Application Proof of

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LXJ International Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

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LXJ International Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

[REDACTED]

Number of [REDACTED] under the [REDACTED]	**:**	**[REDACTED] Shares (subject to the [REDACTED])**
Number of [REDACTED]	**:**	**[REDACTED] Shares (subject to [REDACTED])**
Number of [REDACTED]	**:**	**[REDACTED] Shares (subject to [REDACTED] and the [REDACTED])**
[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$0.0001 per Share**
[REDACTED]	**:**	**[REDACTED]**

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

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[REDACTED]

[REDACTED]

IMPORTANT

[**REDACTED**]

IMPORTANT

[**REDACTED**]

EXPECTED TIMETABLE[1]

[**REDACTED**]

EXPECTED TIMETABLE[1]

[**REDACTED**]

[**REDACTED**]

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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. You should read this document in its entirety before you decide to invest in the [**REDACTED**]. *There are risks associated with any investment. Some of the particular risks in* [**REDACTED**] *in the* [**REDACTED**] *are set forth in the section headed "Risk Factors" in this document. You should read that section carefully before you decide to invest in the* [**REDACTED**].

OVERVIEW

Who We Are

We are the largest Chinese-style QSR brand in China. According to CIC, we ranked first in the Chinese-style QSR industry in China by GMV in 2023. Through our commitment to delivering delicious home-style Chinese cuisine of high-quality with convenient, friendly services, we have become a household restaurant brand among customers nationwide. With over two decades of refinement and innovation, our menu features a range of customer favorites, anchored by our signature chicken soups and chicken dishes.

Beginning with self-operated restaurants, we dedicated ourselves to perfecting every aspect of our operations, focusing on supply chain management, restaurant operation, dish development and customer engagement. As a result, we have accumulated valuable insights into a standardized operation that exemplifies efficiency. Building on such insights, we started to explore the franchise model in 2020, gradually developing and refining our franchise model. We have developed a "self-operated + franchised" restaurant network that strikes a balance between quality and scalability. With our footprint continuing to expand, we had 1,404 restaurants, including 949 self-operated restaurants and 455 franchised restaurants across 53 cities in nine provinces in China as of September 30, 2024.

We aspire to be our customers' "second kitchen," providing a reliable and convenient dining experience with home-style Chinese cuisine beyond the comforts of home, making delicious moments available anytime, anywhere. In the nine months ended September 30, 2024, we served more than 189.4 million customers, catering to a wide range of dining scenarios. Our commitment to our core value proposition of "Healthy, Diverse, Clean, and Friendly" has earned us the trust of our customers, forming the cornerstone of our brand's reputation. We actively engage with our customers, deepening emotional bonds with them.

Industry Leader

We are at the forefront of the Chinese-style QSR industry, navigating its inherent challenges with unwavering commitment to innovation. We have established a solid foundation for us to set industry benchmarks for excellence and pioneer the Chinese-style QSR industry to new heights.

We have achieved many "firsts" and "only" according to CIC:

- We are among the first Chinese-style QSR companies in China to implement standardization in every core aspect of operations.

- We are the only major Chinese-style QSR company in China with a full-value-chain layout, covering chicken farming, central kitchens, and restaurant services.

- We are the first Chinese-style QSR company in China to implement a comprehensive traceability system that enables full process control across the supply chain with public disclosure of ingredients, raw materials, and suppliers.

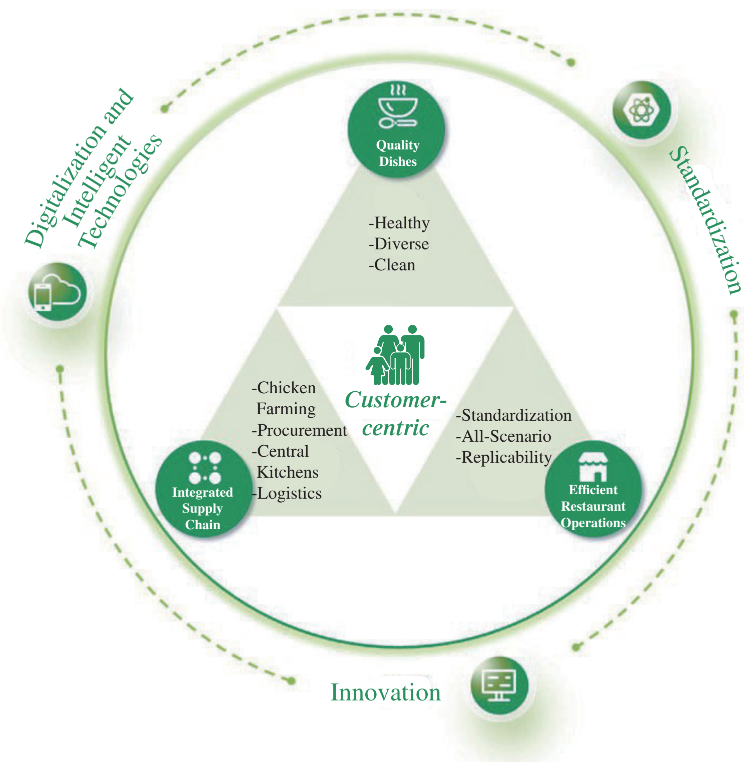
- We ranked first in terms of average daily sales per restaurant, daily sales per unit area, and seat turnover rates among top five Chinese-style QSR companies by GMV in 2023.

- We are among the first Chinese-style QSR companies in China in adopting digitalization and intelligent technologies in every core aspect of operations.

What We Do

According to CIC, Chinese cuisine faces inherent challenges to large-scale expansion due to its complex preparation techniques, diverse ingredients, precise proportions, and heavy reliance on individual expertise for seasoning and cooking. To address this industry-wide challenge, we have prioritized the development of a standardized business operation allowing customers to enjoy consistently high-quality dishes across all restaurants and experience the same comfort and satisfaction as home cooking, wherever and whenever they dine with us.

Our operational excellence is benefited from a series of proprietary standardization manuals established even before the opening of our first restaurant. Over time, these manuals have been continuously refined and transformed into a comprehensive set of standard procedures that encompasses every aspect of our business. In addition, we have developed a robust digitalization and intelligent technologies system encompassing all aspects of our business operations, which empowers standardized operations and intelligent decision-making, enhancing operational efficiency and fueling scalable business expansion.



We remain committed to refining and perfecting our business model, embedding standardization into critical aspects of our operations:

- ***Supply Chain.*** We establish a comprehensive system across all key supply chain stages, ensuring consistent high quality and freshness of our dishes from the source.

  – *Chicken Farming.* As of September 30, 2024, we operated three eco-friendly, health-focused chicken farms in Anhui Province, enabling large-scale, standardized chicken farming.

  – *Procurement.* We have a robust procurement process, applying stringent standards for supplier selection and raw material evaluation.

  – *Processing.* As of September 30, 2024, we operated two central kitchens equipped with automated production lines. These facilities standardize the processing and preparation of raw materials for various dishes, ensuring consistent quality across all restaurants.

  – *Logistics.* As of September 30, 2024, we had eight distribution centers in China to ensure the freshness and timely delivery of ingredients. Typically, ingredients can be delivered from the central kitchens to restaurants in Anhui Province and Shanghai on the same day and to restaurants in other regions within two days.

- ***Restaurant Operation.*** We position ourselves as customers' "second kitchen."

  – *Restaurant Expansion.* We open restaurants in residential communities, malls, business districts, and transportation hubs to cover all dining scenarios throughout the day. To support our growth, we have developed an efficient expansion protocol, utilizing digital tools for effective site selection and implementing standardized procedures for restaurant design and decoration, ensuring successful openings across locations.

  – *Dish Preparation and Equipment.* We deconstruct, simplify, and quantify the preparation and cooking process for each dish, establishing standardized procedures. Many of our restaurants are equipped with automated cooking equipment, such as cooking robots, smart steam cabinets and automated soup boilers, ensuring high-quality and consistent preparation for our dishes.

  – *Operational Management.* We establish standardized procedures for hygiene management, equipment usage, and services to customers. These ensure consistent and efficient execution across our restaurants, enhancing restaurant operating efficiency.

  – *Talent Management.* We place great emphasis on the standardization and digitalization of employee training at all levels, ensuring that restaurant staff are proficient in operational methods and uphold high standards of food safety, hygiene, and customer service. For our franchisees, we require all franchisees and their staff to complete rigorous, standardized training and assessments, ensuring that franchised restaurants uphold the same high standards of operational excellence and service quality as our self-operated restaurants.

- ***Dish Development.*** We place customers at the center of our menu design, continually evolving our offerings based on data insights and an analysis of diverse dietary profiles and trends. With an end-to-end product management system, we manage a dish's comprehensive lifecycle, from concept to launch. Each dish undergoes a rigorous evaluation process to ensure it meets high standards, and with innovative marketing support, we consistently launch dishes that resonate with customers and enhance their dining experience.

Our Market Opportunity

According to CIC, the size of the Chinese-style QSR market in China is expected to grow from RMB753.2 billion in 2023 to RMB1,245.9 billion in 2028, representing a CAGR of 10.6%. Driven by factors such as rising dining-out rates and diversified dining scenarios, the Chinese-style QSR industry is the largest segment within the QSR industry in China, according to CIC.

In 2023, the chain penetration rate of Chinese-style QSR by GMV was 32.0%, significantly lower than that of Western QSRs of 64.8% in China. Furthermore, the top five Chinese-style QSR brands collectively accounted for only 3.0% of market share in 2023 by GMV, far below that of the top five Western QSR brands of 47.2% in China. This underscores the tremendous growth opportunities for the Chinese-style QSR chain market.

These favorable trends present us with exceptional growth opportunities. Leveraging our industry-leading position, strong brand, and well-established standardized business practices, we are well positioned to capture the growth of the Chinese-style QSR market and further expand our market share.

OUR RESTAURANT NETWORK AND PERFORMANCE

Our restaurants are operated under either a self-operation model or a franchise model.

We have steadily expanded our restaurant network since inception. The number of our restaurant increased by 24.8% from 1,125 as of December 31, 2022 to 1,404 as of September 30, 2024, spanning 53 cities and nine provinces in China.

The following table sets forth movement in the number of our restaurants for the periods indicated.

	Year ended December 31,		Nine months ended September 30,
	2022	2023	2024
At the beginning of the period	1,073	1,125	1,199
Newly opened	126	154	253
Closed	74	80	48
At the end of the period	**1,125**	**1,199**	**1,404**

As we continually densify our restaurant networks across China, we have maintained industry-leading operational performance.

The following table sets forth the key operating metrics for the periods or as of the dates indicated.

	For the year ended		For the nine months ended	
	2022	2023	2023	2024
Average daily sales per restaurant (RMB)[(2)]				
Self-operated restaurants				
Anhui Province	13,376.5	15,385.8	15,260.8	15,826.4
Jiangsu Province, Zhejiang Province and Shanghai	12,701.4	15,974.9	15,955.1	16,860.9
Other regions[(1)]	10,361.2	14,340.4	14,184.0	15,131.1
Overall	**12,758.3**	**15,389.5**	**15,286.9**	**15,959.8**
Franchised restaurants				
Anhui Province	11,996.3	12,737.9	12,830.9	12,900.2
Jiangsu Province, Zhejiang Province and Shanghai	9,254.9	11,478.1	10,939.1	12,325.4
Other regions[(1)]	6,665.7	9,052.6	9,133.9	10,173.0
Overall	**10,768.8**	**12,077.8**	**11,943.5**	**12,480.4**
Total guests served (thousands)[(3)]				
Self-operated restaurants				
Anhui Province	101,297	124,058	90,691	96,109
Jiangsu Province, Zhejiang Province and Shanghai	30,747	48,588	35,971	35,829
Other regions[(1)]	20,109	27,882	20,463	24,171
Subtotal	**152,153**	**200,528**	**147,125**	**156,109**
Franchised restaurants				
Anhui Province	7,871	11,193	8,058	11,726
Jiangsu Province, Zhejiang Province and Shanghai	4,253	9,687	5,443	21,018
Other regions[(1)]	149	223	166	543
Subtotal	**12,273**	**21,103**	**13,667**	**33,287**
Total	**164,426**	**221,631**	**160,792**	**189,396**

	For the year ended		For the nine months ended	
	2022	2023	2023	2024
Seat turnover rate[4]				
Self-operated restaurants				
Anhui Province	4.7	5.5	5.4	5.5
Jiangsu Province, Zhejiang Province and Shanghai	2.4	3.5	3.3	3.3
Other regions[1]	2.9	4.0	4.0	4.4
Overall	**3.8**	**4.7**	**4.6**	**4.8**
Franchised restaurants				
Anhui Province	3.4	3.8	3.8	3.9
Jiangsu Province, Zhejiang Province and Shanghai	2.5	3.3	2.9	3.2
Other regions[1]	1.5	2.4	2.3	3.6
Overall	**2.9**	**3.5**	**3.4**	**3.5**
Daily sales per unit area (RMB)[5]				
Self-operated restaurants				
Anhui Province	64.7	75.3	74.7	79.0
Jiangsu Province, Zhejiang Province and Shanghai	62.0	78.0	77.5	88.3
Other regions[1]	50.9	72.2	70.9	81.2
Overall	**62.0**	**75.6**	**74.9**	**81.5**
Franchised restaurants				
Anhui Province	65.1	72.6	72.8	71.0
Jiangsu Province, Zhejiang Province and Shanghai	56.0	69.8	67.9	73.2
Other regions[1]	46.9	63.7	64.3	67.5
Overall	**61.3**	**71.2**	**70.6**	**72.3**

Notes:

(1) Other regions include Beijing, Guangdong Province, Hubei Province, Henan Province, and Jiangxi Province.

(2) Average daily sales per restaurant is calculated by dividing the total sales generated from the restaurants by the total restaurant operation days for the period in the same regions.

(3) Total guests served includes dine-in guests and delivery orders for the period in the same region. We count one order, including dine-in and delivery order, as one guest.

(4) Seat turnover rate is calculated by dividing the aggregate number of orders placed by dine-in customers by the sum of products of the restaurant operation days and seat count of each restaurant for the period in the same regions.

(5) Daily sales per unit area is calculated by dividing the total sales generated from the restaurants by the sum of product of the restaurant operation days and restaurant operation area in sq.m. of each restaurant for the period in the same regions.

Same Store Sales

We define same stores to be those restaurants that opened for at least 300 days in both 2022 and 2023, and for at least 225 days in both the nine months ended September 30, 2023 and September 30, 2024 and remain under the same operation model during the respective periods. The following table sets forth details of same store performance indicators for our restaurants for the periods indicated.

	Year ended December 31,		Nine months ended September 30,	
	2022	2023	2023	2024
Number of same stores				
Self-operated restaurants	761		751	
Franchised restaurants	79		113	
Total number	**840**		**864**	
Same store sales[1] (RMB in millions)				
Self-operated restaurants	3,634	4,211	3,237	3,321
Franchised restaurants	307	362	379	405
Total sales	**3,941**	**4,573**	**3,616**	**3,726**
Same store sales growth (%)				
Self-operated restaurants	15.9%		2.6%	
Franchised restaurants	17.9%		6.8%	
Overall	**16.1%**		**3.0%**	

Note:

(1) Same store sales refer to the aggregate restaurant sales from our same stores, including sales generated from dine-in and delivery orders.

OUR SUPPLY CHAIN MANAGEMENT

We have built an integrated supply chain that spans chicken farming, procurement, processing, warehousing, and logistics. As of September 30, 2024, our supply chain network consists of (i) three chicken farms in Anhui Province with an aggregate site area of approximately 920,700 square meters, (ii) two central kitchens located in Hefei and Shanghai, and (iii) eight distribution centers supporting our restaurant operations. This robust supply chain enables us to consistently provide delicious, high-quality menu offerings to our customers across our restaurants.

We procure a variety of raw materials, including food ingredients such as chicken, pork, aquatic products, beef, vegetables, rice and condiments, other consumables used in our restaurants as well as chicks and feed. We adopt a centralized approach for raw material procurement via our procurement department. The centralized procurement minimizes duplicate purchasing and inventory redundancies while facilitating our stable, long-term relationships with suppliers.

OUR SUPPLIERS

As of September 30, 2024, we collaborated with over 500 suppliers. Purchases from our five largest suppliers in each year/period during the Track Record Period accounted for 27.1%, 27.4% and 26.0% of our total purchases for the respective year/period. Purchases from our largest supplier in each year/period during the Track Record Period accounted for 8.8%, 9.1% and 8.5% of our total purchases for the respective year/period. To the best of our knowledge, our five largest suppliers were all independent third parties. During the Track Record Period and up to the Latest Practicable Date, none of our Directors, their respective associates, or any shareholders of our Company (who or which to the knowledge of the Directors owned more than 5% of the Company's issued share capital) had any interest in any of our five largest suppliers.

OUR CUSTOMERS

As a restaurant company, we have a large and fragmented customer base. Revenue derived from our five largest customers in each year/period during the Track Record Period accounted for less than 1.5% of our total revenue for the respective year/period. During the Track Record Period and up to the Latest Practicable Date, to the best of our knowledge, none of our Directors, their respective associates, or any shareholders of our Company (who or which, to the knowledge of our Directors, owned more than 5% of our Company's issued share capital) had any interest in any of our five largest customers.

COMPETITION

The Chinese-style QSR market in China is relatively fragmented, with the top five market players accounting for 3.0% of the overall market size by GMV in 2023, according to CIC. This fragmentation presents significant opportunities for market consolidation. In addition, the market size of Chinese-style QSR in China has grown from RMB576.0 billion in 2018 to RMB753.2 billion in 2023, and it is expected to further grow and reach RMB1,245.9 billion in 2028, representing a CAGR of 10.6% from 2023 to 2028, according to CIC. We operate in this rapidly growing market, where key entry barriers include brand influence and recognition, integrated supply chain management capabilities, standardized and scalable operational management, product development expertise, and digitalized operational systems. We believe we are well-positioned to compete effectively, leveraging our strengths in these areas.

However, we cannot assure you that we will outperform the overall market growth rate. The Chinese-style QSR market is characterized by intense competition, and we face increasing pressure from existing and new market participants. See "Risk Factors — Risks Relating to Our Business and Industry — Intense competition in China's catering industry could prevent us from increasing or sustaining our revenue and profitability." For more information on the competitive landscape of our industry, see "Industry Overview — Competitive Landscape of Chinese-Style QSR Industry in China."

OUR STRENGTHS

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

- The largest Chinese-style QSR company in China featured a scalable, standardized business model;
- Integrated supply chain;
- Comprehensive operating model;
- Digitalization and intelligent technologies across business operations;
- A household Chinese-style QSR brand; and
- Visionary leadership, comprehensive talent development.

OUR STRATEGIES

We will continue to pursue the following strategies to further expand our business:

- Deepen market penetration and expand restaurant network;
- Enhance our integrated supply chain;
- Expand menu offering and improve dining experience;
- Enhance our digitalization and intelligent technologies; and
- Fortify our position as a leading Chinese-style QSR brand.

RISK FACTORS

We believe there are certain risks and uncertainties involved in our operations, some of which are beyond our control. We have categorized these risks and uncertainties into: (i) risks relating to our business and industry, (ii) risks relating to laws and regulations and (iii) risks relating to the [**REDACTED**], which we strongly urge you to read in full before making an [**REDACTED**] in our Shares. For further details, see "Risk Factors." These risks include, among others, the following:

- Our business depends significantly on market recognition of our "Laoxiangji (老鄉雞)" brand, and any failure to maintain, protect or enhance our brand could materially and adversely impact our business and results of operations.

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

- Our future growth depends on our ability to open and profitably operate in existing and new geographical markets. We may not be able to successfully enter new geographical markets or expand our presence in the existing markets.

- Increases in the cost of food ingredients used in our restaurants and other associated costs as a result of market forces or regulatory price controls may lead to declines in our profit margins and operating results.

- 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.

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

- We face certain risks associated with the use of the franchise model.

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

- Any failure by us, our suppliers, franchisees, or other business partners to maintain food safety and quality might materially and adversely affect our brand, business, and financial performance.

- Intense competition in China's catering industry could prevent us from increasing or sustaining our revenue and profitability.

SUMMARY OF HISTORICAL FINANCIAL INFORMATION

The summary of consolidated financial information should be read together with the consolidated financial information to the Accountants' Report in Appendix I to this document, including the accompanying notes and the information set out in "Financial Information" in this document.

Summary of Consolidated Statements of Profit or Loss

	Year ended December 31,				Nine months ended September 30,			
	2022		2023		2023		2024	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*	*RMB*	*%*
	(RMB in thousands, except percentages)							
					(Unaudited)			
Revenue	4,527,875	100.0	5,650,616	100.0	4,181,926	100.0	4,678,091	100.0
Cost of sales	(3,608,659)	(79.7)	(4,331,242)	(76.7)	(3,190,121)	(76.3)	(3,578,728)	(76.5)
Gross profit	**919,216**	**20.3**	**1,319,374**	**23.3**	**991,805**	**23.7**	**1,099,363**	**23.5**
Other income and gains, net	112,724	2.6	102,187	1.8	75,983	1.8	52,953	1.1
Selling and distribution expenses	(364,920)	(8.1)	(545,757)	(9.6)	(355,823)	(8.5)	(415,421)	(8.9)
Administrative expenses	(306,295)	(6.8)	(428,078)	(7.6)	(287,159)	(6.8)	(304,849)	(6.5)
Changes in fair value of biological assets	32,212	0.7	46,919	0.8	34,504	0.8	25,671	0.5
Reversal of/ (provision for) impairment losses on financial assets, net	(7,915)	(0.2)	(1,410)	(0.0)	1,207	0.0	2,531	0.1
Other expenses	(35,024)	(0.8)	(47,396)	(0.8)	(33,264)	(0.8)	(18,365)	(0.4)
Finance costs	(33,740)	(0.7)	(32,888)	(0.6)	(25,138)	(0.6)	(29,500)	(0.6)
Profit before tax	**316,258**	**7.0**	**412,951**	**7.3**	**402,115**	**9.6**	**412,383**	**8.8**
Income tax expense	(64,218)	(1.4)	(37,539)	(0.7)	(46,765)	(1.1)	(45,276)	(1.0)
Profit for the year/period	**252,040**	**5.6**	**375,412**	**6.6**	**355,350**	**8.5**	**367,107**	**7.8**
Attributable to:								
Owners of the parent	252,478	5.6	375,436	6.6	355,350	8.5	367,315	7.9
Non-controlling interests	(438)	(0.0)	(24)	(0.0)	–	–	(208)	(0.0)

For further details, see "Financial information — Principal Components of Consolidated Statements of Profit or Loss" and "Financial information — Results of Operations."

Non-IFRS measures

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

Adjusted Net Profit (non-IFRS measure)

We define adjusted net profit (non-IFRS measure) as net profit for the periods adjusted by adding (i) equity-settled share-based payment expenses and (ii) [**REDACTED**]. The following table sets out a reconciliation from net profit to adjusted net profit (non-IFRS measure) for the periods indicated.

	Year ended December 31,		Nine months ended September 30,	
	2022	2023	2023	2024
	(RMB in thousands)			
			(Unaudited)	
Reconciliation of net profit to adjusted net profit (non-IFRS measure)				
Net profit	252,040	375,412	355,350	367,107
Add:				
Equity-settled share-based payment(1)	15,512	13,247	11,020	12,158
[**REDACTED**]	–	14,535	7,959	5,906
– [**REDACTED**] related to the [**REDACTED**]	–	6,576	–	5,906
– [**REDACTED**] related to previous A-share listing attempt	–	7,959	7,959	–
Adjusted net profit (non-IFRS measure)	**267,552**	**403,194**	**374,329**	**385,171**

Note:

(1) Non-cash expenses arising from shares granted to qualified directors and employees under our Group's share-based incentive scheme. For further details, see Note 35 to the Accountant's Report in Appendix I to this document.

EBITDA (non-IFRS measure) and Adjusted EBITDA (non-IFRS measure)

We define EBITDA (non-IFRS measure) as net profit for the periods adjusted by adding back (i) income tax expense, (ii) finance costs, and (iii) depreciation and amortization, and excluding interest income. We then add back (i) equity-settled share-based payment expenses and (ii) [**REDACTED**] to derive adjusted EBITDA (non-IFRS measure). The following table sets out a reconciliation from net profit to EBITDA (non-IFRS measure) and adjusted EBITDA (non-IFRS measure) for the periods indicated.

	Year ended December 31,		Nine months ended September 30,	
	2022	2023	2023	2024
	(RMB in thousands)			
			(Unaudited)	
Reconciliation of net profit to EBITDA (non-IFRS measure) and adjusted EBITDA (non-IFRS measure)				
Net profit	**252,040**	**375,412**	**355,350**	**367,107**
Add:				
Income tax expense	64,218	37,539	46,765	45,276
Finance costs	33,740	32,888	25,138	29,500
Depreciation and Amortization(1)	18,679	29,279	20,672	21,580
Less:				
Interest income	(11,881)	(20,216)	(14,886)	(12,358)
EBITDA (non-IFRS measure)	**356,796**	**454,902**	**433,039**	**451,105**
Add:				
Equity-settled share-based payment expenses	15,512	13,247	11,020	12,158
[**REDACTED**]	–	14,535	7,959	5,906
– [**REDACTED**] related to the [**REDACTED**]	–	6,576	–	5,906
– [**REDACTED**] related to previous A-share listing attempt	–	7,959	7,959	–
Adjusted EBITDA (non-IFRS measure)	**372,308**	**482,684**	**452,018**	**469,169**

Note:

(1) The amount of depreciation of property, plant and equipment represents the depreciation of buildings, leasehold land, leasehold improvements, machinery and transportation equipment, kitchen equipment, electrical equipment and office equipment recognized under our administrative expenses.

Summary of Selected Items of Financial Positions

The following table sets forth selected information from our consolidated statements of financial position as of the dates indicated.

	As of December 31,		As of September 30,
	2022	2023	2024
	(RMB in thousands)		
			(Unaudited)
Total current assets	721,069	1,039,614	1,410,787
Total non-current assets	2,713,695	2,983,015	3,046,555
Total current liabilities	1,326,790	1,512,385	2,023,950
Total non-current liabilities	728,091	735,222	835,934
Net current liabilities	(605,721)	(472,771)	(613,163)

Summary of Consolidated Statements of Cash Flows

The following table sets forth selected information from our cash flows for the periods indicated.

	Year ended December 31,		Nine months ended September 30,	
	2022	2023	2023	2024
	(RMB in thousands)			
			(Unaudited)	
Net cash flows from operating activities	865,211	1,150,316	890,937	958,419
Net cash flows used in investing activities	(545,204)	(578,926)	(489,397)	(455,376)
Net cash flows used in financing activities	(299,387)	(362,214)	(369,325)	(525,886)
Net increase/(decrease) in cash and cash equivalents	**20,620**	**209,176**	**32,215**	**(22,843)**
Cash and cash equivalents at the beginning of the year/period	287,356	307,976	307,976	517,152
Cash and cash equivalents at the end of the year/period	**307,976**	**517,152**	**340,191**	**494,309**

KEY FINANCIAL RATIOS

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

	As of/For the year ended December 31,		As of/For the nine months ended September 30,
	2022	2023	2024
			(Unaudited)
Current ratio[1]	0.5	0.7	0.7
Gearing ratio (%)[2]	20.1	19.1	29.0
Return on average assets (%)[3]	7.5	10.1	11.5[5]
Return on average equity (%)[4]	20.2	23.8	29.0[5]

Notes:

(1) Current ratio equals to current assets divided by current liabilities as of the respective date.

(2) Gearing ratio equals to interest-bearing bank borrowings divided by total equity and multiplied by 100%.

(3) Return on average assets equals to profit for the year/period divided by average balance of total assets at the beginning and the end of that year/period and multiplied by 100%.

(4) Return on average equity equals to profits for the year/period divided by average balance of total equity at the beginning and the end of that year/period multiplied by 100%.

(5) These ratios are annualized by dividing profit for the nine months ended September 30, 2024 by 270 and multiplied by 360, then divided by average assets or average equity at the beginning and the end of this period, as applicable.

LEGAL PROCEEDINGS AND NON-COMPLIANCE

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 up to the Latest Practicable Date, we had not been and were not a party to any legal, arbitral or administrative proceedings, and we were not aware of any pending or threatened legal, arbitral or administrative proceedings against us or our Directors that could, individually or in the aggregate, have a material adverse effect on our business, financial condition and results of operations. For further details, see "Business — Legal Proceedings" and "Business — Compliance, Licenses and Permits." For more information about the laws and regulations that we are subject to, see "Regulatory Overview."

OUR CONTROLLING SHAREHOLDERS

As of the Latest Practicable Date, our Company was held as to 70.78% by Mr. Shu Xiaolong, 15.02% by Ms. Shu Wen (the sister of Mr. Shu Xiaolong), and 6.22% by Ms. Dong Xue (the spouse of Mr. Shu Xiaolong) through their respective indirectly wholly owned investment vehicles. Accordingly, Mr. Shu Xiaolong, Ms. Dong Xue and Ms. Shu Wen were collectively entitled to exercise 92.02% of the voting power at general meetings of our Company through their respective indirectly wholly owned investment vehicles as of the Latest Practicable Date. Immediately following the completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised), Mr. Shu Xiaolong, Ms. Dong Xue and Ms. Shu Wen will collectively be entitled to exercise [**REDACTED**]% of the voting power at general meetings of our Company through their respective indirectly wholly owned investment vehicles, as detailed in "History, Reorganization and Corporate Structure — Corporate Structure" in this document.

Upon [**REDACTED**], each of Mr. Shu Xiaolong, Ms. Dong Xue and Ms. Shu Wen together with their respective investment vehicles in the Company will constitute a group of Controlling Shareholders of our Company under the Listing Rules. See "Relationship with Our Controlling Shareholders" in this document for further details.

OUR PRE-[REDACTED] INVESTOR

We have received pre-[**REDACTED**] investment from Harvest Capital, our pre-[**REDACTED**] investor. For further details of the identity and background of Harvest Capital and the principal terms of the pre-[**REDACTED**] investment, see "History, Reorganization and Corporate Structure — Pre-[**REDACTED**] Investment" in this document.

CONTINUING CONNECTED TRANSACTIONS

We have entered into certain transactions that will constitute continuing connected transactions under Chapter 14A of the Listing Rules upon Listing. See "Continuing Connected Transactions" in this document for further details.

[REDACTED] STATISTICS

	Based on the [REDACTED] of HK$[REDACTED] per Share	Based on the [REDACTED] of HK$[REDACTED] per Share
Market capitalization of our Shares[1]	HK$[**REDACTED**] million	HK$[**REDACTED**] million
Unaudited [**REDACTED**] 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 after completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised).

(2) The unaudited [**REDACTED**] adjusted consolidated net tangible assets per Share is calculated after making the adjustments referred to in the section headed "Appendix II — Unaudited [**REDACTED**] Financial Information" to this document.

DIVIDENDS AND DIVIDEND POLICY

We did not declare or distribute dividends to our shareholders during the Track Record Period. We do not have any dividend policy. The decision on whether to pay dividends will be made at the discretion of our Directors and will depend upon, among others, the financial results, cash flows, business conditions and strategies, future operations and earnings, capital requirements and expenditure plans, any restrictions on payment of dividends, and other factors that our Directors may consider relevant. No dividend shall be declared or payable except out of our profits and reserves lawfully available for distribution. We do not have a pre-determined dividend payout ratio. For further details, see "Financial Information — Dividends."

FUTURE PLANS AND USE OF [REDACTED]

Assuming an [**REDACTED**] of HK$[**REDACTED**] per [**REDACTED**] (being the mid-point of the [**REDACTED**]), we estimate that we will receive net [**REDACTED**] of approximately HK$[**REDACTED**] million from the [**REDACTED**] after deducting the [**REDACTED**] and other estimated expenses in connection with the [**REDACTED**] and assuming that the [**REDACTED**] is not exercised. In line with our strategies, we intend to use our [**REDACTED**] from the [**REDACTED**] for the purposes and in the amounts set forth below:

- Approximately [**REDACTED**]% of the net [**REDACTED**], or HK$[**REDACTED**] million, is expected to be used to enhance our integrated supply chain;
- Approximately [**REDACTED**]% of the net [**REDACTED**], or HK$[**REDACTED**] million, is expected to be used to expand our restaurant network, to broaden our geographical coverage, and deepen our market penetration;
- Approximately [**REDACTED**]% of the net [**REDACTED**], or HK$[**REDACTED**] million, is expected to be used to promote our information technology capabilities and upgrade our smart devices and digital systems;
- Approximately [**REDACTED**]% of the net [**REDACTED**], or HK$[**REDACTED**] million, is expected to be used to enhance brand promotion and marketing activities; and
- Approximately [**REDACTED**]% of the net [**REDACTED**], or HK$[**REDACTED**] million, is expected to be used for working capital and general corporate uses.

For further details, see "Future Plans and Use of [**REDACTED**]."

[**REDACTED**]

Our [**REDACTED**] mainly include (i) [**REDACTED**] expenses, such as [**REDACTED**] fees and [**REDACTED**], and (ii) [**REDACTED**] expenses, comprising professional fees paid to our legal advisors and Reporting Accountants for their services rendered in relation to the [**REDACTED**] and the [**REDACTED**], and other fees and expenses. Assuming full payment of the discretionary incentive fee, the estimated total [**REDACTED**] (based on the mid-point of the [**REDACTED**] and assuming that the [**REDACTED**] is not exercised) for the [**REDACTED**] are approximately HK$[**REDACTED**] million, accounting for approximately of [**REDACTED**]% of our gross [**REDACTED**]. Among such estimated total [**REDACTED**], we expect to pay [**REDACTED**] expenses of HK$[**REDACTED**] million, professional fees for our legal advisors and Reporting Accountants of HK$[**REDACTED**] million and other fees and expenses of HK$[**REDACTED**] million. An estimated amount of HK$[**REDACTED**] million for our [**REDACTED**], accounting for approximately [**REDACTED**]% of our gross [**REDACTED**], was or is expected to be expensed through the statement of profit or loss and the remaining amount of HK$[**REDACTED**] million is expected to be recognized directly as a deduction from equity upon the [**REDACTED**]. We did not recognize any [**REDACTED**] in relation to the [**REDACTED**] in 2022. We recognized [**REDACTED**] in relation to the [**REDACTED**] of RMB6.6 million and RMB5.9 million in 2023 and the nine months ended September 30, 2024 in our consolidated statements of profit or loss and other comprehensive income, respectively.

RECENT DEVELOPMENT AND NO MATERIAL ADVERSE CHANGE

Our Directors have confirmed that, up to the date of this document, there has been no material adverse change in our financial or trading position or prospects since September 30, 2024, being the end date of our latest consolidated financial statements, and there has been no event since September 30, 2024 that would materially affect the information shown in the Accountants' Report set out in Appendix I to this document.

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

"**Accountants' Report**"	the accountant's report of our Company for the Track Record Period, as included in Appendix I to this document
"**AFRC**"	the Accounting and Financial Reporting Council of Hong Kong
"**Anhui Laoxiangji**"	Anhui Laoxiangji Catering Company Limited (安徽老鄉雞餐飲有限公司), our indirect wholly owned subsidiary and formerly known as Hefei Feixi Laomuji Catering Co., Ltd. (合肥肥西老母雞餐飲有限責任公司) and Anhui Laoxiangji Catering Co., Ltd. (安徽老鄉雞餐飲股份有限公司), a limited liability company established under the laws of the PRC on October 22, 2003 converted into a joint stock company with limited liability on July 28, 2021 and back into a limited liability company on April 30, 2024
"**Articles**" or "**Articles of Association**"	the articles of association of our Company conditionally adopted on [●] and with effect upon [**REDACTED**], a summary of which is set out in "Summary of Our Constitution and Cayman Islands Company Law" in Appendix III to this document
"**Audit Committee**"	the audit committee of the Board
"**Board**"	the board of Directors
"**Business day**"	any day (other than a Saturday, Sunday or public holiday in Hong Kong) on which banks in Hong Kong are generally open for normal banking business
"**BVI**"	the British Virgin Islands

[**REDACTED**]

"**Cayman Companies Act**"	the Companies Act, Cap. 22 (Act 3 of 1961, as consolidated and revised) of the Cayman Islands

[**REDACTED**]

"**Central China**"	Hunan Province, Hubei Province and Henan Province of the PRC
"**China**", "**mainland China**" or "**PRC**"	the People's Republic of China, but for the purpose of this document and for geographical reference only and except where the context requires, references in this document to "China", "mainland China" or the "PRC" do not apply to Hong Kong, Macau Special Administrative Region and Taiwan
"**CIC**"	China Insights Industry Consultancy Limited, an industry consultant
"**Companies Ordinance**"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
"**Companies (Winding Up and Miscellaneous Provisions) Ordinance**"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong)
"**Company**", "**our Company**", "**we**", "**our**" or "**us**"	LXJ International Holdings Limited, an exempted company incorporated under the laws of the Cayman Islands with limited liability on January 4, 2024
"**Controlling Shareholder(s)**"	has the meaning given to it under the Listing Rules and, unless the context otherwise requires, refers to the person(s) named in the "Relationship with Our Controlling Shareholders" in this document
"**CSRC**"	the China Securities Regulatory Commission (中國證券監督管理委員會)
"**Director(s)**"	the director(s) of our Company
"**East China**"	Shanghai Municipality, Jiangsu Province, Zhejiang Province, Shandong Province, Fujian Province, Jiangxi Province and Anhui Province of the PRC
"**EIT**"	the enterprise income tax
"**EIT Law**"	the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得税法》), as amended, supplemented or otherwise modified from time to time

DEFINITIONS

"**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**]

"**Group**", "**our Group**", "**we**", "**our**" or "**us**"	our Company and our subsidiaries (or our Company and any one or more of our subsidiaries, as the content may require), or where the context so requires, in respect of the periods before our Company became the holding company of our present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time
"**HACCP**"	Hazard Analysis Critical Control Point for Food Safety
"**Harvest Capital**"	Harvest Popular Catering Corporation, our pre-[**REDACTED**] investor further details of which are set out in "History, Reorganization and Corporate Structure — Pre-[**REDACTED**] Investment" in this document

[**REDACTED**]

[**REDACTED**]

"**Hong Kong**"	the Hong Kong Special Administrative Region of the PRC
"**Hong Kong dollars**" or "**HK$**"	Hong Kong dollars, the lawful currency of Hong Kong

[**REDACTED**]

[**REDACTED**]

"**IFRS**"	International Financial Reporting Standards, as issued by the International Accounting Standards Board
"**Independent Third Party(ies)**"	person(s) or company(ies) who/which, to the best of our Directors' knowledge, information and belief, is/are not a connected person of our Company

[**REDACTED**]

[**REDACTED**]

"**Laomuji Husbandry Technology**"	Feixi Laomuji Agriculture and Animal Husbandry Technology Co., Ltd. (肥西老母雞農牧科技有限公司), our indirect wholly owned subsidiary and a limited liability company established under the laws of the PRC on December 29, 2009
"**Latest Practicable Date**"	[December 25, 2024], being the latest practicable date for the purpose of ascertaining certain information contained in this document prior to its publication

[**REDACTED**]

"**Listing Rules**"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"**Main Board**"	the stock market (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with GEM of the Stock Exchange
"**Memorandum**" or "**Memorandum of Association**"	the memorandum of association of our Company conditionally adopted on [●] and with effect upon [**REDACTED**], a summary of which is set out in "Summary of Our Constitution and Cayman Islands Company Law" in Appendix III to this document
"**MOFCOM**"	Ministry of Commerce of the PRC (中華人民共和國商務部)
"**NDRC**"	National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)

"**Nomination Committee**"	the nomination committee of the Board
"**Northeastern China**"	Liaoning Province, Jilin Province and Heilongjiang Province of the PRC
"**North China**"	Beijing Municipality, Tianjin Municipality, Hebei Province, Shanxi Province and Inner Mongolia Autonomous Region of the PRC
"**Northwestern China**"	Shaanxi Province, Ningxia Hui Autonomous Region, Qinghai Province, Gansu Province and Xinjiang Uygur Autonomous Region of the PRC

[**REDACTED**]

"**PBOC**"	the People's Bank of China (中國人民銀行), the central bank of the PRC
"**PRC Legal Advisor**"	Llinks Law Offices

[**REDACTED**]

"**province(s)**"	a province or, where the context requires, a provincial level autonomous region or municipality, under the direct supervision of the central government of the PRC
"**QIB**"	a qualified institutional buyer within the meaning of Rule 144A
"**Regulation S**"	Regulation S under the U.S. Securities Act
"**Remuneration Committee**"	the remuneration committee of the Board
"**Renminbi**" or "**RMB**"	Renminbi, the lawful currency of the PRC
"**Reorganization**"	the corporate reorganization undergone by our Group in preparation for the [**REDACTED**] as described in "History, Reorganization and Corporate Structure — Reorganization" in this document
"**Rule 144A**"	Rule 144A under the U.S. Securities Act
"**SAFE**"	the State Administration of Foreign Exchange of the PRC (中華人民共和國外匯管理局)
"**SAMR**"	the State Administration for Market Regulation of the PRC (中華人民共和國國家市場監督管理總局), formerly known as the State Administration for Industry and Commerce (中華人民共和國國家工商行政管理總局)
"**SFC**"	the Securities and Futures Commission of Hong Kong
"**SFO**"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"**Share(s)**"	ordinary share(s) in the capital of our Company of a par value of US$0.0001 each
"**Shareholder(s)**"	holder(s) of our Share(s)

"**South China**"	Guangdong Province, Guangxi Zhuang Autonomous Region and Hainan Province of the PRC
"**Southwestern China**"	Chongqing Municipality, Sichuan Province, Guizhou Province, Yunnan Province and Xizang (Tibet) Autonomous Region of the PRC

[**REDACTED**]

"**Stock Exchange**"	The Stock Exchange of Hong Kong Limited
"**Takeovers Code**"	the Code on Takeovers and Mergers issued by the SFC
"**Track Record Period**"	the two years ended December 31, 2023 and the nine months ended September 30, 2024

[**REDACTED**]

"**United States**" or "**U.S.**"	the United States of America, its territories and possessions, any State of the United States, and the District of Columbia
"**U.S. dollars**" or "**US$**"	United States dollars, the lawful currency of the United States
"**U.S. Securities Act**"	the United States Securities Act of 1933 and the rules and regulations promulgated thereunder
"**%**"	percent

In this document, the terms "associate(s)," "close associate(s)," "connected person(s)," "connected transaction(s)," "core connected person(s)," "controlling shareholder(s)," "deemed connected person(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 OF TECHNICAL TERMS

This glossary contains definitions of certain technical terms used in this document in connection with us and our business. These may not correspond to standard industry definitions, and may not be comparable to similarly terms adopted by other companies.

