:									
Profit for the year		–	–	–	–	–	–	113,856	113,856
Other comprehensive income		–	–	–	(80)	–	–	–	(80)
Total comprehensive income		–	–	–	(80)	–	–	113,856	113,776
Issuance of new shares		4	–	–	–	–	–	–	4
Appropriation to statutory reserve		–	–	–	–	2,135	–	(2,135)	–
Restricted share unit ("RSU") schemes:									
– Shares held for RSU schemes		–	–	–	–	–	(4)	–	(4)
– Equity settled share-based transactions	*27(c)*	–	–	10,742	–	–	–	–	10,742
Balance at 31 December 2021		76	45,250	53,513	(1,652)	14,091	(4)	340,385	451,659
Balance at 1 January 2022		76	45,250	53,513	(1,652)	14,091	(4)	340,385	451,659
Changes in equity for 2022:									
Profit for the year		–	–	–	–	–	–	16,579	16,579
Other comprehensive income		–	–	–	582	–	–	–	582
Total comprehensive income		–	–	–	582	–	–	16,579	17,161
Appropriation to statutory reserve		–	–	–	–	8,092	–	(8,092)	–
RSU schemes:									
– Equity settled share-based transactions	*27(c)*	–	–	(779)	–	–	–	–	(779)
Balance at 31 December 2022		76	45,250	52,734	(1,070)	22,183	(4)	348,872	468,041

The accompanying notes form part of the Historical Financial Information.

	Note	Share capital	Share premium	Share-based payments reserve	Exchange reserve	Statutory surplus reserve	Share held for RSU schemes	Retained profits	Total equity
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
		27(a)	*27(c)(i)*	*27(c)(ii)*	*27(c)(iii)*	*27(c)(iv)*	*27(c)(v)*		
Balance at 1 January 2023		76	45,250	52,734	(1,070)	22,183	(4)	348,872	468,041
Changes in equity for 2023:									
Profit for the year		–	–	–	–	–	–	295,543	295,543
Other comprehensive income		–	–	–	111	–	–	–	111
Total comprehensive income		–	–	–	111	–	–	295,543	295,654
Appropriation to statutory reserve		–	–	–	–	19,284	–	(19,284)	–
RSU schemes:									
– Equity settled share-based transactions	*27(c)*	–	–	844	–	–	–	–	844
Dividends declared	*27(d)*	–	(45,250)	–	–	–	–	(304,778)	(350,028)
Balance at 31 December 2023		76	–	53,578	(959)	41,467	(4)	320,353	414,511

The accompanying notes form part of the Historical Financial Information.

CONSOLIDATED CASH FLOW STATEMENTS

(Expressed in Renminbi)

	Note	**2021** *RMB'000*	**2022** *RMB'000*	**2023** *RMB'000*
Operating activities				
Cash generated from operations	*16(b)*	411,920	364,702	853,556
Income tax paid	*24(a)*	(34,960)	(17,090)	(60,317)
Net cash generated from operating activities		376,960	347,612	793,239
Investing activities				
Payment for the purchase of property, plant and equipment		(191,050)	(219,761)	(306,224)
Proceeds from disposal of property, plant and equipment		10	24	–
Payment for purchase of intangible assets		(2,153)	–	(734)
Payment for purchase of wealth management products		(80,000)	(931,200)	(2,328,457)
Proceeds from disposal of wealth management products		40,132	931,200	2,248,457
Interest income received		1,853	4,266	6,753
Payment for provisions		(158)	(372)	(229)
Net cash used in investing activities		(231,366)	(215,843)	(380,434)
Financing activities				
Proceeds from bank loans	*16(c)*	1,000	116,000	50,100
Repayment of bank loans	*16(c)*	(6,000)	(85,500)	(31,000)
Payment of capital element of lease liabilities	*16(c)*	(121,410)	(119,558)	(145,804)
Payment of interest element of lease liabilities	*16(c)*	(32,069)	(35,450)	(36,640)
Interest expenses of bank loans paid	*16(c)*	(10)	(595)	(188)
Placements of restricted bank deposits		–	–	(25,000)
Issuance of new shares		4	–	–
Payment of [REDACTED]	*16(c)*	[REDACTED]	[REDACTED]	[REDACTED]
Net cash used in financing activities		(163,484)	(127,866)	(190,797)
Net (decrease)/increase in cash and cash equivalents		(17,890)	3,903	222,008
Effect of foreign exchange rate changes		244	(711)	(129)
Cash and cash equivalents at 1 January	*16(a)*	148,864	131,218	134,410
Cash and cash equivalents at 31 December	*16(a)*	131,218	134,410	356,289

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

(Expressed in Renminbi unless otherwise indicated)

1 BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION

Green Tea Group Limited (the "Company", formerly known as Affluent Fine Limited) was incorporated in the Cayman Islands on 4 June 2015 as an exempted company with limited liability under the Companies Act (as revised) of the Cayman Islands.

The Company is an investment holding company and has not carried on any business operation since the date of its incorporation save for the group reorganisation as detailed in the section headed "History, Reorganization and Corporate Structure" in the Document. The Company and its subsidiaries (together, the "Group") are principally engaged in restaurant operations in the People's Republic of China (the "PRC"). No statutory financial statements have been prepared for the Company since the date of its incorporation. Details of the Group's subsidiaries are set out in Note 13.

The Historical Financial Information has been prepared assuming the Group will continue as a going concern notwithstanding the net current liabilities of the Group of RMB300,641,000 as at 31 December 2023. Based on a detailed review of the Group's working capital forecast for the year ending 31 December 2024 and the unutilised banking facilities of [RMB450,000,000 as at the date of this report], the directors are of the opinion that the Group has sufficient financial resources to continue as a going concern for the next twelve months from 31 December 2023.

The Historical Financial Information has been prepared in accordance with all applicable IFRS Accounting Standards issued by the International Accounting Standards Board ("IASB"). Further details of the material accounting policy information adopted are set out in Note 2.

The IASB has issued a number of new and revised IFRS Accounting Standards. For the purpose of preparing this Historical Financial Information, the Group has adopted all applicable new and revised IFRS Accounting Standards that are effective for the Relevant Periods consistently throughout the Relevant Periods. The Group has not applied any new standard or interpretation that is not yet effective during the Relevant Periods. The revised and new accounting standards and interpretations issued but not yet effective for the Relevant Periods are set out in Note 32.

The Historical Financial Information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The accounting policies set out below have been applied consistently to all periods presented in the Historical Financial Information.

2 MATERIAL ACCOUNTING POLICY INFORMATION

(a) Statement of measurement

The Historical Financial Information is presented in Renminbi ("RMB"), rounded to the nearest thousand except when otherwise indicated. The measurement basis used in the preparation of the Historical Financial Information is the historical cost basis except that financial assets measured at FVPL are stated at their fair value as explained in Note 2(d).

Item included in the Historical Financial Information of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to the entity.

(b) Use of estimates and judgements

The preparation of Historical Financial Information in conformity with IFRS Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRS Accounting Standards that have significant effect on the Historical Financial Information and major sources of estimation uncertainty are discussed in Note 3.

(c) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the Historical Financial Information from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the Historical Financial Information. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see Note 2(h)(ii)).

(d) Other investments in securities

The Group's policies for investments in securities, other than investments in subsidiaries, are set out below.

Investments in securities are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at FVPL for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see Note 28(e). These investments are subsequently accounted for as follows, depending on their classification.

(i) Non-equity investments

Non-equity investments are classified into one of the following measurement categories:

– amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Expected credit losses, interest income calculated using the effective interest method (see Note 2(s)(ii)), foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

– Financial assets at fair value through other comprehensive income ("FVOCI") – recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses are recognised in profit or loss and computed in the same manner as if the financial assets was measured at amortised cost. The difference between the fair value and the amortised cost is recognised in other comprehensive income. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.

– FVPL if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

(e) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see Note 2(h)(ii)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write-off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

– Leasehold improvements	5 to 30 years, or lease term, whichever is shorter
– Kitchen equipment	5 years
– Furniture and fixture	3-5 years
– Electronic equipment and others	3-5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost or valuation of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(f) Intangible assets

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see Note 2(h)(ii)).

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

– Software	5 years
– Others	2 years

Both the period and method of amortisation are reviewed annually.

(g) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. 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. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

As a lessee

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets which, for the Group are primarily apartments and kitchen equipment. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see Note 2(h)(ii).

Refundable rental deposits are accounted for separately from the right-of-use assets in accordance with the accounting policy applicable to investments in debt securities carried at amortised cost (see Note 2(d)). Any excess of the nominal value over the initial fair value of the deposits is accounted for as additional lease payments made and is included in the cost of right-of-use assets.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The lease liability is also remeasured when there is a lease modification, which means a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract, if such modification is not accounted for as a separate lease. In this case, the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are rent concessions that occurred as a direct consequence of the COVID-19 pandemic and met the conditions set out in paragraph 46B of IFRS 16 *Leases*. In such cases, the Group has taken advantage of the practical expedient not to assess whether the rent concessions are lease modifications, and recognised the change in consideration as negative variable lease payments in profit or loss in the period in which the event or condition that triggers the rent concessions occurred.

In the consolidated statement of financial position, the current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after the reporting period.

(h) Credit losses and impairment of assets

(i) Credit losses from financial instruments

The Group recognises a loss allowance for expected credit losses (ECLs) on financial assets measured at amortised cost (including cash and cash equivalents, trade and other receivables and long-term rental deposits).

Financial assets measured at fair value are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

– fixed-rate financial assets and trade and other receivables: effective interest rate determined at initial recognition or an approximation thereof;

– variable-rate financial assets: current effective interest rate.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

– 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

– lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when the financial asset is 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

– failure to make payments of principal or interest on their contractually due dates;

– an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

– an actual or expected significant deterioration in the operating results of the debtor; and

– existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Basis of calculation of interest income

Interest income recognised in accordance with Note 2(s)(ii) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

– significant financial difficulties of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or

– the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(ii) Impairment of other non-current assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories and other contract costs, contract assets and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units ("CGU"s).

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs of disposal. Value in use is based on the estimated future cash flows, 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 CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the resulting carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(i) Inventories and other contract costs

(i) Inventories

Inventories are assets which are held for sale in the ordinary course of business, in the process of production for such sale or in the form of materials or supplies to be consumed in the production process or in the rendering of services.

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised.

The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(ii) Other contract costs

Other contract costs are either the incremental costs of obtaining a contract with a customer or the costs to fulfil a contract with a customer which are not capitalised as inventory (see Note 2(i)(i)), property, plant and equipment (see Note 2(e)) or intangible assets (see Note 2(f)).

Incremental costs of obtaining a contract e.g. sales commission are capitalised if the costs relate to revenue which will be recognised in a future reporting period and the costs are expected to be recovered. Other costs of obtaining a contract are expensed when incurred.

Capitalised contract costs are stated at cost less accumulated amortisation and impairment losses. Amortisation of capitalised contract costs is recognised in profit or loss when the revenue to which the asset relates is recognised (see Note 2(s)(i)).

(j) Contract assets and contract liabilities

A contract asset is recognised when the Group recognises revenue (see Note 2(s)) before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for expected credit losses (ECL) in accordance with the policy set out in Note 2(h)(i) and are reclassified to receivables when the right to the consideration has become unconditional (see Note 2(k)).

A contract liability is recognised when the customer pays non-refundable consideration before the Group recognises the related revenue (see Note 2(s)). A contract liability would also be recognised if the Group has an unconditional right to receive non-refundable consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see Note 2(k)).

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method (see Note 2(s)).

(k) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration and only the passage of time is required before payment of that consideration is due.

Trade receivables that do not contain a significant financing component are initially measured at their transaction price. Trade receivables that contain a significant financing component and other receivables are initially measured at fair value plus transaction costs. All receivables are subsequently stated at amortised cost (see Note 2(h)(i)).

(l) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Cash and cash equivalents are assessed for expected credit losses (ECL) in accordance with the policy set out in Note 2(h)(i).

(m) Trade and other payables

Trade and other payables are initially recognised at fair value. Subsequent to initial recognition, trade and other payables are stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at invoice amounts.

(n) Preference share capital

Preference share capital is classified as equity if it is non-redeemable, or redeemable only at the Company's option, and any dividends are discretionary. Dividends on preference share capital classified as equity are recognised as distributions within equity.

(o) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with the Group's accounting policy for borrowing costs (see Note 2(u)).

(p) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Obligations for contributions to defined contribution retirement plans are expensed as the related service is provided.

(ii) Share-based payments

The grant-date fair value of equity-settled share-based payments granted to employees is measured using the income approach model. The amount is generally recognised as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service conditions are expected to be met, such that the amount ultimately recognised is based on the number of awards that meet the related service conditions at the vesting date.

(iii) Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for a restructuring.

(q) Income tax

Income tax expense comprises current tax and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income ("OCI").

Current tax comprises the estimated tax payable or receivable on the taxable income or loss for the year and any adjustments to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects any uncertainty related to income taxes. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

– temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences;

– temporary differences related to investment in subsidiaries, associates and joint venture to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future;

– taxable temporary differences arising on the initial recognition of goodwill; and

– those related to the income taxes arising from tax laws enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development.

The Group recognised deferred tax assets and deferred tax liabilities separately in relation to its lease liabilities and right-of-use assets.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Deferred tax assets and liabilities are offset only if certain criteria are met.

(r) Provisions and contingent liabilities

Generally provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the liability.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, a separate asset is recognised for any expected reimbursement that would be virtually certain. The amount recognised for the reimbursement is limited to the carrying amount of the provision.

(s) Revenue and other income

Income is classified by the Group as revenue when it arises from the sales of goods or the provision of services.

Revenue is recognised when control over a product or service is transferred to the customer, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Where the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction with the customer, and interest income is accrued separately under the effective interest method. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. The Group takes advantage of the practical expedient in paragraph 63 of IFRS 15 and does not adjust the consideration for any effects of a significant financing component if the period of financing is 12 months or less.

Further details of the Group's revenue and other income recognition policies are as follows:

(i) Revenue from contracts with customers

The Group principally generates revenue from restaurant operations. Revenue excludes value added tax or other sales taxes and is after deduction of other sales taxes or any trade discounts.

For restaurant operations for which the control of services is transferred at a point in time, revenue is recognised when the related services have been rendered to customers.

For sales of goods for which the control of goods is transferred at a point in time, revenue is recognised when the goods are delivered and accepted by the customers.

Revenue for rendering of other services is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation as the customer simultaneously receives the benefits provided by the Group's performance as the Group performs.

(ii) Interest income

Interest income is recognised as it accrues using the effective interest method.

(iii) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are initially recognised as deferred income at fair value and then recognised in profit or loss as other income on a systematic basis over the useful life of the asset.

(t) Translation of foreign currencies

Transactions in foreign currencies are translated into the respective functional currencies of Group companies at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary assets and liabilities that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognised in profit or loss.

However, foreign currency differences arising from the translation of the following items are recognised in OCI:

– an investment in equity securities designated as at FVOCI (except on impairment, in which case foreign currency differences that have been recognised in OCI are reclassified to profit or loss);

– a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; and

– qualifying cash flow hedges to the extent that the hedges are effective.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into RMB at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into RMB at the exchange rates at the dates of the transactions.

Foreign currency differences are recognised in OCI and accumulated in the exchange reserve, except to the extent that the translation difference is allocated to non-controlling interests ("NCI").

When a foreign operation is disposed of in its entirety or partially such that control, significant influence or joint control is lost, the cumulative amount in the exchange reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. On disposal of a subsidiary that includes a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation that have been attributed to the NCI shall be derecognised, but shall not be reclassified to profit or loss. If the Group disposes of part of its interest in a subsidiary but retains control, then the relevant proportion of the cumulative amount is reattributed to NCI. When the Group disposes of only part of an associate or joint venture while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

(u) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

(v) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(w) Segment reporting

Operating segments, and the amounts of each segment item reported in the Historical Financial Information, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3 ACCOUNTING JUDGEMENT AND ESTIMATES

(a) Critical accounting judgements in applying the Group's accounting policies

In the process of applying the Group's accounting policies, management has made the following accounting judgement:

Control assessment of cooperation agreements

As further disclosed in Note 13(f), the Group entered into a series of cooperation agreements with certain entities controlled by Wang Qinsong and Lu Changmei, controlling shareholders of the Group, pursuant to which the Group is responsible for providing entrusted management services of running the restaurant business of these entities and is awarded of the management fee which represents the operation results of the restaurant business of these entities.

Pursuant to the cooperation agreements, the Group has the rights to use the underlying restaurant premises, fixtures and furniture and kitchen equipment to provide catering services to the customers, and acquires the procurement contracts with the suppliers. All staff employed by these entities are transferred to the Group. The Group is responsible for approving the financial and operational policies and the annual financial budgets of the underlying restaurant businesses and making decisions about the procurement process and staff arrangement. The Group receives substantially all of the economic interest returns generated by these restaurant businesses in consideration for the management service fee which equals to the profits before taxes during the cooperation period less accumulated losses incurred during previous financial years (if any). Therefore, the Group is acting as a principal to operate the underlying restaurant businesses with delegated decision-making rights pursuant to the cooperation agreements and controls the underlying restaurant businesses through the cooperation agreements under IFRS 10 *Consolidated financial statements*.

Accordingly, the operation results of the relevant restaurant businesses, and related property, plant and equipment and right-of-use assets used for the operation of the restaurant businesses are consolidated in the Historical Financial Information of the Group during the Relevant Periods.

(b) Sources of estimation uncertainty

Significant sources of estimation uncertainty in the process of applying the Group's accounting policies are as follows:

(i) Depreciation and amortisation

Property, plant and equipment and right-of-use assets are depreciated on a straight-line basis over the estimated useful lives of the assets. Intangible assets are amortised on a straight-line basis over the estimated useful lives. The Group reviews the estimated useful lives of the assets regularly in order to determine the amount of depreciation or amortisation expense to be recorded during any reporting period. The useful lives are based on the Group's historical experience with similar assets. The depreciation or amortisation expense for future periods is adjusted if there are material changes from previous estimates.

(ii) Impairment of property, plant and equipment, right-of-use assets and intangible assets

Internal and external sources of information are reviewed at the end of each reporting period to assess whether there is any indication that property, plant and equipment, right-of-use assets and intangible assets may be impaired. If any such indication exists, the recoverable amount of the property, plant and equipment, right-of-use assets and intangible assets is estimated. Changes in facts and circumstances may result in revisions to the conclusion of whether an indication of impairment exists and revised estimates of recoverable amounts, which would affect profit or loss in future periods.

(iii) Provision for restoration costs

As explained in Note 21, the Group makes provision for restoration costs based on the best estimate of the expected costs to be incurred upon expiry of the respective tenancy agreements, which are subject to uncertainty and might differ from the actual costs incurred. Any increase or decrease in the provision would affect profit or loss in future periods.

(iv) Recognition of deferred tax assets

Deferred tax assets in respect of tax losses carried forward and deductible temporary differences are recognised and measured based on the expected manner of realisation or settlement of the carrying amount of the relevant assets and liabilities, using tax rates enacted or substantively enacted at the end of each reporting date. In determining the carrying amounts of deferred tax assets, expected taxable profits are estimated which involves a number of assumptions relating to the operating environment of the Group and require a significant level of judgement exercised by the directors. Any change in such assumptions and judgement would affect the carrying amounts of deferred tax assets to be recognised and hence the net profit in future years.

4 REVENUE AND SEGMENT REPORTING

(a) Revenue

The principal activities of the Group are restaurant operations in the PRC.

(i) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major service lines is as follows:

	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Revenue from contracts with customers within the scope of IFRS 15:			
Restaurant operation	1,992,490	1,976,519	3,059,989
Delivery service	299,211	397,114	517,153
Other revenue	977	1,820	12,036
	2,292,678	2,375,453	3,589,178

	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Disaggregated by timing of revenue recognition			
– Point in time	2,292,678	2,375,226	3,588,509
– Overtime *(Note)*	–	227	669
	2,292,678	2,375,453	3,589,178

Note: Revenue from rendering of parking services was recognised over time during the contract period.

No revenue from individual customer contributed over 10% of total revenue of the Group for the Relevant Periods.

(ii) Revenue expected to be recognised in the future arising from contracts in existence at the reporting date

As at 31 December 2021, 2022 and 2023, the Group has applied the practical expedient in paragraph 121 of IFRS 15 to its contracts for rendering service such that information about revenue expected to be recognised in the future is not disclosed in respect of revenue that the Group will be entitled to when it satisfies the remaining performance obligations under the contracts for rendering service that had an expected duration of one year or less.

(b) Segment reporting

The directors of the Company have been identified as the Group's most senior executive management. The Group manages its businesses as a whole by the most senior executive management for the purposes of resource allocation and performance assessment. The Group has one operating segment, which is restaurant operations. The Group's most senior executive management reviews the Group's consolidated results of operations in assessing performance of and making decisions about allocations to this segment. Accordingly, no reportable segment information is presented.

As substantially all of the Group's operations and assets are in the PRC, no geographic information is presented.

5 OTHER REVENUE

	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Other revenue			
Interest income on:			
– bank deposits	1,792	2,895	2,527
– rental deposits	2,186	1,876	2,120
	3,978	4,771	4,647
Investment income on wealth management products	350	1,214	4,418
Government grants *(Note (i))*	17,909	23,833	28,342
Lease incentives *(Note 22)*	338	1,263	1,788
Total	22,575	31,081	39,195

Note:

(i) Government grants mainly represented additional deduction and exemption of value-added tax granted by the government authorities in the PRC.

6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

(a) Finance costs

	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Interest on bank loans *(Note 16(c))*	11	594	188
Interest on lease liabilities *(Note 16(c))*	32,069	35,450	36,640
Interest on long-term payable	3,371	3,925	3,818
Interest on provisions *(Note 21)*	1,745	1,572	2,011
	37,196	41,541	42,657

(b) Staff costs

	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Salaries, wages and other benefits	548,258	615,115	895,245
Contributions to defined contribution retirement plan *(Note (i))*	8,826	12,061	14,939
Equity-settled share-based payment expenses *(Note 26)*	10,742	(779)	844
	567,826	626,397	911,028

Note:

(i) The employees of the subsidiaries of the Group established in the PRC participate in a defined contribution scheme managed by the local municipal governments, whereby these companies are required to contribute to the scheme at certain rates of the employees' salaries as agreed by the local municipal governments. Employees of these companies are entitled to benefits, calculated based on a percentage of the average salaries level in the PRC, from the above mentioned retirement scheme at their normal retirement age.

The Group has no further obligation for payment of other retirement benefits beyond the above contributions.