"active member"	registered members who made a purchase in the year/period
"BI"	Business Intelligence
"Bilibili"	Bilibili (嗶哩嗶哩), a video sharing website themed around animation, comic and games, based in China
"CAGR"	compound annual growth rate
"COVID-19"	coronavirus disease 2019, a disease caused by a novel virus designated as severe acute respiratory syndrome coronavirus 2
"CPI"	consumer price index
"Douyin"	Douyin (抖音), a leading social media short-form video app in China for creating and sharing short lip-sync, comedy, and talent videos
"egg production rate"	based on the average daily egg production rate during the peak production period, and the daily egg production rate is calculated as the number of eggs produced per day divided by the number of laying hens in stock
"emerging first-tier cities"	Chengdu, Hangzhou, Chongqing, Suzhou, Wuhan, Xi'an, Nanjing, Changsha, Tianjin, Zhengzhou, Dongguan, Wuxi, Ningbo, Qingdao, Hefei
"ERP"	enterprise resource planning
"ESG"	environmental, social and governance
"first-tier cities"	Beijing, Shanghai, Guangzhou and Shenzhen
"GDP"	gross domestic product
"GFA"	gross floor area

"GPS"	the Global Positioning System
"IT"	information technology
"major Chinese-style QSR companies"	the Chinese-style QSR companies with over 100 restaurants
"POS"	Point of Sale
"paying member"	members who have paid the membership fee
"QR code"	a machine-readable optical label that contains information about the item to which it is attached
"QSR"	quick service restaurant
"R&D"	research and development
"repurchase rate"	calculated by dividing the number of customers who purchased our products for two or more times during a specific period of time by the number of customers who made at least one purchase during the same period of time
"SAP"	System Applications and Products
"SKU"	Store-keeping unit, a scannable bar code, most often seen printed on product labels. The label allows vendors to automatically track the movement of inventory
"sq.m."	square meter(s)
"SRM"	supplier relationship management
"turnover rate"	refers to the rate at which restaurant managers of self-operated restaurants terminate relationships with the company during a specific period. It is calculated by dividing the number of restaurant managers of self-operated restaurants who left the company by the total number of restaurant managers of self-operated restaurants during the specific period
"WeChat"	WeChat (微信), a Chinese instant messaging, social media and mobile payment app

"Weibo"	Sina Weibo (新浪微博), a Chinese microblogging (weibo) website and social media platform
"WMS"	warehouse management system
"Xiaohongshu"	Xiaohongshu.com, also known as "RED" (小紅書), a thriving lifestyle community platform which tailors content recommendations to individual users and incubates new consumer trends

FORWARD-LOOKING STATEMENTS

This document contains certain forward-looking statements and information relating to our Company and its 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", "target", "will", "would" and the negative of these words and other similar expressions, as they relate to us or our management, are intended to identify forward-looking statements. Such statements reflect the current views of our management with respect to future events, operations, liquidity and capital resources, some of which may not materialize or may change. These statements are subject to certain risks, uncertainties and assumptions, including the other risk factors as described in this 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 or into which we intend to expand;
- our business and operating 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, operating conditions and general outlook in the industry and geographical markets in which we operate;
- the effects of the global financial markets and economic crisis;
- our financial condition and performance;
- 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.

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.

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

All forward-looking statements in this document are qualified by reference to the cautionary statements in this section.

*An [**REDACTED**] in our Shares involves significant risks. You should carefully consider all of the information in this document, including the risks and uncertainties described below, before making an [**REDACTED**] in our Shares. The following is a description of what we consider to be our material risks. Any of the following risks could have a material and adverse effect on our business, financial condition and results of operations. In any such case, the market price of our Shares could decline, and you may lose all or part of your [**REDACTED**].*

These factors are contingencies that may or may not occur, and we are not in a position to express a view on the likelihood of any such contingency occurring. The information given is as of the Latest Practicable Date unless otherwise stated, will not be updated after the date hereof, and is subject to the cautionary statements in "Forward-looking Statements" in this document.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

Our business depends significantly on market recognition of our "Laoxiangji (老鄉雞)" brand, and any failure to maintain, protect or enhance our brand could materially and adversely impact our business and results of operations.

We believe that maintaining and enhancing the image of our "Laoxiangji (老鄉雞)" brand is important to maintain our competitive advantage and is vital to our success. 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 the image of our brand depends to a large extent on our ability to further develop and maintain the quality of our menu offerings, quality services, pleasant dining environments throughout our restaurant network and our ability to respond to any changes in the competitive environment within China's catering industry. If we are unable to do so, the value of our brand 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 which result in adverse side effects for consumers, we may be associated with negative publicity and our brand reputation may suffer as a result. See also "— 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." As we continue to grow in size, expand our offerings and services and extend our geographic reach, maintaining quality and consistency may be more difficult and we cannot assure you that consumers' confidence in our brand will not be declined or diminished.

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

The sales and profitability of the existing restaurants will affect our business and remain as key factors affecting our revenue and profit. Factors such as diverse menu offerings, quality of dishes, service quality of staff, dining experience, delivery options and prime store locations with high consumer traffic can influence these outcomes. Particularly, our ability to increase sales of existing self-operated restaurants depends in part on our ability to successfully increase customer traffic, seat turnover and spending per guest. Furthermore, the operations of our franchisees can impact our brand reputation and restaurant sales. There can be no assurance that we will be able to achieve our targeted sales growth and profitability will consistently align with our expectations. Should they fail to meet our expectations, our business, financial condition, and results of operations could be materially and adversely affected.

As of September 30, 2024, we had an extensive restaurant network of 1,404 restaurants across 53 cities and nine provinces in China. To minimize competition among restaurants, we implement a strategic limit on the number of restaurants permitted in each city within our expansion plan. Typically, we do not open restaurants within a 500-meter radius of an existing restaurant in Hefei, where our market presence and restaurant density are already well-established. In other underpenetrated regions, we extend this radius to 1,000 meters. Nonetheless, as new restaurants are opened 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.

Our future growth depends on our ability to open and profitably operate in existing and new geographical markets. We may not be able to successfully enter new geographical markets or expand our presence in the existing markets.

Our future growth depends on our ability to open and profitably operate new restaurants. In 2022, 2023 and the nine months ended September 30, 2024, we opened 126, 154 and 253 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 securing prime locations for our new stores, 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. Furthermore, we may encounter difficulties in attracting new franchisees. This growth strategy and the substantial efforts associated with the development of each additional restaurant may cause our operating results and profits to fluctuate.

In terms of new geographical markets, any additional new markets we might enter in the future could present different competitive conditions, consumer preferences, spending patterns, and regulatory and compliance requirements. As a result, we cannot guarantee that the actual market demands of new markets will align with our expectations or that we will open new restaurants in these markets on a timely basis or at all. 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. To increase our brand awareness in new markets, we might need to invest more in advertising and promotional activities than originally planned. In addition, for the self-operated restaurants, we may find it more difficult in new markets to hire, motivate and retain qualified employees who share our business philosophy and culture. Furthermore, we may take longer to set up similar supply chains with suitable quality control in such new markets. Restaurants in new markets may experience lower average sales, reduced guest spending, and higher costs for renovations, occupancy, or operations compared to those in established markets. Additionally, these new restaurants may take longer than anticipated to reach, or may never reach, expected sales and profit levels, which could impact 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. If we cannot successfully enter these new markets or if there is a delay in our expansion into these markets, our business, financial condition, and results of operations might be adversely affected.

In terms of existing geographical markets, as we increase our restaurant density, we will also need to enhance our supply chain infrastructure in these existing markets to meet the growing market demand, while maintaining the high quality of our menu offerings. As a result, we might incur additional operating expenses as we continue our expansion into these markets. Further, we may also encounter difficulties during our expansion. For example, we may encounter intense competition from other market participants. If we are unable to compete effectively or maintain strong relationships with our existing franchisees, our market share in these existing markets could be adversely impacted. If our expansion in the existing markets is not cost-effective or fails to achieve positive results, it could negatively impact our business, financial condition, and results of operations.

All the factors mentioned above, whether individually or in combination, might delay or hinder our restaurant network expansion. Moreover, our expansion could place considerable demands on our management and our operational, technological, and financial resources. If we cannot manage these demands, our business, financial condition, and results of operations could be negatively affected.

Increases in the cost of food ingredients used in our restaurants and other associated costs may lead to declines in our profit margins and operating results.

Any rise in our procurement costs, particularly higher costs of the food ingredients and associated logistics costs, may lead to declines in our margins and adversely impact our 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 37.0%, 37.7%, 37.2% and 39.8% of our revenue in 2022, 2023 and the nine months ended September 30, 2023 and 2024, 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 food 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 profit margins may decrease. Although generally we may benefit from the measures that control price increases which keep our food 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.

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 commercial property operators 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.

The lease arrangements for our self-operated restaurants generally last between two to six years. 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 significant modifications 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.

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. Some of our restaurants that have a lease term of over five years, and 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. 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.

We face certain risks associated with the use of the franchise model.

We introduced the franchise model in 2020 as our first attempt to combine the benefits of the franchise model with our traditional strengths developed through the self-operation model. As of September 30, 2024, we had 455 franchised restaurants. For details of our franchise arrangements, see "Business — Our Restaurants — Restaurant Network."

We face a number of risks associated with the use of our franchise model, each of which may impact our revenue generation, harm our brand image, and may adversely affect our business and results of operations. These risks include, among others:

- *Control over franchisees.* Our franchisees manage their businesses independently and are responsible for the day-to-day operation of their restaurants. As a result, we cannot fully control their actions and our contractual rights and remedies are limited. If our franchisees do not perform their obligations pursuant to their franchise agreements with us, including but not limited to obtaining the relevant operating permits or complying with the applicable laws and regulations, or if our franchisees do not successfully operate restaurants in a manner consistent with our required standards, or project an image inconsistent with our brands and values, our brands' image and reputation could be harmed, which in turn could hurt our business and operating results. The success of our franchised restaurants will also depend on the willingness and ability of our franchisees to implement major initiatives, which may include financial investment, and to remain aligned with us on operating, promotional and reinvestment plans, which may be capital-intensive and may only be beneficial in the long term. There is no guarantee that our franchisees will share our vision, and they may refuse to take actions that are only beneficial in the long term.

- *Revenue realized from franchised restaurants.* The revenue we realize from franchised restaurants are partly dependent on the ability of our franchisees to grow their sales. If our franchisees do not experience sales growth, our revenue and margins could be negatively affected. Also, if sales trends worsen for our franchisees, their financial results may deteriorate, which could result in, among other things, restaurant closures or delayed or reduced payments to us.

- *Insolvency and/or financial distress*. A franchisee's insolvency and/or financial distress could have a substantial negative impact on our ability to collect payments due under the franchise arrangements and may have a negative impact on our brand image.

- *Litigation*. Our franchisees are subject to a variety of litigation risks, including, but not limited to, customer claims, personal-injury claims, environmental claims, and employee allegations of improper termination. As stipulated in our franchise agreement, we typically will not be held liable for the claims against our franchisees. Although we are not directly liable for the costs involved in these types of litigation, each of these claims may increase the costs of our franchisees and adversely affect their profitability, and may therefore limit the funds available for them to pay franchise fees or make procurement, to renovate and develop the restaurants they operate, or limit their ability to renew their arrangements with us. On the contrary, our franchisees or former franchisees may have disputes with us for various issues, such as breach of franchise agreement. Such direct or indirect litigation risks could in turn adversely affect our business and operating results and may negatively impact our brand image.

Shortages or interruptions in the availability and delivery of our food ingredients and other consumables 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 consumables in a timely manner, we may experience supply shortages and increased 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 a consistent quality of menu offerings throughout our restaurant network depends in part upon our ability to acquire food ingredients and other consumables in sufficient quantities from reliable sources that meet our food safety and quality specifications. We may enter into agreements with our suppliers for certain food ingredients and other consumables with fixed prices within certain periods. 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 in the future.

A disruption in the supply of our food ingredients and other consumables can occur for a variety of reasons, many of which are beyond our control, including adverse weather conditions, international trade disputes, import and export restrictions, natural disasters, diseases, logistics disruptions, 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 standards in the future. If any of our suppliers does not perform their quality controls adequately or otherwise fails to distribute goods to us in a timely manner, we cannot assure you that we will be able to find suitable alternative suppliers on acceptable terms in a short period of time. As a result, our failure to find suitable alternative suppliers could increase our procurement costs and cause shortages of food ingredients and other consumables. Any significant food ingredients shortages or supply disruptions will lead to the unavailability of some menu offerings and a significant reduction in revenue as customers may seek alternative dining options.

Any failure by us, our suppliers, franchisees, or other business partners to maintain food safety and quality might materially and adversely affect our brand, business, and financial performance.

Ensuring the food safety and quality of our products is vital to our success and reputation. Given the extent of our operations and the growth of our restaurant network, upholding food safety and quality of our products significantly depends on the effectiveness of our quality control system. This effectiveness is contingent on several factors, including the comprehensiveness of our quality control system, our ability to ensure that our staff in our self-operated restaurants, third-party suppliers, franchisees, or other business partners, such as logistics service providers, involved in our operations adhere to our quality assurance policies and guidelines, and our capability to monitor potential violations of our quality control system effectively. For further details, see "Business — Food Safety and Quality Control."

However, there is no guarantee that our quality control system will always be effective, nor can we ensure that we can identify all flaws in our quality control system in a timely manner. We might not be able to ensure that our employees, third-party suppliers, franchisees, or other business partners consistently adhere to our internal policies and guidelines. The quality of goods or services provided by these parties can be influenced by factors beyond our control. Moreover, the operations of our restaurants involve the handling, processing and storage of food. There is no assurance that these procedures will be completed properly. Any significant breakdown or deterioration of our quality control systems, or any failure to prevent food safety issues, might materially and adversely impact our reputation, financial condition, and results of operations. We may be generally responsible for compensation of customers' losses even if the contamination of food is not caused by us. Therefore, we may also be held liable if our employees, franchisees, suppliers or other business partners fail to comply with applicable food-safety related rules and regulations. While we may seek indemnification from the responsible parties afterwards, the indemnification may not be sufficient and our reputation could still be adversely affected.

There have been, and there might continue to be, negative incidents and publicity related to food safety issues in our restaurants. In addition, instances or reports, whether true or not, of food-safety concerns, such as tampering, adulteration, contamination, lapses in staff hygiene or cleanliness, or improper conduct by employees or restaurant staff, have previously caused reputational damage to companies within our industry. Any report linking us to such instances could significantly reduce our sales and could potentially lead to liability claims, litigation, and/or temporary restaurant closures.

Furthermore, there have occasionally been reports and negative publicity regarding safety and quality incidents within the catering industry. Reports on public health concerns and/or negative media attention concerning our competitors or catering providers across the catering industry supply chain may potentially affect customer perception of our business as well. Any such negative publicity could materially harm our business, brands and results of operations. 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 service industry experiences slower growth from concerns over food safety.

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

China's catering industry is intensely competitive with respect to, among other things, food quality and consistency, taste, price, ambience, service, site, and employees. We face significant competition at each of our sites from a variety of restaurants in various market segments, including locally owned restaurants and regional and international chains. Our competitors also offer dine-in and delivery services. There may be well-established competitors with greater financial, marketing, personnel and other resources than ours, and many of our competitors are well established in the markets where we have restaurants or in which we intend to open new restaurants. Additionally, other companies may develop new restaurants that operate with similar concepts and target similar customer groups, 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 benefit us as expected, or at all.

We may not be able to quickly develop new menu offerings and adapt to evolving consumer preferences.

The success of our restaurants is also defined by consumer preference. Our continued success depends on our ability to launch new menu offerings and improve existing menu offerings to cater to evolving consumer preferences. There is no guarantee that we will always be able to effectively gauge or capture the direction of our key markets and successfully identify, develop and promote new or improved menu offerings in the changing market, or that our new menu offerings will always be favored by consumers or commercially successful. Our results of operation could be adversely affected by the lack of consumer acceptance of new menu offerings, consumers reducing their demand for our current offerings as new menu offerings are introduced.

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

The success of our restaurants revolves primarily around customer satisfaction, which is dependent on the continued popularity of our brand and lies in our ability to maintain and enhance our menu offerings and 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 introduce new services or dishes that gain popularity amongst customers;
- inability to meet the needs of our customers and changes in consumer tastes or preferences;
- decline in food quality, or the perception of such decline amongst customers;
- any significant liability claims or food contamination complaints from our customers;
- 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.

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 depends on the quality of the food ingredients provided by our suppliers to a certain degree, 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, our restaurant staff or our franchisees will adhere to our internal policies and procedures 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 dishes 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 customer complaints we received were related to the dish and service quality. 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 customer complaints of similar nature.

Any complaints or claims against us, or any restaurants we or our franchisees operate, even if without merit and unsuccessful, may divert management attention and other resources from our business and adversely affect our business and operations. Consumers 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.

Our restaurant network is geographically concentrated, and we could be negatively affected by conditions specific to our markets.

As of September 30, 2024, approximately 50.7% of our restaurants are located in Anhui Province. Although we expect to continuously expand our restaurant geographical coverage across China, any adverse event or circumstance unique to this region could have an amplified impact on our overall performance. This includes not only industry-specific challenges, like changes in consumer preferences or market saturation, but also broader external changes. Factors such as localized economic downturns, natural disasters, outbreaks of infectious diseases, or new regulations imposed by local authorities that might impose constraints on our operations or the catering industry as a whole can substantially affect our revenue. The fallout from any of these events may materially and adversely affect our financial results and business operation.

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

Our business is susceptible to food-borne illnesses, infectious 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 procurement from suppliers may increase the risk of incidents of food-borne illness, which could be caused by franchisees and suppliers outside our control and the risk of affecting multiple sites instead of a single restaurant being affected. 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 foot and mouth disease or avian influenza, could adversely affect the supply of some of our food 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 economy and local economies. In December 2019, COVID-19 was first reported and was subsequently declared a pandemic by the World Health Organization in March 2020. In recent years there have also been seasonal outbreaks of the influenza A virus which is prevalent worldwide during the winter season. Any of the above may cause material disruptions to our operations, including but not limited to, travel restrictions, temporary closures of our restaurants, which in turn may materially and adversely affect our financial condition and results of operations.

Additionally, we raise chickens at our chicken farms during the Track Record Period, and the outbreak of diseases among the livestock or attributed to livestock or zoonoses and adverse publicity of these diseases can adversely affect our chicken farming and restaurant business. Although we take precautions to ensure that our hens are healthy and that our farms and other facilities operate in a sanitary manner, we are subject to risks relating to our ability to maintain animal health and control diseases. For example, avian influenza, in particular H5N1 virus, H7N9 virus and H5N6 virus, is a type of disease that spreads through poultry and is capable of killing millions of poultry and may, in some circumstances, be transmitted to humans. Avian influenza outbreaks that have spread over the past two decades are considered a pandemic threat in Asian countries. The PRC government has given high priority and taken measures to control and minimize the spread of avian influenza, such as culling poultry, monitoring cases of avian influenza, vaccinating and closing live markets. During the Track Record Period, there were no large-scale outbreaks of avian influenza infection detected in our farms and the outbreaks of avian influenza did not cause any material adverse impact on our business operations and financial performance. However, outbreaks of diseases in neighboring areas of any of our facilities could raise concerns for the public and our customers about the safety and quality of our offerings. Adverse publicity concerning any disease or health issue could also cause customers to lose confidence in the safety and quality of our menu offerings. In addition, outbreaks of zoonoses similar to avian influenza may curb consumption and cause significant decrease in demand for related meat products. There can be no assurance that there will be no large-scale outbreaks or recurrence of outbreaks of animal diseases or zoonoses in the future. If we experience any outbreaks of animal diseases or zoonoses, our business, results of operations and financial condition may be adversely and materially affected.

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 of our offerings and services and meet our expansion plans.

If our senior management team fails to work together successfully, or are unable to effectively implement our business strategy, we may be unable to grow our business at the speed or in the manner we expect. Competition for experienced management and operating personnel in the catering market is intense, 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 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. Any of the above would materially and adversely affect our business and results of operations.

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

We are exposed to the risks of fraud, theft or other misconduct involving employees, franchisees, customers or other third parties, which may have a material adverse impact on our business. We are also exposed to the risk of our employees responsible for procurement and quality control receiving bribes or kickbacks 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 or harm our reputation.

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 and 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 significant time and financial resources, and any non-compliance may expose us to liability. In case of any non-compliance, we may have to incur significant expenses 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 in relation to our owned and leased properties. As of the Latest Practicable Date, we failed to obtain the fire safety inspection approvals (the "**Fire Safety Approvals**") for some of our restaurants. According to applicable PRC laws and regulations, such restaurants may be ordered to pay a fine ranging from RMB30,000 to RMB300,000 and to discontinue operations. For further details, see "Business — Compliance, Licenses and Permits — Fire Safety."

As of the Latest Practicable Date, some of our restaurants had not completed fire prevention acceptance filings that we are obliged to. According to applicable PRC laws and regulations, we may be ordered to complete the filing in due course and could be subject to a fine of up to RMB5,000 for each restaurant that has not completed the filing. Our maximum penalty for not being able to complete the filings timely will be no more than RMB0.2 million. For further details, see "Regulatory Overview — Regulations on Fire Prevention." Although we had implemented additional internal control measures as detailed in "Business — Compliance, Licenses and Permits — Fire Safety, 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 further details, see "Business — Compliance, Licenses and Permits."

Our business is affected by the performance of, and our long-term relationships with, third-party e-commerce platforms and third-party payment service providers.

Our delivery services partly is affected by the performance of, and our long-term relationships with, third-party e-commerce platforms. We allow our menu offerings to be presented on and ordered through their platforms. Accordingly, if we fail to extend or renew the agreements with these e-commerce platforms on acceptable terms, or at all, our business and results of operations may be materially and adversely affected, and any increase in the fees charged by these e-commerce platforms could negatively impact our operating results.

Most of our sales were settled through online payment methods. Therefore, the ability to accept online payments is critical to our business. We accept online payments through third-party payment service providers, such as WeChat Pay, Alipay and Union Pay. If we fail to extend or renew the agreements with these online payment processors on acceptable terms or if these payment service providers are unwilling or unable to provide us with payment services or impose onerous requirements on us in order to access their services, or if they increase the fees they charge us for these services, our business and results of operations could be harmed.

Furthermore, to the extent we rely on the systems of online payment service providers, any defects, failures and interruptions in their systems could result in similar adverse effects on our business. Sustained or repeated system defects, failures or interruptions would impact our ability to consistently make timely deliveries and provide a simple and convenient ordering experience to our customers. Hence, our customer satisfaction may be significantly undermined, and our reputation and relationship with our customer may be damaged as a result, which could materially impact our business and results of operations.

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

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

Our operating history might not reflect our future growth or financial results. If we fail to manage our growth, our business and prospects may be materially and adversely affected.

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, margins 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. In addition, our overall results of operations may fluctuate significantly from period to period because of various factors that are beyond our control, including the timing of new restaurant openings, 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 raw materials and commodity prices. You should not rely on our historical results to predict our future financial performance.

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

Our staff costs primarily include salaries, wages and other benefits payable to our restaurant staff, which have been a major component of our operating costs as recognized under our cost of sales. In 2022, 2023 and the nine months ended September 30, 2023 and 2024, our staff costs amounted to RMB1,050.6 million, RMB1,270.5 million, RMB944.8 million and RMB998.3 million, respectively, representing 23.2%, 22.5%, 22.6% and 21.4% of our revenue in the same periods, respectively.

As of September 30, 2024, all of our employees were employed in China where the average cost of labors has increased significantly over the past decades. The overall economy and the average wage in the PRC are expected to continue growing. We compete with other competitors for labor resources and may not be able to offer competitive remuneration and benefits compared with them. 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.

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

Companies operating in China are required to make social insurance and housing provident funds for their employees. We have in the past failed to make timely and adequate social security insurance and housing provident fund contributions for some of our employees in accordance with the relevant PRC laws and regulations. Our PRC Legal Advisor has advised us that, pursuant to relevant PRC laws and regulations, if we fail to pay the full amount social insurance as required, 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 Advisor has further advised us that, pursuant to relevant PRC laws and regulations, if we fail to pay the full amount of housing provident fund contributions 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. For further details, see "Business — Our Employees — Social insurance and housing provident funds."

Failure to comply with PRC property-related laws and regulations regarding certain owned and leased properties may adversely affect our business.

We own and lease properties in China in connection with our business operations. Some of these properties do not meet certain property-related requirements under PRC laws and regulations.

As of the Latest Practicable Date, we have not obtained the building ownership certificates for four of our properties which were primarily used as restaurants. As advised by our PRC Legal Advisor, the lack of such building ownership certificates does not subject us to any administrative penalty under applicable PRC laws and regulations, but we may not transfer, mortgage or dispose of the underlying properties until we obtain the relevant building ownership certificates. While we strive to obtain building ownership certificates for these four properties, we may not be able to ultimately obtain such certificates, and our ownership and use of such properties may be adversely affected.

As of the Latest Practicable Date, 874 of our leased properties for operation were not registered and filed with the competent PRC government authorities as required by applicable PRC laws and regulations. We cannot assure you that the lessors will cooperate and complete the registration in a timely manner. Our PRC Legal Advisor has advised us that failure to complete the registration and filing of lease agreements will not affect the validity of such leases but could result in the imposition of fines ranging from RMB1,000 to RMB10,000 for each lease agreement that is unregistered if we fail to rectify the non-compliance within the time frame prescribed by the relevant authorities.

Furthermore, as of the Latest Practicable Date, 213 of the lessors of our lease properties have not provided us with the property ownership certificate or any other relevant authorization documents evidencing the rights of lessors to lease the properties. If the lessor is not the owner of the property and the lessor has not obtained consent from the owner or their lessor, our lease could be invalidated or terminated as a result of challenges by third parties. If that occurs, we may have to renegotiate the leases with the landlords or other parties who have the right to lease the properties, and the terms of the new leases may be less favorable to us. Although we may seek damages from such lessors, such leases may be void and we may be forced to relocate, which may negatively influence our operations.

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

As we lease properties for a majority of our self-operated restaurants and offices, we have significant exposure to the retail rental market in China. In 2022, 2023 and the nine months ended September 30, 2023 and 2024, our depreciation of right-of-use assets amounted to RMB385.1 million, RMB379.3 million, RMB274.5 million and RMB272.0 million, respectively, representing 8.5%, 6.7%, 6.6% and 5.8% of our revenue in the same periods, respectively. Since our rental expenses represent a significant portion of our total operating expenses, our profitability may be adversely affected by any substantial increase or fluctuations in such expenses of our restaurant premises.

Events that disrupt the operations of any of our restaurants, central kitchens, chicken farms and distribution centers, such as mechanical failures, utility shortages, fires, floods, earthquakes or other natural or man-made disasters, may adversely affect our business operations.

Our operations are vulnerable to interruption caused by mechanical failures. Any mechanical failures or breakdowns could disrupt operations and cause us to incur additional costs to repair or replace the affected mechanical systems. There can be no assurance that we will not experience problems with our machinery and equipment or that we will be able to address any such problems or obtain replacements in a timely manner. Problems with key machinery and equipment in one or more of our restaurants, chicken farms, central kitchens or distribution centers may affect our ability to maintain our normal business activities or cause us to incur significant expenses to repair or replace the affected machines or equipment. Any of these factors could have a material and adverse effect on our business, financial condition, results of operations and prospects.

Furthermore, our operations depend on a continuous and sufficient supply of utilities, such as electricity, water and gas. Any disruption in the supply of electricity, water or gas at our restaurants, chicken farms, central kitchen, or distribution centers would have an adverse effect on our business and operations.

In addition, our business is also dependent on the prompt delivery and transportation of our food ingredients and other consumables. Certain events, such as explosions, fires, earthquakes, natural disasters or extreme weather, including droughts, floods, excessive cold or heat, typhoons or other storms could cause power outages, gas or water shortages, or damage our operations or transportation channels, any of which may result in the loss of potential business, and thus sales revenue. Perishable food ingredients may deteriorate due to delivery delays, malfunctioning of refrigeration facilities or poor handling during transportation by our suppliers or our logistics partners that are beyond our control. 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 offerings and services to customers, thereby affecting our business and damaging our reputation. Any such event could 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 information technology systems across our operations and management 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. Any damage or failure of our information technology systems or computer virus attacks that cause interruptions 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. 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 proceeding could divert our management from running our business and cause us to incur significant unplanned losses and expenses. In addition, our customers' confidence in the effectiveness of our security measures could be harmed and we may lose customers 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 have limited insurance coverage.

We purchase and maintain insurance policies that we believe are customary for businesses of our size and type, and as required under the relevant laws and regulations. For further details, see "Business — Insurance." However, we cannot guarantee that our insurance policies will provide adequate coverage for all the risks in connection with our business operations, nor can we assure you that our franchisees will adhere to our requirements regarding insurance coverage. 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. Additionally, consistent with customary practice in China, we do not carry specific business interruption or litigation insurance. If we were to incur substantial losses and liabilities that are outside the scope of our insurance coverage, we could suffer significant costs and diversion of our resources, which could have a material and adverse effect on our financial conditions and results of operations. We may also be required to bear the losses to the extent that our insurance coverage is insufficient.

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 or applied for certain trademarks, 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 and 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 and results of operations may be adversely affected. For further details, 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.

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.

We may encounter infringement claims by third parties of their trademarks, copyrights, trade secrets or any other intellectual property rights, which could disrupt our normal business operations, damage our reputations, and cause us to incur substantial legal costs.

We cannot assure you that third parties will not claim that our business, offerings or other intellectual property developed or used by us infringes upon, or otherwise violates copyrights, patents or other intellectual property rights they hold. We may be subject to claims by competitors and others on the grounds of intellectual property rights infringement, defamation, negligence or other legal theories based on the content used in our business operation.

Any claims against us, with or without merit, could be costly and time-consuming to defend, divert our management's attention, or result in the loss of goodwill associated with our brand. If a claim against us is successful, we may be required to pay substantial damages or enter into royalty or license agreements that may not be based on commercially reasonable terms. We may also lose the right to offer our offerings or have to make changes to our offerings, which could adversely affect the attractiveness of our offerings, damage our reputation, and have a material adverse effect on our results of operations and financial position.

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

With the rising awareness of ESG issues, including with respect to food and packaging waste, greenhouse gas emissions and environmental protection, more stringent laws and regulations that affect our business operations may be adopted. 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, Social and Corporate Governance." We cannot assure you that these risk management measures can effectively mitigate the relevant risks and help us to navigate the complex and evolving regulatory environment. Changes in 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, results of operations and financial performance may be adversely affected.

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

China's catering industry is affected by macroeconomic factors, including changes in international, national, regional and local economic conditions, employment levels and consumer spending patterns. Any deterioration of the global 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 customer at our restaurants. These macroeconomic factors could materially and adversely affect our financial condition and results of operations.

Moreover, the occurrence of 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 financing 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.

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, 2022, 2023 and September 30, 2024, we recorded net current liabilities of RMB605.7 million, RMB472.8 million, and RMB613.2 million, respectively. For a detailed analysis of our net current liability position, see "Financial Information — Selected Balance Sheet Items — Current Assets/Liabilities."

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, and 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 results of operations, prevailing economic conditions, and 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 not be able to effectively manage our inventory, which may adversely affect our results of operations, financial condition and liquidity.

Our inventories primarily consisted of processed food, raw materials, packaged food and beverages, and other materials used in our restaurant operation. Managing our inventory effectively is essential to our operations. We base our purchasing decisions on demand forecasts for varied goods to manage our inventory accordingly. However, this demand can shift between the time of order and the intended sale date. Multiple factors can influence this demand, including product launches, pricing strategies, potential product defects, and evolving consumer behaviors and preferences. It is also possible that our franchisees may not order products in the quantities we have predicted. In addition, when we procure a new kind of raw material for a new product, our demand forecasts may not align with the consumer acceptance of our new products, and it may be challenging for us to accurately predict demand for the raw material.

As we expand our menu, the growing variety of ingredients for our dishes is expected to complicate our inventory management process. There is no certainty that our inventory levels will always match customer and franchisees' demands, which may adversely affect our sales. Ineffectual inventory management could expose us to risks like inventory obsolescence, a decline in inventory value, and significant inventory write-offs. These challenges may materially and adversely affect our business, results of operations and financial condition. If we miscalculate product demand, or if there are lapses in our suppliers' timely provision of quality ingredients, inventory shortages might ensue. These shortages could erode brand loyalty, lead to revenue loss, and jeopardize our business reputation, negatively affecting our operations, financial position, and overall liquidity.

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

Our credit risk is primarily attributable to trade receivables and financial assets included in prepayments and other receivables. As of December 31, 2022, 2023 and September 30, 2024, our trade receivables amounted to RMB40.2 million, RMB24.5 million and RMB34.3 million, respectively. For further details, see "Financial Information — Selected Balance Sheet Items — Current Assets/Liabilities — Trade Receivables." Our trade receivables primarily represent outstanding amounts due from third-party e-commerce platforms, corporate customers, and franchisees in connection with the sales of our products in the ordinary course of business. In 2022 and 2023, we also recorded provision for impairment losses on financial assets of RMB7.9 million and RMB1.4 million, while in the nine months ended September 30, 2023 and 2024, we recorded net reversal of impairment on financial assets of RMB1.2 million and RMB2.5 million, respectively, primarily in relation to impairment of our trade receivables, other receivables, rental deposits and receivables under finance leases. For further details, see "Financial Information — Selected Balance Sheet Items — Current Assets/Liabilities — Prepayments and other receivables."

If the abovementioned parties delay or default in their payments to us or the collection of our receivables fails to meet our expectation, we may have to continue 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.

If our preferential tax treatment becomes unavailable, our results of operations may be adversely affected.

During the Track Record Period, we enjoyed preferential tax treatment under relevant preferential tax policies. The EIT Law and its implementation rules have adopted a flat statutory enterprise income tax rate of 25% to all enterprises in China (if not entitled to any preferential tax treatment). The reduction or exemption of EIT for income from agriculture and husbandry business has been uniformly in force since January 1, 2008. Pursuant to the prevailing tax rules and regulations in the PRC, the income from various China subsidiaries of our Company engaging in primary processing for agricultural products, animal husbandry and poultry feeding, are reduced or exempted from EIT during the Track Record Period. However, we cannot assure you that we will continue to enjoy similar preferential tax treatment in the future. If we cease to be entitled to preferential tax treatment, our income tax expenses may increase, which would adversely affect our results of operations.

The discontinuation of any government grants could adversely affect our financial condition and results of operations.

During the Track Record Period, we primarily received government grants from government authorities in connection with industry development, consumption incentives, and employment stabilization. In 2022, 2023 and the nine months ended September 30, 2023 and 2024, we recognized government grants of RMB22.8 million, RMB21.2 million, RMB14.8 million and RMB8.3 million as other income and gains, respectively. We cannot assure you that we will continue to receive such government grants from local government authorities or that the amount of such grants will not be reduced in the future. Any significant reduction of government grants received by us may adversely affect our financial condition.

We have recognized, and may continue to recognize impairment losses for non-current assets.

In 2022, 2023 and the nine months ended September 30, 2023 and 2024, we recorded impairment losses recognized on right-of-use assets of nil, RMB3.3 million, RMB2.7 million and RMB1.0 million under other expenses, respectively, primarily representing the impairment losses based on the unfavorable future prospects of certain self-operated restaurants. For details of accounting treatment, please see Notes 3 and 6 to the Accountants' Report in Appendix I to this document. We may continue to recognize impairment losses for non-current assets in the future as we are actively expanding our business. If we continue to recognize impairment losses for non-current assets, our financial condition and results of operations may be materially and adversely affected.

As of December 31, 2022, 2023 and September 30, 2024, we also recorded goodwill of nil, RMB1.6 million and RMB1.6 million, respectively, and equity investments designated at fair value through other comprehensive income of nil, nil and RMB10.0 million, respectively, which were in relation to our unlisted equity investments. For further details, see Notes 2.4 and 20 to the Accountants' Report in Appendix I to this document. Although we did not incur any impairment losses for goodwill or equity investments designated at fair value through other comprehensive income during the Track Record Period, we cannot assure you that we will not incur any such impairment loss in the future. If we incur such impairment loss, our financial condition, results of operations and prospects may be adversely affected.

Fair value change in our debt investments at fair value through other comprehensive income and financial assets at fair value through profit or loss may adversely affect our financial condition and results of operation.

During the Track Record Period, we purchased negotiable certificates of deposit, structured deposits and wealth management products issued by banks in China. For further details, see "Financial Information — Selected Balance Sheet Items — Current Assets/Liabilities — Debt investments at fair value through other comprehensive income" and "Financial Information — Selected Balance Sheet Items — Current Assets/Liabilities — Financial assets at fair value through profit or loss." As of December 31, 2022, 2023 and

September 30, 2024, our debt investments at fair value through other comprehensive income amounted to RMB84.4 million, RMB55.7 million and RMB20.2 million, respectively, while our financial assets at fair value through profit or loss amounted to nil, nil and RMB70.4 million, respectively.

As we need to make significant estimates on assumptions in determining the fair value of the wealth management products we purchased and investments we made using unobservable inputs, the valuation of these assets are subject to uncertainties. Factors beyond our control can significantly influence and cause adverse changes to the estimates we use and thereby affect the fair value of the relevant financial assets and debt investments. Any net change in the fair value of such assets and investments are recorded as our other income and gains and other comprehensive income 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.

Fair value changes in our biological assets and the related valuation uncertainty may affect our financial condition and results of operations.

Our biological assets represent broilers and laying hens. We had biological assets of RMB53.5 million, RMB95.1 million and RMB96.2 million as of December 31, 2022, 2023 and September 30, 2024, respectively. The fair value of our biological assets at the end of each reporting period was determined by an independent professional valuer, using a number of assumptions that may vary from time to time. The fair value of the biological assets could be affected by, among others, the accuracy of those assumptions, as well as the changes in the relevant industry. In addition, while these assumptions as adopted in the valuation process have been in line with the actual results, we cannot assure you that there will be no significant deviation in the future. For valuation of our biological assets, please see Notes 2.4, 18 and 43 to the Accountants' Report in Appendix I to this document.

In addition, any increase or decrease in market prices for biological assets will increase or reduce our profit, and gains or losses arising from changes in fair value less cost to sell of biological assets, which makes our profit more volatile and susceptible. In 2022, 2023 and the nine months ended September 30, 2023 and 2024, we recorded changes in fair value of biological assets of RMB32.2 million, RMB46.9 million, RMB34.5 million and RMB25.7 million, respectively. We cannot assure that the fair value gain on our biological assets will not decrease in the future. Any decrease in the fair value gain of our biological assets may have a material and adverse effect on our profitability, overall financial conditions and results of operations.

Our results are affected by fair value changes of our investment properties and the related valuation uncertainty.

Our investment properties during the Track Record Period represent five commercial properties in China that we leased to third parties under operating leases. As of December 31, 2022, 2023 and September 30, 2024, our investment properties amounted to nil, RMB23.2 million and RMB22.8 million, respectively. Our investment properties are stated at their estimated fair value at the end of each reporting period with reference to the valuations obtained from an independent property valuer. Gains or losses arising from changes in the fair value of our investment properties are included in the statement of profit of loss in the period in which they arise. In 2022, 2023 and the nine months ended September 30, 2023 and 2024, we recorded fair value losses on investment properties of nil, RMB0.1 million, RMB0.1 million and RMB0.5 million, respectively. For further details of the fair value changes in respect of our investment properties, see Notes 14 and 43 to the Accountants' Report in Appendix I to this document.

Fair value of our investment properties is assessed by an independent property valuer and are calculated based on certain assumptions adopted by them. We cannot assure you that the assumptions used by the independent property valuer will be realized. If any of the assumptions adopted by the independent property valuer in reaching the fair value of our investment properties proves to be inaccurate, the value of our investment properties may be materially affected. Unforeseeable changes in circumstances such as any downturn or deterioration in the macroeconomic environment of for other reasons may also adversely affect the value of our investment properties. Any such decrease in the fair value of our investment properties will reduce our profits and could have a material adverse effect on our results of operations, financial condition and business prospects.

We may not be able to fulfill our obligations in respect of contract liabilities, which may have a material and adverse impact on our business, reputation and liquidity position.

Our contract liabilities primarily represented (i) prepaid cards we sold to customers but not yet used, (ii) products yet to be delivered and services yet to be provided to our franchisees, and (iii) credited points that our customers have accumulated under our customer loyalty scheme but not yet redeemed. We recorded contract liabilities of RMB154.1 million, RMB190.2 million and RMB251.4 million as of December 31, 2022, 2023 and September 30, 2024. For further details, see "Financial Information — Selected Balance Sheet Items — Current Asset/Liabilities — Contract Liabilities." If we fail to fulfill our obligations under our prepaid cards, products and services, or credited points, we may not be able to recognize such contract liabilities as revenue, which may have a material and adverse impact on our business, results of operation, reputation and liquidity position.

Equity-settled share-based payment may cause shareholding dilution to our existing Shareholders and have a material and adverse effect on our financial performance.

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. In 2022, 2023 and the nine months ended September 30, 2023 and 2024, we incurred equity-settled share-based payment of RMB15.5 million, RMB13.2 million, RMB11.0 million and RMB12.2 million, respectively. Expenses associated with share-based compensation have affected our profitability and may continue to affect our profitability in the future. 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 are subject to risk of recoverability of deferred tax assets.

As of December 31, 2022, 2023 and September 30, 2024, our deferred tax assets amounted to RMB3.0 million, RMB17.9 million and RMB23.2 million, respectively. Deferred tax assets arise from the deductible temporary differences between the carrying amounts of assets and liabilities from financial reporting purposes and their tax base, as well as unused tax losses and unused tax credits. Deferred tax assets are recognized when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilized. This requires significant judgment on the tax treatment of certain transactions and also assessment of the probability that adequate future taxable profits will be available for the deferred tax assets to be recovered. In this context, we cannot guarantee the recoverability of our deferred tax assets or to what extent they may affect our financial condition in the future.

We face risks in connection with Third-party Payment Arrangements.

During the Track Record Period, we accepted payment made on behalf of certain customers (the "**Relevant Customers**") through the accounts of third-party payors designated by the Relevant Customers (the "**Third-party Payment Arrangement(s)**"). In 2022, 2023 and the nine months ended September 30, 2024, six, four and four of such Relevant Customers paid through their designated third-party payors, and the aggregate amount of third-party payments we received was RMB2.8 million, RMB0.7 million and RMB4.1 million, respectively, representing approximately 0.1%, 0.01% and 0.1% of our revenue for the respective periods. Meanwhile, some of our employees also settled payments by their personal accounts upon requests of certain Relevant Customers, and such employees also constitute the third-party payors of such Relevant Customers. In 2022, 2023 and the nine months ended September 30, 2024, the aggregate amount of revenue generated under this scenario was RMB1.9 million, RMB0.9 million and RMB0.01 million, respectively, representing approximately 0.04%, 0.02% and 0.0003% of our revenue for the respective periods. During the Track Record Period, we have duly booked all payments received under the Third-party Payment Arrangement according to our internal accounting policies and tax related laws and regulations. As of the Latest Practicable Date, we had ceased accepting third-party payments.

We were subject to various risks relating to such Third-party Payment Arrangements, such as (i) possible claims from third-party payors for return of funds as they were not contractually indebted to us and possible claims from liquidators of third-party payors and (ii) potential money-laundering risks as we have limited knowledge about the source of the funds utilized by the third-party payors and their identities. In the event of any claims from third-party payors or their liquidators, or legal proceedings (whether civil or criminal or regulatory actions) instituted or brought against us to demand return of the relevant payment or for violation or non-compliance of laws and regulations, we will have to spend significant financial and managerial resources to defend against such claims, legal proceedings or regulatory actions, and we may be forced to comply with the court ruling or order and return the payment for the products that we sold and services that we provided. For details, see "Business — Risk Management and Internal Control — Third-party Payment Arrangements."

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

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

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

Our risk management and internal control systems may not be adequate or effective.

We have designed and implemented risk management and internal control systems in relation to our business operations, financial reporting and general compliance. See "Business — Risk Management and Internal Control" for further information on our internal control policies. While we seek to improve our risk management and internal control systems on a continuous basis, we cannot assure you that these systems are sufficiently effective in ensuring, among other things, accurate reporting of our financial results and the prevention of fraud. Since our risk management and internal control systems depend on implementation by our employees, and even though we provide relevant internal trainings in this regard, we cannot assure you that our employees or other related third parties, such as our franchisees, are sufficiently or fully trained to implement these systems, or that their implementation will be free from human error or mistakes. If we fail to timely update, implement, and modify, or fail to deploy sufficient human resources to maintain our risk management policies and procedures, our business, financial condition, results of operations and prospects could be materially and adversely affected.

We may from time to time become a party to litigation, other legal and contractual disputes, claims and administrative proceedings that may materially and adversely affect our business and reputation.

We may from time to time be subject to various litigation, legal or contractual disputes, claims or administrative proceedings in the ordinary course of our business, including, but not limited to, various disputes with or claims from our suppliers, customers, franchisees, business partners and other third parties. Ongoing or threatened litigation, legal or contractual disputes, claims or administrative proceedings may divert our management's attention and other resources. Furthermore, any litigation, legal or contractual disputes, claims or administrative proceedings which are initially not of material importance may escalate and become important to us, due to a variety of factors such as the subject matter of the disputes, the likelihood of loss, the monetary amount at stake and the parties involved. If any adverse verdict, judgment or award is rendered against us or if we settle with any third parties, we may be required to pay significant monetary damages or assume other liabilities. In addition, negative publicity arising from litigation, legal or contractual disputes, claims or administrative proceedings may damage our reputation and adversely affect the image of our brand and products, which may further materially and adversely affect our business.

RISKS RELATING TO LAWS AND REGULATIONS

Our business is governed by laws and regulations. Any adverse changes in the regulatory regime relating to the areas where we operate businesses may limit our ability to provide offerings, thereby materially and adversely affecting our business, financial condition and results of operations.

The operations of our businesses are subject to various laws, rules and regulations at the national and regional levels of China's catering industry. Such laws, rules and regulations mainly relate to: (i) specifications in China's catering industry that may affect our ability to carry out daily operations and to implement our business strategies; (ii) the operation and supervision of catering institutions; and (iii) food safety and fire safety, among other things. New laws or regulations or changes to laws and regulations can impose additional compliance costs, reduce our revenue, and require us to change our operations to ensure compliance, or otherwise change our business.

In recent years, the PRC government has, on many occasions, promoted the development of food safety. Nevertheless, new laws, rules and regulations relevant to our businesses may be introduced in the future, or the current applicable regulations may otherwise be amended or replaced, requiring us to conduct business with additional oversight and regulatory compliance. In particular, any change in the applicable laws, rules and regulations could require us to obtain additional licenses, permits, approvals or certificates, increase our operational expenses or result in the invalidation of the licenses, permits, approvals or certificates we currently have.

Newly promulgated laws and regulations may be subject to further variations in application, interpretation and implementation. As a result, we may not be aware in a timely manner that we have violated certain policies and rules. There can be no assurance that we can adapt to the changes in the regulatory environment swiftly enough or in a cost-efficient manner, failure of which may adversely affect our operations and lead to compliance costs. Meanwhile, we may need to implement changes in our facilities, equipment, personnel or services to comply with the latest laws and regulations in light of changes in the regulatory environment, and such changes may increase our capital expenditures and operating expenses, thereby adversely affecting our business, financial condition and results of operations.

Data protection, cybersecurity, privacy and similar laws in China and other jurisdictions regulate the collection, use and disclosure of information and data, and failure to comply with or adapt to revisions to these laws could materially and adversely harm our business.

Our business collects and processes certain data, including our customers' personal data and other information and data, and the improper use or disclosure of such data could harm our reputation as well as have a material adverse effect on our business and prospects.

As collecting, using, storing, sharing, transferring and disclosing personal data are regulated in the PRC, we have adopted various measures to ensure our compliance on the confidentiality of our customers' personal data. However, these measures may not always be effective and there can be no guarantee that we can completely protect the information from leakage and constantly maintain compliance under relevant laws and regulations. While we strive to comply with our privacy policies and procedures as well as relevant laws and regulations in the PRC, we may fail to protect our customers' personal data for reasons beyond our control. Such information could be divulged due to, for example, theft or misuse arising from employee misconduct or negligence, or compromised in the event of a security breach at any third-party online platform we use. We may entrust third parties to process some data, or may indirectly collect some data from third parties, during the operation of our business. The activities of such third parties are beyond our control and there is no guarantee as to the effectiveness of the measures we have taken to urge and supervise third parties to abide by applicable cybersecurity and data privacy and protection laws and regulations. If any third party fails, or is deemed to have failed, to obtain authorization from the subject of personal information in a reasonable and lawful manner, or to comply with applicable cybersecurity and data privacy and protection laws and regulations, it may also have a material adverse effect on our businesses as well as our reputation.

Additionally, a technological failure or security breach may result in violation of regulations, and may lead to civil, administrative or criminal penalties, which could have a material adverse effect on our business, financial condition and results of operations. Regulators have increased their focus on data protection, cybersecurity and privacy in the PRC. While we believe our current usage of our customers' personal data in material aspects is in compliance with applicable laws and regulations, revisions to those laws and regulations could subject us to increased compliance costs, which may have a material and adverse effect on our business, financial condition and results of operations.

There can be no assurance that our operation will consistently comply with the applicable laws and regulations on data protection, cybersecurity and privacy laws, regulations and policies. If we fail to do so, we may become subject to fines or other penalties, such as being required to cease operations or being required to modify the functionalities or contents of our membership system, or we may choose to terminate certain operations. In each case, our business, financial condition and results of operations may be materially and adversely affected.

On December 28, 2021, the Cyberspace Administration of China ("**CAC**") and other regulatory authorities jointly revised and promulgated the Cybersecurity Review Measures (《網絡安全審查辦法》), which became effective on February 15, 2022. The Cybersecurity Review Measures stipulate that (i) critical information infrastructure operators ("**CIIO**") purchasing network products and services and internet platform operators carrying out data processing activities, which affects or may affect national security, are subject to the regulatory scope; (ii) the internet platform operators holding personal information of more than one million users seeking a listing in a foreign country ("**Foreign Listing**") must file for the cybersecurity review and (iii) 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, we had not been notified by any authorities of being classified as a CIIO or being involved in any investigations on cybersecurity review made by cybersecurity authorities.

On September 24, 2024, the State Council published the Administration Regulations on Cyber Data Security (《網絡數據安全管理條例》), which took effect on January 1, 2025, and apply to activities relating to the use of networks to carry out data processing activities within the territory of the PRC. Our PRC Legal Advisor has confirmed that the Administration Regulations on Cyber Data Security are applicable to us. During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any material administrative penalties or other sanctions by any competent regulatory authorities in relation to cybersecurity and data protection, nor had there been material cybersecurity and data protection incidents or infringement upon any third parties, or other legal proceedings, administrative or governmental proceedings, pending or, to the best of our knowledge in relation to cybersecurity and data protection, threatened against or relating to us. Additionally, we have implemented a comprehensive set of internal policies, procedures and measures regarding user privacy and data security. Based on the aforementioned factors, we and our PRC Legal Advisor believe that (i) as of the Latest Practicable Date, we were in compliance with applicable laws and regulations relating to data security, privacy and personal information protection in all material aspects and (ii) the cybersecurity-related regulations will not have any material and adverse effect on our business operations or the [**REDACTED**]. Based on the foregoing and a detailed analysis of the Administration Regulations on Cyber Data Security by our PRC Legal Advisor, we and our PRC Legal Advisor do not identify any material impediment for us to be in compliance. We further reaffirm our commitment to conduct data processing activities in accordance with applicable laws and regulations following the implementation of the Administration Regulations on Cyber Data Security. Our PRC Legal Advisor conducted a telephone 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**"), which has been delegated by the CAC to accept applications for cybersecurity reviews. During the consultation, the CCRC confirmed that a listing in Hong Kong does not fall within the scope of the term "Foreign Listing" under the Cybersecurity Review Measures. Therefore, we are not required to submit an application for a cybersecurity review for the proposed [**REDACTED**] in Hong Kong unless explicitly notified by relevant authorities.

Failure to comply with the anti-corruption laws, regulations and rules could subject us and/or our employees to investigations and administrative or criminal penalties, which may harm our reputation and materially and adversely affect our business, financial condition or results of operations.

We have adopted policies and procedures designed to ensure that our employees comply with the applicable anti-corruption laws, rules and regulations so as to prevent corruption and fraudulent practices, including financial impropriety, improper conduct or unethical behavior and fraudulent activities. Our existing employees are required to attend regular training and comply with our employee handbook in connection with compliance with applicable laws and regulations.

There can be no assurance that the anti-corruption internal controls and procedures we have established will effectively prevent our non-compliance with the anti-corruption laws, regulations and rules arising from actions taken by the individual employees without our knowledge. If this occurs, we and/or our relevant employees may be subject to investigations and administrative or criminal penalties, and our reputation could be harmed by any negative publicity stemming from such incidents, which may materially and adversely affect our business, financial condition, results of operations and prospects.

Failure to comply with existing or new government regulations relating to China's 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. 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. For further details, see "Regulatory Overview — Regulations on Foodservice Industry."

We may be classified as a "resident enterprise" for PRC enterprise income tax purposes, which could result in unfavorable tax consequences for 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. Under the EIT Implementation Rules, 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, 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) promulgated by the SAT on April 22, 2009 and amended on December 29, 2017, 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. 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 of 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 that we are 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% of 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 also 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.

[REDACTED] may experience difficulties in effecting service of legal process and enforcing judgments against us, our Directors and senior management.

We are an exempted company with limited liability incorporated in the Cayman Islands with substantially all of our assets located within China. Most of our Directors and senior management members reside in China.

Judgments of courts of another jurisdiction may be reciprocally recognized or enforced if the jurisdiction has a treaty on that with China. On July 14, 2006, Hong Kong and mainland China entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements Between Parties Concerned (《關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》) (the "**2006 Arrangement**"), pursuant to which reciprocal recognition and enforcement of the judgment may be possible between these two jurisdictions provided that the judgment is rendered by a final court of these two jurisdictions and the parties have an expressly written choice of court.

On January 18, 2019, the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region (《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》) (the "**2019 Arrangement**") was signed between the Supreme People's Court of China and Hong Kong. Comparing with the 2006 Arrangement, the 2019 Arrangement seeks to establish a bilateral legal mechanism with greater clarity and certainty for reciprocal recognition and enforcement of judgments between Hong Kong and the PRC in civil and commercial matters under both Hong Kong and PRC laws. The 2019 Arrangement came into effect on January 29, 2024 and has superseded the 2006 Arrangement. However, the 2006 Arrangement will remain applicable to a "choice of court agreement in writing" as defined in the 2006 Arrangement which was entered into before the 2019 Arrangement took effect. It may be difficult or impossible for you to enforce judgment between these jurisdictions if you have not agreed on sole jurisdiction with the other party. As a result, you may encounter difficulty in enforcing foreign judgments against us or our Directors or senior management members.

We may be subject to litigation and regulatory investigations and proceedings, and may not always be successful in defending ourselves against such claims or proceedings.

Our business operations may be subject to substantial litigation and regulatory risks, including the risk of lawsuits and other legal actions relating to fraud and misconduct, sales and customer services, leases, labor disputes and control procedures deficiencies, as well as the protection of personal and confidential information of our customers and business partners, among others. We may be subject to claims and lawsuits in the ordinary course of our business. We may also be subject to inquiries, inspections, investigations and proceedings by relevant regulatory and other governmental agencies relating to advertisements and taxation, among other things, which may result in the diversion of our resources and management attention. Actions brought against us may result in settlements, injunctions, fines, penalties or other results adverse to us that could harm our business, financial condition, results of operations and reputation. Even if we are successful in defending ourselves against these actions, the costs of such defense may be significant for us. A significant judgment or regulatory action against us or a material disruption in our business arising from adverse adjudications in proceedings against our Directors, officers or employees would have a material adverse effect on our liquidity, business, financial condition, results of operations, reputation and prospects.

The remittance of Renminbi into and out of the PRC and governmental control of currency conversion may affect our ability to pay dividends and other obligations, and affect the value of your [REDACTED].

The PRC government regulates the convertibility of Renminbi into foreign currencies. We receive all of our revenue in Renminbi. We may convert a portion of our revenue into other currencies to meet our foreign currency obligations. Shortages in the availability of foreign currency may affect our ability to remit sufficient foreign currency, or otherwise satisfy our foreign currency-denominated obligations.

Under the existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior SAFE approval by complying with certain procedural requirements. However, approval from or registration with competent government authorities is required where Renminbi is to be converted into foreign currency and remitted out of China to pay capital expenses, such as the repayment of loans denominated in foreign currencies. Under the relevant laws and regulations, the government may take necessary measures to guarantee and control the international balance of payments when serious disequilibrium of balance of payments occurs, or it is possible that it may occur, or other legal circumstances occur. If the foreign exchange control system prevents us from obtaining sufficient foreign currencies to satisfy our foreign currency demands, we may not be able to pay dividends in foreign currencies to our Shareholders.

As a holding company, we may rely on the distribution by our PRC subsidiaries for funding, and any dividends paid by our PRC subsidiaries to us are subject to PRC withholding taxes.

We may rely on the distribution to us by our PRC subsidiaries for funding, including to pay dividends to our Shareholders and to service any debt we may incur. Under the EIT Law and its implementation rules, a 10% withholding tax is applicable to the profit of a foreign-invested enterprise distributed to its immediate holding company outside China to the extent the distributed profit is sourced from China, (i) if the immediate holding company is neither a PRC resident enterprise, nor has any establishment or place of business in China, or (ii) if the immediate holding company has an establishment or place of business in China but the relevant income is not effectively connected with the establishment or place of business. Pursuant to a special arrangement between Hong Kong and China, this rate will be lowered to 5% if a Hong Kong resident enterprise directly owns over 25% of the Chinese company at all times during the 12-month period immediately prior to obtaining a dividend from such company. In addition, according to a tax circular issued by the SAT in February 2009, if the main purpose of an offshore arrangement is to obtain a preferential tax treatment, Chinese tax authorities have the discretion to adjust the tax rate enjoyed by the relevant offshore entity. Chinese tax authorities may not determine that the 5% tax rate applies to dividends received by our subsidiary in Hong Kong from our Chinese subsidiaries, or Chinese tax authorities may levy a higher withholding tax rate on these dividends in the future. In accordance with the Administrative Measures for Convention Treatment for Non-resident Taxpayers (《非居民納稅人享受協定待遇管理辦法》) which was promulgated by the SAT and came into effect on January 1, 2020, if non-resident taxpayers consider that they are eligible for treatments under the tax treaties through self- assessment, they may, at the time of filing tax returns or making withholding tax filings through withholding agents, enjoy the treatments under the tax treaties, and shall concurrently collect and retain the relevant documents for inspection according to relevant regulations, and accept tax authorities' post-filing administration.

We may be subject to the approval, filing or other requirements of the CSRC or other PRC governmental authorities in connection with future capital raising activities.

We cannot assure you that any new rules or regulations promulgated in the future will not impose additional requirements on us or otherwise tighten the existing regulations we comply with. If it is determined in the future that additional approval from or filing with the CSRC or other regulatory authorities or other procedures are required, we may fail to obtain such approval, perform such filing procedures or meet such additional requirements in a timely manner or at all. 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. Furthermore, any uncertainty and/or negative publicity regarding such approval, filing or other requirement may also have a material adverse effect on the price of our shares.

RISKS RELATING TO THE [REDACTED]

There has been no [REDACTED] for our Shares prior to the [REDACTED], and an active [REDACTED] market for our Shares may not develop or be sustained.

Before the completion of [**REDACTED**], there has been no [**REDACTED**] for our Shares. The initial [**REDACTED**] of our Shares, and the [**REDACTED**], will be the result of negotiations between the [**REDACTED**] (for themselves and on behalf of the [**REDACTED**]) and us. The [**REDACTED**] may differ from the market price for our Shares following the [**REDACTED**].

In addition, while we have applied to have our Shares [**REDACTED**] on the Stock Exchange, (i) an active [**REDACTED**] market for our Shares may not develop, (ii) if it does, it may not be sustained following the completion of the [**REDACTED**], or (iii) the market price of our Shares may decline below the [**REDACTED**]. You may not be able to resell your shares at a price that is attractive to you, or at all.

The price and [REDACTED] volume of our Shares may be volatile, which could lead to substantial losses to [REDACTED].

The price and [**REDACTED**] volume of our Shares may be volatile. The market price of our Shares may fluctuate significantly and rapidly as a result of the following factors, among others, some of which are beyond our control: (i) actual or anticipated variations of our results of operations; (ii) loss of key raw material and packaging material suppliers; (iii) changes in securities analysts' estimates or market perception of our financial performance; (iv) announcement by us of significant acquisitions; (v) addition or departure of senior management members or other key personnel; (vi) fluctuations in stock market price and volume; (vii) regulatory or legal developments, including involvement in litigation; (viii) fluctuations in [**REDACTED**] volume or the release of lock-up or other transfer restrictions on our outstanding Shares or sales of additional Shares by us; and (ix) general economic and stock market conditions.

In addition, stock markets and the shares of other companies listed on the Stock Exchange with significant operations and assets in China have experienced increasing price and volume fluctuations in recent years, some of which have been unrelated or disproportionate to the operating performance of such companies. These broad market and industry fluctuations may materially and adversely affect the market price of our Shares.

The market price of the Shares when [REDACTED] begins could be lower than the [REDACTED].

The [**REDACTED**] will be determined on the [**REDACTED**]. However, the Shares will not commence [**REDACTED**] on the Stock Exchange until they are delivered, which is expected to occur a few Business Days after the anticipated [**REDACTED**]. [**REDACTED**] may not be able to sell or otherwise [**REDACTED**] in the Shares during that period. Consequently, holders of the Shares are subject to the risk that the price of the Shares when [**REDACTED**] begins could be lower than the [**REDACTED**] due to adverse market conditions or other unfavorable developments that may occur during that time.

There can be no assurance that we will declare and distribute any dividend in the future.

As a holding company, our ability to declare future dividends will depend on the availability of dividends, if any, received from our operating subsidiaries. Specifically, distribution of dividends depends on the future operations and earnings, capital requirements and surplus, general financial conditions, contractual restrictions and other factors that our Directors consider relevant. As a result, we cannot assure you when, whether or in what form dividends of any amount will be declared or distributed. For further details, see "Financial Information — Dividends."

You will incur immediate and significant dilution if the [REDACTED] is higher than the net tangible asset value per Share and may experience further dilution if we issue additional Shares in the future.

The initial [**REDACTED**] of our Shares is higher than the net tangible asset value per Share of the outstanding Shares issued to our existing Shareholders immediately prior to the [**REDACTED**]. Therefore, purchasers of our Shares in the [**REDACTED**] will experience an immediate dilution in terms of the [**REDACTED**] net tangible asset value. In addition, we may consider offering and issuing additional Shares or equity-related securities in the future to raise additional funds, finance acquisitions or for other purposes. Purchasers of our Shares may experience further dilution in terms of the net tangible asset value per Share if we issue additional Shares in the future at a price that is lower than the net tangible asset value per Share.

Future sales or perceived sales of substantial amounts of our Shares in the public market could have a material adverse effect on the price of our Shares and our ability to raise additional capital in the future.

The market price of our Shares could decline as a result of future sales of a substantial number of our Shares or other securities relating to our Shares in the public market, or the issuance of new shares or other securities or the perception that such sales or issuances may occur. Future sales, or anticipated sales, of substantial amounts of our securities, including any future offerings, could also materially and adversely affect our ability to raise capital at a specific time and on terms favorable to us. In addition, our Shareholders may experience dilution in their shareholdings if we issue additional Shares other than on a *pro-rata* basis to existing Shareholders. New Shares or equity-linked securities issued by us may also confer rights and privileges that take priority over those conferred by the Shares.

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 that the [**REDACTED**] is not exercised), our Controlling Shareholders will hold approximately [**REDACTED**]% of the issued share capital of the Company. Our Controlling Shareholders will have the ability to exercise significant influence over us, including matters relating to the nomination and election of our Directors, business strategies, dividends and other distributions and major corporate activities, including securities offerings, acquisitions or investments. The interests of our Controlling Shareholders may not align with those of our other Shareholders.

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

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

Certain statistics contained in this document are derived from a third-party report and publicly available official sources.

This document, particularly the section headed "Industry Overview," contains information and statistics relating to the catering market in China. Such information and statistics have been derived from various official government and other publications and from a third-party report commissioned by us. However, we cannot guarantee the quality or reliability of such source materials. Information and statistics from official government sources have not been independently verified by us or any other parties involved in the [**REDACTED**] and no representation is given as to their accuracy. In addition, we cannot assure you that such information is stated or compiled on the same basis or with the same degree of accuracy as or consistent with similar statistics presented elsewhere, and such information may not be complete or up-to-date. In any event, you should consider carefully the importance placed on such information or statistics.

If securities or industry analysts do not publish research reports about our business, or if they adversely change their recommendations regarding our Shares, the market price and [REDACTED] volume of our Shares may decline.

The [**REDACTED**] market for our Shares will be influenced by the research and reports that industry or securities analysts publish about us or our business. If one or more of the analysts who cover us downgrade our Shares, the price of our Shares would likely decline. If one or more of these analysts cease coverage of our Company or fail to regularly publish reports on us, we could lose visibility in the financial markets, which in turn could cause our stock price or [**REDACTED**] volume to decline.

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 "believe," "expect," "estimate," "predict," "aim," "intend," "will," "may," "plan," "consider," "anticipate," "seek," "should," "could," "would," "continue" and other 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 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 or other media regarding us or the [REDACTED].

Prior to the publication of this document, there has been press and media coverage regarding us and the [**REDACTED**], including but not limited to certain financial information, projections, industry comparison, valuations and/or other forward-looking information about us and the [**REDACTED**]. We have not authorized the disclosure of any such information in the press or media and do not accept any responsibility for the accuracy or completeness of such media coverage or forward-looking statements. We make no representation as to the appropriateness, accuracy, completeness or reliability of any information disseminated in the media. To the extent that any such information appearing in publications other than this document is inconsistent with, or conflicts with, the information contained in this document, we disclaim it, and accordingly you should not rely on any such information. In making your decision as to whether to purchase our Shares, you should rely only on the information included in this document.

In preparation for the [**REDACTED**], we have 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 a sufficient management presence in Hong Kong. This normally means that at least two of our executive Directors must be ordinarily resident in Hong Kong.

Since our principal business and operations are substantially located, managed and conducted in the PRC through its PRC subsidiaries, our Directors consider that appointment of additional executive Directors who will be ordinarily resident in Hong Kong would not be beneficial to or appropriate for the Group. As none of our executive Directors are ordinarily based in Hong Kong, we do not, and do not contemplate that we will in the foreseeable future, have a sufficient management presence in Hong Kong for the purpose of satisfying the requirements under Rule 8.12 of the Listing Rules.

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

(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 Ms. Shu Wen, an executive Director and Ms. Sze Suet Ling ("**Ms. Sze**"), one of our joint company secretaries. Ms. Shu Wen confirms that she possesses valid travel documents and can readily travel to Hong Kong and Ms. Sze is ordinarily resident in Hong Kong. Each of the authorized representatives will be available to meet with the Stock Exchange in Hong Kong within a reasonable period of time upon the request of the Stock Exchange and will be readily contactable by telephone and email. Each of the authorized representatives is authorized to communicate on behalf of our Company with the Stock Exchange;

(b) the authorized representatives have means to contact our Directors (including our independent non-executive Directors) promptly at all times as and when the Stock Exchange wishes to contact our Directors for any matter;

(c) all of our Directors have confirmed that they possess or can apply for and renew valid travel documents to visit Hong Kong and would be able to meet with the Stock Exchange upon reasonable notice and within a reasonable period. Each of our Directors will be readily contactable by telephone and email, and is authorized to communicate on behalf of our Company with the Stock Exchange;

(d) each of our Directors has provided his/her respective contact details, including office phone numbers, mobile phone numbers email addresses and addresses, to the Stock Exchange and the authorized representatives. In the event that any Director expects to travel or otherwise be out of office, he/she will provide the contact details and his/her place of accommodation to the authorized representatives;

(e) our Company has appointed Haitong International Capital Limited as compliance advisor pursuant to Rule 3A.19 of the Listing Rules who will have access at all times to the authorized representatives, our Directors and other senior management of our Company, and will act as an additional channel of communication with the Stock Exchange for the period commencing on the date of the [**REDACTED**] of the Shares on the Main Board and ending on the date when our Company distributes its annual report for the first full financial year in accordance with Rule 13.46 of the Listing Rules; and

(f) meetings between the Stock Exchange and our Directors can be arranged through the authorized representatives or the compliance advisor of our Company or directly with our Directors within a reasonable time frame. The Company will inform the Stock Exchange promptly in respect of any change in the authorized representatives and/or its compliance advisor.

APPOINTMENT OF JOINT COMPANY SECRETARIES

Pursuant to Rule 8.17 of the Listing Rules, we must appoint a company secretary who satisfies Rule 3.28 of the Listing Rules. According to Rule 3.28 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 The 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)); and

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

In assessing "relevant experience," the Stock Exchange will consider the individual's:

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

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

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

(d) professional qualifications in other jurisdictions.

We have appointed Mr. Wang Guowei ("**Mr. Wang**") as one of our joint company secretaries. Mr. Wang joined our Group in November 2018 and is our Board secretary. He is primarily responsible for Board affairs, corporate governance and capital operations of the Group. Although our Company believes, having regard to Mr. Wang's past experience in handling corporate matters, that he has a thorough understanding of our Company and the Board, Mr. Wang does not possess the requisite qualifications required by Rule 3.28 of the Listing Rules. Therefore, our Company has appointed Ms. Sze, who is a Hong Kong resident and possesses such qualifications, to be a joint company secretary to assist Mr. Wang in the compliance matters for the [**REDACTED**] as well as other Hong Kong regulatory requirements for a period of three years commencing from the [**REDACTED**]. For the biographies of our joint company secretaries, see "Directors and Senior Management — Joint Company Secretaries." Over such three-year period, we will implement measures to assist Mr. Wang to satisfy the requisite qualifications as prescribed under Rule 3.28 of the Listing Rules.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange [has granted], a waiver from strict compliance with the requirements under Rules 8.17 and 3.28 of the Listing Rules in relation to Mr. Wang's appointment as a joint company secretary pursuant to Chapter 3.10 of the Guide for New Listing Applicants on the following conditions:

(a) Mr. Wang must be assisted by Ms. Sze, who possesses the qualification and experience as required under Rule 3.28 of the Listing Rules and is appointed as a joint company secretary throughout the validity period of the waiver; and

(b) the waiver is valid for a period of three years from the [**REDACTED**] and will be revoked immediately if and when Ms. Sze ceases to provide such assistance or if there are material breaches of the Listing Rules by our Company.

It is anticipated that Mr. Wang will gain experience with the assistance of Ms. Sze. Before the end of the initial three-year period, we will evaluate the then experience of Mr. Wang in order to determine whether the requirements as stipulated under Rules 3.28 and 8.17 of the Listing Rules can be satisfied at the time and on-going assistance would be needed. We would then endeavor to demonstrate to the satisfaction of the Stock Exchange that Mr. Wang, having had the benefit of Ms. Sze's assistance for three years, would then have acquired the "relevant experience" within the meaning of Rule 3.28 of the Listing Rules so that a further waiver would not be necessary.

[**REDACTED**]

[REDACTED]

[**REDACTED**]

[**REDACTED**]

[REDACTED]

DIRECTORS

Name	Residential address	Nationality
Executive Directors		
Mr. Shu Xiaolong (束小龍)	B1-01, Hushan Yuanzhu Hefei High-Tech Zone, Anhui China	Chinese
Ms. Dong Xue (董雪)	B1-01, Hushan Yuanzhu Hefei High-Tech Zone, Anhui China	Chinese (Hong Kong)
Ms. Shu Wen (束文)	Room 106, Building 16 Zhonghai Yuanshan Shushan District, Hefei Anhui China	Chinese
Non-Executive Director		
Mr. Shu Congde (束從德)	Room 2003, Building 5, Jinting Vanke Forest Park Luyang District Hefei, Anhui China	Chinese
Independent Non-Executive Directors		
Mr. Liu Chun (劉春)	2-1-101, Lidu Waterfront Chaoyang District, Beijing China	Chinese
Mr. Li Guozhu (李國柱)	No. 1, Xiangheyuan Road Dongcheng District, Beijing China	Chinese
Mr. Lai Lan-Sang (賴林勝)	Flat H, 16/F, Block 9 Kornhill Garden Quarry Bay Hong Kong	Chinese (Taiwan)

Further information about our Directors are set out in "Directors and Senior Management" in this document.

PARTIES INVOLVED IN THE [REDACTED]

Joint Sponsors	**China International Capital Corporation Hong Kong Securities Limited** 29/F, One International Finance Centre 1 Harbour View Street Central Hong Kong
	Haitong International Capital Limited Suites 3001-3006 and 3015-3016 One International Finance Centre 1 Harbour View Street Central Hong Kong

[REDACTED]

[REDACTED]

Legal Advisors to our Company	*As to Hong Kong and U.S. laws:* **Paul Hastings** 22/F, Bank of China Tower 1 Garden Road Central Hong Kong
	As to PRC law: **Llinks Law Offices** 19/F, One Lujiazui 68 Yin Cheng Road Middle Shanghai China
	As to Cayman Islands law: **Harney Westwood & Riegels** 3501 The Center 99 Queen's Road Central Central Hong Kong
Legal Advisors to the Joint Sponsors and the [REDACTED]	*As to Hong Kong and U.S. laws:* **Herbert Smith Freehills** 23/F, Gloucester Tower 15 Queen's Road Central Hong Kong
	As to PRC law: **Jingtian & Gongcheng** 34/F, Tower 3, China Central Place 77 Jianguo Road Chaoyang District, Beijing China
Auditor and Reporting Accountants	**Ernst & Young** *Certified Public Accountants* *Registered Public Interest* *Entity Auditor* 27/F, One Taikoo Place 979 King's Road Quarry Bay Hong Kong

Industry Consultant	**China Insights Industry Consultancy Limited** 10/F, Block B, Jing'an International Center 88 Puji Road Jing'an District, Shanghai China
Biological Assets Valuer	**Jones Lang LaSalle** 7/F, One Taikoo Place 979 King's Road Quarry Bay Hong Kong

[**REDACTED**]

CORPORATE INFORMATION

Registered Office	Third Floor, Century Yard Cricket Square P.O. Box 902 KYl-1103 Grand Cayman, Cayman Islands
Headquarters and Principal Place of Business in the PRC	Laoxiangji Headquarters Building Intersection of Yangqiao Road and Yulei Road Shushan District, Hefei, Anhui China
Place of Business in Hong Kong	40/F, Dah Sing Financial Centre 248 Queen's Road East Wanchai Hong Kong
Company's Website	**www.lxjchina.com.cn** *(The information on the website does not form part of this document)*
Joint Company Secretaries	**Mr. Wang Guowei (王國偉)** Room 603, Building 7 Vanke Times Mansion No. 1666, Nanjing Road Baohe District, Hefei, Anhui China **Ms. Sze Suet Ling (施雪玲)** *ACG (CS, CGP); HKACG (CS, CGP)* 40/F, Dah Sing Financial Centre 248 Queen's Road East Wanchai Hong Kong

CORPORATE INFORMATION

Authorized Representatives	**Ms. Shu Wen (束文)** Room 106, Building 16, Zhonghai Yuanshan Shushan District, Hefei, Anhui China
	Ms. Sze Suet Ling (施雪玲) 40/F, Dah Sing Financial Centre 248 Queen's Road East Wanchai Hong Kong
Audit Committee	Mr. Li Guozhu *(Chairperson)* Mr. Shu Congde Mr. Liu Chun
Remuneration Committee	Mr. Lai Lan-Sang *(Chairperson)* Mr. Shu Congde Mr. Li Guozhu
Nomination Committee	Mr. Liu Chun *(Chairperson)* Ms. Dong Xue Mr. Li Guozhu

[**REDACTED**]

Compliance Advisor	**Haitong International Capital Limited** Suites 3001-3006 and 3015-3016 One International Finance Centre 1 Harbour View Street Central Hong Kong

Principal Banks	**China Construction Bank,** **Anhui Feixi Branch** 1 Renmin Road Shangpai Town Feixi County, Hefei, Anhui China
	China CITIC Bank, **Hefei Tongcheng Road Branch** 127 Tongcheng Road Luyang District, Hefei, Anhui China

*The information and statistics set out in this section and other sections of this document were extracted from different official government publications, available sources from public market research and other sources from independent suppliers, and from the independent industry report prepared by CIC (the "**CIC Report**"). We engaged CIC to prepare the CIC Report in connection with the* [**REDACTED**]. *The information from official government sources has not been independently verified by us, any of the Joint Sponsors,* [**REDACTED**], *any of our and their respective directors and advisors, or any other persons or parties involved in the* [**REDACTED**], *and no representation is given as to its accuracy.*

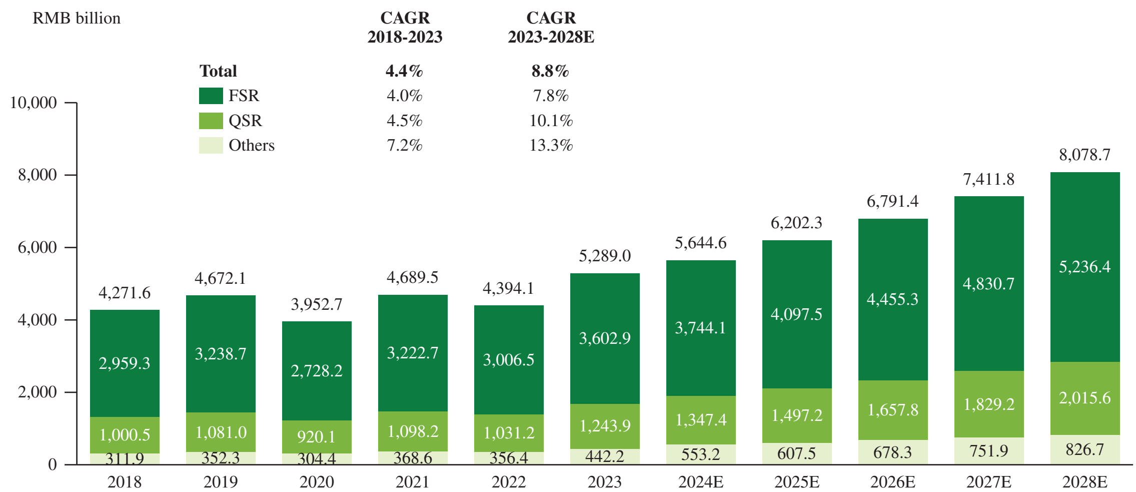
OVERVIEW OF CHINA'S CATERING MARKET

Market Overview

The catering industry refers to consumer foodservice that encompasses the provision of food and hospitality to consumers through on-the-spot preparation, commercial sales, and services. In terms of GMV in 2023, China ranked as the world's second-largest catering market. Despite fluctuations from 2020 to 2022 due to the COVID-19 pandemic, the China's catering market rebounded sharply in 2023, with market size recovering from RMB4,394.1 billion in 2022 to RMB5,289.0 billion in 2023, a year-on-year increase of 20.4%, significantly outpacing the 7.2% year-on-year growth in total retail sales of consumer goods. Compared to its pre-pandemic level in 2019, China's catering market grew by 13.2% in 2023. The market is projected to reach RMB8,078.7 billion by 2028, with a CAGR of 8.8% from 2023 to 2028.

China's catering market comprises three segments based on service offerings and product characteristics, namely, full service restaurant ("**FSR**"), quick service restaurant ("**QSR**"), and others. FSR primarily consists of meals served for lunch and dinner in Chinese or Western styles, with full table service provided by staff. QSR refers to quick and convenient dining activities typically with limited table service. Others include beverage services, mobile catering, etc.

Market size of China's catering industry, in terms of GMV, 2018-2028E



Sources: National Bureau of Statistics of China, China Insights Consultancy

OVERVIEW OF CHINA'S QSR MARKET

Market Overview

China's QSR market growth surpasses that of the overall catering market. The size of China's QSR market grew from RMB1,000.5 billion in 2018 to RMB1,081.0 billion in 2019. Despite pandemic-related fluctuations from 2020 to 2022, the Chinese QSR market rebounded in 2023, with the size increasing from RMB1,031.2 billion in 2022 to RMB1,243.9 billion in 2023, representing a year-on-year growth of 20.6% and an increase of 15.1% compared to 2019. The size of China's QSR market is expect to reach RMB2,015.6 billion by 2028, representing a CAGR rate of 10.1% from 2023 to 2028.

The QSR market has the following distinguishing characteristics compared to FSR:

- ***Convenience.*** QSR offers high convenience with shorter preparation and dining time and is more suitable for takeaway and delivery, which aligns with the accelerating pace of lifestyle and fragmented work schedules.

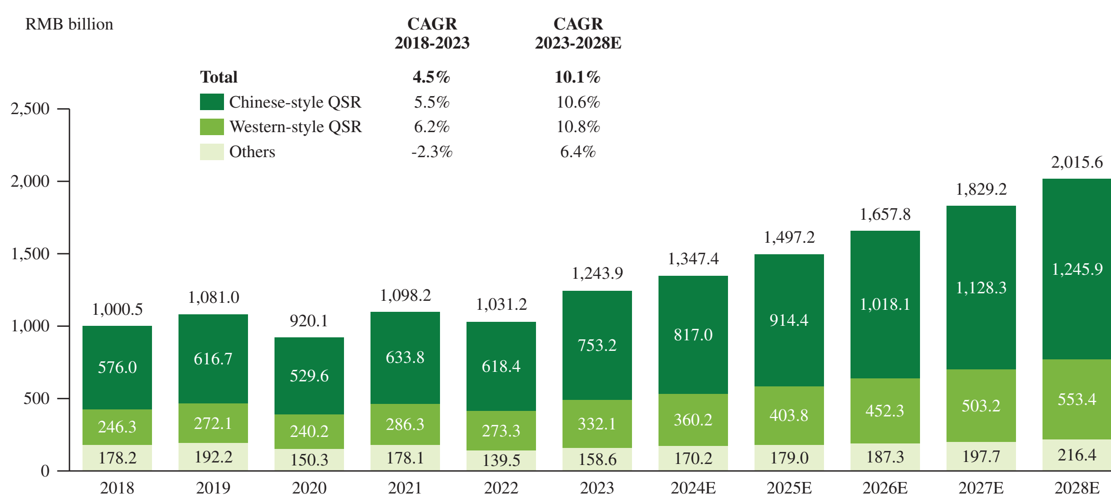
- ***Affordability.*** QSR typically offers affordable menu items, making it more accessible across various demographics and consumption scenarios.

- ***Scalability and Standardization.*** QSR establishments often have flexible locations, smaller space, and relatively lower investment costs, allowing for rapid expansion and scalability. QSR also benefits from standardized operations, which help reduce operating costs and maintain consistent quality and taste.

Market Size

The China's QSR market is divided into three segments based on the cuisine type offered: Chinese-style QSR, Western-style QSR, and others. Chinese-style QSR offers rice, noodles, dumplings, and other traditional Chinese staples, often accompanied by a variety of home-style dishes. Western-style QSR offers fried chicken, hamburgers, pizza, etc., while the "others" segment offers snacks, Japanese and Korean-style QSR, etc. Chinese-style QSR accounted for 60.6% of China's QSR market and 14.2% of China's catering market in 2023, respectively, with a growth rate exceeding that of the overall QSR sector.

Market size of QSR industry in China, by cuisine type, in terms of GMV, 2018-2028E



Source: China Insights Consultancy

OVERVIEW OF CHINESE-STYLE QSR MARKET IN CHINA

Market Overview

Chinese-style QSR is the dominant segment within China's QSR industry, growing from RMB576.0 billion in 2018 to RMB616.7 billion in 2019. Despite pandemic-related fluctuations from 2020 to 2022, the market strongly rebounded in 2023, with the market size increasing from RMB618.4 billion in 2022 to RMB753.2 billion in 2023, up 22.1% compared to 2019. The size of Chinese-style QSR market is expected to reach RMB1,245.9 billion by 2028, with a CAGR of 10.6% from 2023 to 2028. The industry chain of Chinese-style QSR includes farming, processing and foodservice.

Compared to other QSR segments, particularly Western-style QSR, Chinese-style QSR has distinct characteristics:

- ***Essential Demand.*** Chinese-style QSR would partially replace home-cooked meals, addressing a stable and sustained demand.

- ***High Frequency.*** Chinese-style QSR has a richer selection of SKUs, making it suitable for daily consumption across a wide range of scenarios, with significant potential for repeat purchases.

- ***Flavor Compatibility.*** Unlike Western-style QSR, Chinese-style QSR often has strong flavor adaptability, making it suitable for people of all ages and regions.

- ***Health Orientation.*** Chinese-style QSR products are often healthier with balanced nutrition, in line with consumers' growing preference for healthier dining options.

Development of Chinese-style QSR Industry in China

Standardized Western-style QSR originated in the U.S. in the 1940s and has since achieved a high level of standardization and chain expansion over the past 70 years. Brands such as KFC and McDonald's entered the China market in the 1980s and 1990s, reaching a milestone of 1,000 stores within approximately 20 years and subsequently experiencing explosive growth. By the end of September 2024, they had expanded to over 10,000 and 6,000 stores in China, respectively.

The standardization and chain model exploration for Chinese-style QSR began in the 1990s. Traditional non-chain Chinese-style QSR typically had weak brand awareness, lacked standardization, and did not possess self-sufficient supply chains. These outlets often compromised product quality and freshness, for convenience and low pricing. In contrast, today's leading Chinese-style QSR chains have adopted the operational practices of Western-style QSR, blending them with the unique qualities of Chinese cuisine. These brands now benefit from strong brand awareness, standardized operational management, well-developed supply chains, and a commitment to freshness and quality, filling a gap in the Chinese-style QSR market for high-quality options. The development of chain Chinese-style QSR is expected to follow a trajectory similar to that of Western-style QSR, with characteristics akin to leading Western-style QSR such as McDonald's and KFC. This evolution may lead to the emergence of industry giants within the Chinese-style QSR segment.