(c) Other expenses

	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Property management expenses	48,301	59,444	72,110
Low-value consumables	64,045	67,279	91,345
Services fees to third-party service providers	32,651	56,898	65,879
Transportation charges	23,658	22,638	25,053
Impairment losses of property, plant and equipment and right-of-use assets	828	–	4,636
[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Others	78,287	91,511	153,380
	264,523	308,980	420,950

(d) Other net losses/(income)

	2021 *RMB'000*	2022 *RMB'000*	2023 *RMB'000*
Losses on restaurant closures	511	1,122	2,066
Income on COVID-19 rent concessions *(Note 11(b)(iv))*	–	(10,176)	–
Gains on reassessment of right-of-use assets and lease liabilities	(108)	–	–
Net foreign exchange loss/(income)	147	(62)	(14)
Net loss on disposal of property, plant and equipment and right-of-use assets	167	494	840
Other (income)/losses	(142)	209	1,027
	575	(8,413)	3,919

7 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

(a) Taxation in the consolidated statements of profit or loss represents:

	2021 *RMB'000*	2022 *RMB'000*	2023 *RMB'000*
Current tax			
Provision for the year	35,835	12,316	67,561
Under/(over)-provision in respect of prior years	180	(42)	(29)
	36,015	12,274	67,532
Deferred tax			
Origination and reversal of tax losses and temporary differences	(10,237)	14,324	24,898
	25,778	26,598	92,430

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2021 *RMB'000*	2022 *RMB'000*	2023 *RMB'000*
Profit before taxation	139,634	43,177	387,973
Notional tax on profit before taxation, calculated at the applicable rates in the tax jurisdictions concerned *(Note i, ii, iii)*	35,463	11,625	97,011
Tax benefit of subsidiaries subject to preferential tax rates *(Note iii)*	(11,868)	(5,614)	(38,721)
PRC dividend withholding tax *(Note 24(b))*	–	20,697	33,117
Tax effect of non-deductible expenses	2,117	169	837
Tax effect of unused tax losses not recognised	14	29	236
Under/(over)-provision in respect of prior years	180	(42)	(29)
Tax effect of utilisation of the tax losses not recognised as deferred tax asset in previous years	(128)	(266)	(21)
Actual tax expenses	25,778	26,598	92,430

Notes:

(i) Pursuant to the tax rules and regulations of the Cayman Islands and the Republic of Seychelles, the Group is not subject to any income tax in the Cayman Islands and the Republic of Seychelles.

(ii) The applicable profits tax rate of the Group's subsidiaries incorporated in Hong Kong was 16.5% for the Relevant Periods. A two-tiered profits tax rates regime was introduced in 2018 whereby the first HKD2 million in assessable profits earned by a company will be taxed at half of the current tax rate (8.25%) while the remaining profits will continue to be taxed at 16.5%.

The subsidiaries in Hong Kong of the Group did not have any assessable profits for the Relevant Periods.

(iii) Taxable income for the subsidiaries of the Company in the PRC are subject to PRC income tax rate of 25% for the Relevant Periods, unless otherwise specified below.

Tibet Green Tea Food & Beverage Management Co., Ltd ("Tibet Green Tea F&B") was established in Tibet in the PRC in 2016 and was entitled to the preferential income tax rate of 15% since its operation according to the Notice No. 51 issued by the Tibet People's Government on 1 May 2014. According to the Notice No. 23 issued by the Ministry of Finance, State Taxation Administration and National Development and Reform Commission on 23 April 2020, Tibet Green Tea F&B could continue to meet the relevant criteria to enjoy the preferential income tax rate. Thus, Tibet Green Tea F&B will continue to be entitled to the preferential income tax rate of 15% from 2021 to 2030.

For the year ended 31 December 2021, the Group's certain subsidiaries fulfilled the criteria required for preferential income tax rate granted to small and low profit-making enterprise in the PRC, and were entitled to a preferential income tax rate of 2.5% on taxable income for the first RMB1,000,000 and 10% on taxable income for the subsequent RMB1,000,000 to RMB3,000,000.

For the year ended 31 December 2022, the Group's certain subsidiaries fulfilled the criteria required for preferential income tax rate granted to small and low profit-making enterprised in the PRC, and were entitled to a preferential income tax rate of 2.5% on taxable income for the first RMB1,000,000 and 5% on taxable income for the subsequent RMB1,000,000 to RMB3,000,000.

For the year ended 31 December 2023, the Group's certain subsidiaries fulfilled the criteria required for preferential income tax rate granted to small and low profit-making enterprised in the PRC, and were entitled to a preferential income tax rate of 5% on taxable income within RMB3,000,000.

8 DIRECTORS' EMOLUMENTS

Directors' emoluments as recorded in the Historical Financial Information are as follows:

For the year ended 31 December 2021

	Directors' and supervisors' fee *RMB'000*	Salaries, allowances and other benefits *RMB'000*	Discretionary bonuses *RMB'000*	Retirement scheme contributions *RMB'000*	Sub-Total *RMB'000*	Share-based payments *RMB'000*	2021 Total *RMB'000*
Chairman and executive director							
Mr. Wang Qinsong	–	372	–	10	382	–	382
Executive directors							
Ms. Yu Liying	–	600	–	6	606	714	1,320
Mr. Wang Jiawei	–	603	–	6	609	382	991
Ms. Wang Dandan (resigned on 22 March 2021)	–	86	–	1	87	93	180
Non-executive directors							
Ms. Lu Changmei	–	259	–	12	271	–	271
Mr. Liu Sheng	–	–	–	–	–	–	–
Mr. Johannessen Tim Pihl (resigned on 30 September 2021)	–	–	–	–	–	–	–
Mr. Tao Ye (appointed on 30 September 2021)	–	–	–	–	–	–	–
	–	1,920	–	35	1,955	1,189	3,144

For the year ended 31 December 2022

	Directors' and supervisors' fee *RMB'000*	Salaries, allowances and other benefits *RMB'000*	Discretionary bonuses *RMB'000*	Retirement scheme contributions *RMB'000*	Sub-Total *RMB'000*	Share-based payments *RMB'000*	2022 Total *RMB'000*
Chairman and executive director							
Mr. Wang Qinsong	–	396	–	13	409	–	409
Executive directors							
Ms. Yu Liying	–	571	–	7	578	(156)	422
Mr. Wang Jiawei	–	610	–	7	617	(83)	534
Non-executive directors							
Ms. Lu Changmei	–	219	–	4	223	–	223
Mr. Liu Sheng	–	–	–	–	–	–	–
Mr. Tao Ye	–	–	–	–	–	–	–
	–	1,796	–	31	1,827	(239)	1,588

For the year ended 31 December 2023

	Directors' and supervisors' fee *RMB'000*	Salaries, allowances and other benefits *RMB'000*	Discretionary bonuses *RMB'000*	Retirement scheme contributions *RMB'000*	Sub-Total *RMB'000*	Share-based payments *RMB'000*	2023 Total *RMB'000*
Chairman and executive director							
Mr. Wang Qinsong	–	1,032	–	13	1,045	–	1,045
Executive directors							
Ms. Yu Liying	–	823	–	7	830	74	904
Mr. Wang Jiawei	–	798	–	7	805	40	845
Non-executive directors							
Ms. Lu Changmei	–	394	–	16	410	–	410
Mr. Liu Sheng	–	–	–	–	–	–	–
Mr. Tao Ye (resigned on 5 December 2023)	–	–	–	–	–	–	–
Ms. Xu Ruijie (appointed on 5 December 2023)	–	–	–	–	–	–	–
	–	3,047	–	43	3,090	114	3,204

Note:

During the Relevant Periods, there were no amounts paid or payable by the Group to the directors or any of the highest paid individuals set out in Note 9 below as an inducement to join or upon joining the Group or as a compensation for loss of office. There was no arrangement under which a director waived or agreed to waive any remuneration during the Relevant Periods.

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

During the years ended 31 December 2021, 2022 and 2023, of the five individuals with the highest emoluments, two, one and two are directors whose emoluments are disclosed in Note 8.

The aggregate of the emoluments in respect of the other three, four, and three individuals are as follows:

	Year ended 31 December 2021 *RMB'000*	Year ended 31 December 2022 *RMB'000*	Year ended 31 December 2023 *RMB'000*
Salaries and other emoluments	2,333	3,181	3,713
Contributions to defined contribution retirement plan	21	36	25
Equity-settled share-based payment expenses	2,503	(129)	388
	4,857	3,088	4,126

The emoluments of the three, four and three individuals with the highest emoluments are within the following bands:

	Year ended 31 December 2021 *Number of individuals*	Year ended 31 December 2022 *Number of individuals*	Year ended 31 December 2023 *Number of individuals*
Nil – HKD1,000,000	–	3	–
HKD1,000,001 – HKD1,500,000	1	1	1
HKD1,500,001 – HKD2,000,000	1	–	2
HKD2,000,001 – HKD2,500,000	1	–	–

10 EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the equity shareholders of the Company by the weighted average number of ordinary and preference shares in issue during the Relevant Periods as follows:

	Year ended 31 December 2021	Year ended 31 December 2022	Year ended 31 December 2023
Profit attributable to equity shareholders of the Company (RMB'000)	113,856	16,579	295,543
Issued ordinary and preference shares at 1 January *(Note (i))*	10,445	522,250,000	522,250,000
Effect of shares sub-division *(Note (ii))*	522,239,555	–	–
Effect of shares vested under RSU scheme *(Note (iii))*	10,701,722	10,742,823	10,625,561
Weighted average number of ordinary and preference shares in issue at 31 December	532,951,722	532,992,823	532,875,561
Basic earnings per share (expressed in RMB per share)	0.21	0.03	0.55

Notes:

(i) The preference shares issued by the Company have the same right to share in the profit of the Group as ordinary shares. Therefore, the Company did not present separate earnings per share information for the preference shares.

(ii) Pursuant to the resolution passed by the board of directors of the Company on 22 March 2021, each of the shares of par value of USD1.00 each was sub-divided into [**REDACTED**] shares of par value of USD[**REDACTED**] each.

(iii) The shares vested under RSU scheme include those vested RSUs, which were granted to certain directors and employees of the Group under Scheme A and Scheme B at a price of RMB 0.01 per unit, during the Relevant Periods. Under Scheme A, 7,125,570 RSUs and 972,300 RSUs were vested on 28 February 2020 and 28 December 2020, respectively. Under Scheme B, 3,079,182 RSUs were vested on 28 February 2021. Details of RSU scheme are set out in Note 26.

(b) Diluted earnings per share

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary and preference shares outstanding to assume conversion of all dilutive potential ordinary shares.

For the years ended 31 December 2021, 2022 and 2023, the Company has one category of dilutive potential ordinary shares, which is the restricted share units granted to certain directors and employees of the Group under Scheme C with service condition only (see Note 26). The restricted share units are assumed to have been fully vested and released from restrictions with no significant impact on earnings.

	Year ended 31 December 2021	**Year ended 31 December 2022**	**Year ended 31 December 2023**
Profit attributable to equity shareholders of the Company (RMB'000)	113,856	16,579	295,543
Weighted average number of ordinary and preference shares in issue *(Note (a))*	532,951,722	532,992,823	532,875,561
Effect of shares under RSU scheme	2,385,686	3,563,937	3,805,141
Weighted average number of ordinary and preference shares for the calculation of diluted earnings per share	535,337,408	536,556,760	536,680,702
Diluted earnings per share (expressed in RMB per share)	0.21	0.03	0.55

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

(a) Reconciliation of carrying amount of property, plant and equipment

	Kitchen equipment *RMB'000*	**Furniture and fixture** *RMB'000*	**Electronic equipment and others** *RMB'000*	**Leasehold improvements** *RMB'000*	**Construction in progress** *RMB'000*	**Total** *RMB'000*
Cost:						
At 1 January 2021	111,985	58,273	13,420	449,342	10,292	643,312
Additions	16,075	17,023	4,649	57,646	144,671	240,064
Transfer from construction-in-progress	26,718	6,310	170	120,189	(153,387)	–
Disposals	(1,125)	(842)	(245)	(15,682)	–	(17,894)
At 31 December 2021	153,653	80,764	17,994	611,495	1,576	865,482
At 1 January 2022	153,653	80,764	17,994	611,495	1,576	865,482
Additions	6,639	829	1,926	1,494	197,862	208,750
Transfer from construction-in-progress	18,726	17,612	2,969	138,318	(177,625)	–
Disposals	(6,564)	(3,594)	(1,508)	(23,755)	–	(35,421)
At 31 December 2022	172,454	95,611	21,381	727,552	21,813	1,038,811
At 1 January 2023	172,454	95,611	21,381	727,552	21,813	1,038,811
Additions	500	137	5,143	3,297	323,212	332,289
Transfer from construction-in-progress	59,209	29,151	7,377	230,824	(326,561)	–
Disposals	(8,185)	(2,499)	(547)	(21,881)	–	(33,112)
At 31 December 2023	223,978	122,400	33,354	939,792	18,464	1,337,988

	Kitchen equipment *RMB'000*	Furniture and fixture *RMB'000*	Electronic equipment and others *RMB'000*	Leasehold improvements *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
Accumulated depreciation:						
At 1 January 2021	52,612	23,139	8,776	190,537	–	275,064
Charge for the year	20,950	11,839	2,862	90,305	–	125,956
Written back on disposals	(1,114)	(817)	(237)	(14,093)	–	(16,261)
At 31 December 2021	72,448	34,161	11,401	266,749	–	384,759
At 1 January 2022	72,448	34,161	11,401	266,749	–	384,759
Charge for the year	27,416	16,375	3,775	115,744	–	163,310
Written back on disposals	(6,163)	(2,989)	(932)	(18,025)	–	(28,109)
At 31 December 2022	93,701	47,547	14,244	364,468	–	519,960
At 1 January 2023	93,701	47,547	14,244	364,468	–	519,960
Charge for the year	31,248	18,224	5,206	137,922	–	192,600
Written back on disposals	(7,240)	(2,169)	(491)	(18,281)	–	(28,181)
At 31 December 2023	117,709	63,602	18,959	484,109	–	684,379
Impairment:						
At 1 January 2021	–	–	–	–	–	–
Charge for the year	17	9	2	42	–	70
At 31 December 2021	17	9	2	42	–	70
At 1 January 2022	17	9	2	42	–	70
Written back on disposals	(17)	(9)	(2)	(42)	–	(70)
At 31 December 2022 and 1 January 2023	–	–	–	–	–	–
Charge for the year	–	–	–	2,576	2,060	4,636
At 31 December 2023	–	–	–	2,576	2,060	4,636
Net book value:						
At 31 December 2023	106,269	58,798	14,395	453,107	16,404	648,973
At 31 December 2022	78,753	48,064	7,137	363,084	21,813	518,851
At 31 December 2021	81,188	46,594	6,591	344,704	1,576	480,653

All of the property, plant and equipment owned by the Group are located in the PRC.

(b) Right-of-use assets

The reconciliation of carrying amount of right-of-use assets by class of underlying asset is as follows:

	Properties	Kitchen equipment	Total
	RMB'000	*RMB'000*	*RMB'000*
Cost:			
At 1 January 2021	996,107	7,833	1,003,940
Additions	165,040	5,894	170,934
Disposal	(46,619)	(218)	(46,837)
At 31 December 2021	1,114,528	13,509	1,128,037
At 1 January 2022	1,114,528	13,509	1,128,037
Additions	218,121	5,852	223,973
Disposal	(80,988)	(1,628)	(82,616)
At 31 December 2022	1,251,661	17,733	1,269,394
At 1 January 2023	1,251,661	17,733	1,269,394
Additions	241,898	6,181	248,079
Disposal	(91,984)	(2,310)	(94,294)
At 31 December 2023	1,401,575	21,604	1,423,179
Accumulated depreciation:			
At 1 January 2021	296,447	3,107	299,554
Charge for the year	140,776	2,188	142,964
Written back on disposals	(38,722)	(161)	(38,883)
At 31 December 2021	398,501	5,134	403,635
At 1 January 2022	398,501	5,134	403,635
Charge for the year	158,125	2,923	161,048
Written back on disposals	(48,264)	(1,550)	(49,814)
At 31 December 2022	508,362	6,507	514,869
At 1 January 2023	508,362	6,507	514,869
Charge for the year	173,145	3,891	177,036
Written back on disposals	(88,744)	(2,037)	(90,781)
At 31 December 2023	592,763	8,361	601,124
Impairment:			
At 1 January 2021	–	–	–
Charge for the year	740	18	758
As 31 December 2021	740	18	758

	Properties *RMB'000*	Kitchen equipment *RMB'000*	Total *RMB'000*
At 1 January 2022	740	18	758
Written back on disposals	(740)	(18)	(758)
At 31 December 2022 and 2023	–	–	–
Net book value:			
At 31 December 2023	808,812	13,243	822,055
At 31 December 2022	743,299	11,226	754,525
At 31 December 2021	715,287	8,357	723,644

The analysis of expense items in relation to leases recognised in profit or loss is as follows:

	2021 *RMB'000*	2022 *RMB'000*	2023 *RMB'000*
Interest on lease liabilities *(Note 6(a))*	32,069	35,450	36,640
Expense relating to leases of low-value assets and short-term leases	50,919	45,144	54,421
Variable lease payments not included in the measurement of lease liabilities	13,299	13,902	26,820
COVID-19-related rent concessions received *(Note (iv))*	–	(11,940)	–
Lease incentives *(Note 22)*	(655)	(1,934)	(2,735)

Details of total cash outflow for leases and the maturity analysis of lease liabilities are set out in Notes 16 and 19, respectively.

The Group has adopted the Amendment to IFRS 16, *Leases*, *Covid-19-Related Rent Concessions* and IFRS 16, *Leases, Covid-19-Related Rent Concessions beyond 30 June 2021*, and applies the practical expedient introduced by the Amendment to all eligible rent concessions received by the Group during the Relevant Periods. Further details are disclosed in Note (iv) below.

Notes:

(i) Properties – right-of-use assets

The Group has obtained the right of use properties as its restaurants through tenancy agreements. The leases typically run for an initial period of lease terms of 4 to 31.4 years. Lease payments are usually increased every 2 years to reflect market rentals.

(ii) Kitchen equipment – right-of-use assets

The Group leases certain kitchen equipment under leases expiring from 3 to 5 years.

(iii) Rental deposits

The refundable rental deposits themselves are not parts of the lease payments and the measurement are within the scope of IFRS 9. Therefore, the rental deposits should be measured at fair value on initial recognition. The difference between the initial fair value and the nominal value of the deposit is an additional lease payment made by the Group and it is included in the measurement of the right-of-use assets.

(iv) COVID-19-related rent concessions received

2022

			COVID-19 rent concessions			
	Fixed payments	**Variable payments**	**Deducted from variable payments**	**Recognised as income**	**Subtotal**	**Total payments**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Properties	155,008	13,902	(1,764)	(10,176)	(11,940)	156,970

Impairment assessment of cash-generating units including property, plant and equipment and right-of-use assets

The recoverable amount of each restaurant ("CGU") with an indication of impairment is estimated at the end of each reporting period. As at the end of each reporting period, in view of the unfavourable future prospects of certain restaurants, there was an indication that the CGUs may suffer an impairment loss. Management of the Group has conducted impairment testing. The recoverable amount of each CGU is determined based on fair value less cost of disposal or value-in-use calculations by preparing cash flow projections of the relevant CGU derived from the most recent financial forecast approved by management covering the remaining lease term, which is higher. The cash flows are discounted using a discount rate of 13.5%, 14.5% and 14.2%, respectively as at 31 December 2021, 2022 and 2023. The discount rate used is pre-tax and reflects specific risks relating to the relevant CGU.

As at 31 December 2021 and 2023, the carrying amount of certain CGUs exceeds their recoverable amount and, therefore, an impairment loss of RMB828,000 and RMB4,636,000, respectively, which was allocated to the assets including right-of-use assets, leasehold improvement and other property, plant and equipment within the CGU on a pro rata basis, was recognised in profit or loss as the "Other expenses" in the consolidated statements of profit or loss. As at 31 December 2022, the recoverable amount of the respective CGUs of the Group with an indication of impairment exceeds the carrying amount. Therefore, no impairment loss was recognised in the profit or loss in the consolidated statements of profit or loss for the year ended 31 December 2022.

12 INTANGIBLE ASSETS

	Software	**Others**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Cost:			
At 1 January 2021	1,094	377	1,471
Additions	2,031	–	2,031
At 31 December 2021	3,125	377	3,502
At 1 January 2022	3,125	377	3,502
Additions	–	–	–
At 31 December 2022	3,125	377	3,502
At 1 January 2023	3,125	377	3,502
Additions	734	–	734
At 31 December 2023	3,859	377	4,236

	Software	Others	Total
	RMB'000	*RMB'000*	*RMB'000*
Accumulated amortisation:			
At 1 January 2021	842	258	1,100
Charge for the year	302	18	320
At 31 December 2021	1,144	276	1,420
At 1 January 2022	1,144	276	1,420
Charge for the year	313	18	331
At 31 December 2022	1,457	294	1,751
At 1 January 2023	1,457	294	1,751
Charge for the year	331	16	347
At 31 December 2023	1,788	310	2,098
Net book value:			
At 31 December 2023	2,071	67	2,138
At 31 December 2022	1,668	83	1,751
At 31 December 2021	1,981	101	2,082

13 INTERESTS IN SUBSIDIARIES

The Company

	At 31 December 2021	At 31 December 2022	At 31 December 2023
	RMB'000	*RMB'000*	*RMB'000*
Interests in subsidiaries			
– Investments in subsidiaries *(Note (i))*	41	41	41
– Deemed investments arising from share-based compensation *(Note 26)*	53,513	52,734	53,578
– Amounts due from subsidiaries *(Note (ii))*	27,033	28,137	28,615
	80,587	80,912	82,234

Notes:

(i) As at 31 December 2021, 2022 and 2023, the Company's investments in subsidiaries was USD6,000, equivalent to RMB41,000.

(ii) As at 31 December 2021, 2022 and 2023, the amounts due from subsidiaries were interest-free and had no fixed payment terms.

During the Relevant Periods and as at the date of this report, the Company has direct or indirect interests in subsidiaries, all of which are private companies. The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated:

Company name	Place and date of incorporation/ establishment and operations	Type of legal entity	Particulars of issued and paid-up capital	Effective interest held by the Group As at 31 December			At the date of this report	Principal activities	Name of auditor
				2021	2022	2023			
Directly held by the Company									
Everlasting Thrive Limited *(note (b))*	The Republic of Seychelles 23 July 2015	Limited liability company	USD2,000	100%	100%	100%	100%	Investment holding	*Note (b)*
Emperor Favour Limited *(note (b))*	The Republic of Seychelles 23 July 2015	Limited liability company	USD2,000	100%	100%	100%	100%	Investment holding	*Note (b)*
August Fountain Limited *(note (b))*	The Republic of Seychelles 23 July 2015	Limited liability company	USD2,000	100%	100%	100%	100%	Investment holding	*Note (b)*
Indirectly held by the Company									
HongKong Greentea Group Limited *(note (c))*	Hong Kong 21 August 2015	Limited liability company	HKD10,000	100%	100%	100%	100%	Investment holding	*Note (c)*
HongKong Guan Dong Zao Group Limited *(note (c))*	Hong Kong 21 August 2015	Limited liability company	HKD10,000	100%	100%	100%	100%	Investment holding	*Note (c)*
HongKong August Fountain Group Limited *(note (c))*	Hong Kong 21 August 2015	Limited liability company	HKD10,000	100%	100%	100%	100%	Investment holding	*Note (c)*
Shenzhen Qianhai Hongquan Investment Consultancy Company Limited 深圳前海鴻泉投資諮詢有限公司 *(note (a)(b))*	The People's Republic of China 23 December 2015	Wholly foreign-owned enterprise	RMB500,000	100%	100%	100%	100%	Investment holding	*Note (b)*
Shenzhen Qianhai Green Tea Investment Consultancy Company Limited 深圳前海綠茶投資諮詢有限公司 *(note (a)(b))*	The People's Republic of China 23 December 2015	Wholly foreign-owned enterprise	RMB10,000,000	100%	100%	100%	100%	Investment holding	*Note (b)*
Shenzhen Qianhai Guandongzao Investment Consultancy Company Limited 深圳前海關東造投資諮詢有限公司 *(note (a)(b))*	The People's Republic of China 23 December 2015	Wholly foreign-owned enterprise	RMB500,000	100%	100%	100%	100%	Investment holding	*Note (b)*
Hangzhou Dinghuan Investment Management Company Limited ("Hangzhou Dinghuan") 杭州鼎寰投資管理有限公司 *(note (a)(d))*	The People's Republic of China 27 March 2017	Limited liability company	RMB10,000,000	100%	100%	100%	100%	Restaurant operations	*Note (d)*

Company name	Place and date of incorporation/ establishment and operations	Type of legal entity	Particulars of issued and paid-up capital	Effective interest held by the Group As at 31 December			At the date of this report	Principal activities	Name of auditor
				2021	2022	2023			
Tibet Green Tea Food & Beverage Management Company Limited 西藏綠茶餐飲管理有限公司 *(note (a)(e))*	The People's Republic of China 30 March 2016	Limited liability company	RMB20,408,200	100%	100%	100%	100%	Restaurant operations	*Note (e)*
Ningbo Haishu Qingyu Food & Beverage Management Company Limited 寧波海曙清雨餐飲管理有限公司 *(note (a)(b))*	The People's Republic of China 13 March 2017	Limited liability company	RMB100,000	100%	100%	100%	100%	Restaurant operations	*Note (b)*
Wuhan Lujia Food & Beverage Management Company Limited 武漢路家餐飲管理有限公司 *(note (a)(b))*	The People's Republic of China 30 March 2017	Limited liability company	RMB100,000	100%	100%	100%	100%	Restaurant operations	*Note (b)*
Sanquan Green Tea (Beijing) Food & Beverage Management Company Limited 三泉綠茶 (北京) 餐飲管理有限公司 *(note (a)(b))*	The People's Republic of China 27 March 2017	Limited liability company	RMB100,000	100%	100%	100%	100%	Restaurant operations	*Note (b)*
Tibet Guandongzao Investment Management Company Limited 西藏關東造投資管理有限公司 *(note (a)(b))*	The People's Republic of China 30 March 2016	Limited liability company	RMB2,000,000	100%	100%	100%	100%	Investment holding	*Note (b)*
Tibet Guandongzao Food & Beverage Company Limited 西藏關東造餐飲有限公司 *(note (a)(b))*	The People's Republic of China 11 May 2016	Limited liability company	RMB1,000,000	100%	100%	100%	100%	Restaurant operations	*Note (b)*
Tibet Green Tea Quan Enterprise Management Company Limited 西藏綠茶泉企業管理有限公司 (formerly known as Tibet Green Tea Quan Investment Management Company Limited 西藏綠茶泉投資管理有限公司) *(note (a)(b))*	The People's Republic of China 30 March 2016	Limited liability company	RMB5,000,000	100%	100%	100%	100%	Investment holding	*Note (b)*
Shenzhen Green Tea Renjia Trading Company Limited 深圳市綠茶人家貿易有限公司 *(note (a)(b))*	The People's Republic of China 24 June 2016	Limited liability company	RMB5,000,000	100%	100%	100%	100%	Food procurement	*Note (b)*
Zhejiang Lvqin Supply Chain Management Company Limited 浙江綠勤供應鏈管理有限公司 *(note (a)(b))*	The People's Republic of China 29 December 2020	Limited liability company	RMB10,000,000	100%	100%	100%	100%	Food wholesale industry	*Note (b)*

Company name	Place and date of incorporation/ establishment and operations	Type of legal entity	Particulars of issued and paid-up capital	Effective interest held by the Group As at 31 December			At the date of this report	Principal activities	Name of auditor
				2021	2022	2023			
Yiwu Dinghuan Investment Management Consultancy Company Limited 義烏市鼎寰企業管理諮詢有限公司 *(note (a)(b))*	The People's Republic of China 8 January 2021	Limited liability company	RMB1,000,000	100%	100%	100%	100%	Investment holding	*Note (b)*
Shenzhen Maoye Dinghuan Food & Beverage Management Company Limited. 深圳市茂業鼎寰餐飲管理有限公司 *(note (a)(b))*	The People's Republic of China 13 January 2021	Limited liability company	RMB1,000,000	100%	100%	100%	100%	Restaurant operations	*Note (b)*
Beijing Dinghuan Food & Beverage Management Company Limited 北京鼎寰餐飲管理有限公司 *(note (a)(b))*	The People's Republic of China 25 January 2021	Limited liability company	RMB1,000,000	100%	100%	100%	100%	Restaurant operations	*Note (b)*
Shanxi Dinghuan Food & Beverage Management Company Limited 山西鼎寰餐飲管理有限公司 *(note (a)(b))*	The People's Republic of China 2 February 2021	Limited liability company	RMB5,000,000	100%	100%	100%	100%	Restaurant operations	*Note (b)*
Haikou Dinghuan Food & Beverage Management Company Limited 海口市鼎寰餐飲管理有限公司 *(note (a)(b))*	The People's Republic of China 19 May 2021	Limited liability company	RMB1,000,000	100%	100%	100%	100%	Restaurant operations	*Note (b)*
Sanya Dinghuan Food & Beverage Company Limited 三亞鼎寰餐飲管理有限公司 *(note (a)(b))*	The People's Republic of China 20 July 2021	Limited liability company	RMB1,000,000	100%	100%	100%	100%	Restaurant operations	*Note (b)*
Sanya Haihuan Food & Beverage Management Company Limited 三亞海寰餐飲管理有限公司 *(note (a)(b))*	The People's Republic of China 30 July 2021	Limited liability company	RMB1,000,000	100%	100%	100%	100%	Restaurant operations	*Note (b)*
Miaohui (Zhejiang Zhoushan) Trading Company Limited 妙會(浙江舟山)貿易有限責任公司 *(note (a)(b))*	The People's Republic of China 15 December 2022	Limited liability company	RMB3,000,000	–	100%	100%	100%	Food wholesale industry	*Note (b)*
Zhejiang Daxin Supply Chain Management Company Limited 浙江大心供應鏈管理有限公司 *(note (a)(b))*	The People's Republic of China 24 May 2023	Limited liability company	RMB10,000,000	–	–	100%	100%	Food wholesale industry	*Note (b)*

Notes:

(a) These entities are PRC limited liability companies. The official names of these entities are in Chinese. The English translation of the names is for identification only.

(b) No audited financial statements have been prepared for these entities for the Relevant Periods.

(c) The entity prepared the financial statements for the years ended 31 December 2021 and 2022 in accordance with the Hong Kong Small and Medium-sized Entity Financial Reporting Standard ("SME-FRS") issued by the HKICPA and have been properly prepared in compliance with the Hong Kong Companies Ordinance. The financial statements for the years ended 31 December 2021 and 2022 were audited by Uniwin International CPA Limited, certified public accountants registered in Hong Kong. As at the date of this report, no audited financial statements have been prepared for the year ended 31 December 2023.

(d) The entity prepared the financial statements for the years ended 31 December 2022 and 2023 in accordance with the requirements of Accounting Standards for Business Enterprises, issued by the Ministry of Finance of the PRC. The financial statements for the years ended 31 December 2022 and 2023 were audited by Zhejiang Tianping Accounting Firm Co., Ltd, certified public accountants registered in the PRC. As at the date of this report, no audited financial statements have been prepared for the year ended 31 December 2021.

(e) The entity prepared the financial statements for the year ended 31 December 2021 in accordance with the requirements of Accounting Standards for Business Enterprises, issued by the Ministry of Finance of the PRC. The financial statements for the year ended 31 December 2021 were audited by Hangzhou Decheng Accounting Firm Co., Ltd, certified public accountants registered in the PRC. As at the date of this report, no audited financial statements have been prepared for the years ended 31 December 2022 and 2023.

(f) In 2017, the Group entered into a series of cooperation agreements with certain entities controlled by Wang Qinsong and Lu Changmei, controlling shareholders of the Group, including Hangzhou Greentea Catering Management Co., Ltd. ("Hangzhou Greentea"), Wuhan Jiangnan Greentea Catering Management Co., Ltd. ("Wuhan Greentea"), Beijing Greentea Catering Management Co., Ltd. ("Beijing Greentea") and Ningbo Greentea Catering Management Co., Ltd. ("Ningbo Greentea", deregistered on 22 October 2019), pursuant to which, the Group is responsible for the entrustment operations of restaurant business of these entities and is awarded of the management fee approximate to the operation results of the restaurant business of these entities. The cooperation agreements expired on 30 April 2023 and were renewed for another three years till 30 April 2026. The cooperation agreements will be automatically renewed unless the Group terminates the agreements upon expiry.

As the Group has the ability to use its power over the restaurant business of the above entities to affect the amount of the Group's returns, the operation results of the relevant restaurant business and related property, plant and equipment and right-of-use assets used for the operation of the restaurant business are consolidated in the Historical Financial Information of the Group during the Relevant Periods.

All companies now comprising the Group have adopted 31 December as their financial year end date.

14 INVENTORIES

	At 31 December 2021	**At 31 December 2022**	**At 31 December 2023**
	RMB'000	*RMB'000*	*RMB'000*
Food and beverages, and other operating items for restaurant operations	47,155	56,395	59,576

All of the inventories are expected to be recovered within one year.

The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Carrying amount of inventories sold and consumed	846,043	862,316	1,205,219

15 TRADE AND OTHER RECEIVABLES

The Group

	At 31 December 2021 *RMB'000*	At 31 December 2022 *RMB'000*	At 31 December 2023 *RMB'000*
Trade debtors	15,704	18,485	36,298
Other receivables and deposits	36,636	50,320	45,137
Amounts due from related parties *(Note 30(d))*	8,953	24,298	28,943
Financial assets measured at amortised cost	61,293	93,103	110,378
Value added tax recoverable	98,833	109,788	149,396
Prepayments *(Note)*	44,398	37,339	54,726
	143,231	147,127	204,122
	204,524	240,230	314,500

Note: Prepayments mainly represent prepayments for rental and property management expenses, utilities expenses, [**REDACTED**].

Ageing analysis:

As of the end of the reporting period, the ageing analysis of trade debtors (which are included in trade and other receivables), based on the revenue recognition date, is as follows:

	At 31 December 2021 *RMB'000*	At 31 December 2022 *RMB'000*	At 31 December 2023 *RMB'000*
Within 1 month	14,680	16,903	35,046
1 to 2 months	631	372	864
2 to 3 months	199	371	279
Over 3 months but within 1 year	194	839	109
	15,704	18,485	36,298

Trade debtors are due within 1 year from the date of revenue recognition. Further details on the Group's credit policy are set out in Note 28.

The Company

	At 31 December 2021 *RMB'000*	At 31 December 2022 *RMB'000*	At 31 December 2023 *RMB'000*
Prepayments for [**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Dividends receivables	–	–	393,231
	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]

16 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

(a) Cash and cash equivalents comprise:

	At 31 December 2021	At 31 December 2022	At 31 December 2023
	RMB'000	*RMB'000*	*RMB'000*
Cash on hand	401	369	609
Cash at bank	130,817	134,041	355,680
	131,218	134,410	356,289

(b) Reconciliation of profit before taxation to cash generated from operations:

	Note	2021	2022	2023
		RMB'000	*RMB'000*	*RMB'000*
Profit before taxation		139,634	43,177	387,973
Adjustments for:				
Interest income	*5*	(4,328)	(5,985)	(9,065)
Depreciation		268,920	324,358	369,636
Amortisation of lease incentives	*5*	(338)	(1,263)	(1,788)
Amortisation of intangible assets		320	331	347
Finance costs	*6(a)*	37,196	41,541	42,657
Net loss on disposal of property, plant and equipment and right-of-use assets		1,024	1,263	707
Gains on reassessment of right-of-use assets and lease liabilities	*6(d)*	(108)	–	–
Impairment loss on property, plant and equipment and right-of-use assets	*6(c)*	828	–	4,636
Equity-settled share-based payment expenses	*6(b)*	10,742	(779)	844
Income on COVID-19 rent concessions	*6(d)*	–	(10,176)	–
Changes in working capital:				
Increase in inventories		(17,690)	(9,240)	(3,181)
Increase in trade and other receivables and rental deposits		(56,525)	(30,288)	(69,500)
Increase in trade and other payables		32,155	6,943	128,923
Increase in contract liabilities		90	4,820	1,367
Cash generated from operations		411,920	364,702	853,556

(c) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statements as cash flows from financing activities.

	Lease liabilities	Bank loans	Dividend payable	[REDACTED] payable (included in trade and other payables)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 19)	*(Note 23)*	*(Note 27(d))*		
At 1 January 2021	709,808	5,500	–	342	715,650
Proceeds from bank loans	–	1,000	–	–	1,000
Repayment of bank loans	–	(6,000)	–	–	(6,000)
Interest of bank loans paid	–	(10)	–	–	(10)
Payment of capital element of lease liabilities	(121,410)	–	–	–	(121,410)
Payment of interest element of lease liabilities	(32,069)	–	–	–	(32,069)
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Total changes from financing cash flows	(153,479)	(5,010)	–	[REDACTED]	(163,488)
Other changes:					
Interest expenses	32,069	11	–	–	32,080
Additions	166,903	–	–	4,788	171,691
Disposals	(8,503)	–	–	–	(8,503)
Total other changes	190,469	11	–	4,788	195,268
At 31 December 2021 and 1 January 2022	746,798	501	–	131	747,430
Proceeds from bank loans	–	116,000	–	–	116,000
Repayment of bank loans	–	(85,500)	–	–	(85,500)
Interest of bank loans paid	–	(595)	–	–	(595)
Payment of capital element of lease liabilities	(119,558)	–	–	–	(119,558)
Payment of interest element of lease liabilities	(35,450)	–	–	–	(35,450)
[REDACTED] paid	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Total changes from financing cash flows	(155,008)	29,905	–	[REDACTED]	(127,886)

	Lease liabilities *RMB'000* *(Note 19)*	Bank loans *RMB'000* *(Note 23)*	Dividend payable *RMB'000* *(Note 27(d))*	[REDACTED] payable (included in trade and other payables) *RMB'000*	Total *RMB'000*
Other changes:					
Interest expenses	35,450	594	–	–	36,044
Additions	198,107	–	–	3,064	201,171
Disposal	(37,555)	–	–	–	(37,555)
Total other changes	196,002	594	–	3,064	199,660
At 31 December 2022 and 1 January 2023	787,792	31,000	–	432	819,224
Proceeds from bank loans	–	50,100	–	–	50,100
Repayment of bank loans	–	(31,000)	–	–	(31,000)
Interest of bank loans paid	–	(188)	–	–	(188)
Payment of capital element of lease liabilities	(145,804)	–	–	–	(145,804)
Payment of interest element of lease liabilities	(36,640)	–	–	–	(36,640)
[REDACTED] paid	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Total changes from financing cash flows	(182,444)	18,912	–	(2,265)	(165,797)
Other changes:					
Interest expenses	36,640	188	–	–	36,828
Additions	237,447	–	–	2,355	239,802
Disposals	(5,883)	–	–	–	(5,883)
Dividends declared	–	–	350,028	–	350,028
Total other changes	268,204	188	350,028	2,355	620,775
At 31 December 2023	873,552	50,100	350,028	522	1,274,202

(d) Total cash out flow for leases:

	2021 *RMB'000*	2022 *RMB'000*	2023 *RMB'000*
Within operating cash flows	63,901	56,611	80,294
Within investing cash flows	762	–	–
Within financing cash flows	153,479	155,008	182,444
	218,142	211,619	262,738

17 TRADE AND OTHER PAYABLES

The Group

	At 31 December 2021	At 31 December 2022	At 31 December 2023
	RMB'000	*RMB'000*	*RMB'000*
Trade payables	210,317	193,354	248,488
Staff cost payable	51,363	53,103	86,790
[**REDACTED**] payable	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Other payables and accrued charges	75,405	70,689	139,778
Other taxes payable	1,979	2,944	5,466
	339,524	331,862	493,335

As of the end of the reporting period, the ageing analysis of trade payable (which are included in trade and other payables), based on the invoice date, is as follows:

	At 31 December 2021	At 31 December 2022	At 31 December 2023
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	208,232	188,464	244,325
Over 1 year but within 2 years	1,626	4,862	1,443
Over 2 years but within 3 years	459	28	2,720
	210,317	193,354	248,488

The Company

	At 31 December 2021	At 31 December 2022	At 31 December 2023
	RMB'000	*RMB'000*	*RMB'000*
Amounts due to subsidiaries	20,126	22,294	40,657
Other payables	467	11,778	8,932
	20,593	34,072	49,589

The amounts due to subsidiaries are unsecured and interest-free.

18 CONTRACT LIABILITIES

	At 31 December 2021 *RMB'000*	At 31 December 2022 *RMB'000*	At 31 December 2023 *RMB'000*
Advanced payment received	660	3,053	2,463
Customer loyalty scheme *(Note)*	–	2,427	4,384
	660	5,480	6,847

Note: The estimated loyalty points arising from the customer loyalty scheme could be used in the future consumptions in the restaurants. The balance at the end of each reporting period represented the transaction price allocated to unsatisfied performance obligation.

Movement in contract liabilities

	At 31 December 2021 *RMB'000*	At 31 December 2022 *RMB'000*	At 31 December 2023 *RMB'000*
At the beginning of the year	570	660	5,480
Net increase in contract liabilities during the year	660	5,480	4,498
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	(570)	(660)	(3,131)
At the end of the year	660	5,480	6,847

Certain contract liabilities related to the customer loyalty scheme will be recognised as revenue when the points are redeemed by the customers, which are expected to occur over the next two years.

19 LEASE LIABILITIES

At 31 December 2021, 2022 and 2023 the lease liabilities were repayable as follows:

	At 31 December 2021 *RMB'000*	At 31 December 2022 *RMB'000*	At 31 December 2023 *RMB'000*
Lease liabilities included in the consolidated statements of financial position			
– Within 1 year	183,779	181,859	214,345
– After 1 year but within 2 years	135,712	139,603	148,404
– After 2 years but within 5 years	309,182	308,436	336,390
– After 5 years	118,125	157,894	174,413
	563,019	605,933	659,207
	746,798	787,792	873,552

20 LONG-TERM PAYABLES

In respect of the entrustment management operations of certain restaurant businesses as disclosed in Note 13(f), the Group recognised long term payables to related parties for the acquisition of certain property, plant and equipment and right-of-use assets of the related parties.

The following table shows the remaining contractual maturities of the Group's long-term payables at the end of the reporting period:

	At 31 December 2021	At 31 December 2022	At 31 December 2023
	RMB'000	*RMB'000*	*RMB'000*
Long-term payables included in the consolidated statements of financial position			
– Within 1 year	7,505	6,148	7,593
– After 1 year but within 2 years	6,797	5,803	5,232
– After 2 years but within 5 years	11,541	13,581	11,696
– After 5 years	47,652	59,899	59,757
	65,990	79,283	76,685
	73,495	85,431	84,278

21 PROVISIONS

	At 31 December 2021	At 31 December 2022	At 31 December 2023
	RMB'000	*RMB'000*	*RMB'000*
Provisions for restoration costs	30,199	35,040	43,116

The movements of provisions during the Relevant Periods were as follows:

	At 31 December 2021	At 31 December 2022	At 31 December 2023
	RMB'000	*RMB'000*	*RMB'000*
Balance at the beginning	23,016	30,199	35,040
Additional provisions	5,596	3,641	6,294
Interest on provisions	1,745	1,572	2,011
Provisions utilised	(158)	(372)	(229)
Balance at the end	30,199	35,040	43,116

Pursuant to the terms of the respective tenancy agreements entered into by the Group, the Group is required to restore certain leased properties to the conditions as stipulated in the tenancy agreements at the expiration of the corresponding lease term as appropriate. The provision for restoration costs was estimated based on certain assumptions and estimates made by the Group's management with reference to historical restoration costs and/or other available market information. The estimation basis is reviewed on an ongoing basis and revised where appropriate.

22 DEFERRED LEASE INCENTIVES

In accordance with the Group's lease agreements, the Group has been granted lease incentive amounts from certain lessors for the reimbursement of leasehold improvement costs of the leased properties. The Group accounted for the benefit of the lease incentive amounts firstly as a deduction of the initial carrying amount of the right-of-use assets, and then the excess as deferred lease incentives which are amortised on a straight-line basis over the term of the leases.

In the consolidated cash flow statements, payments to the suppliers by the lessors amounting to RMB13,199,000, RMB4,894,000 and nil for the years ended 31 December 2021, 2022 and 2023 were non-cash transactions.