The chart below summarizes the comparison of key characteristics among chain and non-chain Chinese-style QSR, and Western-style QSR:

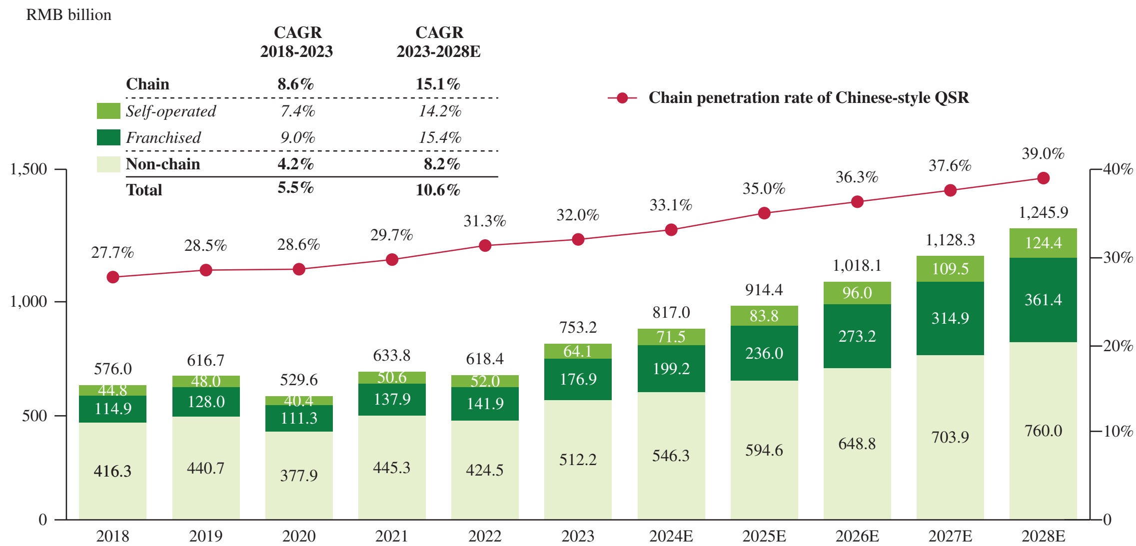
	Chain Chinese-style QSR	Non-chain Chinese-style QSR	Western-style QSR
Target customer base	Broad flavor appeal catering to all age groups, demographics, and city tiers	Broad flavor appeal, but often with strong regional preferences	Primarily catering to younger demographics
Value proposition	High brand value, fresh and hygienic food, and high quality with consistent flavor	Convenience and affordability	High brand value, hygienic food, high quality with consistent flavor
Standardization of supply chain and store operation	High level of standardization	Low level of standardization	High level of standardization
Chain penetration rate and brand awareness	Chain penetration rate gradually increasing	Primarily independent stores with low brand awareness	High chain penetration rate

Source: China Insights Consultancy

Market Size

Currently, the Chinese-style QSR market remains dominated by non-chain establishments, with a chain penetration rate of only 32.0% in 2023. With the development of supply chain, the standardization of operations, and the advancement in digitalization and intelligent technologies capabilities, the size of chain Chinese-style QSR in China has increased from RMB159.7 billion in 2018 to RMB241.0 billion in 2023. It is expected to reach RMB485.8 billion by 2028, representing a CAGR of 15.1% from 2023 to 2028, among which the size of self-operation chain and franchised chain are expected to grow at a rate of 14.2% and 15.4% during the same period, respectively. The chain penetration rate of Chinese-style QSR is expected to rise to 39.0% by 2028, considering substantial consolidation opportunities for numerous mom-and-pop businesses in the Chinese-style QSR market. Furthermore, the rising demand for higher food quality and improved dining experience is driving more customers towards chain brands. The improvement of standardization and digitalization and intelligent technologies in Chinese-style QSR industry has addressed quality control issues, thereby increasing the replicability of stores and better facilitating the expansion.

Market size of Chinese-style QSR industry in China, by business model, in term of GMV, 2018-2028E

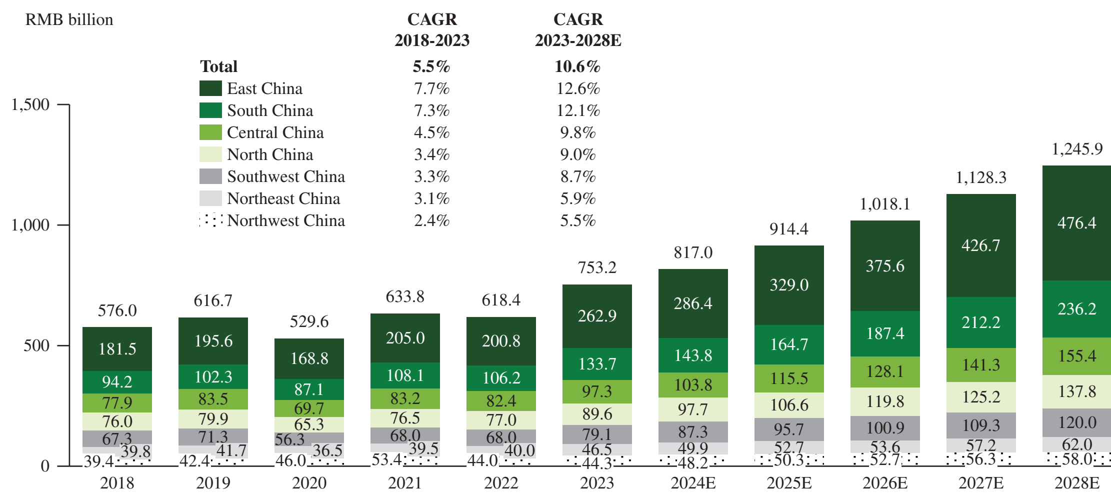


Note: Chain penetration rate is defined as the proportion of total industry GMV from companies with over 10 outlets.

Source: China Insights Consultancy

Geographically, the densely populated and economically advanced East China region represents the largest and fastest-growing segment within Chinese-style QSR market. In terms of GMV, the market size in East China increased from RMB181.5 billion in 2018 to RMB195.6 billion in 2019. Impacted by the pandemic, the East China's Chinese-style QSR market experienced fluctuations from 2020 to 2022. The East China's Chinese-style QSR market rebounded, with sales recovering from RMB200.8 billion in 2022 to RMB262.9 billion in 2023, representing a 34.4% increase compared to pre-pandemic levels in 2019. The East China's Chinese-style QSR market is projected to reach RMB476.4 billion by 2028, with a CAGR of 12.6% from 2023 to 2028.

Market size of Chinese-style QSR industry in China, by region, in terms of GMV, 2018-2028E



Source: National Bureau of Statistics of China, China Insights Consultancy

Market Drivers

The Chinese-style QSR market's projected growth will primarily be driven by the following factors:

- ***Rising Dining-out Rate.*** Factors such as smaller household sizes, the decrease in families with a stay-at-home parent, the increase in urban population, accelerated work and life pace with less time for home-cooking, greater social specialization, and the convenience of delivery services, are driving shifts in China's food consumption habits. As a result, consumers are dining out and ordering delivery more frequently, leading to the increase in the dining-out rate (measured as the share of catering revenue in total food and beverage consumption). Compared to the U.S. and Japanese dining-out rates of 40% and 45% in 2023, respectively, China's dining-out rate remains lower, with a projected rise from 29% in 2023 to 32% by 2028.

- ***Increased Chain Penetration Rate and Brand Development.*** Chain operations, particularly the franchise model, are expected to accelerate the outlets expansion of Chinese-style QSR. In 2023, the chain penetration rate in terms of GMV for Chinese-style QSR was 32.0%, significantly lower than the chain penetration rates of 65% for Western-style QSR in China and 70% and 65% for QSR in the U.S. and Japan, respectively, indicating ample room for growth. The chain penetration rate for Chinese-style QSR is projected to rise further to 39.0% by 2028. Compared to independent establishments, chain restaurants offer superior quality, hygiene and health standards, stronger brand influence, and higher operation efficiency. Consequently, the rising chain penetration rate is expected to drive continued growth in store productivity and market scale.

- ***Market Integration and Emergence of National Brands.*** The Chinese-style QSR market remains fragmented, with substantial space for consolidation. In contrast, the top five players in Western-style QSR held a 47% market share in China in 2023, with comparable QSR figures of 33% in the U.S. and 35% in Japan. From 2018 to 2023, the top five companies in Chinese-style QSR achieved a CAGR of 15% in term of GMV, significantly higher than the industry average of 5.5%, indicating rising market concentration. As national brands continue to emerge in China's Chinese-style QSR sector, the market is expected to undergo further consolidation, leading to higher operational efficiency and increased per-store output across the industry.

- ***Expansion of Consumer Scenarios and Demographics.*** Chinese-style QSR has evolved beyond its original role as a quick meal option at transportation hubs, now covering workplace meals and daily dining for communities and families, partially substituting home-cooked meals and increasing consumption frequency. The consumer base for chain Chinese-style QSR is expected to expand from high-tier city business travellers and white-collar workers to include family consumers across all age groups and city tiers. Furthermore, with all-day meal coverage and "dine-in plus delivery" omnichannel sales strategies further meet consumer dining needs across diverse scenarios.

Future Trends

Key trends in Chinese-style QSR market in China include:

- ***Health Trend.*** Chinese-style QSR becomes a daily dining choice for consumers who have increasing need for scientifically balanced nutrition across all meals. Beyond flavor, product quality and healthiness have become primary consumer demands. Consequently, greater attention will be paid to the sourcing of raw materials, food quality control, and cooking methods within the Chinese-style QSR market.

- ***Product and Service Upgrade.*** Chinese-style QSR should offer a diverse and comprehensive menu to cater to varied consumer preferences. By leveraging digitalization and intelligent technologies and consumer profiling, these restaurants are able to maintain appeal through regular product updates, specialty ingredients, and unique regional offerings. Service models such as freshly cooked meals, and transparent kitchens, are expected to enhance the dining experience with increased efficiency and quality.

- ***Support from Infrastructures, Such As Central Kitchens and Cold Chain Logistics, and Warehousing.*** Central kitchens facilitate initial cleaning, sorting, and packaging of raw materials, which are then distributed to chain locations via cold chain logistics, simplifying store-level food preparation processes. The central kitchen model offers standardization and efficiency benefits, effectively reducing material and labor costs while ensuring food safety and consistent taste, thereby supporting large-scale expansion within the Chinese-style QSR industry.

COMPETITIVE LANDSCAPE OF CHINESE-STYLE QSR INDUSTRY IN CHINA

Ranking

The Chinese-style QSR industry in China is relatively fragmented. In 2023, with the top five accounting for only 3.0% of the overall market in terms of GMV, leaving a significant room for market consolidation. In 2023, the Company was the largest Chinese-style QSR company in China by GMV, with a market share of 0.8%. The Company is also the only Chinese-style QSR company among the top five in China in terms of GMV to own an integrated industry chain, encompassing breeding, processing and foodservice. Furthermore, the Company's average daily sales per restaurant, daily sales per unit area, and seat turnover rates in 2023 were the highest among the top five Chinese-style QSR companies in China. Additionally, the Company is one of few companies in China's chain QSR market with a history of over 20 years and sustains double-digit growth in terms of CAGR of GMV from 2021-2023.

Ranking of Chinese-style QSR companies in China, in terms of GMV, 2023

Rank	Company	GMV, 2023, RMB billion	Market share, 2023, %
1	**Our Group**	**6.2**	**0.8%**
2	Company A	5.9	0.8%
3	Company B	3.9	0.5%
4	Company C	3.6	0.5%
5	Company D	2.8	0.4%

Note: Established in 1996, Company A is a privately-owned Chinese catering company headquartered in Chongqing. It mainly serves Sichuan and other regional Chinese cuisine, with stores primarily operated under self-operation model.

Established in 2014, Company B is a privately-owned Chinese catering company headquartered in Shenyang, Liaoning Province. It mainly serves Northeastern Chinese cuisine, with stores primarily operated under franchise model.

Established in 2012, Company C is a privately-owned Chinese catering company headquartered in Foshan, Guangdong Province. It mainly serves various types of dumplings and wontons, with stores primarily operated under franchise model.

Established in 2002, Company D is a privately-owned Chinese catering company headquartered in Dalian, Liaoning Province. It mainly serves different types of dumplings, with stores primarily operated under self-operation model.

Source: China Insights Consultancy

The Chinese-style QSR market in East China is the largest and fastest-growing regional market among all regions in China. In the Chinese-style QSR industry in East China, the Company ranked first with a market share of 2.1% in 2023, in terms of GMV.

Ranking of Chinese-style QSR companies in East China, in terms of GMV, 2023

Rank	Company	GMV, 2023, RMB billion	Market share, 2023, %
1	**Our Group**	**5.4**	**2.1%**
2	Company E	1.8	0.7%
3	Company C	1.6	0.5%
4	Company F	1.2	0.6%
5	Company G	1.0	0.4%

Note: Established in 2000, Company E is a listed Chinese catering company on National Equities Exchange and Quotations. It is headquartered in Huzhou, Zhejiang Province. It mainly serves Chinese-style QSR, with stores primarily operated under self-operation model.

Established in 2012, Company F is a privately-owned Chinese catering company headquartered in Nantong, Jiangsu Province. It mainly serves different types of noodles, with stores primarily operated under self-operation model.

Established in 2019, Company G is a privately-owned Chinese catering company headquartered in Shanghai. It mainly serves different types of noodles, with stores primarily operated under self-operation model.

Source: China Insights Consultancy

Key Success Factors and Entry Barriers

- ***Brand Influence and Recognition.*** Historically, the chain penetration rate within the Chinese-style QSR sector was low, with weak brand awareness. Currently, brand influence and consumer trust have become increasingly crucial, with leading brands establishing a strong image as "clean and hygienic" and a "a daily dining choice." Top Chinese-style QSR companies utilize a broad range of strategies — including offline brand promotions, trending topic marketing, social media ads, and IP content creation, to increase brand visibility and build memorable characteristics. Through active consumer engagement, these brands foster emotional connections with their customer base, boosting customer loyalty and long-term retention rates. Brand influence will serve as a foundation for rapid expansion among market leaders.

- ***Integrated Supply Chain Capabilities.*** As consumers place higher demands on ingredient quality and product flavor, Chinese-style QSR brands have increasingly extended upstream, covering supply chain steps such as sourcing, pre-processing, warehousing, and logistics. An end-to-end integrated supply chain system allows leading brands to achieve both standardized production and high product quality, while optimizing operational efficiency and cost structure. For instance, deep involvement in upstream, such as farming or breeding, could help secure stable and high-quality raw materials. Centralized production facilities enhance self-supply capabilities, offering high-quality value-for-money products, ensuring high consistency, and improving production efficiency. Reliable warehousing and logistics ensure efficient ingredient delivery. Building an integrated supply chain poses a high industry barrier, requiring substantial operational experience across the supply chain and strong multi-faceted management capabilities.

- ***Standardized and Replicable Operational Management.*** Leading companies leverage traditional Chinese-style QSR expertise alongside modern chain management practices to establish standardized and scalable chain models for Chinese-style QSR. Standardized operational management is implemented across all areas of the supply chain, site selection, interior design, store operations, employee training, franchisee management, and quality control. In terms of cuisine standardization, as consumers increasingly demand consistent flavours, leading brands divide traditional Chinese cooking procedures into standardized processes. Central kitchens precisely handle raw materials and ingredients, while store staff prepare meals on-site using automated equipment, ensuring a stable and consistent flavor.

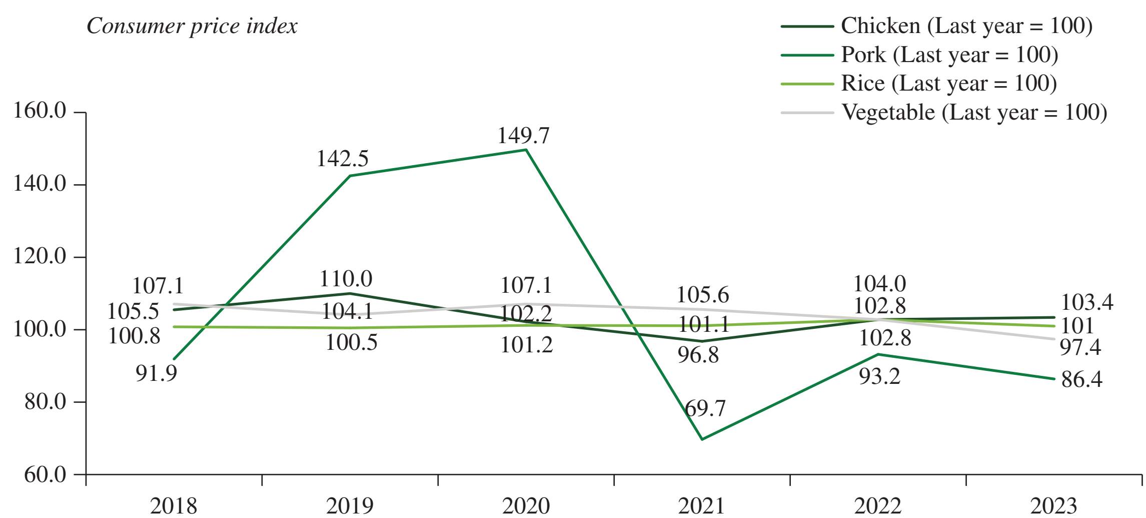
- ***Product Development Capabilities.*** Product quality, innovation, and a scientifically balanced product matrix have become essential to retaining consumers and represent critical differentiating factors within the chain Chinese-style QSR industry. Classic items that cater to nationwide tastes embody high value and brand exclusivity for leading Chinese-style QSR brands. It is equally important for these brands to retain and continually upgrade high-quality classic dishes or signature items, as well as to periodically introduce innovative products and regionally unique items to satisfy evolving consumer preferences.

- ***Digitalization and Intelligent Technologies Capabilities.*** Leading Chinese-style QSR companies are increasingly integrating digitalization and intelligent technologies and automation into their entire business processes, striving for seamless integration across front-end, mid-end, and back-end systems. By leveraging intelligent production, digital marketing, member engagement, online ordering, automated equipment, digitalised supply chain management, and digital store operations, companies are able to achieve precise management across large-scale, cross-regional locations and effectively control costs and increase efficiency.

COST ANALYSIS

Raw material cost is the major cost in the QSR industry, with chicken, pork, rice and vegetables being the major raw materials. Chicken was the second largest meat after pork in terms of consumption in China in 2023 and China was the third largest producer and second largest consumer of chicken globally in 2023. The CPI in China for pork is volatile, rising from 91.9 in 2018 to 149.7 in 2020 and then falling to 86.4 in 2023. The CPIs for chicken, rice and vegetables are more stable, with the CPI for rice rising slightly from 100.8 in 2018 to 101.0 in 2023, and the CPIs for chicken and vegetables decreasing from 105.5 and 107.1 to 103.1 and 97.4, respectively.

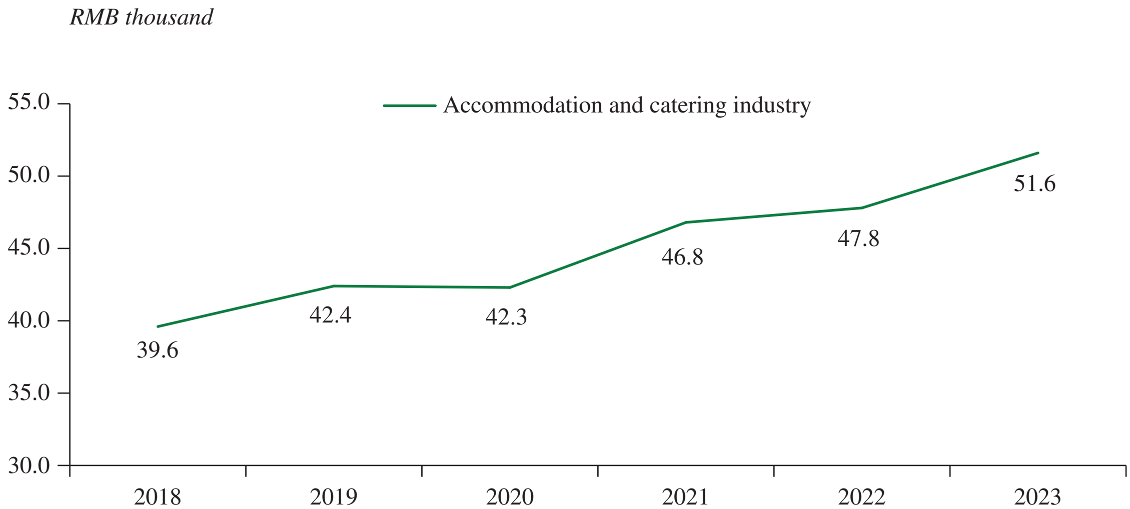
Consumer price index for chicken, pork, rice and vegetables, China, 2018-2023



Sources: National Bureau of Statistics of China, China Insights Consultancy

In the context of China's economic growth, the average annual salary of employees in the private catering industry has increased from RMB39.6 thousand in 2018 to RMB51.6 thousand in 2023, representing a CAGR of 4.5% during the past five years. It is reasonably anticipated that labor costs will continue to rise in the future.

Average annual wage in urban private sector*, China, 2018-2023



Note: Private sector is defined as the sector which is running by private individuals or groups, usually as a means of enterprise for profit.

Sources: National Bureau of Statistics of China, China Insights Consultancy

SOURCE OF INFORMATION

We engaged CIC, an independent market research and consulting company that provides industry consulting services, commercial due diligence, and strategic consulting, to conduct detailed research on and analysis of the China's catering industry. We have agreed to pay a fee of RMB729,280 to CIC in connection with the preparation of the CIC Report. We have incorporated certain information from the CIC Report into this section, as well as into "Summary," "Business," "Financial Information," and elsewhere in this document to provide a comprehensive presentation of the industries where we operate. Our Directors confirm, to the best of their knowledge, and after making reasonable enquiries, that there has been no adverse changes in the market information since the date of the CIC Report that may qualify, contradict or impact the information disclosed in this section.

During the preparation of the CIC Report, CIC conducted both primary and secondary research, and gathered knowledge, statistics, information, and insights on industry trends within the target research markets. The primary research involved interviews with key industry experts and leading industry participants. The secondary research consisted of analyzing data from various publicly available sources, such as the National Bureau of Statistics.

The CIC Report was compiled based on the following assumptions: (i) the overall social, economic, and political environment in China is expected to remain stable during the forecast period; (ii) China's economic and industrial development is likely to maintain a steady growth trajectory during the forecast period, supported by sustained market demand, technological advancements, and ongoing initiatives promoting infrastructure development; (iii) key industry drivers are likely to propel the catering market in China forward during the forecast period, including expansion of the consumer base, increased consumption frequency, growing number of restaurants, and improved restaurant performance with enhanced level of standardization; and (iv) the market will not be dramatically or fundamentally affected by any extreme force majeure events or unforeseen industry regulations.

Our business operations are based in the PRC and are subject to extensive supervision and regulation by the PRC government. This section summarizes the major laws, rules and regulations which may impact key aspects of our business.

REGULATIONS ON FOREIGN INVESTMENT

The establishment, operation and management of companies within the PRC are governed by the PRC Company Law (《中華人民共和國公司法》), as revised in 1999, 2004, 2005, 2013, 2018 and 2023 (the latest revision came into effect on July 1, 2024). According to the PRC Company Law, companies established in the PRC are either limited liability companies or joint stock limited liability companies. The PRC Company Law applies to both PRC domestic companies and foreign investment companies. Pursuant to the Provisional Administrative Measures on Establishment and Modifications (Filing) for Foreign Investment Enterprises (《外商投資企業設立及變更備案管理暫行辦法》) promulgated by the Ministry of Commerce (the "**MOFCOM**") on October 8, 2016, amended on July 30, 2017 and on June 29, 2018, foreign invested enterprises which are not subject to the approval requirement under the special entry management measures, shall file with relevant commerce authorities for its establishment and changes. On December 12, 2019, MOFCOM and the State Administration for Market Regulation (the "**SAMR**") promulgated the Measures for the Reporting of Foreign Investment Information (《外商投資信息報告辦法》), which became effective on January 1, 2020, repealing the Provisional Administrative Measures on Establishment and Modifications (Filing) for Foreign Investment Enterprises. Where foreign investors carry out investment activities directly or indirectly within PRC, foreign investors or foreign-funded enterprises shall report investment information to commerce departments. On December 27, 2021, MOFCOM and the National Development and Reform Commission (the "**NDRC**") promulgated the Special Administrative Measures (Negative List) for Foreign Investment Access (2021) (《外商投資准入特別管理措施(負面清單) (2021年版)》), or the Negative List (2021), which became effective on January 1, 2022 and then repealed by the Special Administrative Measures (Negative List) for Foreign Investment Access (2024), or the Negative List (2024), promulgated on September 6, 2024 and became effective on November 1, 2024. The catering services, the breeding of commercial chickens and general food production and sales were not included in the Negative List (2024). Fields that were not included in the Negative List (2024) shall be regulated according to the principle of equal treatment of domestic and foreign investments.

On March 15, 2019, the National People's Congress (the "**NPC**") approved the Foreign Investment Law of the PRC (《中華人民共和國外商投資法》), or the Foreign Investment Law, and on December 26, 2019, the State Council promulgated the Implementing Rules of the Foreign Investment Law (《中華人民共和國外商投資法實施條例》), or the Implementing Rules, to further clarify and elaborate the relevant provisions of the Foreign Investment Law. The Foreign Investment Law and the Implementing Rules both took effect on January 1, 2020 and replaced three previous major laws on foreign investments in PRC, namely the Sino-foreign Equity Joint Venture Law (《中華人民共和國中外合資經營企業法》), the Sino-foreign Cooperative Joint Venture Law (《中華人民共和國中外合作經營企業法》) and the Wholly Foreign-owned Enterprise Law (《中華人民共和國外資企業法》), together with their respective implementing rules. Pursuant to the Foreign Investment Law, "foreign investments" refer to investment activities conducted by foreign investors (including foreign natural persons, foreign enterprises or other foreign organizations) directly or indirectly in the PRC, which include any of the following circumstances: (i) foreign investors setting up foreign-funded enterprises within the PRC solely or jointly with other investors, (ii) foreign investors obtaining shares, equity interests, property portions or other similar rights and interests of enterprises within the PRC, (iii) foreign investors investing in new projects in the PRC solely or jointly with other investors, and (iv) investment of other methods as specified in laws, administrative regulations, or as stipulated by the State Council. The Implementing Rules introduce a see-through principle and further provide that foreign-invested enterprises that invest in the PRC shall also be governed by the Foreign Investment Law and the Implementing Rules.

REGULATIONS ON FOODSERVICE INDUSTRY

Food Safety Law and Implementing Rules

In accordance with the Food Safety Law of the PRC (《中華人民共和國食品安全法》), or the Food Safety Law, as effective on June 1, 2009 and latest amended on April 29, 2021, the PRC implements a licensing system for food production and trading. Entities engaging in food production, food sales and catering services shall obtain a license in accordance with laws. However, a license is not required for the sale of edible agricultural products and prepackaged food. The sale of prepackaged food shall be filed with the food safety regulatory department of the people's government at or above the county level.

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

The Implementing Rules of the Food Safety Law (《中華人民共和國食品安全法實施條例》), as effective on July 20, 2009 and last amended on October 11, 2019, further specifies the detailed measures to be taken and conformed to by food producers and business operators in order to ensure food safety, as well as the penalties that shall be imposed should these required measures not be implemented.

Food Production and Operation Licensing

The General Administration of Quality Supervision, Inspection and Quarantine of the PRC (now merged into SAMR) promulgated the Measures for the Administration of Food Production Licensing (《食品生產許可管理辦法》) on April 19, 2010 and last amended on January 2, 2020 with effect from March 1, 2020. According to the Measures for the Administration of Food Production Licensing, a food production license shall be obtained in accordance with the law to engage in food production activities within the PRC. The SAMR shall be responsible for the supervision and guidance of the nationwide food production licensing administration. Local departments for market regulation or above the county level shall be responsible for the food production licensing supervision and administration within their respective administrative areas. The validity term for a food production license is 5 years. If the enterprise that has the food production license needs to extend the validity term of its legally obtained food production license, it shall file an application for replacement of the license with the original licensing authority within 30 business days prior to the expiry of the validity term of the food production license. Where no application is filed for extension of the license upon expiry of the validity term, the original licensing authority shall conduct the cancelation procedures of the food production license.

On June 15, 2023, the SAMR promulgated the Administrative Measures for Food Operation Licensing and Record-filing (《食品經營許可和備案管理辦法》) which became effective on December 1, 2023 and repealed the Administrative Measures for Food Operation Licensing which regulated the conduct of food operation activities in PRC. According to the Administrative Measures for Food Operation Licensing and Record-filing, a food operation license shall be obtained in accordance with the law to engage in food selling and catering services within the PRC. A food operation license is not required under any of the following circumstances: (i) sales of edible agricultural products; (ii) sales of prepackaged food only; (iii) medical institutions and drug retailers selling specific total nutrition formula food in the formula food for special medical purposes; (iv) food producers that have been granted a food production license selling the food they produce at their production and processing places or via the Internet; and (v) other circumstances under which a food operation license is not required according to laws and regulations. Where food operators conduct food operation activities in different operation places, they shall respectively obtain the food operation license or make record-filing in accordance with the law. The date on which the decision on licensing is made shall be the date of issuance of the food operation license, and the license is valid for five years. If the items which are indicated on a food operation license change, the food operator shall, within ten working days after the changes take place, apply to the market regulatory authority which originally issued the license for alteration of the operation license. Where the food operator no longer engages in food operations in its original licensed business premises after a change of address, it shall apply for a food operation license again.

Those who engage in food production and operation activities but failed to obtain a required food production and operation license shall be punished by the local market regulatory authorities at or above the county level according to Article 122 of the Food Safety Law, which provided that the authorities shall confiscate their illegal income, the food or food additives illegally produced or dealt in, and the tools, equipment, raw materials, and other items used for illegal production or operation, and impose a fine of not less than RMB50,000 but not more than RMB100,000 on them if the goods value of the food or food additives illegally produced or dealt in is less than RMB10,000 or a fine of not less than 10 times but not more than 20 times the goods value if the goods value is RMB10,000 or more.

Online Catering Services

In accordance with 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》), as effective on January 1, 2018, and amended on October 23, 2020, online catering service providers shall have their own physical stores and have obtained the food operation licenses according to the law, and shall carry out business activities pursuant to the business forms and business items specified on their own food operation licenses, and they shall not operate beyond the business scope. Online catering service providers which do not have any physical stores, or fail to obtain the food operation licenses in accordance with the law shall be punished by the local market regulatory authorities at or above the county level according to Article 122 of the Food Safety Law.

Food Recall System

On March 11, 2015, the State Food and Drug Administration (now merged into SAMR) promulgated the Administrative Measures for Food Recall (《食品召回管理辦法》), effective on September 1, 2015, and amended on October 23, 2020. Food producers and operators shall, in accordance with the Administrative Measures for Food Recall, be the primary persons legally liable for food safety, establish and improve the relevant management systems, collect and analyze food safety information, and perform the obligations of ceasing to produce, operate, recall and dispose of unsafe food. Where food producers and operators find the food under selling unsafe, they must immediately suspend the operations, inform relevant food producers and operators, notify customers, and take necessary measures to mitigate food safety risks. Where food safety problems occur due to the food operators' own reasons, the food operators shall voluntarily recall the food of questionable quality. Food producers knowing that any food produced or traded is unsafe must proactively recall such food, and if the food operators know that the food producers have recalled the unsafe food, they shall immediately adopt measures such as ceasing to purchase or sell, sealing up unsafe food, posting the recall announcement issued by the producers in a prominent position of operation premises, and cooperating with food producers to start recalling. Where food producers and operators violate the Food Safety Law and the Administrative Measures for Food Recall and do not immediately suspend operation or proactively recall unsafe food, the market supervisory and administrative authorities shall issue warnings to them and impose fines between RMB10,000 and RMB30,000. Where food operators that violate the Administrative Measures for Food Recall, or do not cooperate with food producers to recall unsafe food, the market regulatory authorities shall issue warnings to them and impose fines between RMB5,000 and RMB30,000.

REGULATIONS RELATED TO FOOD ADVERTISEMENT

According to the Advertising Law of the PRC (《中華人民共和國廣告法》) promulgated by the Standing Committee of the National People's Congress (the "**SCNPC**") on October 27, 1994 and most recently amended on April 29, 2021, In any advertisement, where there are statements regarding the performance, function, place of origin, use, 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. Where any content of the advertisement is in violation of the foregoing provisions, the market regulation department shall order the cessation of the publishing of advertisements and impose fines of not more than RMB100,000 on the advertiser.

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 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 for four kinds of public places, including restaurants, cafes, bars and teahouses, and integrates the contents of the food safety into the food operation license issued by the food and drug regulatory authorities.

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 SCNPC 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 and came into effect on October 30, 2023, for the restaurants, teahouses or coffee houses with more than 500 sq.m. and with entertainment functions, or the production workshops of labor-intensive enterprises with more than 2,500 sq.m., the construction entity shall apply for fire protection design approval and fire safety inspection and acceptance. For other restaurants, teahouses or coffee houses, when the construction entity applies for construction permit or for approval of commencement report, it shall provide the fire protection design drawings and technical materials satisfying the requirement of the construction and such construction project shall be subject to the filing and random inspection system.

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 RMB30,000 but not more than RMB300,000. The construction project that fails to complete fire safety filing shall be ordered to rectify and be subject to a fine of up to RMB5,000.

Furthermore, pursuant to the Fire Prevention Law (revised in 2019 and 2021), before the use of or commencement of the business operations in public gathering places, any construction entities or entities using such places must apply for a fire safety inspection with the fire rescue agencies of the local people’s governments of such places at or above the county level. Putting a public gathering place into use or into business operation without permission and when the place has not undergone fire safety and protection inspections or has failed to meet fire safety and protection requirements shall result in an order to suspend construction, use, production or business operations and a fine of not less than RMB30,000 and not more than RMB300,000 from the competent departments of housing and urban-rural development and the relevant fire rescue agencies (according to their respective duties).

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.

REGULATIONS ON ENVIRONMENTAL PROTECTION

The Environmental Protection Law of the PRC

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

According to the provisions of the Environmental Protection Law and other relevant laws and regulations of the PRC, the Ministry of Environmental Protection and its local counterparts are responsible for administering and supervising environmental protection matters. Pursuant to the Environmental Protection Law, construction projects that have environmental impact shall be subject to environmental impact assessment. The pollution prevention and control facilities in construction projects shall be designed, built and commissioned along with the principal part of the project at the same time. The pollution prevention and control facilities shall meet the requirements specified in the approved documents regarding the environmental impact assessment and shall not be dismantled or left idle without authorization.

Consequences of violations of the Environmental Protection Law include rectification within a time limit, fines, forced shutdown, or criminal punishment.

Law on Environment Impact Assessment

Pursuant to the Environmental Impact Assessment Law of the PRC (《中華人民共和國環境影響評價法》) issued on October 28, 2002 and most recently amended on December 29, 2018, the State implemented an environmental impact assessment, or EIA, to classify construction projects according to the impact of the construction projects on the environment. Constructing entities shall prepare an environmental impact report, or an EIR, or an environmental impact statement, or an EIS, or fill out the EIR Form according to the following rules: (i) for projects with potentially serious environmental impacts, an EIR shall be prepared to provide a comprehensive assessment of their environmental impacts; (ii) for projects with potentially mild environmental impacts, an EIS shall be prepared to provide an analysis or specialized assessment of the environmental impacts; and (iii) for projects with very small environmental impacts, an EIA is not required but an EIR Form shall be completed.

On November 30, 2020, Ministry of Ecology and Environment of the PRC promulgated the Classified Administration Catalog of Environmental Impact Assessments for Construction Projects (2021) (《建設項目環境影響評價分類管理名錄(2021年版)》), or Classified Administration Catalog (2021), which became effective on January 1, 2021. According to Classified Administration Catalog (2021), the food and beverage services are not included in the management of EIA of construction projects.

REGULATIONS ON CUSTOMER RIGHTS PROTECTION

Pursuant to the Product Quality Law (《中華人民共和國產品質量法》) promulgated on February 22, 1993 and last amended on December 29, 2018 by SCNPC, seller shall be responsible for the repair, replacement or return of the product sold if (1) the product sold does not possess the properties for use that it should possess, and no prior and clear indication is given of such a situation; (2) the product sold does not conform to the applied product standard as carried on the product or its packaging; or (3) the product sold does not conform to the quality indicated by such means as a product description or physical sample. If a consumer incurs losses as a result of purchased product, the seller shall compensate for such losses.

According to the Civil Code of the PRC (《中華人民共和國民法典》) promulgated by the NPC On May 28, 2020 and effective on January 1, 2021, a manufacturer or a commercial seller is subject to liability for harm to persons or property caused by the product defects. The infringed may seek compensation from the manufacturer or the commercial seller. Where the infringed seeks compensation from the commercial seller, the commercial seller shall have the right to make a claim against the liable manufacturer after it has made compensation.

The PRC Customer Rights and Interests Protection Law (《中華人民共和國消費者權益保護法》), or the Customer Protection Law, as amended on October 25, 2013 and effective on March 15, 2014, sets out the obligations of business operators and the rights and interests of the customers. Pursuant to Customer Protection Law, business operators must guarantee that the commodities they sell satisfy the requirements for personal or property safety, provide consumers with authentic information about the commodities, and guarantee the quality, function, usage, and term of validity of the commodities. Failure to comply with the Consumer Protection Law may subject business operators to civil liabilities such as refunding purchase prices, replacing or repairing the commodities, mitigating the damages, compensation, and restoring the reputation, and subject the business operators or the responsible individuals to criminal penalties if business operators commit crimes by infringing the legitimate rights and interests of customers.

According to the Customer Protection Law, where operators knowingly provide consumers with defective commodities or services causing death or serious damage to the health of consumers or other victims, the victims may require operators to compensate them for losses in accordance with the Consumer Protection Law, and claim punitive compensation of not more than two times the amount of losses incurred. The Food Safety Law also provides the amount of punitive compensation that the operators knowingly provide food failing to meet the food safety standards shall paid the victims, which is ten times the price paid or three times the loss unless the amount of the additional compensation is less than RMB1,000 where the punitive compensation shall be RMB1,000.

REGULATIONS ON SINGLE-PURPOSE COMMERCIAL PREPAID CARDS

The Administrative Measures of Single-Purpose Commercial Prepaid Cards (for Trial Implementation) (《單用途商業預付卡管理辦法(試行)》), or the Single-purpose Prepaid Cards Measures, which was issued on September 21, 2012, effective from November 1, 2012 and amended on August 18, 2016, applies to enterprises in the retail, accommodation, catering service, and residential service industries which issue single-purpose commercial prepaid cards within PRC. The single-purpose prepaid cards are exclusively used to pay for goods or services within the group to which the enterprise belongs to or within the franchise system of one brand, including physical cards in the form of magnetic stripe cards, chip cards and paper coupons and virtual cards in the form of passwords string codes, graphics and biometric information, among others. An issuer of single-purpose commercial prepaid cards shall make relevant filings with the competent authority and establish a mechanism for the security protection of prepayments and take necessary actions to protect the consumers.

Eligible enterprises may issue both unbearer cards and bearer cards, of which the unbearer card may be reported in case of the loss thereof. The term of validity of a bearer card may not be less than three years. The value of a bearer card may not exceed a maximum quota of RMB1,000 per card. The card-issuing enterprise shall designate a commercial bank account as its fund deposit and custody bank account and sign a fund deposit and custody agreement with the deposit and custody bank. Where a card issuer violates the above requirement, the local commerce department at or above the county level at the place where the violation occurs shall order the enterprise to make rectification within a prescribed time limit; and if the card issuer fails to do so within the time limit, it shall be subject to a fine of more than RMB10,000 but less than RMB30,000.

REGULATIONS ON FRANCHISED COMMERCIAL OPERATION

Franchised operation is subject to the supervision and administration of MOFCOM and its local competent commercial departments. These activities are currently regulated by the Regulations on the Administration of Commercial Franchised Operation (《商業特許經營管理條例》) promulgated by the State Council on February 6, 2007 and implemented from May 1, 2007, which was supplemented by the Administrative Measures for the Record-filing of Commercial Franchises (《商業特許經營備案管理辦法》) issued by MOFCOM on April 30, 2007 and amended on December 12, 2011 and December 29, 2023 and the Administrative Measures for the Information Disclosure of Commercial Franchise (《商業特許經營信息披露管理辦法》) issued by MOFCOM on April 30, 2007, and most recently amended on February 23, 2012 and effective from April 1, 2012.

According to the above-mentioned applicable regulations, franchisers may engage in franchised operation activities on conditions that they shall have a mature operation model and be capable of providing continuous operation guidance and training services for franchisees, as well as owning at least two direct-sale stores in PRC with the operation period being more than one year. Where franchisers fail to conduct franchised activities in accordance with the above provisions, punishment may be imposed, such as confiscating the illegal proceeds and imposing a fine of above RMB100,000 but less than RMB500,000, and an announcement will be made by MOFCOM or the local competent department of commerce.

Franchisers shall submit the business license, a draft of the franchise contract and other documents to the provincial competent commercial department where they are registered within 15 days from the date of the initial signing of the franchise contract with franchisees within PRC. Where a franchiser engages in franchised activities within the scope of two or more provincial areas, it shall file with MOFCOM. Filing shall be performed by the franchisers complying with the above applicable regulations through the information management system for commerce franchises established by MOFCOM in accordance with the provisions of the measures. In addition, franchisers shall file with the commercial department concerning the execution, cancelation, renewal and amendment of franchise agreements before March 31 of every year.

In case of any changes to franchisers' filing information, such changes shall also be filed with the relevant commercial department after occurrence. Where franchisers fail to file in accordance with such regulations, relevant commercial departments may order the franchiser to file within a stipulated period and impose a fine of more than RMB10,000 but less than RMB50,000. Failure to file within the stipulated period may render a fine of more than RMB50,000 but less than RMB100,000, and a public announcement.

REGULATIONS ON RECORD FILING OF LIVESTOCK AND POULTRY FARMS

According to the Animal Husbandry Law of the PRC (《中華人民共和國畜牧法》), which was promulgated on December 29, 2005, and latest amended on October 30, 2022 and effective from March 1, 2023, the entity establishing a livestock and poultry farm or farming cluster shall file the name, address of the farm and farming cluster, species of livestock and poultry as well as the scale of breeding with the animal husbandry and veterinary administrative department under the county-level government where the farm or farming cluster is located, and obtain labels and codes for the livestock and poultry.