The movement of deferred lease incentives during the Relevant Periods was as follows:

	At 31 December 2021	**At 31 December 2022**	**At 31 December 2023**
	RMB'000	*RMB'000*	*RMB'000*
Balance at the beginning	–	12,544	15,504
Additions	13,199	4,894	–
Less accumulated amortisation			
– deducted from variable lease payments	(317)	(671)	(947)
– recognised as other income	(338)	(1,263)	(1,788)
Balance at the end	12,544	15,504	12,769

23 BANK LOANS

The analysis of the carrying amount of current bank loans and other borrowings is as follows:

	At 31 December 2021	**At 31 December 2022**	**At 31 December 2023**
	RMB'000	*RMB'000*	*RMB'000*
Within one year or on demand			
– secured	–	–	25,000
– unsecured	501	31,000	25,100
	501	31,000	50,100

As at 31 December 2023, the secured bank loan was pledged by bank deposits of RMB25,000,000.

As at 31 December 2021, 2022 and 2023, banking facilities of the Group totaling RMB330,000,000, RMB330,000,000 and RMB400,000,000 were utilised to the extent of RMB500,000, RMB31,000,000 and RMB25,100,000, respectively.

24 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(a) Current taxation in the consolidated statements of financial position represents:

	2021 *RMB'000*	2022 *RMB'000*	2023 *RMB'000*
Balance at the beginning	6,705	7,760	2,944
Provision for the PRC Corporate Income Tax *(Note 7(a))*	36,015	12,274	67,532
Transferred from deferred tax liabilities in respect of withholding tax	–	–	43,791
PRC Corporate Income Tax paid for the year	(34,960)	(17,090)	(60,317)
Balance at the end	7,760	2,944	53,950
Representing:			
Current tax payables	7,760	5,831	11,651
Withholding tax payable	–	–	43,791
Income tax prepayments	–	(2,887)	(1,492)
	7,760	2,944	53,950

(b) Deferred tax assets/(liabilities) recognised

The components of deferred tax assets recognised in the consolidated statements of financial position and the movements during the year are as follows:

	Unused tax losses *RMB'000*	Unrealised profits *RMB'000*	Right-of-use assets *RMB'000*	Lease liabilities *RMB'000*	Impairment *RMB'000*	Customer loyalty scheme *RMB'000*	Withholding tax on dividends *RMB'000*	Total *RMB'000*
At 1 January 2021	168	–	(130,193)	150,291	–	–	(27,003)	(6,737)
Credited to profit or loss	3,299	–	(19,033)	25,822	149	–	–	10,237
At 31 December 2021	3,467	–	(149,226)	176,113	149	–	(27,003)	3,500
Credit/(charged) to profit or loss	4,576	75	38,988	(37,554)	(149)	437	(20,697)	(14,324)
At 31 December 2022	8,043	75	(110,238)	138,559	–	437	(47,700)	(10,824)
Withholding tax payable	–	–	–	–	–	–	43,791	43,791
Credit/(charged) to profit or loss	4,817	733	5,058	(2,741)	–	352	(33,117)	(24,898)
At 31 December 2023	12,860	808	(105,180)	135,818	–	789	(37,026)	8,069

According to PRC corporate income tax laws and its implementation rules, dividends receivable by non-PRC corporate residents from PRC enterprises are subject to withholding tax at a rate of 10%, unless reduced by tax treaties or arrangements, for profits earned since 1 January 2008.

As at 31 December 2021, 2022 and 2023, deferred tax liabilities of RMB27,003,000, RMB47,700,000 and RMB37,026,000 have been recognised in connection with the withholding tax that would be payable on the distribution of retained profits of the Group's PRC subsidiaries in the foreseeable future.

As at 31 December 2021, the Group has determined that the retained profits of the Group's PRC subsidiaries generated for the year ended 31 December 2021 are not probable to be distributed in the foreseeable future, therefore, the Group did not recognise additional deferred tax liabilities on PRC dividend withholding taxes as at 31 December 2021.

(c) Reconciliation to consolidated statements of financial position

	At 31 December 2021 *RMB'000*	**At 31 December 2022** *RMB'000*	**At 31 December 2023** *RMB'000*
Net deferred tax assets recognised in the consolidated statements of financial position	30,503	36,876	45,095
Net deferred tax liabilities recognised in the consolidated statements of financial position	(27,003)	(47,700)	(37,026)
	3,500	(10,824)	8,069

(d) Deferred tax assets not recognised

In accordance with the accounting policy set out in Note 2(q), the Group has not recognised deferred tax assets in respect of certain deductible temporary differences and cumulative tax losses as it is not probable that future taxable profits against which the losses or deductible temporary differences can be utilised will be available in the relevant tax jurisdiction and entity.

The following table presents the Group's unused tax losses at the reporting dates:

	At 31 December 2021 *RMB'000*	**At 31 December 2022** *RMB'000*	**At 31 December 2023** *RMB'000*
Unused tax losses	3,072	2,126	6,573

The expiration information of the Group's unused tax losses is set out below:

	At 31 December 2021 *RMB'000*	**At 31 December 2022** *RMB'000*	**At 31 December 2023** *RMB'000*
2024	1,407	1,407	1,407
2026	155	155	155
2027	–	116	116
2028	1,510	448	4,895
Total	3,072	2,126	6,573

All the tax losses of subsidiaries of the Group in the Mainland China can be carried forward for a maximum period of five years. Pursuant to the Notice No. 8 issued by the Ministry of Finance and the State Administration of Taxation of the PRC on 6 February 2020, the maximum carried forward period of the tax losses affected by COVID-19 in certain difficult industries, such as catering industry, is extended from five years to eight years.

25 OTHER NON-CURRENT ASSETS

	At 31 December 2021	At 31 December 2022	At 31 December 2023
	RMB'000	*RMB'000*	*RMB'000*
Prepayments for purchase of property, plant and equipment	1,391	286	407

26 EQUITY SETTLED SHARE-BASED PAYMENTS

Pursuant to a resolution of the board of directors of the Company passed on 28 February 2020, a restricted share unit ("RSU") scheme ("the Scheme") was adopted for purpose of providing incentives to the qualified employees of the Group. The RSUs will be granted to qualified employees of the Group through an RSU platform and each RSU gives the holder the right to own one ordinary share of the Company. Under the Scheme, the number of total RSUs is not more than [**REDACTED**] units, equal to [**REDACTED**]% of total ordinary and preference shares of the Company immediately after the [**REDACTED**] as mentioned in the document. The Scheme shall be valid and effective for a period of 10 years commencing from 28 February 2020. The RSUs shall be exercised no earlier than 6 months after the [**REDACTED**]. The unvested RSUs shall be forfeited if a grantee resigns or has his/her employment terminated after the grant-date.

Pursuant to a resolution of the board of directors of the Company passed on 28 February 2020, 28 December 2020, 20 February 2021 and 31 May 2022, the Company granted 24,406,582 RSUs, 7,003,338 RSUs, 562,082 RSUs and 3,600,288 RSUs, respectively to certain directors and employees of the Group as follows:

Scheme A: On 28 February 2020 and 28 December 2020, 7,125,570 and 972,300 RSUs were granted to 3 directors and 61 employees of the Group at a price of RMB0.01 per unit, respectively and vested immediately.

Scheme B: On 28 February 2020, 9,547,060 RSUs were granted to 3 directors and 50 employees of the Group at a price of RMB0.01 per unit and are scheduled to be vested over four tranches, among which, the first tranche has only service conditions to be met and the remaining tranches have service conditions and certain performance conditions to be met. Subject to the grantee continuing to be an employee of the Group, 25%, 25%, 25% and 25% of RSUs shall be vested on 28 February 2021, 2022, 2023 and 2024, respectively.

On 28 December 2020, 2,769,666 RSUs were granted to 11 employees of the Group at a price of RMB0.01 per unit and are scheduled to be vested over four tranches, among which, the first tranche has only service conditions and the remaining tranches have service conditions and certain performance conditions to be met. Subject to the grantee continuing to be an employee of the Group, 25%, 25%, 25% and 25% of RSUs shall be vested on 28 February 2021, 2022, 2023 and 2024, respectively.

If the ending date of six months after the [**REDACTED**] ("the Updated Vesting Date") is later than 28 February 2022, the second tranche of 25% of RSUs granted on 28 February 2020 and 28 December 2020 mentioned above shall be vested on the Updated Vesting Date and the remaining third and fourth tranches of RSUs shall be vested on the ending date of 12 months and 24 months after the Updated Vesting Date, respectively.

On 20 February 2021, 356,510 RSUs were granted to 2 employees of the Group at a price of RMB0.01 per unit and are scheduled to be vested over four tranches, which have service conditions and certain performance conditions to be met. Subject to the grantee continuing to be an employee of the Group, 25%, 25%, 25% and 25% of RSUs shall be vested on 28 February 2022, 2023, 2024 and 2025, respectively. During the year ended 31 December 2021, the 2 employees resigned from the Group and related RSUs have been forfeited.

On 31 May 2022, 2,283,516 RSUs were granted to 21 employees of the Group at a price of RMB0.01 per unit and are scheduled to be vested over four tranches, which have service conditions and certain performance conditions to be met. Subject to the grantee continuing to be an employee of the Group, 25%, 25%, 25% and 25% of RSUs shall be vested on the ending date of 6 months, 18 months, 30 months and 42 months after the [**REDACTED**], respectively.

If the performance conditions are not fulfilled, the corresponding tranche of RSUs granted can be renewed for one year. If the performance conditions are still not fulfilled in the subsequent year, the corresponding tranche of RSUs granted cannot be vested.

Scheme C: On 28 February 2020, 7,733,952 RSUs were granted to 3 directors and 50 employees of the Group at a price of RMB2.92 per unit respectively and are scheduled to be vested over four tranches with service conditions only. Subject to the grantee continuing to be an employee of the Group, 25%, 25%, 25% and 25% of RSUs shall be vested on 28 February 2021, 2022, 2023 and 2024, respectively.

On 28 December 2020, 3,261,372 RSUs were granted to 11 employees of the Group at a price of RMB2.92 per unit respectively and are scheduled to be vested over four tranches with service conditions only. Subject to the grantee continuing to be an employee of the Group, 25%, 25%, 25% and 25% of RSUs shall be vested on 28 February 2021, 2022, 2023 and 2024, respectively.

If the ending date of six months after the [**REDACTED**] ("the Updated Vesting Date") is later than 28 February 2022, the second tranche of 25% of RSUs granted on 28 February 2020 and 28 December 2020 mentioned above shall be vested on the Updated Vesting Date and the remaining third and fourth tranches of RSUs shall be vested on the ending date of 12 months and 24 months after the Updated Vesting Date, respectively.

On 20 February 2021, 205,572 RSUs were granted to 2 employees of the Group at a price of RMB2.92 per unit respectively and are scheduled to be vested over four tranches with service conditions only. Subject to the grantee continuing to be an employee of the Group, 25%, 25%, 25% and 25% of RSUs shall be vested on 28 February 2022, 2023, 2024 and 2025, respectively. During the year ended 31 December 2021, the 2 employees resigned from the Group and related RSUs have been forfeited.

On 31 May 2022, 1,316,772 RSUs were granted to 21 employees of the Group at a price of RMB2.92 per unit and are scheduled to be vested over four tranches, which have service conditions and certain performance conditions to be met. Subject to the grantee continuing to be an employee of the Group, 25%, 25%, 25% and 25% of RSUs shall be vested on the ending date of 6 months, 18 months, 30 months and 42 months after the [**REDACTED**], respectively.

The numbers and fair value of RSUs are as follows:

	Weighted grant date fair value per RSU *RMB*	Number of RSUs
Outstanding as at 1 January 2021	3.17	23,312,050
Granted during the year	3.85	562,082
Vested during the year	3.17	(5,828,013)
Forfeited during the year	3.64	(1,413,539)
Outstanding as at 31 December 2021	3.16	16,632,580
Granted during the year	4.50	3,600,288
Forfeited during the year	2.94	(202,099)
Outstanding as at 31 December 2022	3.40	20,030,769
Forfeited during the year	3.85	(808,398)
Outstanding as at 31 December 2023	3.38	19,222,371

Fair value of RSUs

The fair value of RSUs was calculated based on the fair value of underlying ordinary shares as at the grant date. The directors have used the income approach to determine the fair value of the underlying shares of the Company and adopted the discounted cash flow to determine the fair value of the underlying ordinary shares.

	Grant-date fair value		
	Scheme A	**Scheme B**	**Scheme C**
	RMB'000	*RMB'000*	*RMB'000*
28 February 2020	2.94	2.94	2.94
28 December 2020	3.85	3.85	3.85
20 February 2021	N/A	3.85	3.85
31 May 2022	N/A	4.50	4.50

The discounted cash flow derived by management considered the Company's future business plan, specific business and financial risks, the stage of development of the Company's operations and economic and competitive elements affecting the Company's business, industry and market. The discount rates used for the grant date fair value were 15.6%,15.5%, 15.4% and 15.4% for RSUs granted as at 28 February 2020, 28 December 2020, 20 February 2021 and 31 May 2022 respectively.

The directors estimated the risk-free interest rate based on the yield of Chinese government bonds with maturity of 20 years. Weighted average cost of capital was estimated based on selected comparable companies.

Expected retention rate of grantees

The Group estimates the expected yearly percentage of grantees that will stay within the Group at the end of vesting periods of RSUs (the "Expected Retention Rate") in order to determine the amount of share-based payment expenses charged to the consolidated statement of profit or loss. As at 31 December 2021, 2022 and 2023, the Expected Retention Rate was assessed to be 100%, 100% and 100%, respectively.

Share-based payment expenses of RMB10,742,000 and RMB844,000 are recognised as staff costs in the consolidated statements of profit or loss for the years ended 31 December 2021 and 2023, respectively. Deduction of share-based payment expenses of RMB779,000 are adjusted in staff costs in the consolidated statements of profit or loss for the year ended 31 December 2022 due to the updated expectation of the satisfaction of service conditions after considering the expected [**REDACTED**].

27 CAPITAL, RESERVES AND DIVIDENDS

(a) Share capital

Ordinary Shares	Number of shares	Amount	Share capital
		USD	*RMB*
As at 1 January 2021	7,312	7,312	50,444
Issuance of new shares	667	667	4,334
Share sub-division	398,942,021	–	–
As at 31 December 2021, 2022 and 2023	398,950,000	7,979	54,778

Preference Shares	Number of shares	Amount	Share capital
		USD	*RMB*
As at 1 January 2021	3,133	3,133	21,606
Share sub-division	156,646,867	–	–
As at 31 December 2021, 2022 and 2023	156,650,000	3,133	21,606

Ordinary shares

The Company was incorporated in the Cayman Islands on 4 June 2015 with authorised share capital of USD50,000 divided into 50,000 ordinary shares with a par value of USD1.00 each. 10,000 ordinary shares were issued to Time Sonic Investments Limited on 9 July 2015.

On 25 May 2017, 2,688 ordinary shares of par value of USD1.00 each were repurchased by the Company.

On 17 March 2021, 667 ordinary shares of par value of USD1.00 each were newly issued to Longjing Memory Limited (the "**RSU Nominee**") , which was established in the British Virgin Islands for the purpose of holding share for grant under the RSU Scheme.

Preference shares

On 25 May 2017, the Company issued a total of 3,133 preference shares of par value of USD1.00 each to Partners Group Gourmet House Limited. The preference shareholder were, subject to certain limitations, entitled to certain customary special rights including (i) redemption right to transfer its shares to Wang Qinsong and Lu Changmei if the [**REDACTED**] of the Company approval was not obtained by 25 May 2023 or such later date as may be extended for one year by the parties in the event of a force majeure event with regard to an affected fiscal year, or the performance of the Group does not meet certain target performance since 2019, (ii) right to appoint two directors, (iii) pre-emptive right, (iv) co-sale right, and (v) information right. The redemption rights shall terminate and be of no further force or effect immediately before the Company submits its application for the [**REDACTED**] (the "Submission"), provided in the event where the Submission is withdrawn, rejected, lapses and is not renewed within a prescribed period of time, or the Company fails to consummate the [**REDACTED**], such redemption rights shall automatically be reinstated in full. All other special rights will be terminated automatically upon completion of the [**REDACTED**]. Each preference share shall automatically be converted into an ordinary share on a one to one ratio upon the [**REDACTED**].

The preference shares were recorded as equity of the Company.

Share sub-division

Pursuant to the resolution passed by the board of directors of the Company on 22 March 2021, each of the above shares of par value of USD1.00 each was sub-divided into [**REDACTED**] shares of par value of USD[**REDACTED**] each.

(b) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statements of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

The Company

	Share capital	Share premium	Share-based payments reserve	Exchange reserve	Shares held for RSU schemes	(Accumulated losses)/retained profits	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 January 2021	72	45,250	42,771	(2,033)	–	(13,616)	72,444
Changes in equity for 2021:							
Issuance of new shares	4	–	–	–	–	–	4
Loss for the year	–	–	–	–	–	(17,321)	(17,321)
Other comprehensive income	–	–	–	(669)	–	–	(669)
RSU schemes:							
– Shares held for RSU schemes	–	–	–	–	(4)	–	(4)
– Equity settled share-based transactions	–	–	10,742	–	–	–	10,742
Balance at 31 December 2021	76	45,250	53,513	(2,702)	(4)	(30,937)	65,196
Balance at 1 January 2022	76	45,250	53,513	(2,702)	(4)	(30,937)	65,196
Changes in equity for 2022:							
Loss for the year	–	–	–	–	–	(11,498)	(11,498)
Other comprehensive income	–	–	–	2,423	–	–	2,423
Equity settled share-based transactions	–	–	(779)	–	–	–	(779)
Balance at 31 December 2022	76	45,250	52,734	(279)	(4)	(42,435)	55,342
Balance at 1 January 2023	76	45,250	52,734	(279)	(4)	(42,435)	55,342
Changes in equity for 2023:							
Profit for the year	–	–	–	–	–	384,985	384,985
Other comprehensive income	–	–	–	477	–	–	477
Equity settled share-based transactions	–	–	844	–	–	–	844
Dividends declared	–	(45,250)	–	–	–	(304,778)	(350,028)
Balance at 31 December 2023	76	–	53,578	198	(4)	37,772	91,620

(c) Nature and purposes of reserves

(i) Share premium

As at 31 December 2021 and 2022, the share premium comprises capital contribution from Partners Group Gourmet House Limited in excess of the par value of preference shares issued.

Under the Companies Law of Cayman Islands, the share premium account of the Company is distributable to the equity shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company would be in a position to pay off its debt as they fall due in the ordinary course of business.

(ii) Share-based payments reserve

The share-based payments reserve represents the portion of the grant date fair value of RSUs granted to the directors and employees of the Group that has been recognised in accordance with the accounting policy adopted for share-based payments in Note 2(p)(ii).

(iii) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial information of operations with functional currency other than RMB.

(iv) Statutory reserve

Statutory reserves are established in accordance with the PRC Company Law and the Articles of Association of the companies comprising the Group which are incorporated in the PRC.

Appropriations to the reserves were required to allocate 10% of their profits after tax until the reserves reach 50% of their respective registered capital.

Statutory reserve fund can be used to cover previous years' losses, if any, and may be converted into share capital by the issue of new shares to shareholders in proportion to their existing shareholdings or by increasing the par value of the shares currently held by them, provided that the balance after such issue is not less than 25% of the registered capital.

(v) Shares held for RSU schemes

On 1 March 2021, the Company appointed The Core Trust Company Limited (the "RSU Trustee") as the trustee to assist with the administration and vesting of RSUs granted pursuant to the RSU Scheme through the RSU Nominee, a wholly-owned subsidiary of the RSU Trustee. Further details of the RSU Scheme are set out in Note 26.

The RSU Nominee's activities are conducted on behalf of the Company to settle its obligation under the RSU Scheme and the Company also has the right to deal with the outstanding RSUs if the Company terminates the RSU Scheme. The directors are of the view that the RSU Nominee is controlled by the Company. Accordingly, the ordinary shares held by the RSU Nominee for RSU scheme are deducted from shareholders' equity on consolidation until the shares are vested unconditionally to the grantees.

(d) Dividends

In accordance with the resolution of the board of directors of the Company dated 10 May 2023, a dividend of RMB350,028,000 (RMB0.63 per ordinary share and RMB0.63 per preference share) was declared to Time Sonic Investments Limited, Partners Group Gourmet House Limited and Longjing Memory Limited by the Company out of share premium of RMB45,250,000 and retained profits of RMB304,778,000 which were not paid to the equity shareholders of the Company during the Relevant Periods.

(e) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group's overall strategy remains unchanged throughout the Relevant Periods. The Group monitors its capital structure with reference to its debt position. The Group's strategy is to maintain the equity and debt in a balanced position and ensure there are adequate working capital to service its debt obligations. The Group's debt to asset ratio, being the Group's total liabilities over its total assets, as at 31 December 2021, 2022 and 2023 was 73%, 74% and 83%.

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade and other receivables and rental deposits. The Group's exposure to credit risk arising from cash and cash equivalents and financial assets at FVPL are limited because the counterparties are banks and financial institutions with high-credit-quality, for which the Group considers to have low credit risk.

The Group's trade receivables in connection with bills settled through payment platforms such as Unionpay, Alipay or WeChat Pay are with high credit rating and no past due history. Management of the Group considers these assets are short-term in nature and the probability of default is negligible on the basis of high-credit-rating issuers during the Relevant Periods, and accordingly, no provision for impairment of trade receivables is considered necessary by management for the Relevant Periods.

The Group has concentration of credit risk on amounts due from related parties as at the end of each reporting period with details set out in Note 30. Management has made periodic assessments as well as individual assessment on recoverability based on historical settlement records and adjusts for forward-looking information. In view of the strong financial capability of these related parties and considered the future prospects of the industry these related parties operate, management do not consider there is a risk of default and do not expect any losses from non-performance by these related parties, and accordingly, no impairment was recognised in respect of the amounts due from related parties.

In determining the ECL for rental deposits and other receivables, management of the Group has taken into account the historical default experience and forward-looking information, as appropriate. Management of the Group has assessed that other receivables have not had a significant increase in credit risk since initial recognition and risk of default is insignificant, and therefore, no provision for impairment of other receivables is considered necessary by management for the Relevant Periods.

The expected credit loss rate is insignificant and close to zero.

The Group does not provide any guarantees which would expose the Group to credit risk.

(b) Liquidity risk

In management of liquidity risk, the Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash, readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities at the end of the reporting period of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contracted rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay.