REGULATIONS ON ANIMAL EPIDEMIC PREVENTION

The Law on Animal Epidemic Prevention of the PRC (《中華人民共和國動物防疫法》), which was promulgated on July 3, 1997 and latest amended on January 22, 2021 and the Measures for the Examination of Animal Epidemic Prevention Conditions (《動物防疫條件審查辦法》), which was promulgated on January 21, 2010 and latest amended on September 7, 2022, stipulate the conditions for prevention of animal epidemics that an animal breading farm shall meet and require the operators of an animal breeding farm to apply to the administrative departments for agriculture and rural affairs under the people's government at the county level for a certificate for meeting animal epidemic prevention conditions. For the applicants that passes the examination, the certificate for meeting animal epidemic prevention conditions shall be issued.

According to the Law on Animal Epidemic Prevention of the PRC, animal epidemic prevention institutions shall monitor the outbreak and spread of animal epidemic; and the entities and individuals engaged in animal raising, slaughtering, operation, isolation or transportation shall immediately report to the local administrative departments for agriculture and rural affairs or animal epidemic prevention and control institutions immediately once they find the animals have contracted epidemics or suspect epidemics, and they shall have the animals isolated and take other control measures to prevent the spread of the epidemic.

Where animals are eradicated and animal products and relevant goods are destroyed through mandatory measures taken in the course of prevention, control and elimination of animal epidemics, people's governments at or above the county level shall provide compensation. The specific rates and measures for compensation shall be determined and adopted by the department of finance under the State Council together with the departments concerned.

REGULATIONS ON E-COMMERCE ACTIVITIES

According to the E-Commerce Law of the PRC (《中華人民共和國電子商務法》), or the E-Commerce Law, promulgated by the Standing Committee of the National People's Congress, or the SCNPC, on August 31, 2018 and effective from January 1, 2019, specified that the natural persons, legal persons and other non-legal persons who sell goods or provide services through the Internet and other information networks in China are e-commerce operators. When engaging in operation activities, e-commerce operators shall adhere to the principles of voluntariness, equality, fairness and integrity, abide by laws and business ethics to participate in market competition fairly, perform obligations in respect of consumer rights protection, environmental protection, intellectual property protection, cyber security and personal information protection, assume product and service quality responsibilities, and accept the supervision of the government and society.

Pursuant to the Online Trading Supervision and Management Measures (《網絡交易監督管理辦法》) promulgated by the SAMR, on March 15, 2021, and effective from May 1, 2021, online trading operators who collect and use consumers' personal information, shall follow the principles of legality, propriety and necessity, specifically notify consumers about the purpose, method and scope of the collection and use of the information and obtain the consumers' consent, and announce their policies on collection and use. In addition, online trading operators and their employees shall strictly keep confidential the personal information they have collected.

Pursuant to the Measures for Investigation and Handling of Illegal Acts Involving Online Food Safety (《網絡食品安全違法行為查處辦法》) promulgated by the State Administration of Food and Drug (now merged into the SAMR) in 2016, and later amended on April 2, 2021 and effective from June 1, 2021, online food producer or operators through third-party platform shall obtain a food production or food operation licenses, and engaging food production or operation within the scope of licenses. Failing to perform aforementioned obligations may subject the food producer or traders to legal consequences according to Article 122 of the Food Safety Law, which provided that the authorities shall confiscate their illegal income, the food or food additives illegally produced or dealt in, and the tools, equipment, raw materials, and other items used for illegal production or operation, and impose a fine of not less than RMB50,000 but not more than RMB100,000 on them if the goods value of the food or food additives illegally produced or dealt in is less than RMB10,000 or a fine of not less than 10 times but not more than 20 times the goods value if the goods value is RMB10,000 or more.

REGULATIONS ON INFORMATION SECURITY AND PRIVACY PROTECTION

Pursuant to the Civil Code of the PRC (《中華人民共和國民法典》), which was promulgated by the NPC on May 28, 2020 and came into effect on January 1, 2021, the personal information of a natural person shall be protected. Any organization or individual shall legally obtain the personal information of others when necessary and ensure the safety of such personal information, and shall not illegally collect, use, process or transmit the personal information of others, or illegally buy or sell, provide or make public the personal information of others.

The PRC Cyber Security Law (《中華人民共和國網絡安全法》), which was promulgated on November 7, 2016 and became effective on June 1, 2017, prohibits individuals or entities from obtaining personal information through stealing or other illegal ways, selling or otherwise illegally disclosing personal information. Those who provide services through networks shall take technical measures and other necessary measures in accordance with laws, regulations and compulsory national requirements to safeguard the safe and stable operation of the networks, respond to network security incidents effectively, prevent illegal and criminal activities committed on the network, and maintain the integrity, confidentiality, and availability of network data. Any violation of the provisions and requirements under the PRC Cyber Security Law may subject Internet service providers to warnings, fines, confiscation of illegal gains, revocation of licenses, close down of websites or even criminal liabilities.

The Cybersecurity Review Measures (《網絡安全審查辦法》), which was promulgated on December 28, 2021, and effective from February 15, 2022, stipulates that operators of critical information infrastructure purchasing network products and services, and network platform operators carrying out data processing activities that affect or may affect national security, shall conduct cybersecurity review. The Cybersecurity Review Measures further specifies that network platform operators who hold personal information of more than 1 million users, when applying for listing abroad, must report to the Cybersecurity Review Office for a cybersecurity review.

The Data Security Law of the PRC (《中華人民共和國數據安全法》), which was promulgated by the SCNPC on June 10, 2021 and became effective on September 1, 2021, stipulates that the entity carries out data processing activities shall abide by laws and regulations, show respect for social morality and ethics, observe business ethics and professional ethics, be honest and trustworthy, perform the obligations of data security protection and undertake social responsibilities, and shall not endanger national security or public interests, or damage the legitimate rights and interests of individuals or organizations. Any organization or individual shall collect data by lawful and proper means and shall not acquire data by theft or other illegal means.

On September 24, 2024, the State Council promulgated the Regulation on Network Data Security Management (《網絡數據安全管理條例》), which became effective from January 1, 2025. According to the Regulation on Network Data Security Management, data processors that carry out network data processing activities which affects or may affects national security shall, in accordance with relevant state provisions, apply for cyber security review.

On August 20, 2021, the SCNPC promulgated the Personal Information Protection Law of the PRC (《中華人民共和國個人信息保護法》) which became effective from November 1, 2021. According to this law, the handling of personal information shall be for a definite and reasonable purpose, be directly related to the purpose of handling and shall be conducted in a way that minimizes the impact on personal rights and interests. The collection of personal information shall be limited to the minimum scope for achieving the purpose of handling and it is not permitted to excessively collect personal information. A personal information processor shall be responsible for its handling of personal information and take necessary measures to ensure the security of the personal information handled. No organization or individual may illegally collect, use, process or transmit the personal information of others, illegally buy or sell, provide or make public the personal information of others, or engage in the handling of personal information that endangers the national security or public interests.

On July 7, 2022, the Cyberspace Administration of China promulgated the Measures on the Security Assessment of Cross-border Data Transfer (《數據出境安全評估辦法》) (the "**Measures on CBDT**"), which took effect on September 1, 2022. According to the Measures on CBDT, the data processor that provides personal information or important data collected and generated in the course of business operations in the Chinese mainland to overseas recipients, in any of the following circumstances, shall apply for cross-border data transfer security assessment: (i) data processor provides important data abroad; (ii) critical information infrastructure operators (the "**CIIO**") or the data processor that has processed the personal information of over one million people provides personal information abroad; (iii) data processor that has provided the personal information of over 100,000 people or the sensitive personal information of over 10,000 people cumulatively since January 1 of the previous year, provides personal information abroad; and (iv) any other circumstance where an application for the security assessment of cross-border data transfer is required by the national cyberspace administration.

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 ON FOREIGN EXCHANGE AND DIVIDEND DISTRIBUTION

Foreign Currency Exchange

The principal regulations governing foreign currency exchange in PRC are the Foreign Exchange Administration Regulations of the PRC (《中華人民共和國外匯管理條例》) which was promulgated by the State Council on January 29, 1996, became effective on April 1, 1996 and was subsequently amended on January 14, 1997 and August 5, 2008 and the Regulations on the Administration of Foreign Exchange Settlement, Sale and Payment (《結匯、售匯及付匯管理規定》) which was promulgated by People's Bank of China on June 20, 1996 and became effective on July 1, 1996. Pursuant to these regulations and other PRC rules and regulations on currency conversion, Renminbi is freely convertible for payments of current account items, such as trade and service-related foreign exchange transactions and dividend payments, but not freely convertible for capital account items, such as direct investment, loan or investment in securities outside PRC unless prior approval of the Sate administration for Foreign Exchange of the PRC (the "**SAFE**") or its local counterpart is obtained.

According to the Notice of the SAFE on Further Simplifying and Improving the Foreign Exchange Management Policies for Direct Investment (《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》), or the Circular 13, which was promulgated by the SAFE on February 13, 2015, came into effect on June 1, 2015, and was partially repealed on December 30, 2019, the foreign exchange registration under domestic direct investment and the foreign exchange registration under overseas direct investment are directly reviewed and handled by banks in accordance with the Circular 13. The SAFE and its branches shall perform indirect regulation over the foreign exchange registration via banks. On April 3, 2024, the SAFE promulgated the Guidelines on Foreign Exchange Operations for Capital Accounts (2024 Edition), which became effective on May 6, 2024, to provide guidelines on foreign exchange operations for capital accounts.

According to the Circular on Reforming the Management Approach regarding the Settlement of Foreign Exchange Capital of Foreign-invested Enterprises (《關於改革外商投資企業外匯資本金結匯管理方式的通知》), or the Circular 19, which was promulgated by SAFE on March 30, 2015, effective on June 1, 2015, partially repealed on December 30, 2019, and amended on March 23,2023, the foreign exchange capital of foreign-invested enterprises shall be subject to the Discretional Foreign Exchange Settlement. The Discretional Foreign Exchange Settlement refers to the foreign exchange capital in the capital account of a foreign-invested enterprise for which the rights and interests of monetary contribution has been confirmed by the local foreign exchange bureau (or the book-entry registration of monetary contribution by the banks) can be settled at the banks based on the actual operational needs of the foreign-invested enterprise. The proportion of Discretional Foreign Exchange Settlement of the foreign exchange capital of a foreign-invested enterprise is temporarily determined as 100%. The Renminbi converted from the foreign exchange capital will be kept in a designated account. If a foreign-invested enterprise needs to make a further payment from such assigned accounts, it still needs to provide supporting documents and go through the banks' review process.

Pursuant to the Circular on Reforming and Regulating Policies on the Control over Foreign Exchange Settlement of Capital Accounts (《關於改革和規範資本項目結匯管理政策的通知》), or the Circular 16, which was promulgated by SAFE and came into effect on June 9, 2016, and amended on December 4, 2023, enterprises registered in the PRC (including Chinese-funded enterprises and foreign-invested enterprises, excluding financial institutions) may also convert their foreign debts from foreign currency to Renminbi on a self-discretionary basis. The Circular 16 provides an integrated standard for converting foreign exchange under capital account items (including but not limited to foreign exchange capital and foreign debts) on a discretionary basis which applies to all enterprises registered in the PRC. The Circular 16 reiterates the principle that Renminbi converted from foreign currency-denominated capital of a company may not be directly or indirectly used for purposes beyond its business scope or prohibited by PRC laws or regulations, and such converted Renminbi shall not be provided as loans to its non-affiliated entities, except where it is expressly permitted in the business license.

In accordance with the Circular on Further Promoting Cross-border Trade and Investment Facilitation (《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》) which was promulgated by SAFE and came into effect on October 23, 2019, and amended on December 4, 2023, foreign-invested enterprise engaged in non-investment business are permitted to settle foreign exchange capital in RMB and make domestic equity investments with such RMB funds according to laws and regulations under the condition that the current Special Administrative Measures (Negative List) for Foreign Investment Access are not violated and the relevant domestic investment projects are true and compliant.

According to the SAFE Circular on Further Deepening Reforms to Facilitate Cross-Border Trade and Investment (《國家外匯管理局關於進一步深化改革促進跨境貿易投資便利化的通知》) which was promulgated by SAFE and came into effect on December 4, 2023, the equity transfer consideration paid in foreign currency by domestic entities owe to domestic equity transferors (including institutions and individuals), as well as the foreign exchange funds raised by domestic enterprises listed overseas, can be remitted to the capital project settlement account directly. The funds in the capital project settlement account can be independently settled and utilized.

Foreign Exchange Registration of Overseas Investment by PRC Resident

On July 4, 2014, SAFE issued the SAFE Circular on Relevant Issues Relating to Domestic Resident's Investment and Financing and Roundtrip Investment 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》), or the SAFE Circular 37. SAFE Circular 37 regulates foreign exchange matters in relation to offshore investments and financing or round-trip investments of residents or entities by way of special purpose vehicles in PRC. Under SAFE Circular 37, a "special purpose vehicle" refers to an offshore entity established or controlled, directly or indirectly, by PRC residents or entities for the purpose of seeking offshore financing or making offshore investments, using legitimate onshore or offshore assets or interests, while "round trip investment" refers to direct investments in PRC by PRC residents or entities through special purpose vehicles, namely, establishing foreign investment enterprises to obtain ownership, control rights and management rights. SAFE Circular 37 provides that, before making a contribution into a special purpose vehicle, PRC residents or entities are required to complete foreign exchange registration with SAFE or its local branch, and in the event the change of basic information such as the individual shareholder, name, operation term, etc., or if there is a capital increase, decrease, equity transfer or swap, merge, spin-off or other amendment of the material items, the PRC residents or entities shall complete the change of foreign exchange registration formality for offshore investments.

Under the SAFE Circular on Further Simplification and Improvement Foreign Exchange Administration on Direct Investment (《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 promulgated by SAFE on February 13, 2015, and effective on June 1, 2015, the aforementioned registration shall be directly reviewed and handled by qualified banks, and SAFE and its branches shall perform indirect regulation over the foreign exchange registration via qualified banks.

Dividend Distribution

The principal regulations governing distribution of dividends of foreign-invested enterprises mainly include the PRC Company Law. Under these laws and regulations, foreign-invested enterprises in PRC may pay dividends only out of their accumulated after-tax profits, if any, determined in accordance with PRC accounting standards and regulations. In addition, a PRC company, including a foreign-invested enterprise in PRC, is required to allocate at least 10% of its accumulated profits each year, if any, to fund certain reserve funds until these reserves have reached 50% of the registered capital of the enterprise.

REGULATIONS ON LABOR AND SOCIAL INSURANCE

Labor Law and Labor Contracts

According to the Labor Law of the PRC (《中華人民共和國勞動法》) promulgated on July 5, 1994 and amended on August 27, 2009 and December 29, 2018, enterprises shall establish and improve their system of work place safety and sanitation, strictly abide by state rules and standards on work place safety, and conduct employees training on labor safety and sanitation in the PRC. Labor safety and sanitation facilities shall comply with statutory standards. Enterprises and institutions shall provide employees with a safe work place and sanitation conditions and necessary protection materials which are in compliance with applicable laws and regulations of labor protection, and carry out regular health examinations for employees engaged in work involving occupational hazards.

The Labor Contract Law of the PRC (《中華人民共和國勞動合同法》) promulgated on June 29, 2007 and amended on December 28, 2012, and the Implementing Rules of the Labor Contract Law of the PRC (《中華人民共和國勞動合同法實施條例》) promulgated on September 18, 2008 set out specific provisions in relation to the execution, the terms and the termination of a labor contract and the rights and obligations of the employees and employers, respectively. At the time of hiring, the employers shall truthfully inform the employees of the scope of work, working conditions, working place, occupational hazards, work safety, salary and other matters which the employees request to be informed about.

Production Safety Law

Pursuant to the Law on Work Safety of the PRC (《中華人民共和國安全生產法》) or the Law on Work Safety, promulgated on June 29, 2002 and last amended on June 10, 2021, 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.

Labor Dispatch

According to the Interim Provisions on Labor Dispatch (《勞務派遣暫行規定》) issued on January 24, 2014 and implemented on March 1, 2014 by the Ministry of Human Resources and Social Security, employers may only use dispatched workers for temporary, ancillary or substitute positions. The aforementioned temporary positions shall mean positions lasting for no more than six months; ancillary positions shall mean positions of non-major business that serve positions of major business; and substitute positions shall mean positions that can be substituted by other workers for a certain period of time during which the workers who originally hold such positions are unable to work as a result of full-time study, being on leave or other reasons. According to the Interim Provisions on Labor Dispatch, the employers should strictly control the number of dispatched workers, and the number of the dispatched workers shall not exceed 10% of the total amount of their employees.

Pursuant to the Interim Provision on Labor Dispatch, the Labor Contract Law of the PRC and the Implementing Rules of the Labor Contract Law of the PRC, employers who fail to comply with the relevant requirements on labor dispatch shall be ordered by the labor administrative authorities to make rectification within a stipulated period. Where rectification is not made within the stipulated period, the employers may be subject to a penalty ranging from RMB5,000 to RMB10,000 per dispatched worker exceeding the 10% threshold.

Social Insurance and Housing Fund

Pursuant to the Social Insurance Law of the PRC (《中華人民共和國社會保險法》) which was promulgated on October 28, 2010 and with effect from July 1, 2011 and latest amended on December 29, 2018, and the Interim Regulations on the Collection of Social Insurance Fees (《社會保險費徵繳暫行條例》) issued by the State Council on January 22, 1999 and last amended on March 24, 2019, employees shall participate in basic pension insurance, basic medical insurance and unemployment insurance. Basic pension, medical and unemployment insurance contributions shall be paid by both employers and employees. Employees shall also participate in work-related injury insurance and maternity insurance. Work-related injury insurance and maternity insurance contributions shall be paid by employers rather than employees. Pursuant to the Notice of the General Office of the State

Council on Issuing the Plan for the Pilot Program of Combined Implementation of Maternity Insurance and Basic Medical Insurance for Employees (《國務院辦公廳關於印發<生育保險和職工基本醫療保險合併實施試點方案>的通知》) and the Opinions of the General Office of the State Council on Comprehensively Promoting the Implementation of the Combination of Maternity Insurance and Basic Medical Insurance for Employees (《國務院辦公廳關於全面推進生育保險和職工基本醫療保險合併實施的意見》) promulgated on January 19, 2017 and March 6, 2019 respectively, maternity insurance and basic medical insurance for employees shall be consolidated. According to the Social Insurance Law of PRC, employers must carry out social insurance registration at the local social insurance agency, provide social insurance and pay or withhold the relevant social insurance premiums for or on behalf of employees. For employers failing to conduct social insurance registration, the administrative department of social insurance shall order them to make corrections within a prescribed time limit; if they fail to do so within the time limit, employers shall have to pay a penalty over one time but no more than three times of the amount of the social insurance premium payable by them. Where an employer fails to pay social insurance premiums in full or on time, the social insurance premium collection agency shall order it to pay or make up the balance within a prescribed time limit, and shall impose a daily late fee at the rate of 0.05% of the outstanding amount from the due date; if still failing to pay within the time limit prescribed, a fine of one time to three times the amount in default will be imposed on them by the competent administrative department.

Pursuant to the Regulations on the Administration of Housing Provident Fund (《住房公積金管理條例》) which was promulgated on April 3, 1999 and amended on March 24, 2002 and March 24, 2019, employers shall timely pay the housing provident fund in full and overdue or insufficient payment shall be prohibited. Employers shall process the housing fund payment and deposit registration in the housing provident fund administrative center. For enterprises who violate the above laws and regulations and fail to apply for housing provident fund deposit registration or open housing provident fund accounts for their employees, the housing provident fund administrative center shall order the relevant enterprises to make corrections within a designated period. Those enterprises failing to process registration provident fund accounts for their employees within designated period shall be subject to a fine ranging from RMB10,000 to RMB50,000. When enterprises violate those provisions and fail to pay the housing provident fund in full amount as due, the housing provident fund administrative center will order such enterprises to pay up the amount within a prescribed period; if those enterprises still fail to comply with the regulations upon the expiration of the above-mentioned time limit, further application will be made to the People's Court for mandatory enforcement.

Pursuant to the Reform Plan of the State Tax and Local Tax Collection Administration System (《國稅地稅徵管體制改革方案》), which was promulgated by the General Office of the Communist Party of China and the General Office of the State Council of the PRC on July 20, 2018 and came into effect from January 1, 2019, all the social insurance premiums including the premiums of the basic pension insurance, unemployment insurance, maternity insurance, work injury insurance and basic medical insurance will be collected by the tax authorities. According to the Notice of the General Office of the State Taxation Administration on Conducing the Relevant Work Concerning the Administration of Collection of Social Insurance Premiums in a Steady, Orderly and Effective Manner (《國家稅務總局辦公廳關於穩

妥有序做好社會保險費徵管有關工作的通知》) promulgated on September 13, 2018 and the Urgent Notice of the General Office of the Ministry of Human Resources and Social Security on Implementing the Spirit of the Executive Meeting of the State Council in Stabilizing the Collection of Social Insurance Premiums (《人力資源和社會保障部辦公廳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, all the local authorities responsible for the collection of social insurance are strictly forbidden to conduct self collection of historical unpaid social insurance contributions from enterprises. The Notice of the State Administration of Taxation on Implementing the Several Measures to Further Support and Serve the Development of Private Economy (《國家稅務總局關於實施進一步支持和服務民營經濟發展若干措施的通知》) promulgated on November 16, 2018, repeats that tax authorities at all levels may not organize self-collection of arrears of taxpayers including private enterprises in the previous years.

REGULATIONS ON LAND USE

According to the Land Administration Law of the PRC (《中華人民共和國土地管理法》) issued by the SCNPC on 25 June 1986 and implemented on 1 January 1987, and last amended on 26 August 2019 and implemented on 1 January 2020), land in China is classified into agricultural land, construction land and unused land. Land in urban areas is owned by the state; land in rural areas and suburban areas is owned collectively by the farmers, except for that which belong to the state under the law. Land collectively owned by farmers which belongs to village farmers collectively in accordance with the law shall be operated and managed by the village collective economic organization or village committee.

Use of State-Owned Land

According to the Land Administration Law of the PRC and Rules for Implementation of the Land Administration Law of the PRC (《中華人民共和國土地管理法實施條例》) last revised on 2 July 2021 by the State Council and implemented on 1 September 2021 and the Provisional Regulations of the People's Republic of China Concerning the Grant and Transfer of the Right to Use State Land in Urban Areas (《中華人民共和國城鎮國有土地使用權出讓和轉讓暫行條例》) issued by the State Council on 19 May 1990 and implemented on the same date, and last amended on 29 November 2020 and implemented on the same date, except for assignment by the state under the law as state-owned land use rights, the state implements a system of compensated use of state-owned land in accordance with the law. The methods of compensated use of state-owned land mainly include transfer of state-owned land use rights, leasing of state-owned land, and using state-owned land use rights as a way of capital contribution or investment in exchange for equity. Transfer of land use rights can be conducted by means of agreement, tender, and auction. Transfer of land use rights requires the signing of a land use right transfer contract and payment of land premium.

Use of Collectively Owned Land

Circulation of Land Operation Rights

According to the Rural Land Contracting Law of the PRC (《中華人民共和國農村土地承包法》), which was issued by the SCNPC on 29 August 2002 and implemented on 1 January 2003, and last amended on 29 December 2018 and implemented on 1 January 2019, the state implements a rural land contracting management system. A written contract shall be signed by the awarding party and the contractor. The contracting period is 30 years for arable land, 30 to 50 years for grassland, and 30 to 70 years for woodland. The term of contract for arable land shall be extended for another 30 years after the expiry and that for grassland and forestland shall also be appropriately extended according to the provisions aforementioned. The contractor can independently decide to circulate the land operation rights to others through leasing (subcontracting), exchange for shares or by other means according to the law, provided that the transfer shall be filed with the awarding party.

According to the Measures for the Administration of Circulation of Rural Land Management Right (《農村土地經營權流轉管理辦法》) issued by the MARA on 26 January 2021 and implemented on 1 March 2021, when effecting circulation of land operation rights, the contractor shall negotiate with the transferee and a written transfer contract shall be signed on agreed terms. The circulation contract for rural land operation rights shall be filed with the awarding party and the department in charge of land contracting of the township-level government. After the expiration of the circulation period, the transferee has the right to first renew the contract on a pari passu basis. The transferee is prohibited from changing the agricultural use of the land.

Administration of Agricultural Facility Land

In accordance with the provisions of the "Anhui Province Implementation Measures for the Land Administration Law of the People's Republic of China," (《安徽省實施<中華人民共和國土地管理法>辦法》) which was promulgated on December 20, 1987, and has been amended several times, most recently revised on May 27, 2022, the natural resources authorities shall, in conjunction with the agricultural and rural departments, support the development of facility agriculture and strengthen the management of land used for facility agriculture in accordance with relevant regulations. According to the Circular of the Ministry of Natural Resources and the Ministry of Agriculture and Rural Affairs on Matters Concerning the Administration of Agricultural Facility Land (《自然資源部、農業農村部關於設施農業用地管理有關問題的通知》) issued by the Ministry of Natural Resources and the MARA on 17 December 2019 and implemented on the same date, effective for 5 years, agricultural facility land includes facility land directly used for crop planting and livestock, poultry and aquaculture farming in agricultural production. Facility land for livestock, poultry and aquaculture farming includes facility land for farming production and the directly associated manure treatment, inspection and quarantine, excluding land for slaughtering and meat processing sites.

REGULATIONS ON PROPERTY LEASING

According to the Civil Code of the PRC, the lessee may sublease the leased property to a third party with the consent of the lessor. If the lessee subleases, the lease contract between the lessee and the lessor shall continue to be valid. If the lessee subleases without the consent of the lessor, the lessor may terminate the contract. On the contrary, if the leased property cannot be used due to reasons attributable to the lessor (e.g., there is a dispute over the ownership of the leased property), the lessee may terminate the contract.

Pursuant to Administrative Measures on the Lease of Commodity Housing (《商品房屋租賃管理辦法》) issued by Ministry of Housing and Urban-Rural Development on December 1, 2010 and implemented on February 1, 2011, parties to a lease agreement shall complete the lease registration and filing process with the competent construction (real estate) departments of the municipalities directly under the PRC governments of cities and counties where the housing is located within 30 days after the lease agreement is signed. For those who fail to comply with the above regulations, such competent departments may impose a fine ranging from RMB1,000 and RMB10,000 per lease.

REGULATIONS ON INTELLECTUAL PROPERTY RIGHTS

Copyright

Pursuant to the Copyright Law of the PRC (《中華人民共和國著作權法》) promulgated by the SCNPC on September 7, 1990, implemented on June 1, 1991 and revised on October 27, 2001, February 26, 2010, and November 11, 2020 (the latest revision came into effect on June 1, 2021), and the Implementing Regulations of the Copyright Law of the PRC (《中華人民共和國著作權法實施條例》) promulgated by the State Council on August 2, 2002, amended on January 8, 2011, and January 30, 2013 (the latest revision became effective on March 1, 2013), the PRC nationals, legal persons, and other organizations shall, enjoy copyright in their works, whether published or not.

Domain Name

Pursuant to the Measures for the Administration of Internet Domain Names (《互聯網域名管理辦法》) promulgated by the Ministry of Industry and Information Technology on August 24, 2017 and effective from November 1, 2017, the Ministry of Industry and Information Technology supervises and administers domain services nationwide. Domain name registrations are handled through domain name service agencies established under the applicable regulations, and applicants become domain name holders upon successful registration.

Trademark

Registered trademarks are protected under the Trademark Law of the PRC (《中華人民共和國商標法》) promulgated on August 23, 1982 and latest amended on April 23, 2019 and related rules and regulations. Trademarks are registered with the National Intellectual Property Administration. Where registration is sought for a trademark that is identical or similar to another trademark which has already been registered or given preliminary examination and approval for use in the same or similar category of commodities or services, the application for registration of this trademark may be rejected. Trademark registrations are effective for 10 years, unless otherwise revoked. Trademarks are renewable every ten years where a registered trademark needs to be used after the expiration of its validity term. A registration renewal application shall be filed within twelve months prior to the expiration of the term.

Patent

The Patent Law of the PRC (《中華人民共和國專利法》) promulgated by the SCNPC on March 12, 1984 and most recently amended on October 17, 2020 and effective from June 1, 2021, and its implementing rules (《中華人民共和國專利法實施細則》), which were promulgated by the China Patent Office on January 19, 1985 and most recently amended by the State Council on December 11, 2023 and effective from January 20, 2024, provide for three types of patents: "invention," "utility model" and "design." "Invention" refers to any new technical solution in relation to a product, or a process or improvement thereof; "utility model" refers to any new technical solution relating to the shape, structure, or their combination, of a product, which is suitable for practical use; "design" refers to a new design that is aesthetic and suitable for industrial application for the overall or partial shape, pattern or its combination of products, as well as the combination of color, shape and pattern. The validity period of patent for an "invention" is 20 years, while the validity period of patent for a "utility model" is 10 years and that of a "design" is 15 years, from the date of application.

REGULATIONS ON TAX IN THE PRC

Enterprise 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

The Notice of the Ministry of Finance and the State Administration of Taxation on Overall Implementation of the Pilot Program of Replacing Business Tax with Value-added Tax (《財政部、國家稅務總局關於全面推開營業稅改徵增值稅試點的通知》), which was promulgated by Ministry of Finance (the "**MOF**") and the SAT on March 23, 2016, became effective on May 1, 2016 and was last amended on March 20, 2019, provides that the pilot program of replacing business tax with value-added tax shall be implemented nationwide with effect since May 1, 2016 and all business tax payers in construction industry, real estate industry, finance industry and consumer service industry, etc. shall be included in the scope of the pilot program and pay value-added tax instead of business tax.

Pursuant to Decision of State Council on Abolition of the Provisional Regulations of the PRC on Business Tax and Revision of the Provisional Regulations of the PRC on Value-added Tax (《國務院關於廢止<中華人民共和國營業稅暫行條例>和修改<中華人民共和國增值稅暫行條例>的決定》), which was promulgated on November 19, 2017 and became effective on the same day, business tax is officially replaced by value-added tax.

According to the Circular on Policies for Simplifying and Consolidating Value-Added Tax Rates (《關於簡併增值稅稅率有關政策的通知》), announced by the MOF and the SAT on April 28, 2017, and effective from July 1, 2017, the structure of value-added tax rates will be simplified from July 1, 2017, and the 13% tax rate will be canceled. The scope of goods with an 11% tax rate and the provisions for deducting input tax are specified.

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

According to the Announcement on Relevant Policies for Deepening Value-Added Tax Reform of the Ministry of Finance, the State Taxation Administration and the General Administration of Customs (《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》) announced by the MOF, the SAT, and the General Administration of Customs on March 20, 2019 and effective from April 1, 2019, with respect to taxable sales or imported goods of a value-added tax taxpayer, the originally applicable value-added tax rate of 16% shall be adjusted to 13%, and the originally applicable value-added tax rate of 10% shall be adjusted to 9%.

REGULATIONS ON OVERSEAS LISTINGS

Under the Regulations on Merger and Acquisition of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》), or the M&A Rules, which were jointly adopted by six PRC regulatory authorities, including the China Securities Regulatory Commission (the "**CSRC**"), on August 8, 2006, and became effective on September 8, 2006, and most recently amended on June 22, 2009, a foreign investor is required to obtain necessary approvals when (i) such 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 purchases and operates the assets of a domestic enterprise, or which agrees to purchases the assets of a domestic enterprise and injects those assets to establish a foreign-invested enterprise to operate the assets. According to the M&A Rules, where a domestic company or enterprise, or a domestic natural person, through an overseas company established or controlled by it/her/him, acquires a domestic company which is related to or connected with it/her/him, approval from MOFCOM is required.

On February 17, 2023, the CSRC released Trial Administrative Measures of 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》), or Overseas Listing Measures, and five guidelines on the application of regulation, which came into effect on 31 March 2023. According to the Overseas Listing Measures, a domestic company that seeks to offer and list securities in overseas markets shall fulfill the filing procedure with the CSRC as per requirement of this Measures, submit relevant materials that contain a filing report and a legal opinion, and provide truthful, accurate and complete information on the shareholders and etc. Where a domestic company seeks to directly offer and list securities in overseas markets, the issuer shall file with the CSRC. Where a domestic company seeks to indirectly offer and list securities in overseas markets, the issuer shall designate a major domestic operating entity, which shall, as the domestic responsible entity, file with the CSRC.

Pursuant to the Provisions on Strengthening Confidentiality and Archives Administration of Overseas Securities Offering and Listing by Domestic Companies (《關於加強境內企業境外發行證券和上市相關保密和檔案管理工作的規定》), which was promulgated on 24 February 2023 and became effective on 31 March 2023 by CSRC and other relevant government authorities, a domestic company that plans to, either directly or through its overseas listed entity, publicly disclose or provide to relevant individuals or entities including securities companies, securities service providers and overseas regulators, any documents and materials that contain state secrets or working secrets of government agencies, shall first obtain approval from competent authorities according to law, and file with the secrecy administrative department at the same level. Where there is ambiguity or dispute over the identification of a state secret, a request shall be submitted to the competent secrecy administrative department for determination according to law; where there is ambiguity or dispute over the identification of a working secret of government agencies, a request shall be submitted to the competent authority for determination.

OVERVIEW

The history of our Group began in 2003, when our first "Feixi Old Hens (肥西老母雞)" restaurant opened in Hefei, Anhui Province, the PRC. Our founder, Mr. Shu Congxuan (束從軒), is a veteran-turned poultry farmer who aspired to create a new benchmark in the Chinese-style QSR industry. As our restaurant network continued to expand, in 2012, we rebranded as "Laoxiangji (老鄉雞)" in preparation for our launch outside of Anhui Province. In September 2012, Mr. Shu Xiaolong (束小龍), our founder's son, joined our Group and gradually took over the management of our business operations. After serving as Anhui Laoxiangji's general manager from December 2016 to April 2020 and vice chairman from April 2020 to November 2023, he eventually succeeded Mr. Shu Congxuan as the chairman of Anhui Laoxiangji in November 2023, after which Mr. Shu Congxuan retired from all positions in our Group. For Mr. Shu Xiaolong's biography, see "Directors and Senior Management — Directors — Executive Directors" in this document.

Our Company was at its early stage of development since its establishment in October 2003 to 2009, focusing on, among others, expansion of our restaurant network and enhancing our market recognition. In 2009, our first central kitchen in Hefei was established. Over the years, our Group has evolved into the largest Chinese-style QSR brand in China, committed to delivering delicious home-style Chinese cuisine of high-quality with convenient, friendly services. Leveraging our proven operational model, strong brand recognition, integrated supply chain, and advanced digital capabilities, we developed a dual-powered "self-operated + franchised" restaurant network that strikes a balance between quality and scalability. With our footprint continuing to expand, we had 949 self-operated restaurants and 455 franchised restaurants across 53 cities in nine provinces in China as of September 30, 2024.

OUR MILESTONES

The following is a summary of our key business development milestones.

Year	Event
2003	Our first "Feixi Old Hens (肥西老母雞)" restaurant opened in Hefei.
2009	Our first central kitchen in Hefei was established.
2011	Our 100th restaurant opened in Hefei.
2012	We rebranded as "Laoxiangji (老鄉雞)".
2017	We had expanded our restaurant network to Nanjing and Wuhan and achieved a nationwide restaurant count of over 400 in China.

Year	Event
2019	We were ranked as the first Chinese-style fast food chain in the PRC by the China Cuisine Association (中國烹飪協會) and China Hospitality Association (中國飯店協會).
2020	Our first franchised restaurant commenced operation.
2021	We opened our 1,000th restaurant in China.
	We established our chicken farm in Shou County, Anhui Province.
2022	We were recognized as a Top 30 Modern Service Enterprise in Anhui Province (安徽省現代服務業企業30強).
2023	We established our chicken farm in Lixin, Anhui Province.
2024	We achieved a nationwide restaurant count of 1,400 in China.
	Our second central kitchen in Shanghai commenced operation.

OUR MAJOR SUBSIDIARIES

The following sets out the principal business activities, place of establishment and date of establishment and commencement of business of our subsidiaries that made a material contribution to our results of operations during the Track Record Period.

Name of subsidiary	Place of establishment	Date of establishment	Equity interest attributable to our Group	Principal business activities
Anhui Laoxiangji	PRC	October 22, 2003	100%	Restaurant operations
Jiangsu Laoxiangji Catering Co., Ltd. (江蘇老鄉雞餐飲有限公司)	PRC	March 8, 2017	100%	Restaurant operations
Laoxiangji (Shanghai) Catering Co., Ltd. (老鄉雞(上海)餐飲有限公司)	PRC	April 12, 2019	100%	Restaurant operations

Name of subsidiary	Place of establishment	Date of establishment	Equity interest attributable to our Group	Principal business activities
Feixi Laomuji Food Co., Ltd. (肥西老母雞食品有限公司)	PRC	August 12, 2009	100%	Food processing
Shou County Laoxiangji Poultry Breeding Co., Ltd. (壽縣老鄉雞家禽養殖有限公司). . . .	PRC	October 29, 2020	100%	Breeding

As of the Latest Practicable Date, we had 29 subsidiaries in the PRC. For further details of these subsidiaries, see "— Corporate Structure" in this section. For changes in the registered capital of our subsidiaries, see "Statutory and General Information — A. Further Information about Our Group — 3. Changes in the Share Capital of Our Subsidiaries" in Appendix IV to this document.

OUR CORPORATE DEVELOPMENT

Establishment of Anhui Laoxiangji

Anhui Laoxiangji (then known as Hefei Feixi Laomuji Catering Co., Ltd. (合肥肥西老母雞餐飲有限責任公司)) was established as a limited liability company in the PRC on October 22, 2003 with an initial registered capital of RMB500,000. Upon the establishment of Anhui Laoxiangji, its registered capital was subscribed as to 80% by Mr. Shu Congxuan and 20% by Ms. Zhang Qiong, the spouse of Mr. Shu Congxuan.

Between June 2004 and November 2007, Anhui Laoxiangji underwent several rounds of capital increase whereby the new registered capital was subscribed by (i) the holding vehicles of Mr. Shu Congxuan and Ms. Zhang Qiong; (ii) a state-owned enterprise; (iii) Ms. Shu Congzhi (束從芝), sister of Mr. Shu Congxuan and mother of Ms. Wang Qinqin (王琴琴) (our head of securities affairs); (iv) Ni Rongguang (倪榮廣), supervisor of several of our subsidiaries; (v) Zhang Xueqin (張雪芹), executive director of one of our subsidiaries; (vi) Zhang Fumin (張福敏), a current franchisee and former employee of our Group who is an Independent Third Party; and (vii) seven of our current or past employees who are our Independent Third Parties. After a series of capital transfers, all of the equity interests in Anhui Laoxiangji held by the subscribers other than the founder family (i.e., Mr. Shu Congxuan, Ms. Zhang Qiong, Mr. Shu Xiaolong, Ms. Dong Xue and Ms. Shu Wen) were acquired by Mr. Shu Xiaolong, the son of Mr. Shu Congxuan and Ms. Zhang Qiong by November 2012. Further, as part of the business succession plan of the family, Mr. Shu Xiaolong acquired additional equity interests in Anhui Laoxiangji from Mr. Shu Congxuan, Ms. Zhang Qiong and their investment holding vehicles between August 2007 and November 2012. After the above capital changes and as of November 2012, Anhui Laoxiangji became held as to 96.08% by Mr. Shu Xiaolong and 3.92% by Ms. Zhang Qiong.

First Onshore Financing of Anhui Laoxiangji

Pursuant to a capital increase agreement dated January 22, 2018 (as supplemented on January 22, 2018 and August 5, 2020) entered into between, among others, Anhui Laoxiangji and Yuhe (Tianjin) Equity Investment Fund Partnership (Limited Partnership) (裕和(天津)股權投資基金合夥企業(有限合夥), "**Yuhe Investment**"), Yuhe Investment agreed to subscribe for the registered capital of Anhui Laoxiangji in the amount of RMB1,821,950 for a consideration of RMB199,120,000. Such subscription was completed on May 20, 2019. For further details, please refer to "— Pre-[**REDACTED**] Investment" in this section.

As part of the family arrangement, on April 25, 2019, Ms. Zhang Qiong entered into an equity transfer agreement with Mr. Shu Xiaolong, pursuant to which Ms. Zhang Qiong agreed to transfer her 3.92% equity interest in Anhui Laoxiangji to Mr. Shu Xiaolong for nil consideration. Such transfer was completed on May 20, 2019, after which Ms. Zhang Qiong ceased to hold any equity interest in Anhui Laoxiangji.

In addition, to maintain the family's equity interest in the Company after Yuhe Investment's subscription, on April 25, 2019, relevant members and investment holding entities of the founder family subscribed additional registered capital of Anhui Laoxiangji. Each of such subscriptions was completed on May 20, 2019. The following table sets forth the details of such subscriptions:

Subscriber	**Registered capital subscribed**	**Consideration**	**Interest in Anhui Laoxiangji upon completion**
	(RMB)	*(RMB)*	
Hefei Yuyi Enterprise Management Co., Ltd. (合肥羽壹企業管理有限公司, "**Hefei Yuyi**")(1)	19,040,050	19,040,050	52.02%
Mr. Shu Xiaolong	4,050,000	4,050,000	25.00%
Shudong Group Company Limited (束董集團有限公司) ("**Shudong Group**")(2)	3,660,000	3,660,000	10.00%
Ms. Shu Wen(1)	1,830,000	1,830,000	5.00%

Notes:

(1) Ms. Shu Wen is the daughter of Mr. Shu Congxuan and Ms. Zhang Qiong and the sister of Mr. Shu Xiaolong. At the time of the subscription, Hefei Yuyi was held as to 72.70% by Mr. Shu Xiaolong, 19.22% by Ms. Shu Wen and 8.08% by Ms. Dong Xue, the spouse of Mr. Shu Xiaolong. On April 26, 2021, Mr. Shu Xiaolong and Ms. Dong Xue transferred all of their respective equity interests in Hefei Yuyi to Qingdao Yuanyi Investment Partnership (Limited Partnership) (青島遠益投資合夥企業(有限合夥), "**Qingdao Yuanyi**"), which was then held as to 90% by Mr. Shu Xiaolong (as its general partner) and 10% by Ms. Dong Xue. Since such transfer and up to the Reorganization, Hefei Yuyi was held as to 19.22% by Ms. Shu Wen and 80.78% by Qingdao Yuanyi.

(2) At the time of the subscription, Shudong Group was wholly owned by Ms. Dong Xue. On December 30, 2020, Shudong Group entered into an equity transfer agreement with Qingdao Shudong Enterprise Management Consulting Partnership (Limited Partnership) (青島東董企業管理諮詢合夥企業(有限合夥), "**Qingdao Shudong**"), pursuant to which Shudong Group agreed to transfer all of its equity interest in Anhui Laoxiangji to Qingdao Shudong. Such transfer, which was completed on January 25, 2021, was for nil consideration, as the registered capital subscribed by Shudong Group had yet to be paid up at the time. Since the time of the transfer and up to the Reorganization, Qingdao Shudong was held as to approximately 0.27% by Hefei Yuyi (as its general partner) and approximately 99.73% by Qingdao Yuyi Investment Partnership (Limited Partnership) (青島羽壹投資合夥企業(有限合夥), currently known as Nanjing Yuyi Investment Partnership (Limited Partnership) (南京羽壹投資合夥企業(有限合夥)), which in turn was held as to 1.00% by Hefei Yuyi (as its general partner), 85.67% by Mr. Shu Xiaolong and 13.33% by Ms. Dong Xue.

Share Incentive Plan of Anhui Laoxiangji

Tianjin Tongchuang Enterprise Management Consulting Partnership (Limited Partnership) (天津同創企業管理諮詢合夥企業(有限合夥), "**Tianjin Tongchuang**") and Tianjin Tongyi Enterprise Management Consulting Partnership (Limited Partnership) (天津同義企業管理諮詢合夥企業(有限合夥), "**Tianjin Tongyi**") are limited partnerships established in the PRC on March 26, 2019, with Mr. Shu Congde, our non-executive Director, as the general partner. On April 25, 2019, Tianjin Tongchuang and Tianjin Tongyi subscribed for the registered capital of Anhui Laoxiangji in the amounts of RMB732,000 and RMB366,000, respectively. Such subscriptions were for a respective consideration of RMB30,000,000 and RMB15,000,000, and were completed on May 20, 2019.

The purpose of Tianjin Tongchuang's and Tianjin Tongyi's subscription of the registered capital of Anhui Laoxiangji was to hold such equity interest for Anhui Laoxiangji's then effective share incentive plan, which was adopted on December 10, 2020. Grantees under such share incentive plan would be able to subscribe and had each subscribed for partnership interest in the relevant limited partners of Tianjin Tongchuang or Tianjin Tongyi, and hence holding indirect interest in Anhui Laoxiangji. After the Reorganization, the then existing grantees' indirect equity interests in Anhui Laoxiangji through Tianjin Tongchuang and Tianjin Tongyi were replaced with indirect equity interest in our Company through Poweroy Holding Ltd, an offshore investment holding vehicle under the share incentive plan adopted by our Company on December 19, 2024. For further details, please refer to "— Reorganization — 3. Offshore Restructuring of Anhui Laoxiangji" in this section and "Statutory and General Information — D. Pre-[**REDACTED**] Share Incentive Plan" in Appendix IV to this document.

Conversion of Anhui Laoxiangji into a Joint Stock Company

On July 28, 2021, Anhui Laoxiangji was converted into a joint stock company. Upon completion of the conversion, Anhui Laoxiangji had a share capital of RMB36,600,000 divided into 36,600,000 shares of RMB1.0 each.

Second Onshore Financing of Anhui Laoxiangji

Pursuant to an investment agreement dated December 5, 2021 (as supplemented on December 22, 2021), the following investors agreed to subscribe for the shares in Anhui Laoxiangji. The consideration for such share subscriptions were determined after arm's length negotiations between Anhui Laoxiangji and the respective investors, with reference to Anhui Laoxiangji's then operating results and prospects. The above subscriptions were completed on December 24, 2021. The following table sets forth the details of such subscriptions:

Subscriber	Shares subscribed	Consideration	Shareholding in Anhui Laoxiangji upon completion
		(RMB)	
Shenzhen Maixing Haojia Venture Capital Partnership (Limited Partnership) (深圳市麥星灝佳創業投資合夥企業(有限合夥), "**Maixing Investment**")[(1)]	180,967	89,000,000	0.49%
GF Qianhe Investment Co., Ltd. (廣發乾和投資有限公司, "**GF Qianhe**")[(2)]	101,667	50,000,000	0.28%

Notes:

(1) At the time of the subscription, Maixing Investment was managed by Shenzhen Maixing Investment Management Center (Limited Partnership) (深圳市麥星投資管理中心(有限合夥)) as its general partner, which was ultimately controlled by Cui Wenli (崔文立). Each of Maixing Investment, its general partner and Cui Wenli was an Independent Third Party at such time. Maixing Investment's shares in Anhui Laoxiangji were repurchased by Anhui Laoxiangji on January 29, 2024. See "— Our Corporate Development — Share Repurchases by Anhui Laoxiangji" in this section for further details.

(2) At the time of the subscription, GF Qianhe was an Independent Third Party and wholly owned by GF Securities Co., Ltd. (廣發証券股份有限公司), whose shares are listed on the Hong Kong Stock Exchange (stock code: 1776) and Shenzhen Stock Exchange (stock code: 000776). GF Qianhe's shares in Anhui Laoxiangji were repurchased by Anhui Laoxiangji on January 29, 2024. See "— Our Corporate Development — Share Repurchases by Anhui Laoxiangji" in this section for further details.

In addition, on December 24, 2021, Anhui Laoxiangji converted its capital reserve into share capital such that its share capital increased to RMB360,000,000. The additional share capital was then allotted and issued to each of the then existing shareholders as shares on a prorated basis.

Previous Joint Control Agreement Among the Founder Family

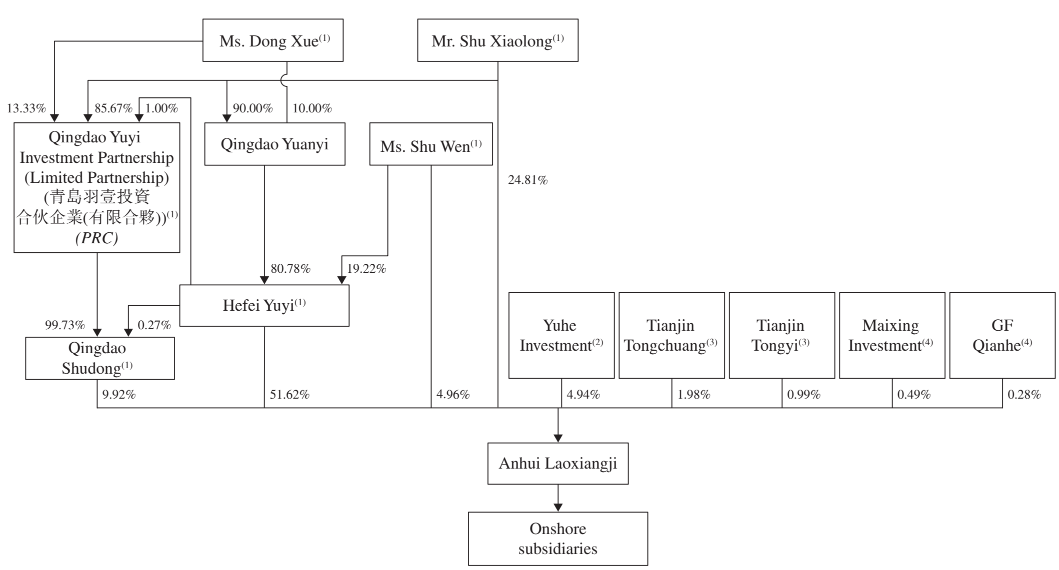
On March 1, 2022, Mr. Shu Congxuan, Ms. Zhang Qiong, Mr. Shu Xiaolong, Ms. Dong Xue and Ms. Shu Wen entered into a joint control agreement (the "**Previous Joint Control Agreement**"), pursuant to which they (i) confirmed that our Group had been controlled by them since our establishment and that they had acted in concert since January 1, 2019 to the date of the Previous Joint Control Agreement, and (ii) agreed that they would act in concert during the relevant period as prescribed thereunder. In the event the family members cannot reach an agreement, they would act in accordance with Mr. Shu Congxuan's opinion. However, since the succession of our Group's management from Mr. Shu Congxuan to the next generation had been substantially completed, the Previous Joint Control Agreement was considered no longer desirable or necessary and was thus terminated on December 28, 2023. Save as disclosed above, the members of the founder family have not entered into any voting arrangements in respect of their respective shareholding interests in Anhui Laoxiangji or our Company.

Share Repurchases by Anhui Laoxiangji

Considering the intention of Maixing Investment and GF Qianhe to realize their respective investments, pursuant to a share repurchase agreement dated December 1, 2023, Anhui Laoxiangji agreed to repurchase all of its shares held by Maixing Investment and GF Qianhe for a consideration of RMB98,274,592.47 and RMB55,210,445.21, respectively. The considerations for the repurchase were determined after arm's length negotiations with reference to the initial investment costs of the relevant investors. The above repurchases were completed on January 29, 2024, and each of Maixing Investment and GF Qianhe ceased to hold any shares in Anhui Laoxiangji.

REORGANIZATION

To prepare for the [**REDACTED**], we underwent the following Reorganization to implement a structure whereby our Company became the holding company of our Group, and the equity interests in Anhui Laoxiangji held by its then existing shareholders and pre-[**REDACTED**] investor (namely, Yuhe Investment) were substituted with Shares in our Company. The following chart sets forth our shareholding and corporate structure immediately before the Reorganization.



Notes:

(1) For details of the founder family's entities, see "— Our Corporate Development — First Onshore Financing of Anhui Laoxiangji" in this section.

(2) Yuhe Investment is the onshore affiliate of Harvest Capital, our pre-[**REDACTED**] investor. See "— Our Corporate Development — First Onshore Financing of Anhui Laoxiangji" and "— Pre-[**REDACTED**] Investment" in this section for further details. Immediately before the Reorganization, Yuhe Investment was managed by Jiahua Yufeng (Tianjin) Equity Investment Management Partnership (Limited Partnership) (加華裕豐(天津)股權投資管理合夥企業(有限合夥)) ("**Jiahua Yufeng**") as its general partner, which in turn was managed by Mr. Song Xiangqian as its general partner. Each of Yuhe Investment, Jiahua Yufeng and Mr. Song Xiangqian was an Independent Third Party at the time.

(3) For details, see "— Our Corporate Development — Share Incentive Plan of Anhui Laoxiangji" in this section.

(4) In parallel with the Reorganization, Anhui Laoxiang also repurchased the shares held by Maixing Investment and GF Qianhe. See "— Our Corporate Development — Share Repurchases by Anhui Laoxiangji" in this section for further details.

1. Incorporation of our Company

On January 4, 2024, our Company was incorporated under the laws of the Cayman Islands as an exempted company with limited liability as the ultimate holding company of our Group. It has an authorized share capital of US$50,000 divided into 500,000,000 Shares of a par value of US$0.0001 each. Upon its incorporation, our Company allotted and issued (i) one Share to an initial subscriber at par value, which was then transferred to Constantly Soar Ltd (which is indirectly wholly owned by Mr. Shu Xiaolong) at par value, and 252,861,804 Shares to Constantly Soar Ltd at par value, (ii) 53,668,499 Shares to Jump Spark Ltd (which is indirectly wholly owned Ms. Shu Wen) at par value, and (iii) 22,210,176 Shares to Favourable Impression Ltd (which is indirectly wholly owned Ms. Dong Xue) at par value. The aforesaid Shares were transferred and/or allotted and issued to Constantly Soar Ltd, Jump Spark Ltd and Favourable Impression Ltd to proportionately reflect their relative equity interests in Anhui Laoxiangji before the Reorganization.

2. Incorporation of the Intermediate Holding Companies

On January 19, 2024, LXJ (Hong Kong) Catering Co., Limited (老鄉雞(香港)餐飲有限公司) ("**LXJ HK**") was incorporated under the laws of Hong Kong with limited liability to be an offshore holding company. Upon its incorporation, LXJ HK allotted and issued one share to our Company, pursuant to which LXJ HK became a wholly owned subsidiary of our Company.

On March 18, 2024, Laoxiangji (Shenzhen) Catering Holdings Co., Ltd. (老鄉雞(深圳)餐飲控股有限公司) ("**LXJ Shenzhen Holdings**") was established under the laws of the PRC as a limited liability company to be our onshore holding company. It has a registered capital of RMB20,000,000 and is wholly owned by LXJ HK.

On April 30, 2024, Laoxiangji (Anhui) Holdings Co., Ltd. (老鄉雞(安徽)控股有限公司) ("**LXJ Anhui Holdings**") was established under the laws of the PRC as a limited liability company to be our onshore holding company. It has a registered capital of RMB180,000,000 and is wholly owned by LXJ HK.

3. Offshore Restructuring of Anhui Laoxiangji

To enable the affiliate of our pre-[**REDACTED**] investor and our employee shareholding platforms to exit their equity interests in Anhui Laoxiangji in exchange for shareholdings in our Company, we effected the following arrangements in relation to the Reorganization.

On January 12, 2024, our Company allotted and issued 10,717,200 Shares at par value to Poweroy Holding Ltd, which is indirectly owned by the relevant grantees under the share incentive plan of Anhui Laoxiangji (who held the indirect equity interests in Anhui Laoxiangji through Tianjin Tongchuang and Tianjin Tongyi prior to the Reorganization). On January 30, 2024, Tianjin Tongchuang and Tianjin Tongyi transferred to Hefei Yuyi all the shares they held in Anhui Laoxiangji, the considerations of which were equivalent to the initial subscription price paid by Tianjin Tongchuang and Tianjin Tongyi for equity interests in Anhui Laoxiangji.

On January 29, 2024, Anhui Laoxiangji repurchased all the shares held by Yuhe Investment in Anhui Laoxiangji for a consideration of RMB199,120,000. On August 22, 2024, our Company allotted and issued 17,783,640 Shares to Harvest Capital, the designated entity of Yuhe Investment, for a consideration of US$27,421,709.31, which is the U.S. dollar equivalent to the consideration paid by Anhui Laoxiangji to Yuhe Investment for the aforementioned repurchase.

On February 4, 2024, to facilitate the Reorganization, AJS Family Holding Limited, an Independent Third Party wholly owned by Mr. Song Xiangqian, subscribed for the registered capital of Anhui Laoxiangji in the amount of RMB3,428,865 for a consideration of RMB12,000,587. Such consideration was determined after arm's length negotiations with reference to the net asset value of Anhui Laoxiangji as of September 30, 2023 as appraised by an independent valuer. After such subscription, Anhui Laoxiangji became a foreign invested enterprise with AJS Family Holding Limited holding 1.00% of its registered capital.

On April 30, 2024, Anhui Laoxiangji was re-converted into a limited liability company. Upon completion of the conversion, Anhui Laoxiangji had a registered capital of RMB342,886,545.

On June 4, 2024, each of LXJ Anhui Holdings and LXJ Shenzhen Holdings subscribed for the registered capital of Anhui Laoxiangji in the amounts of RMB348,081,796 and RMB348,081,795, respectively, for a consideration equivalent to the corresponding registered capital subscribed. After such subscription, LXJ Anhui Holdings and LXJ Shenzhen Holdings held in aggregate approximately 67.00% of the total registered capital in Anhui Laoxiangji.

On July 31, 2024, Anhui Laoxiangji repurchased the entire equity interests held by each of Hefei Yuyi, Mr. Shu Xiaolong, Qingdao Shudong and Ms. Shu Wen in Anhui Laoxiangji. The consideration for each of such equity repurchases was determined after arm's length negotiations among the parties with reference to the net asset value of Anhui Laoxiangji as of May 31, 2024 as appraised by an independent valuer. As of the Latest Practicable Date, a total consideration of RMB202,132,850 with respect to the aforementioned repurchases remained outstanding and we expect to settle such consideration before [**REDACTED**]. On July 31, 2024, Anhui Laoxiangji also repurchased the entire equity interest held by AJS Family Holding Limited in Anhui Laoxiangji. The consideration for such equity repurchase was determined after arm's length negotiations among the parties with reference to the initial registered capital of Anhui Laoxiangji subscribed by AJS Family Holding Limited, and was settled on December 27, 2024. Upon completion of the above equity repurchases, Anhui Laoxiangji repurchased all of the equity interests held by its then existing shareholders other than LXJ Anhui Holdings and LXJ Shenzhen Holdings. Hence, Anhui Laoxiangji became owned as to approximately 50% by each of LXJ Anhui Holdings and LXJ Shenzhen Holdings.

Our PRC Legal Advisor confirms that all necessary approvals, permits and licenses required under the PRC laws and regulations in connection with the Reorganization that involved the PRC subsidiaries have been obtained or completed, and the Reorganization has complied with all applicable PRC laws and regulations in all material respects.

SHAREHOLDING STRUCTURE OF OUR COMPANY

The following table sets forth the shareholding structure of our Company as of the date of this document and immediately upon the completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised).

Shareholder	Number of Shares as of the Latest Practicable Date	Shareholding as of the Latest Practicable Date	Number of Shares upon completion of the [REDACTED]	Shareholding upon completion of the [REDACTED]
Constantly Soar Ltd	252,861,805	70.78%	252,861,805	[**REDACTED**]%
Jump Spark Ltd	53,668,499	15.02%	53,668,499	[**REDACTED**]%
Favourable Impression Ltd	22,210,176	6.22%	22,210,176	[**REDACTED**]%
Poweroy Holding Ltd	10,717,200	3.00%	10,717,200	[**REDACTED**]%
Harvest Capital	17,783,640	4.98%	17,783,640	[**REDACTED**]%
Investors taking part in the [**REDACTED**]	–	–	[**REDACTED**]	[**REDACTED**]%
Total	**357,241,320**	**100.00%**	[**REDACTED**]	**100.00%**

Upon [**REDACTED**], each of Constantly Soar Ltd, Jump Spark Ltd and Favourable Impression Ltd, being our Controlling Shareholders, will be core connected persons of our Company. Shares held by them will not be counted towards the public float of the Company. As no director, chief executive or substantial shareholder of our Company or any of our subsidiaries or any of their close associates is interested in Poweroy Holding Ltd's equity capital such that he/she exercises or controls the exercise of 30% or more of the voting power at its general meetings, or controls the composition of a majority of its board of directors, Poweroy Holding Ltd will not be a core connected person of the Company upon [**REDACTED**]. For details of the shareholding structure of Poweroy Holding Ltd, see "— Corporate Structure" in this section. The Shares held by Poweroy Holding Ltd and Harvest Capital will be counted towards the public float of our Company according to Rule 8.08 of the Listing Rules upon the [**REDACTED**].

[**REDACTED**]

PRE-[REDACTED] INVESTMENT

Investment by Harvest Capital

As disclosed in "— Our Corporate Development — First Onshore Financing of Anhui Laoxiangji" in this section, Harvest Capital subscribed for certain equity interest in Anhui Laoxiangji through its onshore affiliate, Yuhe Investment. Following the Reorganization, such equity interest was substituted into Shares in our Company. The table below summarizes the principal terms and key arrangements of the pre-[**REDACTED**] investment.

Date of subscription agreement	:	January 22, 2018 (as supplemented on January 22, 2018 and August 5, 2020)
Consideration paid to Anhui Laoxiangji	:	RMB199,120,000
Date of full settlement of the consideration	:	August 17, 2020
Cost per Share(1)	:	HK$12.10
Discount to [**REDACTED**](2)	:	[**REDACTED**]%

Basis of the consideration	:	The consideration for the pre-[**REDACTED**] investment was determined after arm's length negotiations between the parties taking into consideration our operating results and prospects at the time.
Use of proceeds from the pre-[**REDACTED**] investment	:	We have utilized all the proceeds from the pre-[**REDACTED**] investment into Anhui Laoxiangji as investment capital in aid of our business expansion, capital expenditures and general working capital requirements.
Strategic benefits to our Company	:	At the time of the pre-[**REDACTED**] investment, we were of the view that in addition to the capital received for our continued growth, our Group could also benefit from the knowledge and experience of our pre-[**REDACTED**] investor. As an institutional investor experienced in investments in our industry, our pre-[**REDACTED**] investor could provide insight on our business expansion and strategic development. Moreover, we are also of the view that our pre-[**REDACTED**] investor's investment into our Group demonstrated its confidence in our Group's operations and served as an endorsement of our performance, strengths and prospects.
Lock-up	:	Harvest Capital is not subject to any lock-up arrangements as part of its pre-[**REDACTED**] investment terms. Our Company and/or the [**REDACTED**] may enter into further negotiation with Harvest Capital on post-[**REDACTED**] lock-up arrangements as and when required.

Notes:

(1) This is calculated based on the approximate proceeds raised by our Group following Yuhe Investment's investment into Anhui Laoxiangji, which is then converted based on the exchange rate set out in "Information about This Document and the [**REDACTED**]," and taking into account the effect of the Reorganization.

(2) Assuming the [**REDACTED**] is fixed at HK$[**REDACTED**], being the mid-point of the indicative [**REDACTED**].

Information on Harvest Capital

Harvest Capital is an investment holding company directly wholly owned by Yuhe Investment. As of the Latest Practicable Date, Yuhe Investment was held as to 0.01% by Jiahua Yufeng (as its general partner) and 99.99% by seven limited partners, including Mr. Song

Xiangqian, Harvest Capital Management Co., Ltd. (加華資本管理股份有限公司, "**Harvest Capital Management**") and five other limited partners who were ultimately managed by Jiahua Yufeng. None of the limited partners of Yuhe Investment held more than one third of the partnership interest therein. Jiahua Yufeng was owned as to 0.001% by Mr. Song Xiangqian (as its general partner) and 99.999% by Harvest Capital Management. Mr. Song Xiangqian founded Harvest Capital Management (including its predecessor) in 2007 and has been acting as its chairman since then. Harvest Capital Management primarily focuses on investment in consumer and modern service industries and is controlled by Mr. Song Xiangqian.

Special Rights of Harvest Capital

Pursuant to the terms of the relevant investment agreements, Yuhe Investment had been granted certain customary special rights in relation to Anhui Laoxiangji including, among others, divestment rights, information rights and nomination rights. Other than the information rights which have been converted to rights of Harvest Capital in relation to our Company after the Reorganization and will be terminated upon [**REDACTED**], all special rights of Yuhe Investment had been terminated by March 2022.

Compliance with Pre-[REDACTED] Investment Guidance

On the basis that the special rights granted to Yuhe Investment or Harvest Capital pursuant to the relevant investment agreements have been terminated before submission of the first [**REDACTED**], other than the information rights described in the section headed "Special Rights of Harvest Capital" above which will be terminated upon [**REDACTED**], the Joint Sponsors confirm that the pre-[**REDACTED**] investment as disclosed herein is in compliance with the pre-[**REDACTED**] investment guidance set out in Chapter 4.2 of the Guide for New Listing Applicants.

A-SHARE LISTING ATTEMPT

In contemplation of an initial public offering in the PRC, in May 2022, Anhui Laoxiangji submitted an application to the CSRC for the listing of its shares on the Shanghai Stock Exchange (the "**SSE**"). Due to the regulatory reform regarding the implementation of the registration-based listing regime under the Measures for the Administration of Registration of Initial Public Offerings of Stocks (首次公開發行股票註冊管理辦法), in February 2023, Anhui Laoxiangji resubmitted its A-share listing application to the SSE (together with Anhui Laoxiangji's A-share listing application submitted to the CSRC in May 2022, the "**A-Share Listing Attempt**"). Anhui Laoxiangji voluntarily withdrew its A-share listing application on August 23, 2023. We consider that a listing on the Stock Exchange, an internationally recognized and reputable securities exchange, could allow us to gain recognition worldwide and provide us with direct access to overseas investors and foreign capital.

Since the submission of the A-Share Listing Attempt and up to our withdrawal of the A-share listing application, we had not received any comments from the CSRC or the SSE to challenge the A-share listing suitability of Anhui Laoxiangji. To their best knowledge, our Directors are not aware of any other matter in relation to the A-Share Listing Attempt that should be brought to the attention of the Stock Exchange or [**REDACTED**] of the [**REDACTED**].

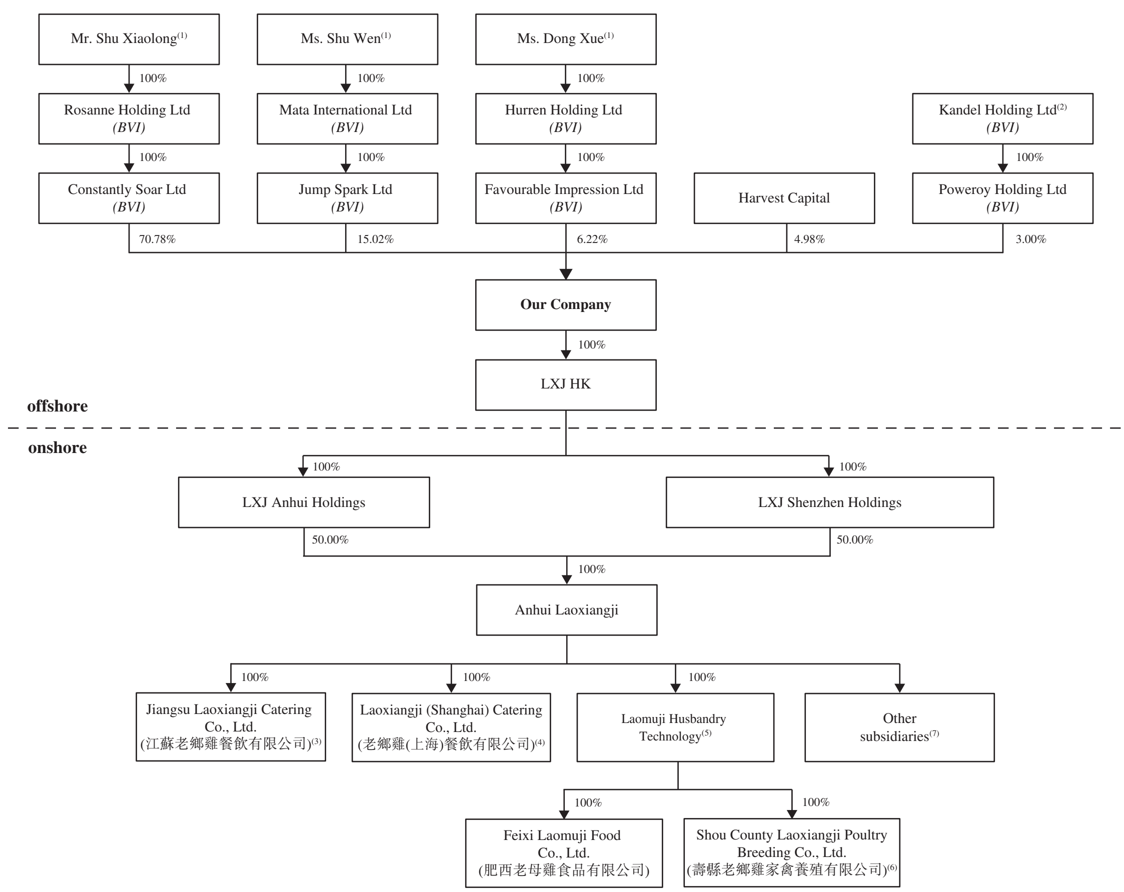
ACQUISITIONS, DISPOSALS AND MERGERS

During the Track Record Period and up to the Latest Practicable Date, we did not conduct any acquisitions, disposals or mergers that we consider to be material to us.

CORPORATE STRUCTURE

Corporate Structure Immediately Before the [REDACTED]

The following chart sets forth the simplified shareholding and corporate structure of our Group immediately before the [**REDACTED**]:



Notes:

(1) Ms. Dong Xue is the spouse of Mr. Shu Xiaolong, and Ms. Shu Wen is the sister of Mr. Shu Xiaolong. Each of them, together with their respective investment holding vehicles in our Company, will constitute a group of controlling Shareholders of our Company. See "Relationship with Our Controlling Shareholders" for further details.

(2) Kandel Holding Ltd is an offshore holding vehicle for grantees of indirect equity interests in Anhui Laoxiangji under its then effective share incentive plan. See "— Reorganization — 3. Offshore Restructuring of Anhui Laoxiangji" in this section for further details. As of the date of this document, it is held as to (i) 22.62% by Shu Congde (束從德), our non-executive Director, and (ii) 2.78% by Wang Qinqin (王琴琴), 1.56% by Wang Wei (王偉), 1.56% by Li Xinlin (李新林), 1.44% by Lyu Haifeng (呂海峰), 1.33% by Li Bin (李斌), 1.33% by Wang Daocun (王道存), 1.00% by Dong Xiaolei (董小磊), 1.00% by Zhang Xueqin (張雪芹), 0.67% by Wang Hanqing (王漢清), 0.44% by Li Jun (李軍) and 0.22% by Cao Zuqing (曹祖清), each a director of our subsidiaries; and (iii) 64.04% by 100 others who are neither a director, chief executive or substantial shareholder of our Company, any of our subsidiaries nor any of their close associates. As none of the aforesaid persons are, indirectly through Kandel Holding Ltd, interested in Poweroy Holding Ltd's equity capital such that he/she exercises or controls the exercise of 30% or more of the voting power at general meetings, or controls the composition of a majority of its board of directors, Poweroy Holding Ltd will not be a core connected person of the Company upon [**REDACTED**].

(3) Jiangsu Laoxiangji Catering Co., Ltd. (江蘇老鄉雞餐飲有限公司) has one directly wholly owned subsidiary, namely Anhui Laoxiangji Food Co., Ltd. (安徽老鄉雞食品有限公司).

(4) Laoxiangji (Shanghai) Catering Co., Ltd. (老鄉雞(上海)餐飲有限公司) has one directly wholly owned subsidiary, namely Laoxiangji (Shanghai) Food Co., Ltd. (老鄉雞(上海)食品有限公司), which in turn has one directly wholly owned subsidiary, namely Laoxiangji (Shanghai) Trade Co., Ltd. (老鄉雞(上海)商貿有限公司).

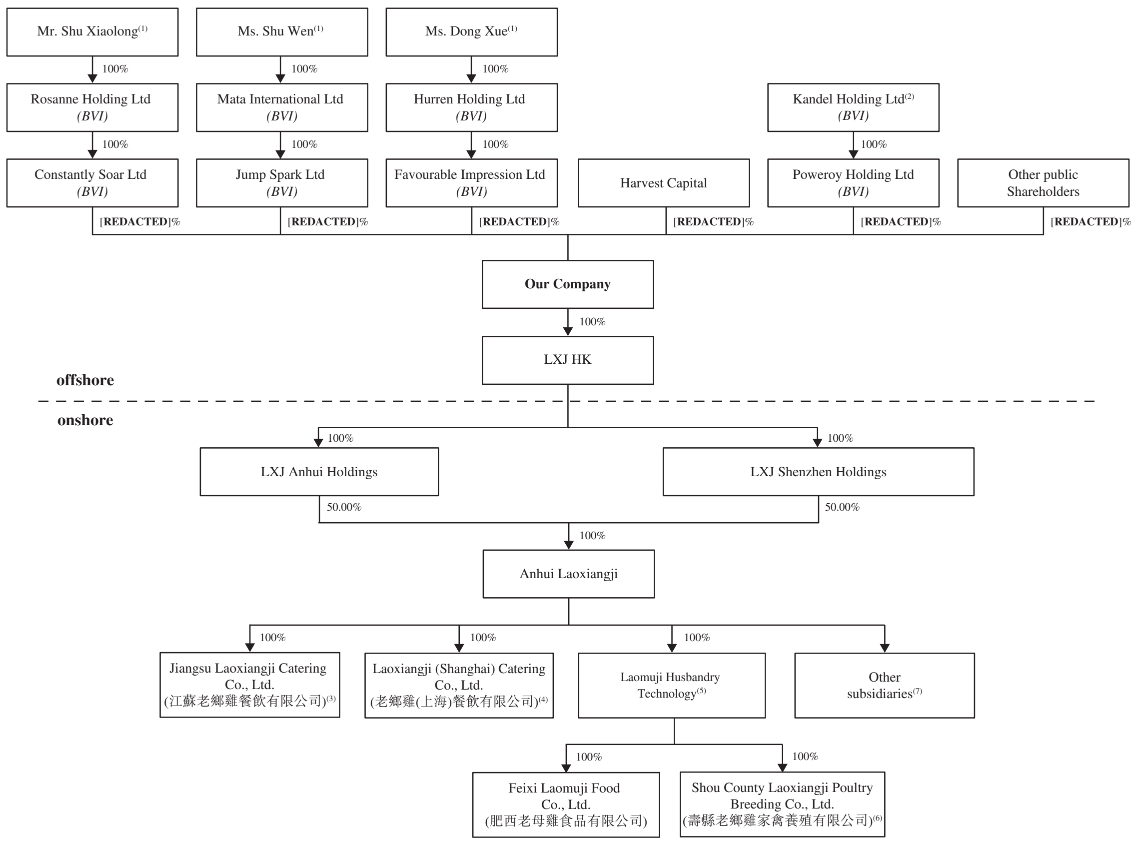
(5) Laomuji Husbandry Technology has one other directly wholly owned subsidiary, namely Lixin Laoxiangji Breeding Co., Ltd. (利辛老鄉雞養殖有限公司).

(6) Shou County Laoxiangji Poultry Breeding Co., Ltd (壽縣老鄉雞家禽養殖有限公司) has one directly wholly owned subsidiary, namely Shou County Shuangqing Agricultural Technology Co., Ltd. (壽縣雙青農業科技有限公司).

(7) Such subsidiaries include 13 directly wholly owned subsidiaries of Anhui Laoxiangji, namely Hubei Laoxiangji Catering Co., Ltd. (湖北老鄉雞餐飲有限公司), Zhejiang Laoxiangji Catering Co., Ltd. (浙江老鄉雞餐飲有限公司), Laoxiangji (Beijing) Catering Co., Ltd. (老鄉雞(北京)餐飲有限公司), Guangdong Laoxiangji Catering Co., Ltd. (廣東老鄉雞餐飲有限公司), Anhui Laoxiangji Technology Co., Ltd. (安徽老鄉雞科技有限公司), Anhui Xuanku Information Technology Co., Ltd. (安徽軒酷信息科技有限公司), Jiangxi Laoxiangji Catering Co., Ltd. (江西老鄉雞餐飲有限公司), Henan Laomuji Catering Co., Ltd. (河南省老母雞餐飲有限公司), Lixin Laoxiangji Catering Co., Ltd. (利辛老母雞餐飲有限公司), Anhui Laomuji Trading Co., Ltd. (安徽老母雞商貿有限公司), Anhui Laomuji Logistics Co., Ltd. (安徽老母雞物流有限公司), Laoxiangji Catering (Qingdao) Co., Ltd. (老鄉雞餐飲(青島)有限公司) and Laoxiangji (Guangdong) Catering Management Co., Ltd. (老鄉雞(廣東)餐飲管理有限公司), and one directly 95.7%-owned subsidiary, namely Anhui Laoxiang Farm Co., Ltd. (安徽省老鄉農場有限公司), whose remaining equity interest was held as to 3.3% by Sun Bangqin (孫幫勤), an Independent Third Party, and 1.0% by Zhang Lingtong (張靈通), cousin of Mr. Shu Xiaolong and Ms. Shu Wen, as of the Latest Practicable Date. Among those subsidiaries, Zhejiang Laoxiangji Catering Co., Ltd. has one directly wholly owned subsidiary, namely Laoxiangji (Ningbo) Catering Co., Ltd. (老鄉雞(寧波)餐飲有限公司), and Laoxiangji (Guangdong) Catering Management Co., Ltd. has one directly wholly owned subsidiary, namely Laoxiangji (Dongguan) Catering Co., Ltd. (老鄉雞(東莞)餐飲有限公司).

Corporate Structure Immediately Following the [REDACTED]

The following chart sets forth the simplified shareholding and corporate structure of our Group immediately after the completion the [**REDACTED**] (assuming the [**REDACTED**] is not exercised).



Notes:

(1) – (7) See "— Corporate Structure — Corporate Structure Immediately Before the [**REDACTED**]" in this section.

PRC REGULATORY REQUIREMENTS

M&A Rules

According to the Regulations on Merger with and 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**") jointly issued by MOFCOM, the State-owned Assets Supervision and Administration Commission of the State Council, the SAT, the CSRC, the SAIC and the SAFE on August 8, 2006, and amended on June 22, 2009, a foreign investor is required to obtain necessary approvals when it (i) acquires the equity of a domestic enterprise so as to convert the domestic enterprise into a foreign invested enterprise; (ii) subscribes the increased capital of a domestic enterprise so as to convert the domestic enterprise into a foreign invested enterprise; (iii) establishes a foreign invested enterprise through which it purchases the assets of a domestic enterprise and operates these assets; or (iv) purchases the assets of a domestic enterprise through relevant agreements, and then invests such assets to establish a foreign invested enterprise. The M&A Rules, among other things, further purport to require that an offshore special vehicle, or a special purpose vehicle, that is controlled directly or indirectly by PRC companies or individuals and that is formed for the purpose of an overseas listing of the interests in a PRC company, shall obtain the approval of the CSRC prior to the listing and trading of such special purpose vehicle's securities on an overseas stock exchange, in the event that the special purpose vehicle acquires shares of or equity interests in the PRC companies in exchange for the shares of offshore companies.

Given that Anhui Laoxiangji is a foreign invested enterprise at the time of the acquisition of its equity interest by LXJ Anhui Holdings and LXJ Shenzhen Holdings, our PRC Legal Advisor is of the view that unless new laws and regulations are enacted or MOFCOM or CSRC publishes new provisions or interpretations on the M&A Rules to the contrary in the future, the [**REDACTED**] is not subject to approval from MOFCOM or the CSRC under the M&A Rules.

SAFE Registration

Pursuant to the Circular on Relevant Issues Relating to Domestic Resident's Investment and Financing and Roundtrip Investment through 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》) ("**SAFE Circular 37**"), promulgated by the SAFE and which became effective on July 14, 2014, (i) a PRC resident must register with the local SAFE branch in connection with their contribution of offshore or domestic assets or equity interests in an overseas special purpose vehicle (an "**Overseas SPV**") that is directly established or indirectly controlled by the PRC resident for the purpose of conducting overseas investment or financing, and (ii) 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), the name of the Overseas SPV, terms of operation, or any increase or reduction of the Overseas SPV's capital, share transfer or swap, and merger or division. Pursuant to SAFE Circular 37, failure to comply with these registration procedures may result in penalties. In addition, the PRC subsidiaries of that Overseas SPV may be prohibited from distributing their profits or dividends to their offshore parent company or from carrying out other subsequent cross border foreign exchange activities, and the Overseas SPV and its offshore subsidiary may be restricted in their ability to contribute additional capital to their PRC subsidiaries.

Pursuant to the Circular of the SAFE on Further Simplifying and Improving the Policies of Foreign Exchange Administration Applicable to Direct Investment (《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》), promulgated by the SAFE and which became effective on June 1, 2015, the power to accept SAFE registration was delegated from local SAFE branches to local banks where the domestic entity is registered.

As advised by our PRC Legal Advisor, Mr. Shu Xiaolong, Ms. Shu Wen and the beneficial owners of Poweroy Holding Ltd who are known to us as PRC residents have completed the required registrations under SAFE Circular 37 as of the date of this document.

OUR MISSION

To become the world's No. 1 Chinese-style QSR brand, delivering exceptional dining experiences to customers.

OUR VISION

To share the essence of Chinese cuisine and culture with the world through the art of quick-service dining.

OVERVIEW

Who We Are

We are the largest Chinese-style QSR brand in China. According to CIC, we ranked first in the Chinese-style QSR industry in China by GMV in 2023. Through our commitment to delivering delicious home-style Chinese cuisine of high-quality with convenient, friendly services, we have become a household restaurant brand among customers nationwide. With over two decades of refinement and innovation, our menu features a range of customer favorites, anchored by our signature chicken soups and chicken dishes.

Beginning with self-operated restaurants, we dedicated ourselves to perfecting every aspect of our operations, focusing on supply chain management, restaurant operation, dish development and customer engagement. As a result, we have accumulated valuable insights into a standardized operation that exemplifies efficiency. Building on such insights, we started to explore the franchise model in 2020, gradually developing and refining our franchise model. We have developed a "self-operated + franchised" restaurant network that strikes a balance between quality and scalability. With our footprint continuing to expand, we had 1,404 restaurants, including 949 self-operated restaurants and 455 franchised restaurants across 53 cities in nine provinces in China as of September 30, 2024.

We aspire to be our customers' "second kitchen," providing a reliable and convenient dining experience with home-style Chinese cuisine beyond the comforts of home, making delicious moments available anytime, anywhere. In the nine months ended September 30, 2024, we served more than 189.4 million customers, catering to a wide range of dining scenarios. Our commitment to our core value proposition of "Healthy, Diverse, Clean, and Friendly" has earned us the trust of our customers, forming the cornerstone of our brand's reputation. We actively engage with our customers, deepening emotional bonds with them.

Industry Leader

We are at the forefront of the Chinese-style QSR industry, navigating its inherent challenges with unwavering commitment to innovation. We have established a solid foundation for us to set industry benchmarks for excellence and pioneer the Chinese-style QSR industry to new heights.

We have achieved many "firsts" and "only" according to CIC:

- We are among the first Chinese-style QSR companies in China to implement standardization in every core aspect of operations.

- We are the only major Chinese-style QSR company in China with a full-value-chain layout, covering chicken farming, central kitchens, and restaurant services.

- We are the first Chinese-style QSR company in China to implement a comprehensive traceability system that enables full process control across the supply chain with public disclosure of ingredients, raw materials, and suppliers.

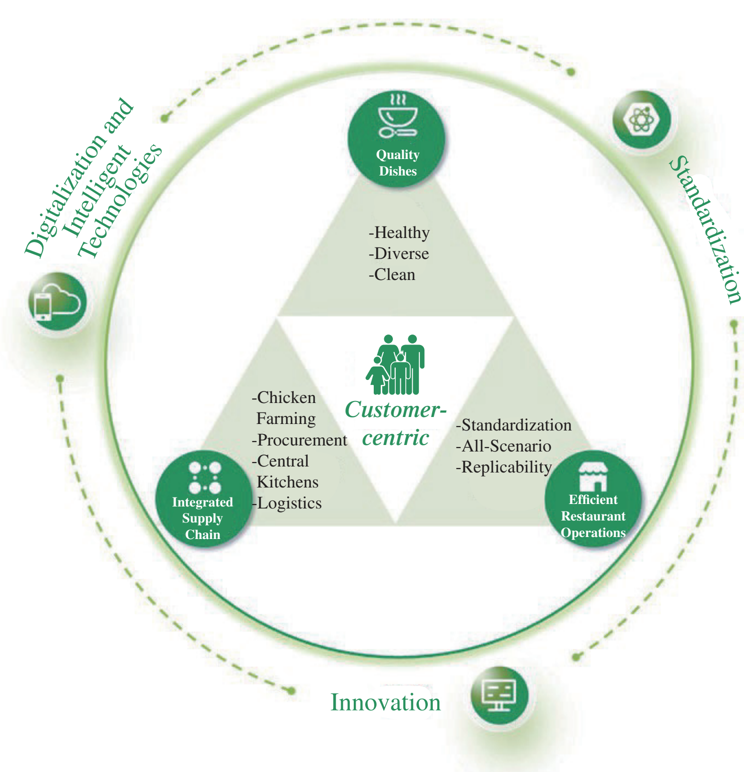
- We ranked first in terms of average daily sales per restaurant, daily sales per unit area, and seat turnover rates among top five Chinese-style QSR companies by GMV in 2023.

- We are among the first Chinese-style QSR companies in China in adopting digitalization and intelligent technologies in every core aspect of operations.

What We Do

According to CIC, Chinese cuisine faces inherent challenges to large-scale expansion due to its complex preparation techniques, diverse ingredients, precise proportions, and heavy reliance on individual expertise for seasoning and cooking. To address this industry-wide challenge, we have prioritized the development of a standardized business operation allowing customers to enjoy consistently high-quality dishes across all restaurants and experience the same comfort and satisfaction as home cooking, wherever and whenever they dine with us.