	31 December 2021 Contractual undiscounted cash outflow					
	Within 1 year or on demand	**More than 1 year but less than 2 years**	**More than 2 years but less than 5 years**	**More than 5 years**	**Total**	**Carrying amount**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and other payables	339,524	–	–	–	339,524	339,524
Bank loans	502	–	–	–	502	501
Lease liabilities	213,816	159,248	346,302	125,578	844,944	746,798
Long-term payables	10,892	10,064	20,813	92,480	134,249	73,495
	564,734	169,312	367,115	218,058	1,319,219	1,160,318

	31 December 2022 Contractual undiscounted cash outflow					
	Within 1 year or on demand	**More than 1 year but less than 2 years**	**More than 2 years but less than 5 years**	**More than 5 years**	**Total**	**Carrying amount**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and other payables	331,862	–	–	–	331,862	331,862
Bank loans	31,188	–	–	–	31,188	31,000
Lease liabilities	211,954	165,183	350,874	178,632	906,643	787,792
Long-term payables	8,755	8,317	21,571	106,176	144,819	85,431
	583,759	173,500	372,445	284,808	1,414,512	1,236,085

	31 December 2023 Contractual undiscounted cash outflow					
	Within 1 year or on demand	**More than 1 year but less than 2 years**	**More than 2 years but less than 5 years**	**More than 5 years**	**Total**	**Carrying amount**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and other payables	493,335	–	–	–	493,335	493,335
Bank loans	50,138	–	–	–	50,138	50,100
Dividend payable	350,028	–	–	–	350,028	350,028
Lease liabilities	246,885	175,160	380,786	194,841	997,672	873,552
Long-term payables	11,206	8,684	21,980	105,761	147,631	84,278
	1,151,592	183,844	402,766	300,602	2,038,804	1,851,293

(c) Interest rate risk

(i) Interest rate profile

The following table details the interest rate profile of the Group's borrowings at the end the Relevant Periods:

	Effective interest rate	**2021**
	%	*RMB'000*
Fixed rate borrowings		
– Bank loans	4.35%	501
– Lease liabilities	4.35%-5.37%	746,798
– Long-term payables	4.35%-5.37%	73,495
		820,794

	Effective interest rate	**2022**
	%	*RMB'000*
Fixed rate borrowings		
– Bank loans	3.20%-3.90%	31,000
– Lease liabilities	4.35%-5.37%	787,792
– Long-term payables	4.35%-5.37%	85,431
		904,223

	Effective interest rate	**2023**
	%	*RMB'000*
Fixed rate borrowings		
– Bank loans	3.50%-3.85%	50,100
– Lease liabilities	3.50%-5.37%	873,552
– Long-term payables	3.83%-5.37%	84,278
		1,007,930

The Group does not account for any fixed rate financial instruments at fair value through profit or loss. Therefore, a change in interest rate at the end of the reporting period would not affect profit or loss.

In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative financial instruments held by the Group, such as cash and cash equivalents, at the end of the reporting period, the Group is not exposed to significant interest rate risk as the interest rates of cash at bank are not expected to change significantly.

Overall, the Group's exposure to interest rate risk is not significant.

(d) Currency risk

The Group is not exposed to significant foreign currency risk since financial assets and liabilities denominated in currencies other than functional currencies of the respective entities comprising the Group are not significant.

(e) Fair value measurement

(i) Financial assets measured at fair value

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1: Fair values measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available
- Level 3: Fair value measured using significant unobservable inputs

		Fair value measurements as at 31 December 2021 categorised into		
	Fair value at 31 December 2021	**Quoted prices in active market for identical assets (Level 1)**	**Significant other observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Recurring fair value measurement				
Financial assets at FVPL:				
– wealth management products	40,157	–	–	40,157
	40,157	–	–	40,157

		Fair value measurements as at 31 December 2022 categorised into		
	Fair value at 31 December 2022	**Quoted prices in active market for identical assets (Level 1)**	**Significant other observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Recurring fair value measurement				
Financial assets at FVPL:				
– wealth management products	40,000	–	–	40,000
	40,000	–	–	40,000

		Fair value measurements as at 31 December 2023 categorised into		
	Fair value at 31 December 2023	**Quoted prices in active market for identical assets (Level 1)**	**Significant other observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Recurring fair value measurement				
Financial assets at FVPL:				
– wealth management products	120,192	–	–	120,192
	120,192	–	–	120,192

Information about Level 3 fair value measurements

	Valuation techniques	**Significant unobservable inputs**
Wealth management products	Discounted cash flow *(Note)*	Discount rate

Note: The fair value of wealth management products are calculated by discounting the expected future cash flows. The fair value measurement is negatively correlated to discount rate. The discount rate is determined according to market expected return rate. As at 31 December 2021, 2022 and 2023, it is estimated that with all other variables held constant, an increase/decrease in fair value of wealth management products by 5% would have increased/decreased the Group's profit for the year by RMB1,646,000, RMB1,605,000 and RMB4,683,000.

(ii) Fair value of financial instruments carried at other than fair value

The carrying amounts of the Group's financial instruments carried at amortised cost were not materially different from their fair value as at 31 December 2021, 2022 and 2023.

29 COMMITMENTS

Capital commitments outstanding at 31 December not provided for in the consolidated financial statements were as follows:

	At 31 December 2021	At 31 December 2022	At 31 December 2023
	RMB'000	*RMB'000*	*RMB'000*
Contracted for	17,565	25,011	15,932

30 MATERIAL RELATED PARTY TRANSACTIONS

In addition to the related party information disclosed elsewhere in the Historical Financial Information, the Group entered into the following material related party transactions.

(a) Name and relationship with related parties

Name of related party	Nature of relationship
Wang Qinsong and Lu Changmei 王勤松、路長梅夫婦	Controlling shareholders
Hangzhou Greentea, Wuhan Greentea and Beijing Greentea	Entities controlled by Wang Qinsong and Lu Changmei

(b) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in Note 8 and certain of highest paid employees as disclosed in Note 9, is as follows:

	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Short-term employee benefits	3,899	3,687	5,836
Contributions to defined contribution retirement plan	53	48	60
Equity-settled share-based payment expenses	4,112	(192)	410
	8,064	3,543	6,306

(c) Related party transactions

The Group has not entered into any material related party transaction during the Relevant Periods.

(d) Balance with related parties

As at 31 December 2021, 2022 and 2023, the Group had the following balances with related parties in respect of entrustment management operation as detailed in Note 13(f):

	At 31 December 2021	At 31 December 2022	At 31 December 2023
	RMB'000	*RMB'000*	*RMB'000*
Amounts due from/(to):			
Trade in nature			
Hangzhou Greentea	4,660	17,089	29,193
Beijing Greentea	945	2,802	(1,607)
Wuhan Greentea	3,348	4,407	1,357
	8,953	24,298	28,943

	At 31 December 2021	At 31 December 2022	At 31 December 2023
	RMB'000	*RMB'000*	*RMB'000*
Amounts due to:			
Trade in nature – long-term payables			
Hangzhou Greentea	62,124	76,399	77,036
Beijing Greentea	9,379	7,725	6,646
Wuhan Greentea	1,992	1,307	596
	73,495	85,431	84,278

Long-term payables to the above related parties arose from the acquisition of certain property, plant and equipment and right-of-use assets for the entrustment management operations.

31 IMMEDIATE AND ULTIMATE CONTROLLING PARTY

As at the date of this report, the Directors consider the immediate parent of the Group to be Time Sonic Investments Limited and ultimate controlling party of the Group to be Wang Qinsong and Lu Changmei.

32 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2023

Up to the date of issue of Historical Financial Information, the IASB has issued a number of amendments, and new standard and interpretations, which are not yet effective for the Relevant Periods and which have not been adopted in the Historical Financial Information. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to IAS 1, *Classification of Liabilities as Current or Non-current*	1 January 2024
Amendments to IAS 1, *Non-current Liabilities with Covenants*	1 January 2024
Amendments to IFRS 16, *Lease Liability in a Sale and Leaseback*	1 January 2024
Amendments to IFRS7, *Statement of cash flow and IFRS7, financial instruments: Disclosure: Supplier financial arrangements*	1 January 2024
Amendments to IAS 7 and IFRS 7, *Supplier Finance Arrangements*	1 January 2024
Amendments to IAS 21, *Lack of exchangeability*	1 January 2025
Amendments to IFRS 10 and IAS 28, *Sale or contribution of assets between an investor and its associate or joint venture*	No mandatory effective date yet determined

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

33 SUBSEQUENT EVENTS

[●]

SUBSEQUENT FINANCIAL STATEMENT

No audited financial statements have been prepared by the Company and its subsidiaries in respect of any period subsequent to 31 December 2023.

The following information does not form part of the Accountant's Report from KPMG, Certified Public Accountants, Hong Kong, the Company's reporting accountants, as set out in Appendix I, and is included for information purposes only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" and the Accountants' Report set out in Appendix I.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted consolidated net tangible assets of the Group prepared in accordance with Rule 4.29 of the Listing Rules is to illustrate the effect of the [**REDACTED**] on the consolidated net tangible assets of the Group attributable to equity shareholders of the Company as if the [**REDACTED**] had been completed on 31 December 2023. The unaudited pro forma statement of adjusted consolidated net tangible assets has been prepared for illustrative purpose only and because of its hypothetical nature, it may not give a true picture of the financial position of the Group had the [**REDACTED**] been completed as at 31 December 2023 or any future date.

	Consolidated net tangible assets of the Group attributable to equity shareholders of the Company as of 31 December 2023	Estimated [REDACTED] from the [REDACTED]	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to equity shareholders of the Company	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to equity shareholders of the Company per Share	
	RMB'000	*RMB'000*	*RMB'000*	*RMB*	*HK$*
	(Note 1)	*(Note 2)*		*(Note 3)*	*(Note 4)*
Based on an [REDACTED] of HK$[REDACTED] per Share	412,373	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Based on an [REDACTED] of HK$[REDACTED] per Share	412,373	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Notes:

[REDACTED]

[**REDACTED**]

(3) The number of shares used for the calculation of unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to equity shareholders of the Company per Share is based on [**REDACTED**] Shares in issue immediately upon the completion of the [**REDACTED**], assuming that the [**REDACTED**] have been completed on 31 December 2023, and taking no account of any Shares which may fall to be issued upon the exercise of the [**REDACTED**].

(4) For illustrative purpose, the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to equity shareholders of the Company per Share in RMB are converted to the Hong Kong dollar at the exchange rate of HK$1.00 to RMB0.9106 prevailing on 11 June 2024. No representation is made that the Hong Kong dollar amounts have been, could have been or may be converted to Renminbi, or vice versa, at the rate or at any other rates or at all.

(5) No adjustment has been made to reflect any trading result or other transactions of the Group entered into subsequent to 31 December 2023.

B. REPORT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from the reporting accountants, KPMG, Certified Public Accountants, Hong Kong, in respect of the Group's pro forma financial information for the purpose of incorporation in this document.

KPMG

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

To the Directors of Green Tea Group Limited

We have completed our assurance engagement to report on the compilation of pro forma financial information of Green Tea Group Limited (the "Company") and its subsidiaries (collectively the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted consolidated net tangible assets as at 31 December 2023 and related notes as set out in Part A of Appendix II to the document dated [●] (the "Document") issued by the Company. The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are described in Part A of Appendix II to the Document.

The pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed [**REDACTED**] of the ordinary shares of the Company (the "[**REDACTED**]") on the Group's financial position as at 31 December 2023 as if the [**REDACTED**] had taken place at 31 December 2023. As part of this process, information about the Group's financial position as at 31 December 2023 has been extracted by the Directors from the Group's historical financial information included in the Accountants' Report as set out in Appendix I to the Document.

Directors' Responsibilities for the Pro Forma Financial Information

The Directors are responsible for compiling the pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Our Independence and Quality Management

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Management 1 "Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements", which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue. We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements ("HKSAE") 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Document" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the pro forma financial information in accordance with paragraph 4.29 of the Listing Rules, and with reference to AG 7 issued by the HKICPA.

For purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information. The purpose of pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of events or transactions as at 31 December 2023 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and

- the pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our procedures on the pro forma financial information have not been carried out in accordance with attestation standards or other standards and practices generally accepted in the United States of America, auditing standards of the Public Company Accounting Oversight Board (United States) or any overseas standards and accordingly should not be relied upon as if they had been carried out in accordance with those standards and practices.

We make no comments regarding the reasonableness of the amount of [**REDACTED**] from the issuance of the Company's shares, the application of those [**REDACTED**], or whether such use will actually take place as described in the section headed "Future Plans and [**REDACTED**]" in the Document.

Opinion

In our opinion:

(a) the pro forma financial information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

KPMG
Certified Public Accountants
Hong Kong
[●]

SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman Islands company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on June 4, 2015 under the Companies Act. The Company's constitutional documents consist of its Amended and Restated Memorandum of Association (**Memorandum**) and its Amended and Restated Articles of Association (**Articles**).

1. Memorandum of Association

(a) The Memorandum provides, *inter alia*, that the liability of members of the Company is limited and that the objects for which the Company is established are unrestricted (and therefore include acting as an investment company), and that the Company shall have and be capable of exercising any and all of the powers at any time or from time to time exercisable by a natural person or body corporate whether as principal, agent, contractor or otherwise and, since the Company is an exempted company, that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.

(b) By special resolution the Company may alter the Memorandum with respect to any objects, powers or other matters specified in it.

2. Articles of Association

The Articles were adopted on [●] with effect from the [**REDACTED**]. A summary of certain provisions of the Articles is set out below.

(a) Shares

(i) Classes of shares

The share capital of the Company consists of ordinary shares.

(ii) Variation of rights of existing shares or classes of shares

Subject to the Companies Act, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to any class of shares may (unless otherwise provided for by the terms of issue of the shares of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. The provisions of the Articles relating to general meetings shall *mutatis mutandis* apply to every such separate general meeting, but so that the necessary quorum (other than at an adjourned meeting) shall be not less than two persons together holding (or, in the case of a member being a corporation, by its duly authorized representative) or representing by proxy not less than one-third in nominal value of the issued shares of that class. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(iii) Alteration of capital

The Company may, by an ordinary resolution of its members: (a) increase its share capital by the creation of new shares of such amount as it thinks expedient; (b) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares; (c) divide its unissued shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges or conditions; (d) subdivide its shares or any of them into shares of an amount smaller than that fixed by the Memorandum; (e) cancel any shares which, at the date of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled; (f) make provision for the allotment and issue of shares which do not carry any voting rights; and (g) change the currency of denomination of its share capital.

(iv) Transfer of shares

Subject to the Companies Act and the requirements of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), all transfers of shares shall be effected by an instrument of transfer in the usual or common form or in such other form as the Board may approve and may be under hand or, if the transferor or transferee is a Clearing House or its nominee(s), under hand or by machine imprinted signature, or by such other manner of execution as the Board may approve from time to time.

Execution of the instrument of transfer shall be by or on behalf of the transferor and the transferee, provided that the Board may dispense with the execution of the instrument of transfer by the transferor or transferee or accept mechanically executed transfers. The transferor shall be deemed to remain the holder of a share until the name of the transferee is entered in the register of members of the Company in respect of that share.

The Board may, in its absolute discretion, at any time and from time to time remove any share on the principal register to any branch register or any share on any branch register to the principal register or any other branch register. Unless the Board otherwise agrees, no shares on the principal register shall be removed to any branch register nor shall shares on any branch register be removed to the principal register or any other branch register. All removals and other documents of title shall be lodged for registration and registered, in the case of shares on any branch register, at the relevant registration office and, in the case of shares on the principal register, at the place at which the principal register is located.

The Board may, in its absolute discretion, decline to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or on which the Company has a lien. It may also decline to register a transfer of any share issued under any share option scheme upon which a restriction on transfer subsists or a transfer of any share to more than four joint holders.

The Board may decline to recognise any instrument of transfer unless a certain fee, up to such maximum sum as the Stock Exchange may determine to be payable, is paid to the Company, the instrument of transfer is properly stamped (if applicable), is in respect of only one class of share and is lodged at the relevant registration office or the place at which the principal register is located accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require is provided to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The register of members may, subject to the Listing Rules, be closed at such time or for such period not exceeding in the whole 30 days in each year as the Board may determine.

Fully paid shares shall be free from any restriction on transfer (except when permitted by the Stock Exchange) and shall also be free from all liens.

(v) Power of the Company to purchase its own shares

The Company may purchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirement imposed from time to time by the Articles or any code, rules or regulations issued from time to time by the Stock Exchange and/or the Securities and Futures Commission of Hong Kong.

(vi) Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to the ownership of shares in the Company by a subsidiary.

(vii) Calls on shares and forfeiture of shares

The Board may, from time to time, make such calls as it thinks fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment of such shares made payable at fixed times. A call may be made payable either in one sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20% per annum as the Board shall fix from the day appointed for payment to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced the Company may pay interest at such rate (if any) not exceeding 20% per annum as the Board may decide.

If a member fails to pay any call or instalment of a call on the day appointed for payment, the Board may, for so long as any part of the call or instalment remains unpaid, serve not less than 14 days' notice on the member requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice shall name a further day (not earlier than the expiration of 14 days from the date of the notice) on or before which the payment required by the notice is to be made, and shall also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the appointed time, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, nevertheless, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until payment at such rate not exceeding 20% per annum as the Board may prescribe.

(b) Directors

(i) Appointment, retirement and removal

At any time or from time to time, the Board shall have the power to appoint any person as a Director either to fill a casual vacancy on the Board or as an additional Director to the existing Board subject to any maximum number of Directors, if any, as may be determined by the members in general meeting. Any Director so appointed to fill a casual vacancy shall hold office only until the first annual general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director so appointed as an addition to the existing Board shall hold office only until the first annual general meeting of the Company after his appointment and be eligible for re-election at such meeting. Any Director so appointed by the Board shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at an annual general meeting.

At each annual general meeting, one third of the Directors for the time being shall retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one third shall be the number of retiring Directors. The Directors to retire in each year shall be those who have been in office longest since their last re-election or appointment but, as between persons who became or were last re-elected Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot.

No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected has been lodged at the head office or at the registration office of the Company. The period for lodgment of such notices shall commence no earlier than the day after despatch of the notice of the relevant meeting and end no later than seven days before the date of such meeting and the minimum length of the period during which such notices may be lodged must be at least seven days.

A Director is not required to hold any shares in the Company by way of qualification nor is there any specified upper or lower age limit for Directors either for accession to or retirement from the Board.

A Director may be removed by an ordinary resolution of the members before the expiration of his term of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and the Company may by an ordinary resolution appoint another in his place. Any Director so appointed shall be subject to the "retirement by rotation" provisions. The number of Directors shall not be less than two.

The office of a Director shall be vacated if he:

(aa) resigns;

(bb) dies;

(cc) is declared to be of unsound mind and the Board resolves that his office be vacated;

(dd) becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;

(ee) is prohibited from being or ceases to be a director by operation of law;

(ff) without special leave, is absent from meetings of the Board for six consecutive months, and the Board resolves that his office is vacated;

(gg) has been required by the stock exchange of the Relevant Territory (as defined in the Articles) to cease to be a Director; or

(hh) is removed from office by the requisite majority of the Directors or otherwise pursuant to the Articles.

From time to time the Board may appoint one or more of its body to be managing director, joint managing director or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the Board may determine, and the Board may revoke or terminate any of such appointments. The Board may also delegate any of its powers to committees consisting of such Director(s) or other person(s) as the Board thinks fit, and from time to time it may also revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

(ii) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Act, the Memorandum and Articles and without prejudice to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached to it such rights, or such restrictions, whether with regard to dividend, voting, return of capital or otherwise, as the Company may by an ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Board may determine). Any share may be issued on terms that, upon the happening of a specified event or upon a given date and either at the option of the Company or the holder of the share, it is liable to be redeemed.

The Board may issue warrants to subscribe for any class of shares or other securities of the Company on such terms as it may from time to time determine.

Where warrants are issued to bearer, no certificate in respect of such warrants shall be issued to replace one that has been lost unless the Board is satisfied beyond reasonable doubt that the original certificate has been destroyed and the Company has received an indemnity in such form as the Board thinks fit with regard to the issue of any such replacement certificate.

Subject to the provisions of the Companies Act, the Articles and, where applicable, the rules of any stock exchange of the Relevant Territory (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others whose registered addresses are in any particular territory or territories where, in the absence of a registration statement or other special formalities, this is or may, in the opinion of the Board, be unlawful or impracticable. However, no member affected as a result of the foregoing shall be, or be deemed to be, a separate class of members for any purpose whatsoever.

(iii) Power to dispose of the assets of the Company or any of its subsidiaries

While there are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries, the Board may exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Act to be exercised or done by the Company in general meeting, but if such power or act is regulated by the Company in general meeting, such regulation shall not invalidate any prior act of the Board which would have been valid if such regulation had not been made.

(iv) Borrowing powers

The Board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and uncalled capital of the Company and, subject to the Companies Act, to issue debentures, debenture stock, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(v) Remuneration

The Directors shall be entitled to receive, as ordinary remuneration for their services, such sums as shall from time to time be determined by the Board or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided among the Directors in such proportions and in such manner as they may agree or, failing agreement, either equally or, in the case of any Director holding office for only a portion of the period in respect of which the remuneration is payable, pro rata. The Directors shall also be entitled to be repaid all expenses reasonably incurred by them in attending any Board meetings, committee meetings or general meetings or otherwise in connection with the discharge of their duties as Directors. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

Any Director who, at the request of the Company, performs services which in the opinion of the Board goes beyond the ordinary duties of a Director may be paid such special or extra remuneration as the Board may determine, in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the Board may from time to time decide. Such remuneration shall be in addition to his ordinary remuneration as a Director.

The Board may establish, either on its own or jointly in concurrence or agreement with subsidiaries of the Company or companies with which the Company is associated in business, or may make contributions out of the Company's monies to, any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or former Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and former employees of the Company and their dependents or any class or classes of such persons.

The Board may also pay, enter into agreements to pay or make grants of revocable or irrevocable, whether or not subject to any terms or conditions, pensions or other benefits to employees and former employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or former employees or their dependents are or may become entitled under any such scheme or fund as mentioned above. Such pension or benefit may, if deemed desirable by the Board, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vi) Compensation or payments for loss of office

Payments to any present Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually or statutorily entitled) must be approved by the Company in general meeting.

(vii) Loans and provision of security for loans to Directors

The Company shall not directly or indirectly make a loan to a Director or a director of any holding company of the Company or any of their respective close associates, enter into any guarantee or provide any security in connection with a loan made by any person to a Director or a director of any holding company of the Company or any of their respective close associates, or, if any one or more of the Directors hold(s) (jointly or severally or directly or indirectly) a controlling interest in another company, make a loan to that other company or enter into any guarantee or provide any security in connection with a loan made by any person to that other company.

(viii) Financial assistance to purchase Shares

Subject to the Companies Act, or any other law or so far as not prohibited by any law and subject to any rights conferred on the holders of any class of Shares, the Company shall have the power to give, directly or indirectly, by means of a loan, a guarantee, an indemnity, the provision of security or otherwise howsoever, financial assistance for the purpose of or in connection with a purchase or other acquisition made or to be made by any person of any Shares or warrants or other securities in the Company or any company which is a holding company of the Company.