Our operational excellence is benefited from a series of proprietary standardization manuals established even before the opening of our first restaurant. Over time, these manuals have been continuously refined and transformed into a comprehensive set of standard procedures that encompasses every aspect of our business. In addition, we have developed a robust digitalization and intelligent technologies system encompassing all aspects of our business operations, which empowers standardized operations and intelligent decision-making, enhancing operational efficiency and fueling scalable business expansion.



We remain committed to refining and perfecting our business model, embedding standardization into critical aspects of our operations:

- ***Supply Chain.*** We establish a comprehensive system across all key supply chain stages, ensuring consistent high quality and freshness of our dishes from the source.
  - *Chicken Farming.* As of September 30, 2024, we operated three eco-friendly, health-focused chicken farms in Anhui Province, enabling large-scale, standardized chicken farming.
  - *Procurement.* We have a robust procurement process, applying stringent standards for supplier selection and raw material evaluation.
  - *Processing.* As of September 30, 2024, we operated two central kitchens equipped with automated production lines. These facilities standardize the processing and preparation of raw materials for various dishes, ensuring consistent quality across all restaurants.
  - *Logistics.* As of September 30, 2024, we had eight distribution centers in China to ensure the freshness and timely delivery of ingredients. Typically, ingredients can be delivered from the central kitchens to restaurants in Anhui Province and Shanghai on the same day and to restaurants in other regions within two days.

- ***Restaurant Operation.*** We position ourselves as customers' "second kitchen."

  – *Restaurant Expansion.* We open restaurants in residential communities, malls, business districts, and transportation hubs to cover all dining scenarios throughout the day. To support our growth, we have developed an efficient expansion protocol, utilizing digital tools for effective site selection and implementing standardized procedures for restaurant design and decoration, ensuring successful openings across locations.

  – *Dish Preparation and Equipment.* We deconstruct, simplify, and quantify the preparation and cooking process for each dish, establishing standardized procedures. Many of our restaurants are equipped with automated cooking equipment, such as cooking robots, smart steam cabinets and automated soup boilers, ensuring high-quality and consistent preparation for our dishes.

  – *Operational Management.* We establish standardized procedures for hygiene management, equipment usage, and services to customers. These ensure consistent and efficient execution across our restaurants, enhancing restaurant operating efficiency.

  – *Talent Management.* We place great emphasis on the standardization and digitalization of employee training at all levels, ensuring that restaurant staff are proficient in operational methods and uphold high standards of food safety, hygiene, and customer service. For our franchisees, we require all franchisees and their staff to complete rigorous, standardized training and assessments, ensuring that franchised restaurants uphold the same high standards of operational excellence and service quality as our self-operated restaurants.

- ***Dish Development.*** We place customers at the center of our menu design, continually evolving our offerings based on data insights and an analysis of diverse dietary profiles and trends. With an end-to-end product management system, we manage a dish's comprehensive lifecycle, from concept to launch. Each dish undergoes a rigorous evaluation process to ensure it meets high standards, and with innovative marketing support, we consistently launch dishes that resonate with customers and enhance their dining experience.

Our Market Opportunity

According to CIC, the size of the Chinese-style QSR market in China is expected to grow from RMB753.2 billion in 2023 to RMB1,245.9 billion in 2028, representing a CAGR of 10.6%. Driven by factors such as rising dining-out rates and diversified dining scenarios, the Chinese-style QSR industry is the largest segment within the QSR industry in China, according to CIC.

In 2023, the chain penetration rate of Chinese-style QSR by GMV was 32.0%, significantly lower than that of Western QSRs of 64.8% in China. Furthermore, the top five Chinese-style QSR brands collectively accounted for only 3.0% of market share in 2023 by GMV, far below that of the top five Western QSR brands of 47.2% in China. This underscores the tremendous growth opportunities for the Chinese-style QSR chain market.

These favorable trends present us with exceptional growth opportunities. Leveraging our industry-leading position, strong brand, and well-established standardized business practices, we are well positioned to capture the growth of the Chinese-style QSR market and further expand our market share.

OUR COMPETITIVE STRENGTHS

The Largest Chinese-style QSR Company in China Featured a Scalable, Standardized Business Model

We are the largest Chinese-style QSR company in China. According to CIC, we ranked first in the Chinese-style QSR market in China by GMV in 2023. As of September 30, 2024, we had 949 self-operated restaurants and 455 franchised restaurants. Over the past two decades, we have established deeply ingrained brand recognition, becoming one of the most trusted dining choices for customers. We believe our strong brand not only attracts more customers but also brings more franchisees under the umbrella of our brand, further propelling our growth.

We build a scalable, standardized business model to support our expansion. Since our inception, we have prioritized scalable growth strategies, with a focus on standardized operational capabilities and efficiency enhancements. Over time, we have achieved comprehensive standardization across key business areas, including supply chain management, dish preparation, restaurant operations, and talent management. Leveraging advanced digitalization and intelligent technologies, we enhanced our standardization and operational efficiency. We continually refine our operation model by upgrading menu offerings, adopting smart equipment, and improving operational practices to cater to various dining scenarios, resulting in industry-leading operational efficiency.

Our franchise model has achieved desirable results. Capitalizing on our proven operational model and strong brand recognition, we ventured into the franchise model in 2020. We view our franchisees as long-term partners and are committed to working closely with them to deliver high-quality dishes and dining experiences to an expanding customer base. All franchisees undergo rigorous selection and training processes. At every stage of the franchised restaurant lifecycle, we provide standardized and tailored training and guidance, including scientific site selection, regular performance evaluations, and continuous enhancements in operational quality, efficiency, customer service, and marketing effectiveness. The number of our franchised restaurants grew from 118 as of December 31, 2022 to 455 as of September 30, 2024.

Integrated Supply Chain

According to CIC, we are the only major Chinese-style QSR brand in China with a fully integrated supply chain, excelling in every aspect of supply chain management and demonstrating industry-leading capabilities. The root of our expertise in supply chain operations dates back over 40 years, beginning with chicken farming by our founder raising broilers. To consistently deliver healthy, diverse, and clean dishes to our customers, we have established a fully integrated supply chain encompassing chicken farming, procurement, processing, and logistics, with each stage governed by rigorous quality and safety protocols.

Chicken Farming. Since our inception, *Feixi Old Hen Soup (肥西老母雞湯)* has been the signature dish of our menu. To ensure a quality, stable supply of this dish, we built a scientific, eco-friendly chicken farming system. Our chicken farms are equipped with standardized chicken houses, utilize scientifically formulated feed, and adhere to strict inspection protocols, including our commitment to raising broilers without the use of antibiotics.

In our commitment to sustainability, we employ environmental protection technologies to achieve ecological balance in our chicken farming operations. Through IoT systems, we monitor farming conditions in real time, collect and analyze data, and implement lean management practices to enhance farming efficiency and reduce operating costs. According to CIC, during the Track Record Period, our chicken farming performance was industry-leading, with our broilers' survival rate of 96.7%, higher than the industry average of approximately 90.0%; and our laying hens' egg production rate of 92.3% was also higher than the industry average of approximately 85%.

Procurement. To provide customers with high-quality and diverse dishes, we implement a stringent unified raw material procurement system. Suppliers are rigorously evaluated based on scale, reputation, and supply capacity, and we maintain long-term collaborations with industry leaders such as Arowana, Haitian, and Nongfu Spring. Our stringent quality control measures ensure that raw materials are evaluated based on their origin, appearance, flavor, and texture. We adopt proactive strategies to ensure timely delivery, cost-effective procurement, and a high level of supply chain efficiency.

Central Kitchens. To optimize raw material processing and production, we establish standardized, automated central kitchens equipped with industry-leading processing capabilities. In collaboration with food processing equipment manufacturers, we implement advanced automated production lines tailored to different dishes, allowing us to maintain consistent quality across a wide range of SKUs.

Our central kitchens operate with efficiency and cost-effectiveness that surpasses industry standards. During the Track Record Period, our staff and energy costs as a respective percentage of total revenue were significantly lower than industry averages, according to CIC. Through continuous upgrades in automation, process optimization, and technology enhancement, we further improve operational efficiency and maintain our competitive edge.

Logistics. To ensure timely deliveries of fresh food ingredients to our restaurants, we build an efficient delivery system supported by eight strategically located distribution centers across China. Through logistics planning, intelligent sorting, route optimization, as well as digitalization and intelligent technologies, we enhance warehousing and transportation efficiency, ensuring consistent supply while minimizing inventory backlogs, spoilage, and logistics costs. In collaboration with professional cold-chain logistic service providers, we ensure that processed ingredients from our central kitchens are delivered to restaurants within one to two days.

Food Quality and Safety. We establish a comprehensive food quality and safety system that spans the entire supply chain, ensuring end-to-end traceability from origin to restaurant. This system incorporates rigorous quality controls, safety standards, and digital oversight at every stage of the supply chain. We conduct real-time monitoring and periodic inspections of restaurant hygiene, ingredient management, and operational practices to maintain quality. According to CIC, we are the first Chinese-style QSR in China to regularly publish self-inspection reports and the first brand to publicly disclose traceability of ingredients, raw materials, and suppliers.

Comprehensive Operating Model

According to CIC, the dining-out rate in China is expected to increase from 28.7% in 2023 to 32.3% in 2028. To capitalize on this trend, we aim to satisfy customers across different settings, channels, and day-parts.

All-Scenario Operations. We design our restaurants to align with the dining habits and traffic dynamics. Each restaurant is tailored in size, ambiance, ordering methods, and menu offerings to integrate with its surrounding environment. Through a scientifically optimized layout, we address the diverse dining needs of our customers — be it the everyday meals of local residents, the quick and convenient lunches of office workers, or the on-the-go meals of travelers at transportation hubs. This approach positions us as a reliable and preferred destination for Chinese-style QSR across all dining scenarios.

Omnichannel Network. We build a sales network that seamlessly combines "online + offline" and "dine-in + delivery" channels. Leveraging our extensive offline restaurant network, we capitalized on the growing demand for delivery services. Through active collaborations with third-party e-commerce platforms and the application of digitalization and intelligent technologies, we have optimized marketing resources, synchronized menu offerings, automated the order management process, and enhanced delivery performance, ultimately driving the rapid growth of our delivery services.

Our total sales from delivery services of all restaurants increased by 29.1% from RMB1,994.1 million in 2022 to RMB2,573.8 million in 2023, and increased by 17.9% from RMB1,889.2 million in the nine months ended September 30, 2023 to RMB2,227.8 million in the same period in 2024. The number of our delivery orders of all restaurants increased from 60.3 million in 2022 to 84.6 million in 2023, and from 60.9 million in the nine months ended September 30, 2023 to 77.1 million in the same period in 2024.

All-Day Availability. We design our menu to offer all day dining. Some of our restaurants operate 24/7 to meet customers' dining needs around the clock.

Digitalization and Intelligent Technologies Across Business Operations

We develop a robust digitalization and intelligent technologies system encompassing all aspects of our business operations, which empowers standardized operations and intelligent decision-making, enhancing operational efficiency and fueling scalable business expansion:

Supply Chain. We establish a comprehensive supply chain system supported by digitalization and intelligent technologies that provides full visibility, traceability, and control across the entire supply chain, resulting in enhanced integration and efficiency. For example, for procurement, our information systems utilize inventory and sales data to create precise procurement plans and facilitate seamless supplier collaboration; for chicken farming, we integrate IoT for automated data flow and employ smart inspection robots and big data analytics to improve farming efficiency and product quality; and for logistics, our systems optimize shipping and packing processes, enhance delivery route efficiency, and ensure timely, reliable supply chain operations.

Restaurant Operation. Our digitalization and intelligent technologies support restaurant operations in all respects. For site selection, we leverage big data analytics and AI to assess factors such as foot traffic and customer demand, enabling optimized restaurant placement. At checkout, we employ image recognition technology for dish identification and swift payment processing, significantly reducing labor costs and transaction times. In cooking, we utilize advanced equipment such as cooking robots, smart steam cabinets, and automated soup boilers to standardize cooking processes, delivering consistent, high-quality dishes with efficiency and precision.

Dish Development. We reinforce our competitive edge with a comprehensive dish development process. We conduct in-depth research into consumer preferences and leverage customer profiling, member feedback, as well as detailed preference analysis, to consistently introduce new dishes that resonate with customers. After extensive testing and pre-promotion, we launched the *Autumn Chestnut Braised Chicken (金秋板栗燒雞)* and the *Three-Cup Chicken (三杯雞)* in the second half of 2024. Both dishes achieved remarkably successful, each selling over 3 million portions during their respective launch months.

Customer Engagement. Based on customer data, we develop a smart system for customer profiling and automated, targeted engagement, enabling more refined and effective customer management. This allows us to deliver personalized content and promotions tailored to members' purchase frequency, preferences, and geographic location. It supports key initiatives such as activating new customers, boosting engagement among loyal customers, and re-engaging inactive users. These targeted efforts have significantly improved customer retention and purchase frequency, deepened customer loyalty, and enhanced overall restaurant performance. Furthermore, by analyzing consumption data, we can precisely identify customer preferences, driving the development of tailored products to meet their needs.

A Household Chinese-style QSR Brand

Brand Image. Over the past two decades, we have cultivated a deeply ingrained and beloved brand image. We remain committed to providing high-quality dishes and exceptional dining experiences for our customers. Furthermore, we maintain consistent and sincere communication with our customers through online and offline channels, solidifying our position in their minds. For online marketing, we actively engage in communication and interaction with our customers across major online platforms such as Weibo, WeChat, Douyin, Xiaohongshu and Bilibili. In the nine months ended September 30, 2024, our brand achieved an online exposure of over 1.9 billion visits across all platforms. For offline marketing, we foster direct and personal connections with our customers, further strengthening our relationship with our local communities. Through genuine communication and thoughtful actions, we have established a profound emotional bond with our customers. To express gratitude for our customers' trust, we launched the *Feast for the Nation (宴請全國)* campaign on our 20th anniversary. Our *Warm Meal (溫暖一餐)* initiative offers free meals to customers in need.

Membership. Capitalizing on our strong brand, we have built a large and loyal member base. As of September 30, 2024, we had over 23.7 million registered members, including approximately 9.5 million active members and 0.5 million paying members. Each active member placed an average of approximately 7.4 orders in the nine months ended September 30, 2024. Our paying members had an average monthly purchase frequency of 5.3 times in the nine months ended September 30, 2024. According to CIC, both of our registered member and paying membership base ranked first among Chinese-style QSR companies in China for the nine months ended September 30, 2024.

Visionary Leadership, Comprehensive Talent Development

Management Team. We are led by an experienced management team with extensive expertise across business operations. Our core leadership demonstrates profound professional knowledge and insights into the Chinese-style QSR industry.

Our Chairman of the Board, Mr. Shu Xiaolong joined our company since 2012, beginning his career in entry-level roles such as animal caretaker and restaurant staff before advancing to management. Over the years, Mr. Shu has accumulated extensive management experience and developed a profound understanding of the industry and every aspect of our operations. Under his leadership, we have achieved significant advancements in supply chain management, restaurant operations, and digital transformation. He has led the design and ongoing optimization of our restaurant operations model, enhancing efficiency while elevating our brand image. He has also led the team and pioneered innovative methods for Chinese-style cuisine, continually experimenting and refining recipes to create iconic dishes. Embracing the digital era, Mr. Shu has championed our transition to digitalized and intelligent operations, seamlessly integrating traditional cuisine with modern technology.

Our management team works collaboratively and efficiently, driving sustained business growth. To further motivate and engage mid- to senior-level managers and key employees, we have introduced an equity incentive plan, aligning employee and company interests to ensure sustainable, long-term development.

Restaurant Managers. Restaurant managers serve as the frontline leaders of our daily operations, playing a vital role in managing and expanding our self-operated restaurants. Through targeted talent promotion and retention programs, we maintain a robust talent pool of qualified restaurant managers to support the long-term growth of our business. Our structured training programs further foster an entrepreneurial mindset and proactive approach among these restaurant managers.

We also empower restaurant managers by granting appropriate authority to make decisions within their scope of responsibility. This autonomy enables them to respond effectively to real-time business conditions, significantly enhancing restaurant performance and operational efficiency. Additionally, our robust incentive mechanisms strengthen their commitment, resulting in a marked reduction in turnover rates. In the nine months ended September 30, 2024, the turnover rate of our self-operated restaurant managers was 1.5%, well below the average for the Chinese-style QSR industry in China, according to CIC.

OUR STRATEGIES

Deepen Market Penetration and Expand Restaurant Network

Leveraging our proven operational capacities and brand recognition, we plan to increase the scope and density of our restaurant network through the following measures.

- ***Deepen market penetration in existing markets.*** In regions with our restaurant networks, we plan to continue increasing our restaurant density and penetration. Additionally, to meet the needs of diverse dining scenarios, we will design our restaurants to suit local environments, ensuring our presence extends across residential communities, malls, business districts, and transportation hubs.

- ***Expand our restaurant network to new markets.*** We plan to enter new markets to capture untapped opportunities. We will venture into provinces adjacent to where we have a presence to capitalize on regional synergies and market opportunities.

We will also continue refining and promoting our franchise model. We will adopt franchise model based on the characteristics of each market and its business environment as well as our level of penetration. To support franchisees, we will enhance our franchise support system with comprehensive, end-to-end assistance. This support is designed to address their needs, optimizing franchise operations and ensuring long-term success and sustainable growth.

Enhance Our Integrated Supply Chain

We will further improve our industry-leading supply chain in the following areas:

- ***Optimize upstream procurement.*** As our business scales and our brand recognition grows, we expect to achieve economies of scale in procurement. We will continue collaborating with top-tier suppliers to ensure long-term, reliable sources of supply. Additionally, we will work closely with select suppliers, aligning their resource layouts with our restaurant expansion plans. We also plan to explore organic crop cultivation to maintain strict quality control from the source.

- ***Strengthen central kitchens.*** To support the expansion of our restaurant network over the next three years, we plan to establish a new central kitchen in Anhui Province while upgrading and optimizing our existing facilities. We believe these enhancements to our central kitchen infrastructure will effectively meet growing supply demands, reduce distribution costs, improve operational efficiency, and ensure consistent freshness of our ingredients.

Expand Menu Offering and Improve Dining Experience

We are committed to enriching our menu to meet evolving customer preferences. For our existing offerings, we will further refine our recipes and cooking techniques to highlight their nutritional value, rich flavor, and quality. This will help to strengthen customer loyalty and drive continued demand. For new menu additions, we will introduce region-specific dishes that cater to local tastes while simultaneously offering a broader selection nationwide. These additions aim to satisfy growing demand for diverse dining options.

We are also committed to improving the overall dining experience. We will continue to invest in and improve restaurant design and renovations to strengthen our brand identity as a "second kitchen," providing a reliable and convenient dining experience with home-style Chinese cuisine beyond the comforts of home. We will dynamically adjust our operational strategies based on performance evaluations. In high-traffic locations, we will introduce digitalization and intelligent technologies to optimize order-taking and food preparation efficiency.

Enhance Our Digitalization and Intelligent Technologies

We plan to increase investment in proprietary technologies to further advance our technology-driven operations, enabling ongoing digitalization and intelligent transformation across our business. By integrating our extensive operational experience with advanced digital tools, we aim to enhance customer experience and operational efficiency through investments in the following areas:

- ***Supply chain.*** We will continue to implement digital upgrades across the entire supply chain, equipping our restaurants, central kitchens, and chicken farms with advanced digital tools, including an upgraded data middle platform, smart procurement systems, smart warehouse sorting systems, and a smart supply chain management middle platform. In addition, we will continue to invest in our digitization, such as internal management and financial management, to upgrade our centralized management and operation.

- ***Restaurant operations.*** We plan to integrate intelligent equipment into daily operations to reduce repetitive tasks and improve labor efficiency. In collaboration with smart kitchen equipment providers, we will upgrade and utilize more advanced intelligent cooking robots, soup boilers, and self-checkout systems, further optimizing restaurant operations and improving overall efficiency.

Fortify Our Position as a Leading Chinese-Style QSR Brand

As we continue to grow, we expect our customer base and brand influence to strengthen. By leveraging our smart site selection platform, we plan to strategically identify sites nationwide and establish flagship restaurants in prime locations.

We will invest in branding and consumer engagement initiatives to enhance our image and solidify our market reputation. By publishing relatable, personable content on our official channels, we aim to expand brand exposure, deepen affinity among target customers, and convert followers into private-domain members.

To enhance consumer engagement, we will leverage social media and content platforms to increase brand interaction. We will also collaborate with popular media platforms and key opinion leaders to amplify our online marketing reach and strengthen brand influence.

OUR MENU OFFERINGS

We have developed a distinctive and consistent menu across our restaurant network, ensuring that consumers can enjoy familiar dishes at any location. Each restaurant typically offers 20 to 30 menu offerings within the same day-part, providing a variety of options for consumers to choose from.

Our menu is continuously updated with in-season ingredients to keep offerings fresh and relevant. To cater to local tastes, we introduce region-specific dishes that resonate with the preferences of different regions. Additionally, we tailor our menu to different times of the day, offering unique selections for breakfast, lunch, dinner, and late-night meals.

Chicken Soups

At the heart of our menu are our signature chicken soups. Our classic *Feixi Old Hen Soup (肥西老母雞湯)* is made from fresh, high-quality ingredients and is available year-round at all our restaurants. For this soup, we use broilers around 180 days old that are raised in our own farms.

Since the opening of our first restaurant, we have introduced this classic soup. Over the past two decades, we have continuously refined the recipe and improved our cooking methods. These improvements have made the soup widely acclaimed among consumers. We sold over 71.7 million servings of our classic *Feixi Old Hen Soup (肥西老母雞湯)* during the Track Record Period.

Alongside our classic *Feixi Old Hen Soup (肥西老母雞湯)*, we offer seasonal chicken soups featuring innovative recipes and fresh ingredients that keep consumers intrigued and engaged. For example, in the summer of 2024, we introduced *Coconut and Papaya Chicken Soup (椰椰木瓜雞湯)*, made with seasonal coconut and papaya for a refreshing, mildly sweet soup that satisfies both flavor and cooling cravings. In the winter of 2024, we introduced *Pepper Pork-Stomach Chicken Soup (胡椒豬肚雞湯)*, a comforting and aromatic chicken soup with rich flavors, offering warmth and nourishment during the colder months.

Set forth below are sample pictures of our selected chicken soups:

Feixi Old Hen Soup (肥西老母雞湯)

Pepper Pork-Stomach Chicken Soup (胡椒豬肚雞湯)

Coconut and Papaya Chicken Soup (椰椰木瓜雞湯)

Chicken Dishes

We have developed a wide selection of chicken dishes available year-round at all our restaurants. These dishes have gained widespread popularity among customers, renowned for their rich and distinct flavors. Popular offerings include *Braised Chicken with Edamame (毛豆燒土雞)*, *Scallion Oil Chicken (蔥油雞)*, *Spicy Chicken Giblets (香辣雞雜)*, and *Bamboo Shoot Steamed Chicken Wings (竹筍蒸雞翅)*.

In addition to our signature chicken dishes, we offer seasonal chicken options that highlight the unique flavors and ingredients of each season, further enhancing the appeal of our menu. For instance, in the second half of 2024, we introduced *Three-Cup Chicken (三杯雞)* and *Autumn Chestnut Braised Chicken (金秋板栗燒雞)*. Since their introduction, both dishes have achieved remarkable success, with over three million portions sold in their respective launch months.

Set forth below are sample pictures of our selected chicken dishes:

Braised Chicken with Edamame (毛豆燒土雞)

Scallion Oil Chicken (蔥油雞)

Spicy Chicken Giblets (香辣雞雜)

Bamboo Shoot Steamed Chicken Wings (竹筍蒸雞翅)

Three-Cup Chicken (三杯雞)

Autumn Chestnut Braised Chicken (金秋板栗燒雞)

Home-style Dishes

In addition to our chicken soups and dishes, we offer a selection of home-style dishes that reflect current dietary trends, ensuring we meet evolving tastes and preferences. Popular offerings include *Farm-style Stir-Fried Pork (農家小炒肉)*, *Braised Pork with Preserved Mustard Greens (梅菜扣肉)*, *Golden Soup Sauerkraut Fish (金湯酸菜魚)*, *Stir-Fried Yellow Beef (小炒黃牛肉)*, *Spicy Fish in Chicken Broth (雞汁辣魚)*, and *Sausage Steamed with Edamame (香腸蒸豆米)*. We also refresh our classic home-style dishes on a seasonal basis, continuously introducing new flavors that align with consumer favorites and emerging dining trends.

Set forth below are sample pictures of our selected classic home-style dishes:

Farm-style Stir-Fried Pork (農家小炒肉)

Braised Pork with Preserved Mustard Greens (梅菜扣肉)

Golden Soup Sauerkraut Fish (金湯酸菜魚)

Stir-Fried Yellow Beef (小炒黃牛肉)

Spicy Fish in Chicken Broth (雞汁辣魚)

Sausage Steamed with Edamame (香腸蒸豆米)

Vegetable Dishes and Others

Our menu features a diverse selection of fresh, seasonal vegetable dishes, with quality and flavor ensured through regular assessments and updates. To maintain our high quality, we promptly replace or remove vegetables that are no longer in peak season. We also offer protein-rich egg and tofu options, crafted to provide balanced, nutritious meals that cater to health-conscious diners.

Complementing these offerings, our selection of main dishes, beverages, and snacks, including braised delicacies, enhances the dining experience and caters to a wide range of tastes. Additionally, we feature time-specific items, such as wontons and soup dumplings for quick and satisfying breakfasts.

OUR RESTAURANTS

Restaurant Operation Model

Our restaurants are operated under either a self-operation model or a franchise model.

Self-operation Model

In 2003, we opened our first self-operated restaurant in Hefei, Anhui Province. We owned and operated 949 self-operated restaurants as of September 30, 2024. By consistently advancing this model, we have established a high level of standardization across our restaurant network, ensuring uniformity in our products, services, and operational standards. This not only improves our operational efficiency but also supports the long-term sustainable growth of our business, enabling us to maintain end-to-end control over all critical aspects of daily operations, from farm to plate.

Franchise Model

According to CIC, the franchise model has been widely adopted in the catering industry, offering key benefits such as (i) accelerated expansion and enhanced regional penetration, which drive increased market share, (ii) effective utilization of franchisees' entrepreneurial spirit, local expertise, and business networks, and (iii) mitigated operational risks for the brand owner.

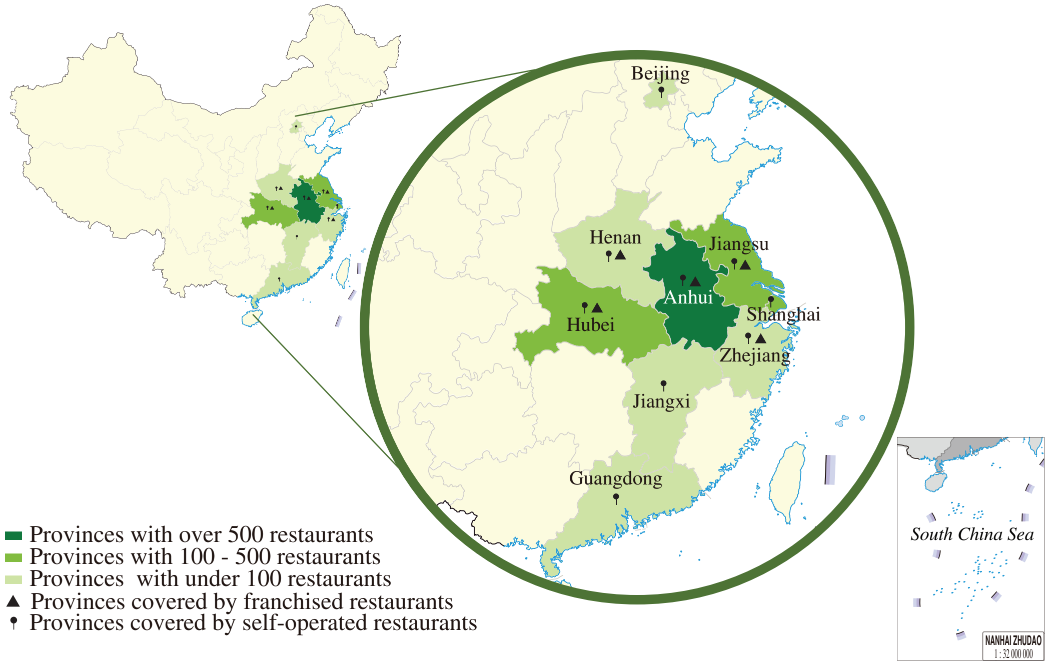
We introduced our franchise model in May 2020 to leverage the strengths developed through our decades of self-operation model while integrating the advantages of franchising. While franchised restaurants are operated by franchisees rather than directly by us, we require all franchised restaurants to implement our operational systems and adhere to the same standards as our self-operated restaurants, ensuring consistent service across our restaurant network.

Since adopting the franchise model, the number of our franchised restaurants has grown significantly during the Track Record Period. The number of our franchised restaurants has grown from 118 as of December 31, 2022 to 455 as of September 30, 2024. Going forward, we intend to continue expanding our franchised restaurant network. See "— Our Franchisees" below for more details.

Restaurant Network

Overview of Restaurant Network

As of September 30, 2024, we had an extensive restaurant network comprising 1,404 restaurants across 53 cities and nine provinces in China. The following map illustrates our restaurant network as of September 30, 2024.



The following table sets forth our restaurant count in various regions and as a percentage of our total restaurant count as of the dates indicated.

	As of December 31,				As of September 30,	
	2022		2023		2024	
	Restaurant count	*%*	*Restaurant count*	*%*	*Restaurant count*	*%*
Self-operated restaurants						
Anhui Province	606	53.9	617	51.5	522	37.2
Jiangsu Province, Zhejiang Province and Shanghai . . .	244	21.7	215	17.9	258	18.4
Other regions[(1)]	157	14.0	141	11.8	169	12.0
Subtotal of self-operated restaurants	**1,007**	**89.5**	**973**	**81.2**	**949**	**67.6**
Franchised restaurants						
Anhui Province	62	5.5	77	6.4	190	13.5
Jiangsu Province, Zhejiang Province and Shanghai . . .	54	4.8	147	12.3	250	17.8
Other regions[(1)]	2	0.2	2	0.2	15	1.1
Subtotal of franchised restaurants	**118**	**10.5**	**226**	**18.8**	**455**	**32.4**
Total	**1,125**	**100.0**	**1,199**	**100.0**	**1,404**	**100.0**

Note:

(1) Other regions include Beijing, Guangdong Province, Hubei Province, Henan Province, and Jiangxi Province.

Our self-operated restaurants in Anhui Province accounted for 37.2% of our total restaurant count as of September 30, 2024, compared to 53.9% as of December 31, 2022. This reflects our strategic efforts to grow our presence in other provinces, resulting in a more diversified geographic footprint and a broaden customer reach.

Our restaurant network spans first-tier cities, emerging first-tier cities, and other cities across China. As of September 30, 2024, we had 207 restaurants in first-tier cities, 695 restaurants in emerging first-tier cities, and 502 restaurants in other cities, accounting for 14.7%, 49.5% and 35.8% of our total restaurant count, respectively.

Currently, our self-operated restaurants are primarily concentrated in first-tier cities and emerging first-tier cities, while franchised restaurants were primarily located in the other cities. When determining the restaurant operation model, we consider both market characteristics and our level of market penetration. In entering a new province, we prioritize establishing self-operated restaurants, focusing initially on first-tier cities and emerging first-tier cities. Although these markets require higher capital investments and face more intense competition, managing self-operated restaurants in these areas enables us to gain valuable insights into regional characteristics, customer needs, and competitive dynamics. These insights are crucial for refining our standardized operating procedures, enhancing the replicability and adaptability of our operations, thereby ensuring sustainable growth. As our penetration in a province deepens and consumer awareness of our brand increases, we consider introducing franchising in the area to accelerate expansion.

We have established a significant presence around residential communities. As of September 30, 2024, 420 restaurants were located around such residential communities.

The following table sets forth movement in the number of our restaurants for the periods indicated.

	Year ended December 31,		**Nine months ended September 30,**
	2022	**2023**	**2024**
At the beginning of the period	1,073	1,125	1,199
Newly opened	126	154	253
Closed	74	80	48
At the end of the period	**1,125**	**1,199**	**1,404**

The following table sets forth movement in the number of our self-operated restaurants for the periods indicated.

	Year ended December 31,		Nine months ended September 30,
	2022	2023	2024
At the beginning of the period	991	1,007	973
Newly opened	111	120	109
Closed	70	77	36
Converted into franchised restaurants	25	77	97
At the end of the period	**1,007**	**973**	**949**

Reasons for our self-operated restaurant closures during the Track Record Period primarily included (i) a decline in the popularity and consumer traffic of the commercial areas surrounding the restaurants, (ii) the adverse impact of the COVID-19 pandemic, and (iii) the termination of property lease agreements.

We have implemented a conversion franchising strategy to convert mature, self-operated restaurants into franchised ones, driving a rapid and quality expansion of our franchised restaurant network. According to CIC, conversion franchising is a common practice in China's catering industry.

We primarily convert relatively mature restaurants located in cities that are not first-tier cities or emerging first-tier cities into franchised restaurants, primarily because these markets are individually smaller, more dispersed, and often require a localized touch for effective operations. Franchisees, with their deep understanding of local markets and access to regional resources, are better positioned to navigate these environments. Moreover, their ability to engage with customers in a more flexible and responsive manner allows them to make timely adjustments to operations and adapt strategies to local needs. By leveraging the strengths of franchisees, we can optimize operational efficiency, enhance customer satisfaction, and unlock growth potential in these diverse markets. See also "Financial Information — Results of Operation — Revenue — Self-Operated Restaurant Operations."

We believe that such conversion allows us to maximize the strengths of our existing operations while pursuing a capital-efficient growth path. Specifically, our mature, self-operated restaurants typically have established customer bases, strong brand recognition, and proven operational track records. This provides franchised restaurants with a more favorable and predictable starting point compared to opening entirely new locations, reducing risks and ensuring smoother integration, thereby laying a solid foundation for organic growth while enhancing the stability and predictability of our restaurant network expansion.

The following table sets forth movement in the number of our franchised restaurants for the periods indicated.

	Year ended December 31,		Nine months ended September 30,
	2022	2023	2024
At the beginning of the period	82	118	226
Newly opened	15	34	144
Closed	4	3	12
Converted from self-operated restaurants	25	77	97
At the end of the period	**118**	**226**	**455**

The increase in the number of our franchised restaurants in the Track Record Period was largely attributed to our proactive approach in exploring, refining, and promoting the franchise model. With the gradual phasing-out of the COVID-19 pandemic from early 2023, we benefited from a more favorable business environment, allowing us to strengthen and further expand our franchise model. Building on this momentum, we experienced robust growth in the nine months ended September 30, 2024. As measures to expand our network, we encourage franchisees with good operation performance to open more franchised restaurants and increase our efforts to promote and implement the franchise model.

Reasons for our franchised restaurant closures during the Track Record Period primarily included (i) the underperformance of the restaurants, and (ii) termination of property lease agreements.

Restaurant Expansion Plan and Management

We plan to accelerate our business growth in China by broadening our geographic reach and deepening market penetration. In regions where we have already established a restaurant network, we aim to further enhance our market presence by increasing the density of our restaurant network. We intend to expand into neighbouring regions from our restaurant networks. We also plan to increase the density of our restaurant network to capture the growth potential of underserved markets. By leveraging our strong brand recognition and operational efficiencies, we are well-positioned to tap into these markets and meet the customer demand.

We believe that increasing the scale and density of our restaurant network will not only enhance our brand awareness but also drive sustainable revenue growth by reaching a broader customer base and improving operational efficiencies. Subsequent to the Track Record Period and up to the Latest Practicable Date, we have invested an aggregate of approximately RMB30.0 million in new self-operated restaurants that have already opened or are expected to open. We plan to fund our future expansion plan with a mix of the [**REDACTED**] from the [**REDACTED**], cash on hand, cash flows generated from our operations, as well as other external financings that we may seek to pursue at that time. For more details of our future expansion plan, see "Future Plans and Use of [**REDACTED**]."

The following sets forth the key steps of opening a new self-operated restaurant:

Strategic Planning and Market Research

When planning to open new restaurants in established provinces, we conduct a comprehensive review of market data and assess our internal resources to determine the most suitable cities for expansion. To support these decisions, we deploy dedicated teams to perform detailed on-site surveys, enabling us to build a robust database of local market conditions. Our market data analysis includes advanced geographic data evaluation, providing us with deep insights into demographic trends, traffic flow patterns, and competitive landscapes. These insights allow us to make informed, strategic decisions regarding site selection and expansion.

For entry into new provinces, we typically leverage our existing supply chain infrastructure in neighboring regions to support initial operations, streamline logistics, and enhance operational efficiency. This ensures a seamless entry process and positions us for sustainable growth in new provinces.

Site Selection

Our evaluation of potential restaurant locations takes into account various factors, including:

- Economic and demographic data. GDP per capita, population density, consumption expenditure, and average income levels of the city;

- Proximity to activity hubs. Presence of activity centres that generate organic consumer traffic, such as residential areas, shopping malls, and offices;

- Accessibility and traffic conditions. Ease of access by public transportation and overall traffic flow;

- Competitive landscape. Our existing restaurant network, and the number and nature of competitors in the commercial district; and

- Cost and returns. Rental costs and estimated return on investment.

We have adopted big data-driven intelligent site selection. To enhance site selection efficacy and precision, we have developed a smart site selection platform based on insights gained from years of operational experience. This platform incorporates a comprehensive database covering numerous cities, and tracks various parameters such as potential site size, pedestrian traffic, and characteristics of the surrounding environment. Our smart site selection platform utilizes these parameters to perform advanced data analysis, accurately evaluating pedestrian traffic, consumer demand, and estimating the profitability of restaurants at potential locations. This data-driven approach enables intelligent site selection and more strategic restaurant network planning. In addition, we continuously monitor the performance of restaurants at recommended locations to refine and improve our site selection capabilities.

To minimize the potential cannibalization between newly established and existing restaurants, we limit the number of restaurants allowed in each city as part of our expansion plan. For example, in Hefei, where our market presence and restaurant density are already well-established, we avoid opening restaurants within a 500-meter radius of existing locations; and in underpenetrated regions, this radius is extended to 1,000 meters to ensure optimal market coverage without overlap. During the Track Record Period and up to the Latest Practicable Date, we had not observed any significant cannibalization effects within our restaurant network, demonstrating the effectiveness of our strategic site selection and expansion practices.

Lease

Once we identify ideal new sites, our business development team promptly engages with the relevant property owners to negotiate and finalize lease agreements. We generally enter into a lease contract with the lessor for a term of between two to six years. According to such lease contracts, we pay to the lessor and bear the necessary expenses such as property charges and utilities within the lease term. After signing the lease contract, we begin preparations for the decoration, administrative approval and marketing of the new restaurants.

Standardized Pre-opening Process

We have standardized the opening process for our self-operated restaurants. The typical time from the completion of the site selection process to the opening of a restaurant is approximately within three months. Key aspects of our pre-opening process include:

- Design. We will design our restaurants following the applicable PRC laws and regulations and file our design plans with the local regulatory authority for approval.

- Construction and decoration of restaurants. Upon the approval of our design plans by the relevant authorities, we will engage third-party decoration companies to conduct construction and decoration for our new restaurants following our in-house template.

- Licenses and compliance. We are in charge of obtaining required licenses and permits, such as the business license and foodservice permit.

- Staff recruitment and training. To ensure the successful opening of new restaurants, we relocate experienced employees from our existing restaurants. These employees, familiar with our operational procedures, standards, and requirements, can facilitate and streamline the new restaurant's operations and help new hires integrate into our systems and culture. The restaurant manager is primarily responsible for recruiting new restaurant staff. Once recruited, these new staff undergo comprehensive training sessions before the opening of the new restaurants. These training programs equip them with a thorough understanding of our standardized processes, ensuring the delivery of a consistently high-quality dining experience.

For franchised restaurants, see "— Our Franchisees" for more details.

Our Delivery Services

Our menu offerings are also easily accessible to consumers on major third-party e-commerce platforms in China, where consumers can place delivery orders via just a few clicks. Our headquarters manage and oversee online promotion, order placement, and delivery operations on these platforms, negotiating on behalf of all our self-operated and franchised restaurants to secure favorable commercial terms and maintain consistent service quality and standards across our operations.

Under our agreements with these third-party e-commerce platforms, they are typically responsible for displaying our menus, managing online orders, and coordinating the delivery. For each completed order that were delivered through third-party e-commerce platforms, we pay fees to the platforms primarily based on the distance and value of the orders, aligning with industry norms. See "Financial Information — Major Factors Affecting Our Results of Operations — Control of Our Cost of Sales and Operating Expenses — Platform service expenses" for more details.

The total sales from delivery services of self-operated restaurants amounted to RMB1,814.0 million, RMB2,284.7 million, and RMB1,779.1 million in 2022, 2023 and the nine months ended September 30, 2024, respectively, accounting for 40.1%, 41.1% and 41.3% of our total sales of self-operated restaurants, respectively. The total sales from delivery services of franchised restaurants amounted to RMB180.1 million, RMB289.1 million, and RMB448.7 million in 2022, 2023 and the nine months ended September 30, 2024, respectively, accounting for 46.6%, 46.8% and 46.1% of our total sales of our franchised restaurants, respectively.