(ix) Disclosure of interest in contracts with the Company or any of its subsidiaries

With the exception of the office of auditor of the Company, a Director may hold any other office or place of profit with the Company in conjunction with his office of Director for such period and upon such terms as the Board may determine, and may be paid such extra remuneration for that other office or place of profit, in whatever form, in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director, officer or member of any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration or other benefit received by him as a director, officer or member of such other company. The Board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company.

No Director or intended Director shall be disqualified by his office from contracting with the Company, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship established by it. A Director who is, in any way, materially interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the earliest meeting of the Board at which he may practically do so.

There is no power to freeze or otherwise impair any of the rights attaching to any share by reason that the person or persons who are interested directly or indirectly in that share have failed to disclose their interests to the Company.

A Director shall not vote or be counted in the quorum on any resolution of the Board in respect of any contract or arrangement or proposal in which he or any of his close associate(s) has/have a material interest, and if he shall do so his vote shall not be counted nor shall he be counted in the quorum for that resolution, but this prohibition shall not apply to any of the following matters:

(aa) the giving of any security or indemnity to the Director or his close associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;

(bb) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has/have himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

(cc) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the [**REDACTED**] or [**REDACTED**] of the offer;

(dd) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries, including the adoption, modification or operation of either: (i) any employees' share scheme or any share incentive or share option scheme under which the Director or his close associate(s) may benefit; or (ii) any of a pension fund or retirement, death or disability benefit scheme which relates to Directors, their close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or his close associate(s) any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and

(ee) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares, debentures or other securities of the Company by virtue only of his/their interest in those shares, debentures or other securities.

(x) Proceedings of the Board

The Board may meet anywhere in the world for the despatch of business and may adjourn and otherwise regulate its meetings as it thinks fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

(c) Alterations to the constitutional documents and the Company's name

To the extent that the same is permissible under Cayman Islands law and subject to the Articles, the Memorandum and Articles of the Company may only be altered or amended, and the name of the Company may only be changed, with the sanction of a special resolution of the Company.

(d) Meetings of member

(i) Special and ordinary resolutions

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or by proxy or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given.

Under the Companies Act, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within 15 days of being passed.

An "ordinary resolution", by contrast, is a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given.

A resolution in writing signed by or on behalf of all members shall be treated as an ordinary resolution duly passed at a general meeting of the Company duly convened and held, and where relevant as a special resolution so passed.

(ii) Voting rights and right to demand a poll

Subject to any special rights, restrictions or privileges as to voting for the time being attached to any class or classes of shares at any general meeting: (a) on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every share which is fully paid or credited as fully paid registered in his name in the register of members of the Company but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for this purpose as paid up on the share; and (b) on a show of hands every member who is present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote. Where more than one proxy is appointed by a member which is a Clearing House (as defined in the Articles) or its nominee(s), each such proxy shall have one vote on a show of hands. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he does use in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by poll save that the chairman of the meeting may, pursuant to the Listing Rules, allow a resolution to be voted on by a show of hands. Where a show of hands is allowed, before or on the declaration of the result of the show of hands, a poll may be demanded by (in each case by members present in person or by proxy or by a duly authorised corporate representative):

(A) at least two members;

(B) any member or members representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or

(C) a member or members holding shares in the Company conferring a right to vote at the meeting on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Should a Clearing House or its nominee(s) be a member of the Company, such person or persons may be authorised as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised in accordance with this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same rights and powers on behalf of the Clearing House or its nominee(s) as if such person were an individual member including the right to vote and the right to speak.

Where the Company has knowledge that any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

(iii) Annual general meetings

The Company must hold an annual general meeting each financial year other than the financial year of the Company's adoption of the Articles. Such annual general meeting must be held within six (6) months after the end of the Company's financial year (unless a longer period would not infringe the Listing Rules, if any) and shall be held in the Relevant Territory or elsewhere as may be determined by the Board and at such time and place as the Board shall appoint.

(iv) Requisition of general meetings

Extraordinary general meetings may be convened on the requisition of one or more members holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the secretary of the Company for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

(v) Notices of meetings and business to be conducted

An annual general meeting of the Company shall be called by at least 21 days' notice in writing, and any other general meeting of the Company shall be called by at least 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time, place and agenda of the meeting and particulars of the resolution(s) to be considered at that meeting and, in the case of special business, the general nature of that business.

Except where otherwise expressly stated, any notice or document (including a share certificate) to be given or issued under the Articles shall be in writing, and may be served by the Company on any member personally, by post to such member's registered address or by advertisement in the newspapers or by electronic means or by publishing it on the Company's website and/or the website of the Stock Exchange. Any member whose registered address is outside Hong Kong may notify the Company in writing of (i) an address in Hong Kong which shall be deemed to be his registered address for this purpose or (ii) an electronic address for the purpose of service of notice. Subject to the Companies Act and the Listing Rules, a notice or document may also be served or delivered by the Company to any member by electronic means.

Although a meeting of the Company may be called by shorter notice than as specified above, such meeting may be deemed to have been duly called if it is so agreed:

(i) in the case of an annual general meeting, by all members of the Company entitled to attend and vote thereat; and

(ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting holding not less than 95% of the total voting rights in the Company.

All business transacted at an extraordinary general meeting shall be deemed special business. All business shall also be deemed special business where it is transacted at an annual general meeting, with the exception of certain routine matters which shall be deemed ordinary business.

(vi) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, and continues to be present until the conclusion of the meeting.

The quorum for a general meeting shall be two members present in person (or in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(vii) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy.

The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or under the hand of a duly authorised officer or attorney. Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form as the Board may from time to time approve, provided that it shall not preclude the use of the two-way form. Any form issued to a member for appointing a proxy to attend and vote at an extraordinary general meeting or at an annual general meeting at which any business is to be transacted shall be such as to enable the member, according to his intentions, to instruct the proxy to vote in favour of or against (or, in default of instructions, to exercise his discretion in respect of) each resolution dealing with any such business.

(viii) Right to Speak

All members have the right to (a) speak at a general meeting; and (b) vote at a general meeting except where a member is required, by the Listing Rules, to abstain from voting to approve the matter under consideration.

(e) Accounts and audit

The Board shall cause proper books of account to be kept of the sums of money received and expended by the Company, and of the assets and liabilities of the Company and of all other matters required by the Companies Act (which include all sales and purchases of goods by the company) necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions.

The books of accounts of the Company shall be kept at the head office of the Company or at such other place or places as the Board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any account, book or document of the Company except as conferred by the Companies Act or ordered by a court of competent jurisdiction or authorised by the Board or the Company in general meeting.

The Board shall from time to time cause to be prepared and laid before the Company at its annual general meeting balance sheets and profit and loss accounts (including every document required by law to be annexed thereto), together with a copy of the Directors' report and a copy of the auditors' report, not less than 21 days before the date of the annual general meeting. Copies of these documents shall be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles together with the notice of annual general meeting, not less than 21 days before the date of the meeting.

Subject to the rules of the stock exchange of the Relevant Territory (as defined in the Articles), the Company may send summarized financial statements to members who have, in accordance with the rules of the stock exchange of the Relevant Territory, consented and elected to receive summarized financial statements instead of the full financial statements. The summarized financial statements must be accompanied by any other documents as may be required under the rules of the stock exchange of the Relevant Territory, and must be sent to those members that have consented and elected to receive the summarised financial statements not less than 21 days before the general meeting.

The members may by an ordinary resolution appoint auditor(s) to hold office until the conclusion of the next annual general meeting on such terms and with such duties as may be agreed with the Board. The auditors' remuneration shall be fixed by the members in a general meeting by an ordinary resolution in such manner as the members may determine.

The members may, at a general meeting remove the auditor(s) by an ordinary resolution at any time before the expiration of the term of office of the auditor(s) and shall, by an ordinary resolution, at that meeting appoint new auditor(s) in place of the removed auditor(s) for the remainder of the term.

The auditors shall audit the financial statements of the Company in accordance with generally accepted accounting principles of Hong Kong, the International Accounting Standards or such other standards as may be permitted by the Stock Exchange.

(f) Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the Board.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide:

(i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid, although no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share;

(ii) all dividends shall be apportioned and paid pro rata in accordance with the amount paid up on the shares during any portion(s) of the period in respect of which the dividend is paid; and

(iii) the Board may deduct from any dividend or other monies payable to any member all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

Where the Board or the Company in general meeting has resolved that a dividend should be paid or declared, the Board may resolve:

(aa) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members entitled to such dividend will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or

(bb) that the members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit.

Upon the recommendation of the Board, the Company may by an ordinary resolution in respect of any one particular dividend of the Company determine that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, bonus or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent and shall be sent at the holder's or joint holders' risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared, the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

The Board may, if it thinks fit, receive from any member willing to advance the same, and either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced may pay interest at such rate (if any) not exceeding 20% per annum, as the Board may decide, but a payment in advance of a call shall not entitle the member to receive any dividend or to exercise any other rights or privileges as a member in respect of the share or the due portion of the shares upon which payment has been advanced by such member before it is called up.

All dividends, bonuses or other distributions unclaimed for one year after having been declared may be invested or otherwise used by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends, bonuses or other distributions unclaimed for six years after having been declared may be forfeited by the Board and, upon such forfeiture, shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

(g) Inspection of corporate records

For so long as any part of the share capital of the Company is listed on the Stock Exchange, any member may inspect any register of members of the Company maintained in Hong Kong (except when the register of members is closed) without charge and require the provision to him of copies or extracts of such register in all respects as if the Company were incorporated under and were subject to the Hong Kong Companies Ordinance.

(h) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles concerning the rights of minority members in relation to fraud or oppression. However, certain remedies may be available to members of the Company under Cayman Islands law, as summarized in paragraph 3(f) of this Appendix.

(i) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

(i) if the Company is wound up, the surplus assets remaining after payment to all creditors shall be divided among the members in proportion to the capital paid up on the shares held by them respectively; and

(ii) if the Company is wound up and the surplus assets available for distribution among the members are insufficient to repay the whole of the paid-up capital, such assets shall be distributed, subject to the rights of any shares which may be issued on special terms and conditions, so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up on the shares held by them, respectively.

If the Company is wound up (whether the liquidation is voluntary or compelled by the court), the liquidator may, with the sanction of a special resolution and any other sanction required by the Companies Act, divide among the members in specie or kind the whole or any part of the assets of the Company, whether the assets consist of property of one kind or different kinds, and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be so divided and may determine how such division shall be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator thinks fit, but so that no member shall be compelled to accept any shares or other property upon which there is a liability.

(j) Subscription rights reserve

Provided that it is not prohibited by and is otherwise in compliance with the Companies Act, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of the shares to be issued on the exercise of such warrants, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of such shares.

3. Cayman Islands Company Law

The Company was incorporated in the Cayman Islands as an exempted company on 4 June 2015 subject to the Companies Act. Certain provisions of Cayman Islands company law are set out below but this section does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the Companies Act and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

(a) Company operations

An exempted company such as the Company must conduct its operations mainly outside the Cayman Islands. An exempted company is also required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

Under the Companies Act, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. Where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangements in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation, the following:

(i) paying distributions or dividends to members;

(ii) paying up unissued shares of the company to be issued to members as fully paid bonus shares;

(iii) any manner provided in section 37 of the Companies Act;

(iv) writing-off the preliminary expenses of the company; and

(v) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

Notwithstanding the foregoing, no distribution or dividend may be paid to members out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

Subject to confirmation by the court, a company limited by shares or a company limited by guarantee and having a share capital may, if authorised to do so by its articles of association, by special resolution reduce its share capital in any way.

(c) Financial assistance to purchase shares of a company or its holding company

There are no statutory prohibitions in the Cayman Islands on the granting of financial assistance by a company to another person for the purchase of, or subscription for, its own, its holding company's or a subsidiary's shares. Therefore, a company may provide financial assistance provided the directors of the company, when proposing to grant such financial assistance, discharge their duties of care and act in good faith, for a proper purpose and in the interests of the company. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a member and, for the avoidance of doubt, it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares; an ordinary resolution of the company approving the manner and terms of the purchase will be required if the articles of association do not authorise the manner and terms of such purchase. A company may not redeem or purchase its shares unless they are fully paid. Furthermore, a company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. In addition, a payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless, immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares that have been purchased or redeemed by a company or surrendered to the company shall not be treated as cancelled but shall be classified as treasury shares if held in compliance with the requirements of Section 37A(1) of the Companies Act. Any such shares shall continue to be classified as treasury shares until such shares are either cancelled or transferred pursuant to the Companies Act.

A Cayman Islands company may be able to purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. Thus there is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases. The directors of a company may under the general power contained in its memorandum of association be able to buy, sell and deal in personal property of all kinds.

A subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

Subject to a solvency test, as prescribed in the Companies Act, and the provisions, if any, of the company's memorandum and articles of association, a company may pay dividends and distributions out of its share premium account. In addition, based upon English case law which is likely to be persuasive in the Cayman Islands, dividends may be paid out of profits.

For so long as a company holds treasury shares, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made, in respect of a treasury share.

(f) Protection of minorities and shareholders' suits

It can be expected that the Cayman Islands courts will ordinarily follow English case law precedents (particularly the rule in the case of Foss v. Harbottle and the exceptions to that rule) which permit a minority member to commence a representative action against or derivative actions in the name of the company to challenge acts which are ultra vires, illegal, fraudulent (and performed by those in control of the Company) against the minority, or represent an irregularity in the passing of a resolution which requires a qualified (or special) majority which has not been obtained.

Where a company (not being a bank) is one which has a share capital divided into shares, the court may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine the affairs of the company and, at the direction of the court, to report on such affairs. In addition, any member of a company may petition the court, which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

In general, claims against a company by its members must be based on the general laws of contract or tort applicable in the Cayman Islands or be based on potential violation of their individual rights as members as established by a company's memorandum and articles of association.

(g) Disposal of assets

There are no specific restrictions on the power of directors to dispose of assets of a company, however, the directors are expected to exercise certain duties of care, diligence and skill to the standard that a reasonably prudent person would exercise in comparable circumstances, in addition to fiduciary duties to act in good faith, for proper purpose and in the best interests of the company under English common law (which the Cayman Islands courts will ordinarily follow).

(h) Accounting and auditing requirements

A company must cause proper records of accounts to be kept with respect to: (i) all sums of money received and expended by it; (ii) all sales and purchases of goods by it and (iii) its assets and liabilities.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

If a company keeps its books of account at any place other than at its registered office or any other place within the Cayman Islands, it shall, upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Act (2013 Revision) of the Cayman Islands, make available, in electronic form or any other medium, at its registered office copies of its books of account, or any part or parts thereof, as are specified in such order or notice.

(i) Exchange control

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Act (2018 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Financial Secretary that:

(i) no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciations shall apply to the Company or its operations; and

(ii) no tax be levied on profits, income gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by the Company:

(aa) on or in respect of the shares, debentures or other obligations of the Company; or

(bb) by way of the withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Act (2018 Revision).

The undertaking for the Company is for a period of 30 years from November 1, 2021.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision prohibiting the making of loans by a company to any of its directors. However, the company's articles of association may provide for the prohibition of such loans under specific circumstances.

(m) Inspection of corporate records

The members of a company have no general right to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

(n) Register of members

A Cayman Islands exempted company may maintain its principal register of members and any branch registers in any country or territory, whether within or outside the Cayman Islands, as the company may determine from time to time. There is no requirement for an exempted company to make any returns of members to the Registrar of Companies in the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of member, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Act (2013 Revision) of the Cayman Islands.

(o) Register of Directors and officers

Pursuant to the Companies Act, the Company is required to maintain at its registered office a register of directors, alternate directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within 30 days of any change in such directors or officers, including a change of the name of such directors or officers.

(p) Winding up

A Cayman Islands company may be wound up by: (i) an order of the court; (ii) voluntarily by its members; or (iii) under the supervision of the court.

The court has authority to order winding up in a number of specified circumstances including where, in the opinion of the court, it is just and equitable that such company be so wound up.

A voluntary winding up of a company (other than a limited duration company, for which specific rules apply) occurs where the company resolves by special resolution that it be wound up voluntarily or where the company in general meeting resolves that it be wound up voluntarily because it is unable to pay its debt as they fall due. In the case of a voluntary winding up, the company is obliged to cease to carry on its business from the commencement of its winding up except so far as it may be beneficial for its winding up. Upon appointment of a voluntary liquidator, all the powers of the directors cease, except so far as the company in general meeting or the liquidator sanctions their continuance.

In the case of a members' voluntary winding up of a company, one or more liquidators are appointed for the purpose of winding up the affairs of the company and distributing its assets.

As soon as the affairs of a company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and the property of the company disposed of, and call a general meeting of the company for the purposes of laying before it the account and giving an explanation of that account.

When a resolution has been passed by a company to wind up voluntarily, the liquidator or any contributory or creditor may apply to the court for an order for the continuation of the winding up under the supervision of the court, on the grounds that: (i) the company is or is likely to become insolvent; or (ii) the supervision of the court will facilitate a more effective, economic or expeditious liquidation of the company in the interests of the contributories and creditors. A supervision order takes effect for all purposes as if it was an order that the company be wound up by the court except that a commenced voluntary winding up and the prior actions of the voluntary liquidator shall be valid and binding upon the company and its official liquidator.

For the purpose of conducting the proceedings in winding up a company and assisting the court, one or more persons may be appointed to be called an official liquidator(s).The court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more than one person is appointed to such office, the court shall declare whether any act required or authorized to be done by the official liquidator is to be done by all or any one or more of such persons. The court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the court.

(q) Reconstructions

Reconstructions and amalgamations may be approved by a (i) 75% in value of the members or class of members or (ii) a majority in number representing 75% in value of the creditors or class of creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the courts. Whilst a dissenting member has the right to express to the court his view that the transaction for which approval is being sought would not provide the members with a fair value for their shares, the courts are unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management, and if the transaction were approved and consummated the dissenting member would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of their shares) ordinarily available, for example, to dissenting members of a United States corporation.

(r) Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may, at any time within two months after the expiration of that four-month period, by notice require the dissenting members to transfer their shares on the terms of the offer. A dissenting member may apply to the Cayman Islands courts within one month of the notice objecting to the transfer. The burden is on the dissenting member to show that the court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority members.

(s) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, save to the extent any such provision may be held by the court to be contrary to public policy, for example, where a provision purports to provide indemnification against the consequences of committing a crime.

4. General

Appleby, the Company's legal adviser on Cayman Islands law, has sent to the Company a letter of advice which summarises certain aspects of the Cayman Islands company law. This letter, together with a copy of the Companies Act, is available on display as referred to in the paragraph headed "Documents Available on Display" in Appendix V. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR GROUP

1. Incorporation of Our Company

Our Company was incorporated in the Cayman Islands under Companies Act as an exempted company with limited liability on June 4, 2015. We have established a principal place of business in Hong Kong at 5/F, Manulife Place, 348 Kwun Tong Road, Kowloon, Hong Kong and have been registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance. Ms. Lai Siu Kuen has been appointed as the authorized representative of our Company for the acceptance of service of process and notices in Hong Kong.

As our Company was incorporated in the Cayman Islands, our corporate structure and Memorandum and Articles of Association are subject to the relevant laws and regulations of the Cayman Islands. A summary of the relevant laws and regulations of the Cayman Islands and of the Memorandum and Articles of Association is set out in "Summary of the Constitution of Our Company and Cayman Islands Company Law" in Appendix III to this document.

2. Changes in the Share Capital of Our Company

As of the date of incorporation of our Company, our Company had an authorized share capital of US$50,000, divided into 50,000 ordinary shares of US$1.00 each.

The following changes in the share capital of our Company have taken place within two years immediately preceding the date of this document:

- On March 17, 2021, our Company issued 667 ordinary shares to RSU Nominee, representing approximately 6.0% of the then total issued share capital of our Company;

- On March 22, 2021, in preparation of the [**REDACTED**], each ordinary Share of par value US$1.00 each was sub-divided into [**REDACTED**] Shares of par value US$[**REDACTED**] each, and each Series-A Preferred Share with a par value of US$1.00 each was subdivided into [**REDACTED**] Series-A Preferred Shares with a par value of US$[**REDACTED**] each. Accordingly, the authorized share capital of the Company comprises [**REDACTED**] Shares with a par value of US$[**REDACTED**] each and [**REDACTED**] Series-A Preferred Shares with a par value of US$[**REDACTED**] each.

- Immediately after the [**REDACTED**] becoming unconditional and in any event before the [**REDACTED**], as part of the Preferred Shares Conversion, the authorized share capital of our Company will be increased by creation of [**REDACTED**] ordinary Shares with a par value of US$[**REDACTED**] each, and the authorized share capital of the Company shall comprise [**REDACTED**] Shares with a par value of US$[**REDACTED**] each and [**REDACTED**] Series-A Preferred Shares with a par value of US$[**REDACTED**] each. On the same date, our Company shall repurchase [**REDACTED**] Series-A Preferred Shares (the "**Repurchased Shares**") of a nominal or par value of US$[**REDACTED**] each, and issue and allot [**REDACTED**] ordinary shares with a par value of US$[**REDACTED**] to Partners

Gourmet, both repurchase and allotment were at par value. Accordingly, after the above allotment, the issued share capital of our Company shall comprise [**REDACTED**] ordinary shares of US$[**REDACTED**] each and the Repurchased Shares will be immediately cancelled. After the above steps are completed as part of Preferred Shares Conversion, the authorized but unissued Series-A Preferred Shares of our Company shall be cancelled, and the authorized share capital of our Company will comprise [**REDACTED**] ordinary shares of par value of US$[**REDACTED**] each.

Immediately following the completion of the [**REDACTED**] but without taking into account any Shares which may be issued upon the exercise of the [**REDACTED**], the issued share capital of our Company will be US$[**REDACTED**], divided into [**REDACTED**] Shares of US$[**REDACTED**] each, all fully paid or credited as fully paid and [**REDACTED**] Shares of US$[**REDACTED**] each will remain unissued.

Save as disclosed above and in this document, there has been no alteration in the share capital of our Company since within two years immediately preceding the date of this document.

3. Resolutions in Writing of the Shareholders of Our Company Passed on [●]

Pursuant to the written resolutions passed by the Shareholders on [●]:

(a) immediately after the [**REDACTED**] becoming unconditional and in any event before the [**REDACTED**]: (i) the authorized share capital of our Company be increased by the creation of [**REDACTED**] ordinary shares with a par value of US$[**REDACTED**] which will, upon issue and being fully paid rank *pari passu* in all respects with the Shares of our Company in issue, so that the authorized share capital of our Company shall comprise [**REDACTED**] ordinary shares with a par value of US$[**REDACTED**] each and [**REDACTED**] Series-A Preferred Shares with a par value of US$[**REDACTED**] each; (ii) following the increase in authorized share capital, to repurchase [**REDACTED**] Series-A Preferred Shares of our Company of a nominal or par value of US$[**REDACTED**] each (the "**Repurchase**") in our Company at par value and the repurchase price shall be set-off against and funded out of the Subscription Price (as defined below) payable by Shareholders in connection to the Allotment of New Shares (as defined below); (iii) upon completion of the Repurchase, to issue and allot [**REDACTED**] ordinary Shares (the "**New Shares**") with a par value of US$[**REDACTED**] in the share capital of our Company on a one to one basis (the "**Allotment of New Shares**") at par value of US$[**REDACTED**] per share (the "**Subscription Price**") to Partners Gourmet, such that after the Allotment of the New Shares, the issued share capital of our Company comprises [**REDACTED**] ordinary shares of US$[**REDACTED**] each and the Repurchased Shares were immediately cancelled; (iv) subsequently, after the above steps were completed as part of Preferred Shares Conversion, the authorized but unissued Series-A Preferred Shares of our Company be cancelled so that the authorized share capital of our Company comprises [**REDACTED**] Shares of par value of US$[**REDACTED**] each (the "**Preferred Shares Conversion**");

(b) our Company adopted the Memorandum of Association and the Articles of Association with effect from the [**REDACTED**]; and

(c) conditional on (1) the [**REDACTED**] Committee granting the [**REDACTED**] of, and permission to deal in, the Shares in issue and to be issued as mentioned in this document, (2) the [**REDACTED**] being fixed on the [**REDACTED**] and (3) the obligations of the [**REDACTED**] under the [**REDACTED**] becoming unconditional and not being terminated in accordance with the terms therein or otherwise, in each case on or before such dates as may be specified in the [**REDACTED**]:

(i) the [**REDACTED**] was approved and the Directors were authorized to allot and issue the new Shares pursuant to the [**REDACTED**];

(ii) the granting of the [**REDACTED**] was approved;

(iii) the proposed [**REDACTED**] was approved and the Directors were authorized to implement the [**REDACTED**];

(iv) a general unconditional mandate was granted to the Directors to allot, issue and deal with Shares or securities convertible into Shares or options, warrants or similar rights to subscribe for Shares or such convertible securities and to make or grant offers, agreements or options which would or might require the exercise of such powers, provided that the aggregate nominal value of Shares allotted or agreed to be allotted by the Directors other than pursuant to (a) a rights issue, (b) any scrip dividend scheme or similar arrangement providing for the allotment of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles of Association, (c) the exercise of any subscription or conversion rights attaching to any warrants or securities which are convertible into Shares or in issue prior to the date of passing the relevant resolution or (d) a specific authority granted by the Shareholders in general meeting, shall not exceed the aggregate of (1) 20% of the total nominal value of the share capital of our Company in issue immediately following the completion of the [**REDACTED**] (but excluding any Shares which may be issued pursuant to the exercise of the [**REDACTED**] and (2) the total nominal value of the share capital of our Company repurchased by our Company (if any) under the general mandate to repurchase Shares referred to in paragraph (v) below, such mandate to remain in effect during the period from the passing of the resolution until the earliest of the conclusion of our next annual general meeting, the end of the period within which we are required by any applicable law or the Articles of Association to hold our next annual general meeting and the date on which the resolution is varied or revoked by an ordinary resolution of the Shareholders in general meeting (the "**Applicable Period**");

(v) a general unconditional mandate was granted to the Directors to exercise all powers of our Company to repurchase on the Stock Exchange or on any other stock exchange on which the securities of our Company may be [**REDACTED**] and which is recognized by the SFC and the Stock Exchange for this purpose Shares with a total nominal value of not more than 10% of the total nominal value of the share capital of our Company in issue immediately following completion of the [**REDACTED**] (but excluding any Shares which may be issued pursuant to the exercise of the [**REDACTED**]), such mandate to remain in effect during the Applicable Period; and

(vi) the general unconditional mandate mentioned in paragraph (iv) above be extended by the addition to the aggregate nominal amount of the share capital of our Company which may be allotted or agreed conditionally or unconditionally to be allotted by the Directors pursuant to such general mandate of an amount representing the aggregate nominal amount of the share capital of our Company repurchased by our Company pursuant to the mandate to repurchase Shares referred to in paragraph (v) above, provided that such extended amount shall not exceed 10% of the aggregate nominal amount of the Company's share capital in issue immediately following completion of the [**REDACTED**].

4. Our Corporate Reorganization

The companies comprising the Group underwent the Reorganization in preparation for the [**REDACTED**]. Please see section headed "History, Reorganization and Corporate Structure" for further details.

5. Changes in the Share Capital of Our Subsidiaries

Our subsidiaries which principally affected the results, assets or liabilities of the Group are referred to in the Accountants' Report, the text of which is set out in Appendix I.

The following sets out the changes in the share capital of our subsidiaries during the two years immediately preceding the date of this document.

Zhangjiagang Anyou Food & Beverage Management Company Limited (張家港安優餐飲管理有限公司)

On January 6, 2023, the registered capital of Zhangjiagang Anyou Food & Beverage Management Company Limited was increased from RMB500,000 to RMB2,000,000.

Tibet Green Tea F&B

On February 27, 2023, the registered capital of Tibet Green Tea F&B was increased from RMB20,000,000 to RMB20,408,200.

Tibet Green Tea Enterprise

On January 24, 2024, the registered capital of Tibet Green Tea Enterprise was increased from RMB5,000,000 to RMB5,500,000.

Save as disclosed above, there has been no alterations in the share capital of our subsidiaries within the two years immediately preceding the date of this document.

6. Repurchases of Our Own Securities

(a) Provisions of the Listing Rules

The Listing Rules permit companies with a primary listing on the Stock Exchange to repurchase their own securities on the Stock Exchange subject to certain restrictions, the more important of which are summarized below:

(i) Shareholders' Approval

All proposed repurchases of securities (which must be fully paid up in the case of shares) by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders in general meeting, either by way of general mandate or by specific approval of a particular transaction.

Pursuant to a resolution passed by our then Shareholders on [●], a general unconditional mandate (the "**Repurchase Mandate**") was given to the Directors authorizing any repurchase by our Company of Shares on the Stock Exchange or on any other stock exchange on which the securities may be [**REDACTED**] and which is recognized by the SFC and the Stock Exchange for this purpose, of not more than 10% of the aggregate nominal value of our Company's share capital in issue immediately following the completion of the [**REDACTED**] (without taking into account any Shares which may be issued pursuant to the exercise of the [**REDACTED**]), such mandate to expire at the conclusion of our next annual general meeting, the date by which our next annual general meeting is required by the Companies Act or by our Articles of Association or any other applicable laws of the Cayman Islands to be held or when revoked or varied by an ordinary resolution of Shareholders in general meeting, whichever first occurs.

(ii) Trading Restrictions

The total number of shares which a listed company may repurchase on the Stock Exchange is the number of shares representing up to a maximum of 10% of the aggregate number of shares in issue. A company may not issue or announce a proposed issue of new securities for a period of 30 days immediately following a repurchase (other than an issue of securities pursuant to an exercise of warrants, share options or similar instruments requiring the company to issue securities which were outstanding prior to such repurchase) without the prior approval of the Stock Exchange. In addition, a listed company is prohibited from repurchasing its shares on the Stock Exchange if the purchase price is 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Stock Exchange. The Listing Rules also prohibit a listed company from repurchasing its securities if the repurchase would result in the number of listed securities which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange. A company is required to procure that the broker appointed by it to effect a repurchase of securities discloses to the Stock Exchange such information with respect to the repurchase as the Stock Exchange may require.

(iii) Status of Repurchased Shares

All repurchased securities (whether effected on the Stock Exchange or otherwise) will be automatically delisted and the certificates for those securities must be cancelled and destroyed.

(iv) Suspension of Repurchase

A listed company may not make any repurchase of securities at any time after inside information has come to its knowledge until the information has been made publicly available. In particular, during the period of one month immediately preceding the earlier of (a) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of a listed company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules) and (b) the deadline for publication of an announcement of a listed company's results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), the listed company may not repurchase its shares on the Stock Exchange other than in exceptional circumstances. In addition, the Stock Exchange may prohibit a repurchase of securities on the Stock Exchange if a listed company has breached the Listing Rules.

(v) Reporting Requirements

Certain information relating to repurchases of securities on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the following business day. In addition, a listed company's annual report is required to disclose details regarding repurchases of securities made during the year, including a monthly analysis of the number of securities repurchased, the purchase price per share or the highest and lowest price paid for all such repurchases, where relevant, and the aggregate prices paid.

(vi) Connected Persons

A listed company is prohibited from knowingly repurchasing securities on the Stock Exchange from a "connected person", that is, a director, chief executive or substantial shareholder of the company or any of its subsidiaries or their associates and a connected person is prohibited from knowingly selling his securities to the company.

(b) Reasons for Repurchases

The Directors believe that the ability to repurchase Shares is in the interests of our Company and the Shareholders. Repurchases may, depending on the circumstances, result in an increase in the net assets and/or earnings per Share. The Directors sought the grant of a general mandate to repurchase Shares to give our Company the flexibility to do so if and when appropriate. The number of Shares to be repurchased on any occasion and the price and other terms upon which the same are repurchased will be decided by the Directors at the relevant time having regard to the circumstances then pertaining.

(c) Funding of Repurchases

Repurchases must be funded out of funds legally available for the purpose in accordance with the Memorandum and the Articles of Association of our Company and the Listing Rules and the applicable laws of the Cayman Islands.

A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange. Any repurchases of Shares by our Company must be made out of the profits of our Company, the credit standing to the share premium account of our Company or out of a fresh issue of Shares made for the purpose of the repurchase or, subject to the Companies Act, out of capital. Any premium payable on a repurchase must be provided for, out of the profits of our Company or from sums standing to the credit of the share premium account of our Company or, subject to the Companies Act, out of capital.

There could be a material adverse impact on the working capital and/or gearing position of our Company (as compared with the position disclosed in this document) in the event that the repurchase mandate were to be carried out in full at any time during the share repurchase period. However, the Directors do not propose to exercise the general mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or the gearing levels which in the opinion of the Directors are from time to time appropriate for our Company.

(d) General

The exercise in full of the repurchase mandate, on the basis of [**REDACTED**] Shares in issue immediately following the completion of the [**REDACTED**] and assuming the [**REDACTED**] is not exercised, could accordingly result in up to approximately [**REDACTED**] Shares being repurchased by our Company during the period prior to:

(i) the conclusion of our next annual general meeting; or

(ii) the end of the period within which we are required by any applicable law or our Articles of Association to hold our next annual general meeting; or

(iii) the date when the repurchase mandate is varied or revoked by an ordinary resolution of our Shareholders in general meeting,

whichever is the earliest.

None of the Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their associates currently intends to sell any Shares to our Company.

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the repurchase mandate in accordance with the Listing Rules and the applicable laws in the Cayman Islands.

No connected person of our Company has notified our Company that he or she has a present intention to sell Shares to our Company, or has undertaken not to do so, if the repurchase mandate is exercised.

If, as a result of any repurchase of Shares, a Shareholder's proportionate interest in the voting rights of our Company is increased, such increase will be treated as an acquisition for the purposes of the Hong Kong Code on Takeovers and Mergers (the "**Takeovers Code**"). Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, the Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the repurchase mandate.

Any repurchase of Shares that results in the number of Shares held by the public being reduced to less than 25% of the Shares then in issue could only be implemented if the Stock Exchange agreed to waive the Listing Rules requirements regarding the public shareholding referred to above. It is believed that a waiver of this provision would not normally be given other than in exceptional circumstances.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of Material Contracts

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by our Company or its subsidiaries within the two years preceding the date of this document and are or may be material:

(a) the [**REDACTED**];

(b) [the [**REDACTED**]];

(c) the Deed of Indemnity; and

(d) the Deed of Non-Competition.

2. Intellectual Property Rights of the Group

As of the Latest Practicable Date, we have registered or have applied for the registration of the following intellectual property rights which are material in relation to our business.

(a) Trademarks

As of the Latest Practicable Date, we have registered the following trademarks which are material to our business:

No.	Trademark	Type and class	Registered owner	Place of registration	Registration number	Registration date	Expiry date
1.	绿茶	43	Tibet Green Tea F&B	PRC	30679284	February 7, 2020	February 6, 2030
2.	绿茶·湖上船宴	43	Tibet Green Tea F&B	PRC	30988282	January 14, 2020	January 13, 2030
3.	绿茶船宴	43	Tibet Green Tea F&B	PRC	31116813	December 7, 2019	December 6, 2029
4.	绿茶·江上船宴	43	Tibet Green Tea F&B	PRC	30977050	November 28, 2019	November 27, 2029
5.	绿茶·溪上船宴	43	Tibet Green Tea F&B	PRC	30977063	November 28, 2019	November 27, 2029
6.	绿茶·西溪船宴	43	Tibet Green Tea F&B	PRC	30983003	November 28, 2019	November 27, 2029
7.	绿茶·富春江船宴	43	Tibet Green Tea F&B	PRC	30979271	October 7, 2019	October 6, 2029

No.	Trademark	Type and class	Registered owner	Place of registration	Registration number	Registration date	Expiry date
8.	绿茶·运河船宴	43	Tibet Green Tea F&B	PRC	30982222	September 28, 2019	September 27, 2029
9.	龙井·船宴	43	Tibet Green Tea F&B	PRC	31551193	June 14, 2019	June 13, 2029
10.	绿茶江南船宴	43	Tibet Green Tea F&B	PRC	31121087	May 21, 2019	May 20, 2029
11.	绿茶·珑璟	43	Tibet Green Tea F&B	PRC	31563538	April 14, 2019	April 13, 2029
12.	绿茶 西湖船宴	43	Tibet Green Tea F&B	PRC	30765386	February 28, 2019	February 27, 2029
13.	綠茶	21	Tibet Green Tea F&B	PRC	21571199	February 7, 2018	February 6, 2028
14.	綠茶	35	Tibet Green Tea F&B	PRC	17578433	October 7, 2017	October 6, 2027
15.	綠茶	35	Tibet Green Tea F&B	PRC	16650872	May 7, 2017	May 6, 2027
16.	绿茶妙会	43	Tibet Green Tea F&B	PRC	56773987	December 21, 2021	December 20, 2031
17.	绿茶妙会	35	Tibet Green Tea F&B	PRC	56773987	December 21, 2021	December 20, 2031
18.	妙会	35, 43	Tibet Green Tea F&B	PRC	62649282	October 7, 2022	October 6, 2032
19.	绿茶妙会	30	Tibet Green Tea F&B	PRC	62630536	June 7, 2023	June 6, 2033

(b) Domain Names

As of the Latest Practicable Date, we do not have any domain names which we consider to be material or may be material to our business.

(c) Patents

As of the Latest Practicable Date, we do not have any registered patents which we consider to be material or may be material to our business.

C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Disclosure of Interests

(a) Interests of the Directors and the chief executive officer of our Company

Immediately following the completion of the [**REDACTED**] and without taking into account any Shares which may be issued pursuant to the exercise of the [**REDACTED**], the interests or short positions of the Directors and chief executive of our Company in the shares, underlying shares and debentures of our Company or our associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to in that section, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules, to be notified to our Company and the Stock Exchange, once the Shares are listed, will be as follows:

(i) Interest in our Company

Name of Director	Nature of interest	Immediately following the completion of the [REDACTED]	
		Number of Shares held	Approximate percentage of shareholding interest[1]
Mr. Wang[2]	Founder of a discretionary trust	[REDACTED]	[REDACTED]%
Ms. Lu[2]	Founder of a discretionary trust	[REDACTED]	[REDACTED]%
Ms. Yu Liying[3]	Beneficial owner	[REDACTED]	[REDACTED]%
Mr. Wang Jiawei[4]	Beneficial owner	[REDACTED]	[REDACTED]%

Notes:

(1) The calculation is based on the total number of Shares in issue immediately following the completion of the [**REDACTED**] (assuming that the [**REDACTED**] is not exercised).

(2) Time Sonic is owned as to (i) 99.9% by Absolute Smart Ventures, the holding vehicle used by Vistra Trust, the trustee of Green Tea Family Trust, which is a discretionary trust established by Mr. Wang and Ms. Lu as the settlors and protectors and Yielding Sky (wholly-owned by Mr. Wang) and Contemporary Global Investments (wholly-owned by Ms. Lu) as the beneficiaries; (ii) 0.049% by Yielding Sky, which is wholly owned by Mr. Wang; and (iii) 0.051% by

Contemporary Global Investments, which is wholly owned by Ms. Lu. Accordingly, each of Yielding Sky, Contemporary Global Investments, Mr. Wang and Ms. Lu is deemed to be interested in all the Shares held by Time Sonic.

(3) Ms. Yu Liying is interested in [**REDACTED**] underlying Shares relating to the RSU granted to her pursuant to the RSU Scheme.

(4) Mr. Wang Jiawei is interested in [**REDACTED**] underlying Shares relating to the RSU granted to him pursuant to the RSU Scheme.

(b) Interests of the Substantial Shareholders

Save as disclosed in "Substantial Shareholders", immediately following the completion of the [**REDACTED**] and without taking into account any Shares which may be issued pursuant to the exercise of the [**REDACTED**], our Directors or chief executive are not aware of any other person (other than a Director or chief executive of our Company) who will have an interest or short position in the Shares or the underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other Member of the Group:

(c) Interests in other members of the Group

So far as our Directors are aware, as at the Latest Practicable Date, no other persons (excluding us) are directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other Member of the Group.

2. Directors' Service Contracts

Each of our executive Directors has entered into a service contract with our Company on [●], and we have issued letters of appointment to each of our independent non-executive Directors. The service contracts with each of our executive Directors are for an initial fixed term of three years commencing from [●]. The letters of appointment with each of our independent non-executive Directors are for an initial fixed term of three years. The service contracts and the letters of appointment are subject to termination in accordance with their respective terms. The service contracts may be renewed in accordance with our Articles of Association and the applicable Listing Rules.

Save as disclosed above, none of our Directors has entered, or has proposed to enter, a service contract with any Member of the Group (other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation)).

3. Directors' Remuneration

The aggregate remuneration (including fees, salaries, contributions to pension schemes, housing allowances and other allowances and benefits in kind and discretionary bonuses) paid to the Directors for the three years ended December 31, 2021, 2022 and 2023 were approximately RMB3.1 million, RMB1.6 million and RMB3.2 million, respectively.

Our independent non-executive Directors have been appointed for a term of three years. The Company intends to pay a director's fee of HKD300,000, per annum to each of the independent non-executive Directors, respectively. Save for the director's fees, none of our independent non-executive Directors is expected to receive any other remuneration for holding his office as an independent non-executive Director.

Under the arrangements currently in force, the aggregate amount of remuneration, excluding discretionary bonuses, payable by our Group to our Directors for the year ending December 31, 2023 is estimated to be approximately RMB2.2 million.

There was no arrangement under which a Director has waived or agreed to waive any emoluments for each of the three financial years immediately preceding the issue of this document.

Further details of the terms of the above service contracts are set forth in the paragraph headed "– C. Further Information About Our Directors and Substantial Shareholders – 2. Director's Service Contracts".

4. Directors' Competing Interests

Save as disclosed in the section headed "Relationship with our Controlling Shareholders", none of our Directors are interested in any business apart from the Group's business which competes or is likely to compete, directly or indirectly, with the business of the Group.

5. Disclaimers

Save as disclosed in this document:

(a) none of the Directors or chief executive of our Company has any interests or short positions in the shares, underlying shares and debentures of our Company or our associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which he is taken or deemed to have taken under such provisions of the SFO) or which will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to in that section, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, to be notified to our Company and the Stock Exchange, once the Shares are listed on the Stock Exchange;

(b) so far as is known to any Director or chief executive of our Company, no person has an interest or short position in the Shares and underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other Member of the Group;

(c) none of the Directors nor any of the persons listed in "– E. Other Information – 5. Qualification of Experts" below is interested in the promotion of, or in any assets which have been, within the two years immediately preceding the issue of this document, acquired or disposed of by or leased to any Member of the Group, or are proposed to be acquired or disposed of by or leased to any Member of the Group;

(d) none of the Directors nor any of the persons listed in "– E. Other Information – 5. Qualification of Experts" below is materially interested in any contract or arrangement with the Group subsisting at the date of this document which is unusual in its nature or conditions or which is significant in relation to the business of the Group as a whole;

(e) save in connection with [**REDACTED**], none of the persons listed in "– E. Other Information – 5. Qualification of Experts" below has any shareholding in any Member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any Member of the Group;

(f) none of the Directors has entered or has proposed to enter into any service agreements with our Company or any Member of the Group (other than contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation); and

(g) save as contemplated under the [**REDACTED**], none of our Directors, their respective associates (as defined under the Listing Rules), or Shareholders who are interested in more than 5% of the issued share capital of our Company has any interest in our Company's five largest customers and five largest suppliers.

D. SHARE INCENTIVE SCHEME

RSU Scheme

The following is a summary of the principal terms of the RSU Scheme approved and adopted by our Board on February 28, 2020, which was further amended and approved on May 20, 2022 and [●], 2024, respectively. The terms of the RSU Scheme constitutes a share scheme funded by existing Shares under Chapter 17 of the Listing Rules (including the amendments thereto which has taken effect on January 1, 2023). Our Company will comply with Chapter 14A of the Listing Rules and other applicable rules under the Listing Rules.

(a) Purpose of the RSU Scheme

The purpose of the RSU Scheme is to incentivize our Directors, senior management and employees for their contribution to our Group and to attract and retain skilled and experienced personnel to enhance the development of our Group.

(b) RSUs

A RSU gives a participant in the RSU Scheme (the "**RSU Participant**") a conditional right when the RSU vests to obtain Shares, less any tax, stamp duty and other charges applicable, as determined by our Board in its absolute discretion. Each RSU represents one underlying Share.

(c) Participants in the RSU Scheme

Persons eligible to receive RSUs under the RSU Scheme are selected by our Board from existing employees, directors, or officers of the Company or any of its subsidiaries (collectively, the "**RSU Eligible Persons**"). The basis of eligibility of any selected person for the grant of RSUs shall be determined by the Board from time to time on the basis of their contribution to the development and growth of our Group or such other factors as our Board may deem appropriate.

(d) Terms of the RSU Scheme

The RSU Scheme shall be valid and effective for a period of ten (10) years, commencing on the date of the first grant of the RSUs (the "**RSU Scheme Period**").

(e) Making an offer

An offer to grant a RSU will be made to a RSU Eligible Person selected by our Board ("**RSU Selected Person**") by a letter, in such form as our Board may determine ("**RSU Grant Letter**").

The RSU Grant Letter shall specify (i) the RSU Selected Person's name, (ii) the type of RSUs granted, (iii) the number of underlying Shares represented by the RSUs or the percentage of the issued share capital of the Company prior to the completion of [**REDACTED**] represented by such RSUs, (iv) the vesting criteria, conditions and vesting schedule (if any), (v) the exercise price of the RSUs and the way to exercise RSUs (where applicable); (vi) the lapse of RSUs and (vii) such other terms and conditions as our Board shall determine and are not inconsistent with the RSU Scheme. The RSU Grant Letter shall serve as evidence of the grant of the RSUs and no further certificate shall be issued to the RSU Selected Person.

(f) Acceptance of an offer

A RSU Selected Person may accept an offer of the grant of RSUs in such manner as set out in the RSU Grant Letter. Once accepted, the RSUs are deemed granted from the date of the RSU Grant Letter ("**RSU Grant Date**"). Upon acceptance, the RSU Selected Person becomes a RSU Participant in the RSU Scheme.

(g) Restrictions on grants

Our Board may not grant any RSUs to any RSU Selected Persons in any of the following circumstances:

(i) the securities laws or regulations require that a [**REDACTED**] or other [**REDACTED**] document be issued in respect of the grant of the RSUs or in respect of the RSU Scheme, unless our Board determines otherwise;

(ii) where granting the RSUs would result in a breach by the Company, its subsidiaries or any of their directors of any applicable securities laws, rules or regulations; or

(iii) where such grant of RSUs would result in breach of the limits of the RSU Scheme (as set out in paragraph (h) below).

(h) Maximum number of RSUs

The maximum number of RSUs that may be granted under the RSU Scheme in aggregate (excluding RSUs that have lapsed or been canceled in accordance with the rules of the RSU Scheme) shall not be more than the cap as determined by the Board from time to time.

(i) Rights attached to RSUs and Shares

A RSU Participant may not exercise voting rights in respect of the Shares underlying the RSUs prior to their exercise. Any Shares transferred to a RSU Participant in respect of any RSUs will be subject to all the provisions of the Articles and will rank *pari passu* with the fully paid Shares in issue on the date of the transfer or, if that date falls on a day when the register of members of the Company is closed, the first day of the reopening of the register of members, and accordingly will entitle the holders to participate in all dividends or other distributions paid or made on or after the date of transfer or, if that date falls on a day when the register of members of the Company closed, the first day of the reopening of the register of members.

(j) Assignment of RSUs

Unless otherwise approved by our Board, the RSUs granted pursuant to the RSU Scheme are personal to each RSU Participant, and are not assignable. RSU Participants are prohibited from selling, transferring, assigning, charging, mortgaging, hedging or creating any interest in favor of any other person over or in relation to any property held by the Trustee on trust for the RSU Participants, the RSUs or any interest or benefits therein, unless otherwise approved by our Board.

(k) Vesting of RSUs

The vesting of the RSUs may be subject to criteria, conditions and the time schedule when the RSUs will vest and such criteria, conditions and time schedule shall be stated in the RSU Grant Letter.

Within a reasonable time after the vesting criteria, conditions and time schedule have been reached, fulfilled, satisfied or waived, our Board shall send a vesting notice ("**Vesting Notice**") to each of the relevant RSU Participants. The Vesting Notice will confirm the extent to which the vesting criteria, conditions and time schedule have been reached, fulfilled, satisfied or waived. If the vesting conditions are not satisfied and no waiver of such condition is granted, the RSU shall be cancelled according to conditions as determined by the Board in its absolute discretion.

(l) Appointment of trustee

Our Company may appoint an independent professional trustee (the "**Trustee**") to assist with the administration and vesting of RSUs granted pursuant to the RSU Scheme and to hold Shares underlying the RSUs as applicable. Our Company may direct and procure the Trustee to receive existing Shares from any Shareholder of our Company or purchase existing Shares (either on-market or off-market) to satisfy the RSUs upon exercise. The Trustee holding unvested Shares of this Scheme, whether directly or indirectly, shall abstain from voting on matters that require shareholders' approval under the Listing Rules, unless otherwise required by law to vote in accordance with the beneficial owner's direction and such a direction is given. Our Company shall procure that sufficient funds are provided to the Trustee by whatever means as our Board may in its absolute discretion determine to enable the Trustee to satisfy its obligations in connection with the administration of the RSU Scheme.

(m) Exercise of RSUs

RSUs held by a RSU Participant that are vested as evidenced by the Vesting Notice may be exercised (in whole or in part) by the RSU Participant serving an exercise notice in writing to the Trustee and copied to our Company. Upon receipt of an exercise notice, our Board may decide at its absolute discretion to direct and procure the Trustee to, within a reasonable time, transfer the Shares underlying the RSUs exercised to the RSU Participant which our Company has allotted and issued to the Trustee as fully paid up Shares or which the Trustee has either acquired by purchasing existing Shares or by receiving existing Shares from any Shareholder of our Company, subject to the RSU Participant paying the exercise price (where applicable) and all tax, stamp duty, levies and charges applicable to such transfer to the Trustee or as the Trustee directs.

RSU Participants shall be responsible for conducting all necessary filings, registration or other administrative proceedings as required by applicable PRC laws, rules or regulations, including but not limited to foreign exchange registration, for their exercise of RSUs.

(n) Rights on a compromise or arrangement or winding-up

If a compromise or arrangement between our Company and our Shareholders or creditors is proposed in connection with a scheme for the reconstruction or winding-up of our Company or its amalgamation with any other company or companies and a notice is given by our Company to our Shareholders to convene a general meeting to consider and if thought fit approve such compromise or arrangement and such Shareholders' approval is obtained, a RSU Participant's RSUs will vest immediately, even if the vesting period has not yet commenced, unless as otherwise determined by our Board.

(o) Lapse of RSUs

(i) Any unvested RSUs will automatically lapse immediately where:

a. the RSU Participant's employment or service terminates for any reason; or

b. the RSU Participant is involved in businesses that are competing with or similar to our Group during his employment period without prior approval from our Company; or

c. the company that the RSU Participant working for is no longer a subsidiary of our Group; or

d. the RSU Participant makes any attempt or takes any action to sell, transfer, assign, charge, mortgage, encumber, hedge or create any interest in favor of any other person over or in relation to any unvested RSUs or any interests or benefits pursuant to the RSUs; or

e. the RSU Participant violates relevant rules under his/her respective local labor laws, or breaches the employment agreement or non-disclosure agreement with our Group.

(ii) If at any time, a RSU Participant:

a. ceases to be a RSU Eligible Person as a result of termination of his employment with our Group with Cause, including but not limited to conditions set forth in (o)(i); then all vested but not exercised RSUs and unvested RSUs shall automatically lapse and such RSU Participant shall have no claim whatsoever in respect of the RSUs or the underlying Shares, unless as otherwise determined by our Board.

b. ceases to be a RSU Eligible Person as a result of termination of his employment with our Group without Cause; then unvested RSUs shall automatically lapse and such RSU Participant shall have no claim whatsoever in respect of the RSUs or the underlying Shares, unless as otherwise determined by our Board. The RSU Participant shall have the right to retain the vested RSUs.

For the purpose of this paragraph (ii), "Cause" means the RSU Participant is in breach of his contract of employment.

(p) Cancelation of RSUs

Our Board may at its discretion cancel any RSUs that has not vested or lapsed, provided that:

(i) our Company or its Subsidiaries pay to the RSU Participant an amount equal to the fair value of the RSUs at the date of the cancelation as determined by our Board, after consultation with the auditors or an independent financial adviser appointed by our Board;

(ii) our Company or its relevant Subsidiary provides to the RSU Participant are placement award of equivalent value to the RSUs to be cancelled; or

(iii) our Board makes any arrangement as the RSU Participant may agree in order to compensate him/her for the cancelation of the RSUs, or.

(iv) the vesting conditions are not satisfied and no waiver of such condition is granted as prescribed in the paragraph (k).

(q) Reorganization of capital structure

In the event of any capitalization issue, rights issue, consolidation, sub-division or reduction of the share capital of our Company, our Board may, but is not obliged to, make such equitable adjustments, designed to protect the RSU Participants' interests, to the number of Shares underlying the outstanding RSUs or to the amount of the equivalent value, as it may deem appropriate at its absolute discretion.

(r) Amendment of the RSU Scheme

Save as provided in the RSU Scheme, our Board may alter any of the terms of the RSU Scheme at any time. Prior written notice of any amendment to the RSU Scheme shall be given to all RSU Participants before the amendment.

Any alterations to the terms and conditions of the RSU Scheme which are of a material nature or any changes to the terms of the RSUs granted which shall operate to affect materially adversely any subsisting rights of any RSU Participant shall be subject to the consent of the RSU Participants amounting to three-fourths in nominal value of all underlying RSUs or Shares so held by the RSU Participants on the date of the relevant resolution passed by our Board in approving the amendment of the RSU Scheme or the terms of the RSUs granted, when written consents by all RSU Participants to such alternations of the RSU Scheme shall also be procured. Our Board's determination as to whether any proposed alteration to the terms and conditions of the RSU Scheme or the terms of the RSUs granted (as the case may be) is material shall be conclusive.

(s) Termination of the RSU Scheme

Our board may terminate the RSU Scheme at any time before the expiry of the RSU Scheme Period. The provisions of the RSU Scheme shall remain in full force and effect in respect of RSUs which are granted (including those unvested and vested but not yet been exercised) pursuant to the rules of the RSU Scheme prior to the termination of the operation of the RSU Scheme. Our Company or our relevant subsidiary shall notify the Trustee and all RSU Participants of such termination and of how any property held by the Trustee on trust for the RSU Participants (including, but not limited to, any Shares held) and the outstanding RSUs shall be dealt with.

(t) Administration of the RSU Scheme

Subject to the Listing Rules, our Board has the power to administer the RSU Scheme, including the power to construe and interpret the rules of the RSU Scheme and the terms of the RSUs granted under it. Our Board may delegate the authority to administer the RSU Scheme to a director of our Board. Our Board may also appoint an independent third party contractors (including the Trustee) or designate any Director to assist in the administration of the RSU Scheme and delegate such powers and/or functions relating to the administration of the RSU Scheme as our Board thinks fit.

Our Board owns the final authority to all RSU Scheme related matters and the way to interpret relevant terms and conditions under the RSU Scheme.

(u) Outstanding RSUs granted

As of the Latest Practicable Date, RSUs in respect of an aggregate of [**REDACTED**] Shares, representing approximately [**REDACTED**]% of the total issued share capital of the Company immediately following the completion of the [**REDACTED**] (without taking into account any Shares which may be issued upon the exercise of the [**REDACTED**]) has been granted to 71 RSU Participants of which two of the RSU Participants are Directors and one RSU Participant is director of our subsidiaries. The grant and vesting of any RSUs which may be granted pursuant to the RSU Scheme will be in compliance with Rule 10.08 of the Listing Rules.

Details of the RSUs granted to the Directors and director of our subsidiaries are set out below:

Name	**Position**	**Number of Shares underlying the RSUs**	**Approximately % of issued Shares immediately after completion of the [REDACTED]**
Ms. Yu Liying	Director	[2,083,500]	[**REDACTED**]%
Mr. Wang Jiawei	Director	[894,516]	[**REDACTED**]%
Ms. Wang Dandan	director of subsidiaries	[696,352]	[**REDACTED**]%
Total		[3,674,368]	[**REDACTED**]%

Our Company will issue announcements according to applicable Listing Rules, disclosing particulars of any RSUs granted under the RSU Scheme, including the date of grant, number of Shares involved, the vesting period, the appointment and arrangement with the Trustee and comply with Chapter 14A and Chapter 17 of the Listing Rules.

Details of the RSU Scheme, including particulars and movements of the RSUs granted during each fiscal year of our Company, and our employee costs arising from the grant of the RSUs will be disclosed in our annual report in accordance with the requirements under Chapter 17 of the Listing Rules as amended from time to time.

(v) Type of RSUs

There are three types of RSUs under the RSU Scheme:

	Consideration For Exercising RSUs *(RMB)*	**Vesting Period**
Type A	0.01	On the grant date
Type B and Type C (for the RSUs granted prior to December 31, 2020)	0.01	• First tranche (as to 25%) on February 28, 2021 • Second tranche (as to 25%) on February 28, 2022 or on the date starting from six months since the [**REDACTED**], whichever is later (the "**Second Vesting Date**") • Third and fourth tranches (as to 25%) on each anniversary of the date starting from the Second Vesting Date
Type B and Type C (for the RSUs granted after December 31, 2020)	2.92	• First tranche (as to 25%) on February 28, 2021 or on the date starting from six months since the [**REDACTED**], whichever is later (the "**First Vesting Date**") • Second, third and fourth tranches (as to 25%) on each anniversary of the date starting from the First Vesting Date

E. OTHER INFORMATION

1. Estate duty, tax and other indemnities

Mr. Wang and Ms. Lu have entered into a deed of indemnity with and in favor of the Company (for itself and as trustee for each of its subsidiaries) (being the contract referred to in the paragraph headed "– B. Further Information About our Business – 1. Summary of Material Contracts" in this Appendix) to provide indemnities on a joint and several basis in respect of, among other things,

(i) any liability for estate duty under the Estate Duty Ordinance, Chapter 111 of the Laws of Hong Kong, or legislation similar thereto in Hong Kong or any jurisdictions outside Hong Kong which might be incurred by any Member of the Group on or before the [**REDACTED**], and other taxation (including all fines, penalties, costs, charges, expenses and interests relating to taxation) which may be made against any Member of the Group in respect of, among other things, any income, profits or gains earned, accrued or received on or before the [**REDACTED**], save:

(a) to the extent that specific provision or reserve has been made for such taxation in the audited consolidated financial statements of the Group as set out in Appendix I to this document (the "**Accounts**");

(b) to the extent that the liability for such taxation would not have arisen but for any act or omission of, or delay by, any Member of the Group after the [**REDACTED**]; and

(c) to the extent such loss arises or is incurred only as a result of a retrospective change in law or regulations or the interpretation or practice thereof by any relevant authority coming into force after the [**REDACTED**].

(ii) the fines, penalties, claims, costs, expenses and losses (to the extent that provision, reserve of allowance has not been made for such fines, penalties, claims, costs, expenses or losses in the Accounts) incurred by any Member of the Group after the [**REDACTED**] resulting from any non-compliance incidents of any Member of the Group with applicable law and regulations on or before the [**REDACTED**].

The Deed of Indemnity shall become effective on the [**REDACTED**] and shall continue in full force and effect until it is terminated.

2. Litigation

As of the Latest Practicable Date, no Member of the Group was engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened by or against the Group, that would have a material adverse effect on its business, financial condition or results of operations.

3. Joint Sponsors

The Joint Sponsors have made an application on behalf of our Company to the [**REDACTED**] Committee for the [**REDACTED**] of, and permission to deal in, the Shares in issue, the Shares to be issued pursuant to the [**REDACTED**] (including the additional Shares which may be issued pursuant to the exercise of the [**REDACTED**]). All necessary arrangements have been made to enable such Shares to be admitted into [**REDACTED**].

The Joint Sponsors satisfy the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules. Please refer to the section headed "[**REDACTED**] – Sponsors' Independence" for details regarding the independence of the Joint Sponsors.

The Joint Sponsors will receive a fee of US$1 million for acting as the sponsors for the [**REDACTED**], which are still payable by the Company as of the Latest Practicable Date.

4. No Material Adverse Change

The Directors confirm that there has been no material adverse change in the financial or trading position or prospects of the Group since December 31, 2023 (being the date to which the latest audited consolidated financial statements of the Group were prepared).

5. Qualification of Experts

The following are the qualifications of the experts (as defined under the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance) who have given opinions or advice which are contained in this document:

Name	Qualification
Citigroup Global Markets Asia Limited	A corporation licensed to conduct Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 5 (advising on futures contracts), Type 6 (advising on corporate finance) and Type 7 (providing automated trading services) of the regulated activities under the SFO
CMB International Capital Limited	A corporation licensed to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) of the regulated activities under the SFO

Name	Qualification
KPMG	Certified Public Accountants and Public Interest Entity Auditor recognised in accordance with the Accounting and Financial Reporting Council Ordinance
Commerce & Finance Law Offices	Legal adviser to Company as to PRC law and PRC cybersecurity and data compliance matters
Appleby	Legal adviser to Company as to Cayman Islands law
China Insights Consultancy Limited	Industry Consultant
Shenzhen Anzhi Electric Fire Safety Testing Co., Ltd.	Fire Safety Consultant

6. Consents of Experts

Each of the Joint Sponsors, KPMG, Commerce & Finance Law Offices, Appleby, China Insights Consultancy Limited and Shenzhen Anzhi Electric Fire Safety Testing Co., Ltd. has given and has not withdrawn its consent to the issue of this document with the inclusion of its report and/or letter and/or legal opinion (as the case may be) and references to its name included in the form and context in which it respectively appears.

None of the experts named above has any shareholding interests in our Company or any of our subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in our Company or any of our subsidiaries.

7. Promoter

Our Company has no promoter for the purpose of the Listing Rules. Save as disclosed in this document, within the two years immediately preceding the date of this document, no cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to any promoters in connection with the [**REDACTED**] and the related transactions described in this document.

8. Preliminary Expenses

The preliminary expenses incurred by our Company were immaterial.

9. Binding Effect

This document shall have the effect, if an application is made in pursuance of this document, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of Sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance insofar as applicable.

10. Bilingual Document

The English language and Chinese language versions of this document are being published separately, in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

11. Taxation of Holders of Shares

(a) Hong Kong

The sale, purchase and transfer of Shares registered with our Hong Kong branch register of members will be subject to Hong Kong stamp duty. The current rate charged on each of the purchaser and seller is 0.10% of the consideration of or, if higher, of the fair value of the Shares being sold or transferred. Profits from dealings in the Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax. The Revenue (Abolition of Estate Duty) Ordinance 2005 came into effect on February 11, 2006 in Hong Kong. No Hong Kong estate duty is payable and no estate duty clearance papers are needed for a grant of representation in respect of holders of Shares whose death occurs on or after February 11, 2006.

(b) Cayman Islands

There is no stamp duty payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

(c) Consultation with professional advisers

Potential investors in the [**REDACTED**] are urged to consult their professional tax advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in our Shares (or exercising rights attached to them). None of us, the Joint Sponsors, the [**REDACTED**] or any other person or party involved in the [**REDACTED**] accept responsibility for any tax effects on, or liabilities of, any person, resulting from the subscription, purchase, holding or disposal of, dealing in or the exercise of any rights in relation to our Shares.

12. Miscellaneous

(a) Save as disclosed in this document, within the two years immediately preceding the date of this document:

(i) neither we nor any of our subsidiaries has issued or agreed to issue any share or loan capital fully or partly paid up either for cash or for a consideration other than cash;

(ii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

(iii) no commissions, discounts, brokerage or other special terms have been granted in connection with the issue or sale of any shares or loan capital of any Member of the Group;

(iv) no commission has been paid or payable (except commission to [**REDACTED**]) to any persons for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any shares of our Company or any of our subsidiaries;

(v) no founder, management or deferred shares of our Company or any of our subsidiaries have been issued or agreed to be issued; and

(vi) there is no arrangement under which future dividends are waived or agreed to be waived.

(b) Save as disclosed in this document, none of the persons named in the paragraph headed "– E. Other Information – 6. Consent of Experts" in this Appendix is interested beneficially or otherwise in any shares of any Member of the Group or has any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for any securities in any Member of the Group;

(c) The branch register of members of the Company will be maintained in Hong Kong by its [**REDACTED**]. Unless the Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by the Company's share register in Hong Kong and may not be lodged in the Cayman Islands. All necessary arrangements have been made to enable the Shares to be admitted to [**REDACTED**].

(d) Our Directors confirm that:

(i) there has not been any interruption in the business of our Company which may have or have had a material adverse effect on the financial position of our Company in the 12 months immediately preceding the date of this document; and

(ii) our Company has no outstanding convertible debt securities or debentures.

(e) No company within our Group is presently listed on any stock exchange or traded on any trading system.

(f) The English version of this document shall prevail over the Chinese version.

1. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to a copy of this document and delivered to the Registrar of Companies in Hong Kong for registration were:

(a) a copy of each of the material contracts referred to in the section headed "Statutory and General Information – B. Further Information About Our Business – 1. Summary of Material Contracts" in Appendix IV to this document; and

(b) the written consents referred to in the section headed "Statutory and General Information – E. Other Information – 6. Consents of Experts" in Appendix IV to this document.

2. DOCUMENTS AVAILABLE ON DISPLAY

Copies of the following documents will be published on the websites of the Hong Kong Stock Exchange at **www.hkexnews.hk** and our Company at **www.china-greentea.com.cn** for 14 days from the date of this document (both dates inclusive):

(a) the Memorandum and Articles of Association of our Company;

(b) the audited consolidated financial statements of the Group for the years ended December 31, 2021, 2022 and 2023;

(c) the Accountants' Report and the report on the unaudited pro forma financial information from KPMG, the text of which are set out in Appendices I and II to this document, respectively;

(d) the legal opinions issued by Commerce & Finance Law Offices, our PRC Legal Adviser, in respect of certain aspects of the Group and the property interests of the Group;

(e) the legal opinions issued by Commerce & Finance Law Offices, our PRC legal adviser for PRC cybersecurity and data compliance matters, in respect of certain cybersecurity and data compliance matters in the PRC of our Group;

(f) the letter of advice prepared by Appleby, our legal adviser as to the Cayman Islands laws, summarizing certain aspects of the Cayman Islands company law referred to in Appendix III to this document;

(g) the material contracts referred to in the section headed "Statutory and General Information – B. Further Information About Our Business – 1. Summary of Material Contracts" in Appendix IV to this document;

(h) the written consents referred to in the section headed "Statutory and General Information – E. Other Information – 6. Consents of Experts" in Appendix IV to this document;

(i) service contracts and letters of appointment referred to in the section headed "Statutory and General Information – C. Further Information about Our Directors and Substantial Shareholders – 2. Directors' Service Contracts" in Appendix IV to this document;

(j) the rules of the RSU Scheme;

(k) the Companies Act;

(l) the Industry Report; and

(m) the fire safety reports issued by the Fire Safety Consultant.