OUR RESTAURANT PERFORMANCE

The following table sets forth the key financial measures and operating metrics for the periods or as of the dates indicated:

	For the year ended		For the nine months ended	
	2022	2023	2023	2024
Our Revenue (RMB in thousands)				
From self-operated restaurants				
Anhui Province	2,810,227	3,257,950	2,432,621	2,512,676
Jiangsu Province, Zhejiang Province and Shanghai	963,781	1,382,353	1,038,092	1,006,384
Other regions(1)	536,692	682,237	506,620	603,620
Subtotal	**4,310,700**	**5,322,540**	**3,977,333**	**4,122,680**
From franchised restaurants				
Anhui Province	112,856	152,714	111,511	165,341
Jiangsu Province, Zhejiang Province and Shanghai	59,365	119,027	66,768	271,155
Other regions(1)	1,814	2,659	1,972	8,067
Subtotal	**174,035**	**274,400**	**180,251**	**444,563**
Total	**4,484,735**	**5,596,940**	**4,157,584**	**4,567,243**
Average daily sales per restaurant (RMB)(2)				
Self-operated restaurants				
Anhui Province	13,376.5	15,385.8	15,260.8	15,826.4
Jiangsu Province, Zhejiang Province and Shanghai	12,701.4	15,974.9	15,955.1	16,860.9
Other regions(1)	10,361.2	14,340.4	14,184.0	15,131.1
Overall	**12,758.3**	**15,389.5**	**15,286.9**	**15,959.8**
Franchised restaurants				
Anhui Province	11,996.3	12,737.9	12,830.9	12,900.2
Jiangsu Province, Zhejiang Province and Shanghai	9,254.9	11,478.1	10,939.1	12,325.4
Other regions(1)	6,665.7	9,052.6	9,133.9	10,173.0
Overall	**10,768.8**	**12,077.8**	**11,943.5**	**12,480.4**

	For the year ended		For the nine months ended	
	2022	2023	2023	2024
Total guests served (thousands)[3]				
Self-operated restaurants				
Anhui Province	101,297	124,058	90,691	96,109
Jiangsu Province, Zhejiang Province and Shanghai	30,747	48,588	35,971	35,829
Other regions[1]	20,109	27,882	20,463	24,171
Subtotal	**152,153**	**200,528**	**147,125**	**156,109**
Franchised restaurants				
Anhui Province	7,871	11,193	8,058	11,726
Jiangsu Province, Zhejiang Province and Shanghai	4,253	9,687	5,443	21,018
Other regions[1]	149	223	166	543
Subtotal	**12,273**	**21,103**	**13,667**	**33,287**
Total	**164,426**	**221,631**	**160,792**	**189,396**
Average spending per customer (RMB)[4]				
Self-operated restaurants				
Anhui Province	29.0	27.2	27.8	27.1
Jiangsu Province, Zhejiang Province and Shanghai	33.1	30.0	30.4	29.7
Other regions[1]	28.2	25.8	26.1	26.3
Overall	**29.7**	**27.7**	**28.2**	**27.6**
Franchised restaurants				
Anhui Province	31.2	29.3	29.9	29.5
Jiangsu Province, Zhejiang Province and Shanghai	32.2	29.2	30.3	29.1
Other regions[1]	29.6	29.4	29.8	29.0
Overall	**31.5**	**29.3**	**30.0**	**29.2**
Seat turnover rate[5]				
Self-operated restaurants				
Anhui Province	4.7	5.5	5.4	5.5
Jiangsu Province, Zhejiang Province and Shanghai	2.4	3.5	3.3	3.3
Other regions[1]	2.9	4.0	4.0	4.4
Overall	**3.8**	**4.7**	**4.6**	**4.8**

	For the year ended		For the nine months ended	
	2022	2023	2023	2024
Franchised restaurants				
Anhui Province	3.4	3.8	3.8	3.9
Jiangsu Province, Zhejiang Province and Shanghai	2.5	3.3	2.9	3.2
Other regions[1]	1.5	2.4	2.3	3.6
Overall	**2.9**	**3.5**	**3.4**	**3.5**
Daily sales per unit area (RMB)[6]				
Self-operated restaurants				
Anhui Province	64.7	75.3	74.7	79.0
Jiangsu Province, Zhejiang Province and Shanghai	62.0	78.0	77.5	88.3
Other regions[1]	50.9	72.2	70.9	81.2
Overall	**62.0**	**75.6**	**74.9**	**81.5**
Franchised restaurants				
Anhui Province	65.1	72.6	72.8	71.0
Jiangsu Province, Zhejiang Province and Shanghai	56.0	69.8	67.9	73.2
Other regions[1]	46.9	63.7	64.3	67.5
Overall	**61.3**	**71.2**	**70.6**	**72.3**

Notes:

(1) Other regions include Beijing, Guangdong Province, Hubei Province, Henan Province, and Jiangxi Province.

(2) Average daily sales per restaurant is calculated by dividing the total sales generated from the restaurants by the total restaurant operation days for the period in the same regions.

(3) Total guests served includes dine-in guests and delivery orders for the period in the same region. We count one order, including dine-in and delivery order, as one guest.

(4) Average spending per customer is calculated by dividing the total sales generated from the restaurants by the total number of customers served, including both dine-in customers and delivery orders, for the period in the same regions.

(5) Seat turnover rate is calculated by dividing the aggregate number of orders placed by dine-in customers by the sum of products of the restaurant operation days and seat count of each restaurant for the period in the same regions.

(6) Daily sales per unit area is calculated by dividing the total sales generated from the restaurants by the sum of product of the restaurant operation days and restaurant operation area in sq.m. of each restaurant for the period in the same regions.

Same Store Sales

We define same stores to be those restaurants that opened for at least 300 days in both 2022 and 2023, and for at least 225 days in both the nine months ended September 30, 2023 and September 30, 2024 and remain under the same operation model during the respective periods. The following table sets forth details of same store performance indicators for our restaurants for the periods indicated:

	Year ended December 31,		Nine months ended September 30,	
	2022	2023	2023	2024
Number of same stores				
Self-operated restaurants	761		751	
Franchised restaurants	79		113	
Total number	**840**		**864**	
Same store sales[1] (RMB in millions)				
Self-operated restaurants	3,634	4,211	3,237	3,321
Franchised restaurants	307	362	379	405
Total sales	**3,941**	**4,573**	**3,616**	**3,726**
Same store sales growth (%)				
Self-operated restaurants	15.9%		2.6%	
Franchised restaurants	17.9%		6.8%	
Overall	**16.1%**		**3.0%**	

Note:

(1) Same store sales refer to the aggregate restaurant sales from our same stores, including sales generated from dine-in and delivery orders.

Initial Breakeven Period and Cash Investment Payback Period

Initial Breakeven Period

Initial breakeven period refers to the first calendar month for the revenue of a newly opened self-operated restaurant to at least equal to its operating expenses. During the Track Record Period, the initial breakeven periods of our self-operated restaurants that opened during the Track Record Period were generally between two to three months.

During the Track Record Period, we opened 283 new self-operated restaurants (net of closures and conversions), of which 251 restaurants (approximately 88.7%) had achieved initial breakeven as of September 30, 2024. The remaining 32 restaurants (the "**Non-breakeven Restaurants**") had not yet achieved initial breakeven as of September 30, 2024. Among the Non-breakeven Restaurants, one, two and 29 restaurants opened in 2022, 2023, and the nine months ended September 30, 2024, respectively.

Reasons for the Non-breakeven Restaurants not achieving initial breakeven primarily include (i) most of these restaurants were opened after July 2024 and had not been operational long enough to reach breakeven at the end of the Track Record Period, and (ii) certain restaurants fell short of their expected sales performance.

Cash Investment Payback Period

Cash investment payback period refers to the amount of time it takes for a self-operated restaurant by accumulating its EBITDA (excluding depreciation of right-of-use assets and interest expense on lease liabilities) at a single-restaurant-level to cover the initial capital expenditures to open that restaurant. When calculating cash investment payback period, we took into account, among other things, the initial capital expenditures for decoration and purchase of equipment and other facilities.

88 out of the 283 newly opened self-operated restaurants (net of closures and conversions) during the Track Record Period had achieved cash investment payback as of September 30, 2024. The average cash investment payback period for such restaurants for each of 2022, 2023 and the nine months ended September 30, 2024 was 15.1 months, 11.1 months and 5.3 months, respectively. The average cash investment payback period for such restaurants during the Track Record Period was approximately 13.2 months. We aim to shorten the cash investment payback period for new restaurants with our advanced management capabilities and enhanced operational efficiencies, which are supported by our ongoing efforts in standardization and digitalization. In particular,

- We refine our site selection process to enhance the performance of new openings. For instance, to increase the precision of our site selection, we leverage big data to analyze foot traffic, surrounding consumption capacity, and target customer profile compatibility. This allows us to choose locations in prime commercial areas or conveniently accessible sites, ensuring higher customer entry and conversion rates.

- We improve our operational efficiency. For instance, we use smart devices in our restaurants to enhance service efficiency and increase seat turnover rates.

- We enhance the precision of our marketing initiatives. For instance, we analyze sales data to understand customer preferences and design differentiated promotional activities tailored to various consumer groups, driving higher repurchase rates.

These initiatives aim to ensure the consistent delivery of high-quality dishes and services, thereby strengthening our brand reputation, increasing customer loyalty, and enhancing our market recognition.

RESTAURANT OPERATION MANAGEMENT

Organizational Structure

Headquarters

Our headquarters maintain centralized control over key operational aspects, including menu design and updates, expansion planning, pricing, brand and marketing initiatives, procurement, franchise management, legal compliance, information technology, and financial management.

We believe that maintaining standardized management across these critical operational aspects is essential to ensuring the quality and consistency of our menu offerings, the dining experience we deliver, and the efficient allocation of resources. Furthermore, we consider this standardized approach to be instrumental in supporting our scalable and sustainable expansion efforts.

Regional Offices

Given the geographical diversity of our restaurant locations across China, we have organized our self-operations into distinct regional offices, each overseen by a designated regional head. These regional heads are responsible for managing the development and operations of all restaurant businesses within their respective regions.

Restaurants

The day-to-day operations of our restaurants are overseen by restaurant managers, who are responsible for managing daily workflows, including procurement, food preparation, and customer service, while ensuring efficient operations and monitoring the financial performance of the restaurants.

Operation Management

Standardization

We have established comprehensive standards and procedures that cover all aspects of our restaurant operations. We put these standards and procedures in an internal online learning system and allow for real-time updates, ensuring that all our restaurants can access and implement whenever needed. Furthermore, we have launched a robust training program tailored to the franchised restaurants. Below are the key components of our standardized management and operational practices:

- *Restaurant outlook.* We implement a standardized design and layout across our restaurant network to create a consistent brand image and a uniformly satisfactory consumer experience, covering storefronts, restaurant equipment, interior decor, and food displays. We believe that our standardized restaurant design not only strengthens brand recognition but also enhances expansion efficiency and reduces the risks associated with unauthorized imitations.

- *Kitchen operations.* We maintain comprehensive standard operating procedures (SOPs) encompassing food storage, preparation, and serving processes. Traditional Chinese cooking techniques have been systematized into standardized procedures, enabling our restaurant staff to follow and prepare meals in-store using centrally distributed food ingredients. This ensures consistency in taste, quality, and presentation across all our restaurants.

- *Employee training and service standards.* We have established comprehensive training programs to standardize service quality across the entire customer dining journey. These programs cover every aspect of customer interaction, from warmly welcoming customers upon arrival to ensuring a seamless dining experience and extending a gracious farewell. By instilling these standards in all restaurant staff, we strive to create a relaxed, enjoyable, and consistently high-quality dining experience for our customers.

Restaurant Evaluation

We evaluate the performance of our self-operated restaurants to ensure consistent quality and operational excellence across our network. We have a dedicated supervisory team responsible for evaluating restaurant performance through the following measures:

- *Real-time monitoring.* Our staff conducts real-time video inspections of restaurant operations, including the kitchen, cashier areas, and dining spaces, to ensure standards are being met.

- *On-site inspections.* Our staff performs on-site evaluations approximately every two weeks, focusing on operational procedures, restaurant atmosphere, food safety, cleanliness, and the quality of dishes served. In addition, we conduct unannounced inspections to monitor restaurant operations.

- *Financial assessments.* Our staff regularly reviews and evaluates the performance of each restaurant, setting the next stage of operational goals and action plans to drive overall performance improvement.

Based on these evaluations, we implement targeted rectification measures for underperforming restaurants, such as enhancing marketing efforts or adjusting the management team. If, after a defined observation period, the restaurant continues to underperform and is assessed to have limited growth potential despite these interventions, we may consider closing it to optimize resource allocation and maintain operational efficiency. For further details on how we evaluate our franchised restaurants, see "— Our Franchisees — Management of Our Franchisees."

Customer Feedback Management

We value customer feedback as key drivers for improving our performance. We have created multiple communication channels, including allowing customers to provide their feedback or raise complaints directly at our restaurants, via our mini program, or through our complaint hotline.

We have established a dedicated team to handle customer complaints, following a standardized complaint management mechanism, ensuring timely and effective resolution. Whenever a complaint is received, our customer service staff thoroughly assess the nature of the complaint and maintain detailed records, promptly relaying the information to the relevant restaurant manager. The restaurant manager will contact the customer directly to address the issue and propose a solution, aiming to resolve matters promptly. Our consumer service staff may further follow up with the customer as needed to ensure satisfaction.

During the Track Record Period and up to the Latest Practicable Date, we had not received any material complaint regarding any of the restaurants, services, or food served in the restaurants.

Dish Development and Update

We have a dedicated dish development team that leverages insights from customer data, ongoing feedback, and a deep understanding of evolving consumer preferences cultivated over years of operation. The team combines creativity and expertise to craft innovative menu items, focusing on unique flavor profiles, ingredient selection, and harmonious combinations. Our dish development team also takes into account the diverse dietary preferences across different regions, introducing localized specialty dishes and/or tailoring the flavors of existing menu items to better suit regional tastes, such as Wuhan's hot dry noodles and Shanghai's poached chicken.

Our dish development process begins with comprehensive market research, followed by a structured workflow that includes product ideation, procurement cost analysis, multi-round of internal and external tasting sessions, and iterative refinements. This ensures that each new dish aligns with customer expectations for taste and pricing while demonstrating strong market potential. We roll out new dishes through integrated online and offline promotional campaigns, maximizing exposure and customer engagement to ensure widespread acceptance upon launch.

The dish development process is documented in our system, providing critical insights to support operational and financial decision-making. This robust data is also reintegrated into the development cycle, enhancing our ability to create popular menu options with greater efficiency and consistency.

Dish Pricing

Our dish prices are generally consistent across the same city, with minor adjustments for specific restaurant locations. We set menu prices based on various factors, primarily including (i) the spending habits and purchasing power of our target consumers, (ii) prevailing market prices for similar dishes, (iii) anticipated market trends, and (iv) the cost of food ingredients and other consumables operating expenses across different locations. During the Track Record Period, our dish prices typically ranged from RMB5.0 to RMB20.0. In addition, we provide our franchisees with mandated selling prices of our menu offerings as detailed in "— Our Franchisees — Agreements with Franchisees."

OUR FRANCHISEES

During the Track Record Period, the number of our franchisees increased steadily as we expanded our franchised restaurant network. The following table sets forth movement in the number of franchisees for the periods indicated.

	Year ended December 31,		Nine months ended September 30,
	2022	2023	2024
At the beginning of the period	73	101	157
Newly added	31	62	192
Terminated	3	6	10
At the end of period	101	157	339

We seek to foster long-term, robust relationships with our franchisees. During the Track Record Period, we terminated relationships with only a few franchisees. Reasons for these terminations primarily included (i) underperformance by franchisees who failed to meet our evaluation standards, (ii) franchisees' decisions to pursue different career paths, and (iii) breach of franchise agreement.

Onboarding Process

We implement a stringent onboarding process for new franchisees, covering every critical phase from initial selection to restaurant opening. Each candidate undergoes a thorough selection procedure, measured against comprehensive criteria to ensure alignment with our business values and the capability to successfully operate a restaurant. Generally, it takes approximately four to 12 months to complete the entire process from franchisee selection to new restaurant opening. Due to our stringent standards, only a few of the large number of franchise applications were able to pass our selection and eventually become our franchisees during the Track Record Period. We also oversee various aspects, encompassing training, site-selection, and pre-restaurant opening inspection, to guarantee strict adherence to our standards and protocols prior to restaurant launch.

The franchisee onboarding process includes the following key stages:

- ***Franchise recruitment.*** We primarily rely on word-of-mouth referrals and recommendations from existing franchisees to attract high-quality franchisee candidates. In the meantime, we inform our employees about our franchise arrangements internally. In addition, as a supplementary channel, we engage in advertising and marketing events on e-commerce platforms, like Douyin, as well as our official websites and participate in industry exhibitions to attract potential candidates.

- ***Selections of franchisees.*** Franchisee candidates should have sufficient financial resources and a strong commitment to managing daily operations. In addition, franchisee candidates are expected to have relatively extensive work experience, with preference given to those who possess the management skills required to oversee daily restaurant operations. We do not accept purely financial investors. Furthermore, we evaluate each candidate's legal compliance status, reputation, and their understanding of our brand, culture, and business model. We typically grant franchisees authorization on a single-restaurant basis.

- ***Mandatory Trainings.*** We require franchisee candidates and their employees to attend mandatory training programs at our designated restaurants before finalizing any franchisee agreement. The training programs typically do not exceed six months, covering all essential aspects of daily restaurant operations, including food preparations, administration, product knowledge, customer service, food safety, and our technological systems. We also provide additional management training programs to enhance franchisees' operational capabilities.

  The training standards for franchisees and their employees are generally consistent with those applied to our self-operated restaurants. We require all franchisees and their employees to meet the same quality and service standards as those of our self-operated restaurant staff. Franchisee candidates typically pass multiple rounds of assessments during the mandatory trainings, and they can only enter into franchisee agreement with us and open their restaurant after successfully completing the final evaluation.

- ***Site selection.*** Upon completing mandatory training, we work closely with franchisees to identify and determine locations that meet our criteria for size and suitability. Through our smart site selection platform, we offer comprehensive guidance and support for selecting new franchised restaurant sites, including location recommendations and data-driven analysis.

In addition, franchisee candidates may select potential restaurant locations and submit their proposals for our internal review. Once location proposals are received, we conduct a thorough evaluation both online and on-site, reserving the right to reject any locations that do not meet our standards. Franchisees then initiate the interior design and decoration process in accordance with our requirements and standards, which will be subject to our inspection and evaluation upon completion.

- ***Pre-restaurant opening inspection.*** Required for each new restaurant, it covers critical areas such as business licensing, foodservice permits, staffing, equipment setup, and hygiene standards.

Management of Our Franchisees

To ensure high-quality restaurant operations and enhance customer satisfaction, we have implemented the following measures to manage our franchisees:

- ***Restaurant design.*** Franchisees are required to adhere to the same standardized design and equipment specifications as our self-operated restaurants. This ensures the creation of a clean, welcoming, and open dining environment that aligns with our brand standards and provides a consistent experience for customers across all restaurants. See "— Restaurant Operation management — Operation Management — Standardization."

- ***Regular trainings.*** We require franchisees and their employees to participate in our ongoing training sessions and evaluations after opening the restaurant. The training focuses on building essential skills for franchisees and their employees in areas like marketing and customer service. Based on information collected from both online and on-site assessments, we also organize targeted training on critical areas like food safety and tax compliance. Advanced management courses are also available for franchisees. For franchisees with underperforming operational results, we require additional training to help improve their restaurant performance.

- ***Platform system.*** Similar to our self-operated restaurants, all franchised restaurants are instaled with (i) a POS system, which enables us to perform sales tracking on a real-time basis, and (ii) a centralized order management system, which enables us to track product ordering from restaurants and our inventories in the central kitchens and distribution centers.

- ***Standardized operations.*** We have established comprehensive operational measures and management policies to guide our franchisees in their daily restaurant operations. Our franchised restaurants adhere to a detailed framework of operating standards and procedures, including a uniform menu and pricing, food processing and preparation, quality control, and service protocols.

- ***Standardized procurement.*** We require our franchisees to purchase food ingredients, certain equipment and material from us or suppliers designated by us.

- ***Marketing strategies.*** The franchisees should use the promotional and advertising strategies provided or otherwise confirmed by us.

- ***Supervision mechanism.*** We have a dedicated team responsible for supervising and inspecting the operations and management of our franchised restaurants. Our inspections include both scheduled and ad-hoc checks. For scheduled inspections, our supervisory team conducts monthly site visits to franchised restaurants, and requests periodic reports from franchisees to ensure compliance with our operational standards. In addition, we also conduct unannounced inspections and monitor restaurant activities through in-store cameras to review overall management and operations.

  During these visits, our personnel will (i) assess restaurant performance, (ii) provide targeted suggestions for improvement, and (iii) evaluate various management aspects, including hygiene, service, and food quality, using supervision checklists for scoring. We will promptly inform franchisees of any deficiencies and necessary actions for improvement.

- ***Performance review.*** To ensure dynamic and effective supervision of restaurant performance, we closely monitor and regularly track progress. Our evaluations primarily focus on consumer satisfaction, quality control, food safety, restaurant performance, with significant insights drawn from feedback during our site visits. We also review specific operational data through our digital system, such as complaint rates and sales performance.

  If a franchised restaurant underperforms, we begin by analyzing the underlying causes for the decline through on-site visits and thorough discussions with the franchisee. Based on this analysis, we then develop tailored, actionable improvement plans to address the issues. In cases of breaches of franchise agreements, franchisees may face penalties as outlined in the relevant agreements, which can, in certain circumstances, result in restaurant closures.

- ***Quality control.*** All franchisees shall adhere strictly to all applicable laws and regulations concerning food quality, safety, and hygiene, as well as our internal protocols. We conduct site visits to supervise operations, guide restaurants in addressing food safety and quality control issues, and assess performance based on check-in results.

  Additionally, we provide food safety training to franchisees and their employees, covering industry regulations and trends, factors affecting food safety, and practical guidance for mitigating food safety risks at the restaurant level.

- ***Compliance management.*** The franchise agreements between us and our franchisees stipulate that franchisees are responsible for obtaining all necessary licenses and permits as applicable. These agreements typically include clauses regarding illegal business practices and/or damages, stating that commencing operations under our franchise name without the required licenses and permits constitutes a breach of contract. We shall not be held liable for any losses resulting from franchisees' non-compliance in this regard. If we incur any losses due to such non-compliance, we reserve the right to recover damages from the franchisees and to unilaterally terminate the franchise agreement.

Agreements with Franchisees

Following the onboarding process, we enter into agreements with the franchisees to cover the key aspects of the operation of franchised restaurants, including (i) the franchise agreement, which provides the key terms with respect to the operation and management of franchised restaurants and (ii) the procurement agreement, which provides the key terms in relation to the purchase of our products by our franchisees.

During the Track Record Period and up to the Latest Practicable Date, we were not aware of any franchisee committing any breach of their franchise agreements that had a material adverse impact on our business operations.

Key Terms of Franchise Agreements

Term, renewal and termination	Our franchise agreement typically has an initial term of approximately three to five years. In the last three months before an agreement expires, our franchisees can submit a written request to renew, and we can decide whether to renew based on our internal standards and evaluations. If our franchisees do not submit written requests or if we decide not to renew, our franchise agreement will be automatically terminated.
Franchise fee and deposit	We require franchisees to pay a fixed amount of deposit at the beginning of the franchise term to ensure their full compliance with the franchise agreement terms. Additionally, we typically charge franchisees the following fees: • Franchise fee: a franchise fee in the amount specified in the respective agreements.

- Royalty fees: a monthly or semi-monthly fee based on predetermined percentages of sales from the franchised restaurants, covering brand name and trademark use, restaurant operations, marketing, and promotions.

Financial arrangement

We require our franchised restaurants to use our POS system uniformly for billing, cashiering, and revenue reporting. Franchisees are required to maintain a real-time network connection with us during operations, recording all sales activities directly into our POS system to ensure data accuracy and transparency. They are prohibited from bypassing our platform system or software to collect payments by any other means.

Operational standard

We reserve the right to determine various aspects of our restaurants' operations, including interior design, procurement, menu offerings, equipment, technology systems, and marketing materials. To ensure our standards are consistently met, we also retain the right to monitor and supervise franchisees' business activities.

Anti-cannibalization

Our franchisees are required to operate their franchised restaurants in the designated premises as outlined in the relevant agreement. In addition, we commit not to open additional self-operated or franchised restaurants within a specified proximity to our franchisees' existing locations, with specific details provided in the agreement. See "— Our Restaurants — Restaurant Network — Restaurant Expansion Plan and Management."

Unified menu offering

The products sold in our franchised restaurants must conform to our unified menu offering. Franchisees are not permitted to alter the types or names of the dishes without our prior authorization.

Mandated selling prices

Our franchisees must provide menu offerings at the retail prices set by us and are not permitted to adjust these selling prices on their own.

Sales target

We do not impose any sales targets on our franchisees under the franchise agreement.

Minimum purchase amount	We do not set any minimum purchase amount for our franchisees under the franchise agreement.
Intellectual property	Our franchisees are authorized to use our brand, trademarks, and other intellectual property rights within the designated premises.

Key Terms of Procurement Agreements with Franchisees

Order placement	Each franchisee is required to submit orders through a centralized ordering system to us.
Shipping	We will arrange for the delivery of purchased supplies and equipment to the franchisee upon receipt of payment.
Product return	Our franchisees are generally not permitted to return products purchased from us unless there are clear quality defects. The amount of product return during the Track Record Period was immaterial. Our return policy is generally in line with industry practice according to CIC.
Payment and credit terms	Franchisees are generally required to settle all outstanding payments for goods in full before placing orders.

Relationships with Our Franchisees

With a view to achieving a fast-paced expansion and utilizing our internal employee resources, we encourage employees who meet our selection criteria to become franchisees. These former employees became our franchisees primarily due to their familiarity with our products, recognition of our brand, and the trust established through their prior work experience with us. According to CIC, it is not uncommon for practitioners in our industry to engage former employees as franchisees.

As of December 31, 2022 and 2023, and September 30, 2024, 59, 101 and 176 franchisees were our former employees, respectively, and they collectively operated 73, 157 and 247 franchised restaurants at the respective time. Revenue generated by these franchised restaurants accounted for 2.5%, 3.1% and 5.6% of our total revenue in 2022, 2023 and the nine months ended September 30, 2024, respectively.

We treat the above franchisees generally in the same way that we treat our other franchisees. We applied the same selection criteria when enrolling the franchisees and the franchise agreements that we entered into with these franchisees contained the similar terms and conditions that we offered to independent franchisees. To the best of our knowledge, other than as described above, our franchisees were all independent third parties during the Track Record Period.

OUR INTEGRATED SUPPLY CHAIN

We have built an integrated supply chain that spans chicken farming, procurement and supplier management, central kitchens, distribution centers, and logistics.

Chicken Farming

To ensure a stable, high-quality chicken supply, we owned and operated three chicken farms in Anhui Province where chickens are raised under carefully managed conditions as of September 30, 2024. With an aggregate site area of approximately 920,700 square meters, these chicken farms are strategically located far from industrial zones, mining areas, and other potential sources of pollution, making them ideal environments for raising high-quality chickens.

At our chicken farms, we primarily raise broilers that are renowned for its rich flavor and suitability for our classic *Feixi Old Hen Soup (肥西老母雞湯)*. Our chicken farming process employs an innovative two-stage model. In the first stage, third-party chicken farms raise the chickens to approximately 100 days old under our guidance and monitoring. Detailed records are maintained throughout this stage to ensure compliance with our standards. In the second stage, we purchase chickens that meet our criteria and continue raising them on our chicken farms to around 180 days old. During this stage, we adhere to a no-antibiotic policy.

Since 2022, our chicken farms began to raise laying hens. These chickens produce high-quality eggs, which serve as key food ingredients for our dishes. In addition, we sell these eggs directly to customers. This not only enhances the utility of our chicken farming operations but also allows us to offer premium eggs that meet market demands for fresh and safe food products.

Scientific and smart chicken farming are integral to enhancing efficiency, precision, and sustainability in chicken farming. To achieve this, we have developed a proprietary smart chicken farming system that integrates advanced technologies, algorithms, and hardware to facilitate automated data analysis, operational optimization, and environmental control.

This system provides real-time updates and monitoring of critical data, such as poultry size, age, breed, batch size, intake and output numbers, vaccination schedules, and egg production rates. Through big data analytics, we monitor chicken health, determine optimal feed ratios, and analyze the effects of environmental conditions on the farming process. The system also collects and analyzes data on external climate conditions and other key parameters, automatically adjusting equipment to maintain ideal environmental conditions. Additionally, it provides early warnings for potential disruptions, such as sudden temperature fluctuations or equipment malfunctions, enabling quick and effective responses. These combined technologies not only create optimal growth conditions for chickens but also improve farming efficiency and ensure consistent product quality.

To further support our operations, we utilize intelligent inspection robots for additional monitoring and process refinement. These robots work alongside the smart chicken farming system, enhancing our ability to maintain high standards of efficiency and quality. See also "— Our Technologies — Supply Chain Technologies." See "Financial Information — Selected Balance Sheet Items — Current Assets/Liabilities — Biological Assets" for the number of our broilers and laying hens.

Procurement and Supplier Management

Procurement

We procure a variety of raw materials, including food ingredients such as chicken, pork, aquatic products, beef, vegetables, rice and condiments, other consumables used in our restaurants such as takeaway packing boxes and cleaning supplies, cooking equipment and other supplies, as well as chicks and feed.

We adopt a centralized approach for raw material procurement via our procurement department. Our procurement department is responsible for purchasing raw materials, formulating procurement plans, selecting qualified suppliers, and collaborating with our quality control department to ensure all materials meet our standards. The centralized procurement minimizes duplicate purchasing and inventory redundancies while facilitating our stable, long-term relationships with suppliers. In addition, to optimize procurement efficiency and cost management, we lock in prices for key raw materials, source vegetables locally, and maintain a diverse supplier base for competitive pricing, ensuring timely delivery and cost-effective procurement.

We maintain strict and standardized quality criteria for all supplies we procure, particularly for food ingredients used in our restaurant operations. Additionally, to ensure a stable and high-quality supply, we procure some food ingredients directly from farms and suppliers at their origins across China. For instance, we source rice from Heilongjiang, high-mountain baby cabbage grown in Gansu and Ningxia, and locally raised chicken from Anhui Province.

We take a data-enabled approach to calculating our procurement needs. We maintain rolling forecasts of our purchasing demand. These forecasts are calculated by analyzing historical sales data and future demand projections. Importantly, for the purpose of calculating our procurement needs, we also consider the need to maintain and replenish our reserve stocks. Taken together, our data-enabled forecasts enable us to steer clear of supply shortages and maintain healthy stock levels.

Supplier Selection and Management

We carefully select our suppliers to ensure our supplies' premium quality. We maintain a list of qualified suppliers for raw materials and a broad pool of alternative suppliers to secure the stability and quality of our supply chain. As of September 30, 2024, we collaborated with over 500 suppliers.

We require new suppliers to register with our SRM system and undergo rigorous evaluations before qualifying as approved suppliers, including pre-screening based on certificates and qualifications, and on-site inspection results. In addition, potential suppliers need to produce sample products for us to conduct relevant tests and verification. We have strict standards for each type of food ingredients to meet the preparation requirements of our menu offerings. Only qualified supplier candidates may be invited to establish collaborations with us. The entire screening process is documented in our internal SRM system, allowing traceability and inspection to mitigate fraud risks.

We conduct regular, stringent performance reviews of our suppliers. Any significant failure to meet our standards may lead to disqualification. The review considers several aspects, including raw material quality and price, timeliness and consistency of deliveries.

Based on our reviews, suppliers are classified into grades. If any supplier fails to meet our standards, we may suspend procurement from them or do not collaborate with them. Additionally, any supplier failing to resolve quality issues or involved in fraudulent or unlawful activities, such as contract violations, deception, or bribery resulting in severe consequences, will be permanently removed from our supplier pool.

We do not believe that we face material supplier concentration risks. In general, we procure a diverse range of raw materials and work with multiple suppliers for each type of raw material. Among the five largest suppliers in the nine months ended September 30, 2024, most of them have collaborated with us for more than five years. During the Track Record Period and as of the Latest Practicable Date, we did not experience any supply shortage, incidents of supply interruptions, or early contractual termination with our suppliers which materially and adversely affected our business operations and financial conditions.

Top Suppliers

Purchases from our five largest suppliers in each year/period during the Track Record Period accounted for 27.1%, 27.4% and 26.0% of our total purchases for the respective year/period. Purchases from our largest supplier in each year/period during the Track Record Period accounted for 8.8%, 9.1% and 8.5% of our total purchases for the respective year/period. To the best of our knowledge, our five largest suppliers were all independent third parties, and none of them are our customers, or vice versa. During the Track Record Period and up to the Latest Practicable Date, none of our Directors, their respective associates, or any shareholders of our Company (who or which to the knowledge of the Directors owned more than 5% of the Company's issued share capital) had any interest in any of our five largest suppliers.

The following table sets forth certain information of our five largest suppliers in each relevant time period during the Track Record Period.

Rank	Supplier	Product/Services Provided	Purchase Amount	Percentage of Total Purchase	Business Relationship Since
			RMB in thousands	%	
For the Year Ended December 31, 2022					
1 . .	Supplier A[(1)]	Platform services	185,204	8.8	2016
2 . .	Wens Foodstuff Group Co., Ltd. (溫氏食品集團股份有限公司)	Food ingredients	117,628	5.6	2013
3 . .	Yihai Kerry Foodstuffs Marketing Co., Ltd. Anhui Branch (益海嘉里食品營銷有限公司安徽分公司)	Food ingredients	103,389	4.9	2016
4 . .	Lazars Network Technology (Shanghai) Co., Ltd (拉紮斯網絡科技(上海)有限公司) (餓了麼)	Platform services	100,587	4.8	2017
5 . .	Zhejiang Xunweitang Food Co., Ltd. (浙江潯味堂食品股份有限公司)	Food ingredients	63,822	3.0	2018
For the Year Ended December 31, 2023					
1 . .	Supplier A[(1)]	Platform services	244,733	9.1	2016
2 . .	Yihai Kerry Foodstuffs Marketing Co., Ltd. Anhui Branch (益海嘉里食品營銷有限公司安徽分公司)	Food ingredients	150,772	5.6	2016
3 . .	Lazars Network Technology (Shanghai) Co., Ltd (拉紮斯網絡科技(上海)有限公司) (餓了麼)	Platform services	141,828	5.3	2017
4 . .	Wens Foodstuff Group Co., Ltd. (溫氏食品集團股份有限公司)	Food ingredients	124,603	4.6	2013
5 . .	Hefei Lihua Livestock & Poultry Co. Ltd. (合肥立華畜禽有限公司)	Food ingredients	75,481	2.8	2016

Rank	Supplier	Product/Services Provided	Purchase Amount	Percentage of Total Purchase	Business Relationship Since
			RMB in thousands	%	
For the Nine Months Ended September 30, 2024					
1 . .	Supplier A[(1)]	Platform services	198,572	8.5	2016
2 . .	Yihai Kerry Foodstuffs Marketing Co., Ltd. Anhui Branch (益海嘉里食品營銷有限公司安徽分公司)	Food ingredients	135,823	5.8	2016
3 . .	Lazars Network Technology (Shanghai) Co., Ltd (拉紮斯網絡科技(上海)有限公司) (餓了麼)	Platform services	116,775	5.0	2017
4 . .	Wens Foodstuff Group Co., Ltd. (溫氏食品集團股份有限公司)	Food ingredients	88,652	3.8	2013
5 . .	Beijing Hopewise International Trading Co., Ltd. (北京泓睿國際貿易有限公司)	Food ingredients	66,964	2.9	2022

Note:

(1) Headquartered in Beijing and Shanghai, Supplier A is a leading e-commerce platform for services in China and is listed on the Hong Kong Stock Exchange.

Procurement Agreement

Our procurement agreement with suppliers typically contains the following key terms:

Duration	Generally one year subject to annual review and renewal.
Quality	We generally provide detailed specifications regarding the quality of the goods supplied. We require all suppliers to comply with relevant quality standards and specifications in accordance with relevant laws and regulations, as well as industry standards. Suppliers are contractually required to present to us relevant licenses and certificates such as quality inspection certificates in connection with the products supplied to us.

Pricing	For livestock and poultry products, such as chicken and pork, we generally do not specify the purchase amount or price in the agreements. These details are determined in purchase orders based on the types and quantities of products procured and with reference to the then prevailing market prices. For other products, prices are generally fixed for specified periods as outlined in the agreements. However, in cases of significant market price fluctuations, prices may be adjusted in agreement with both parties with reference to the then prevailing market prices.
Delivery schedule	The suppliers are required to deliver the food ingredients to our designated places pursuant to the agreements and shall generally bear the transportation costs.
Inspection and acceptance	We inspect food ingredients upon delivery, and we we may refuse acceptance of any defective products or mismatch the specifications set out in the procurement agreements or purchase orders.
Payment	We generally settle payments within the next calendar month based on actual purchase orders.

Anti-kickback Measures

Our anti-kickback measures and initiatives include the following:

- *Zero tolerance.* Substantially all procurement agreements contain provisions prohibiting bribery and kickbacks. Any violations of these terms may result in severe penalties for the supplier, amounting to ten times the bribe value, and may lead to the termination of their qualification as a supplier. Additionally, we will immediately terminate the employment of any employee found to be involved in bribery or kickback incidents.

- *Reporting mechanism.* We have implemented a reporting mechanism under which our suppliers and our employees may report instances of bribery or kickbacks directly to our management and our hotline.

- *Advanced management policies.* We have implemented a series of internal control measures and policies to prevent any potential bribery or kickbacks.

Sources of Supply and Shelf Lives

The sources of our major procured food ingredients and their respective shelf lives are summarized as follows:

- *Livestock and poultry products.* We primarily source livestock and poultry products originated within China, comprising both refrigerated and frozen products with typical shelf lives of approximately seven days and 12 to 24 months, respectively. All delivery and storage are managed under cold chain conditions to preserve quality. Upon delivery, we require test reports verifying compliance with standards for antibiotics, hormone residues, and other chemical substances. Suppliers are also required to provide documentation of product reports, qualifications, and certifications in accordance with relevant national laws and regulations. Additionally, we conduct comprehensive quality inspections, rigorously assessing color, shape, size, odor, packaging, and any signs of spoilage.

- *Aquatic Products.* We primarily source aquatic products within China, including various types of frozen fish and shrimp, with typical shelf lives of approximately nine to 12 months. All delivery and storage are managed under cold chain conditions to preserve quality. Upon delivery, we require test reports for antibiotics, metals, and other chemical substances in accordance with relevant national laws and regulations. Additionally, we conduct comprehensive quality inspections, rigorously assessing color, shape, size, odor, packaging, and any signs of spoilage.

- *Vegetables.* We primarily source vegetables within China, with fresh vegetables typically having a shelf life of approximately three to four days. To ensure quality and freshness, we primarily source our vegetables directly from major domestic production farms. Upon delivery, we require test reports for pesticides and other chemical substances in accordance with relevant national laws and regulations and conduct physical inspections to assess the freshness of the supplies.

Price Management and Price Sensitivity Analysis

We implement various measures to control our purchase costs, including (i) integrating multiple supply sources across China to optimize costs, (ii) arranging agreed-upon prices or price ranges with select suppliers in advance to secure sufficient supplies at reasonable costs, (iii) establishing long-term, stable relationships with upstream suppliers, and (iv) stocking certain food ingredients according to market conditions and sales records. Moreover, we believe we are able to obtain favorable terms from suppliers as we generally conduct centralized procurement in large volumes.

The table below sets forth sensitivity analyses of the impact on our results of operations during the Track Record Period arising from fluctuations in the price of raw materials and consumables used. The range of fluctuations is based on historical fluctuations of key raw materials used in our operation.

Hypothetical changes in raw materials and consumables used in the nine months ended September 30, 2024	**-10%**	**-5%**	**-3%**	**+3%**	**+5%**	**+10%**
			(RMB in thousands)			
Raw materials and consumables used	1,676,840	1,769,997	1,807,260	1,919,050	1,956,313	2,049,471
Changes in raw materials and consumables used	(186,316)	(93,158)	(55,895)	55,895	93,158	186,316
Change in profit for the period	165,860	82,930	49,758	(49,758)	(82,930)	(165,860)

Hypothetical changes in raw materials and consumables used in 2023	**-10%**	**-5%**	**-3%**	**+3%**	**+5%**	**+10%**
			(RMB in thousands)			
Raw materials and consumables used	1,918,217	2,024,784	2,067,411	2,195,293	2,237,920	2,344,487
Changes in raw materials and consumables used	(213,135)	(106,568)	(63,941)	63,941	106,568	213,135
Change in profit for the period	193,760	96,880	58,128	(58,128)	(96,880)	(193,760)

Hypothetical changes in raw materials and consumables used in 2022	**-10%**	**-5%**	**-3%**	**+3%**	**+5%**	**+10%**
			(RMB in thousands)			
Raw materials and consumables used	1,508,899	1,592,726	1,626,257	1,726,851	1,760,382	1,844,209
Changes in raw materials and consumables used	(167,655)	(83,828)	(50,297)	50,297	83,828	167,655
Change in profit for the period	133,612	66,806	40,084	(40,084)	(66,806)	(133,612)

Central Kitchens

As of September 30, 2024, we owned and operated two central kitchens located in Hefei and Shanghai, respectively.

Our central kitchens are primarily responsible for processing food ingredients, including cleaning, cutting, and portioning. The central kitchens also play a crucial role in large-scale food preparation for most of our dishes. Additionally, our central kitchen in Hefei handles the processing of live chickens. To maintain consistency and quality, we have implemented standardized operational management protocols tailored to various menu offerings. These protocols include detailed process flowcharts, product processing manuals, and rigorously enforced operating standards.

In collaboration with third-party food processing equipment manufacturers, we have developed multiple advanced automated production lines customized for specific dishes. These production lines efficiently handle a diverse range of menu offerings, ensuring consistent, high-quality output. This promotes the standardization of food processing, ensuring uniform taste and quality across all restaurants. By centralizing these labor-intensive and time-intensive procedures in our central kitchens, we improve operational efficiency and ensure a consistent dining experience for our customers.

The table below sets forth our designed production capacity, actual production volume, and utilization rate of our central kitchen in Hefei for the periods indicated:

	Year ended December 31,						Nine months ended September 30,		
	2022			2023			2024		
	Designed Production Capacity(1)	Actual Production(2)	Utilization Rate(3)	Designed Production Capacity(1)	Actual Production(2)	Utilization Rate(3)	Designed Production Capacity(1)	Actual Production(2)	Utilization Rate(3)
	(in tons, except for percentages)								
Chicken processing(4)	14,250	13,026	91.4%	14,250	14,301	100.4%	10,688	10,746	100.6%
Food ingredient processing	42,364	39,335	92.9%	55,593	47,899	86.2%	41,654	37,825	90.8%

Notes:

(1) The designed production capacity for the year/period is calculated based on the following assumptions: (i) all production lines are functioning at full capacity; and (ii) our central kitchens operate eight hours per day, 300 days per year for 2022 and 2023 and 225 days for the nine months ended September 30, 2024.

(2) The actual production volume during the year/period is the total volume of the products produced during that year/period.

(3) The utilization rate during the year/period equals the actual production volume divided by the designed production capacity during the same year/period. The utilization rates of chicken processing exceeded 100% in 2023 and the nine months ended September 30, 2024 due to overtime operations implemented to meet market demand.

(4) This includes the processing of live chickens from our chicken farms and third-party suppliers.

Our Shanghai central kitchen began trial production in June 2024; therefore, its designed production capacity, actual production volume, and utilization rate are not yet meaningful.

Distribution Centers

As of September 30, 2024, we had eight distribution centers supporting our restaurant operations, with the following two primary functions:

- *Storage.* Our distribution centers also function as storage hubs for our restaurants. To ensure supply stability, we maintain reserves of room-temperature, refrigerated and frozen food ingredients in these facilities. Each distribution center is equipped with a storage system designed to meet product quality requirements, featuring separate sections for ambient, refrigerated, and frozen storage. Additionally, ambient storage areas are organized into zones for food and non-food items to ensure proper segregation. Frozen and temperature-controlled storage areas are monitored using electronic systems to maintain precise conditions.

- *Distribution Hubs.* Our distribution centers serve as key distribution hubs for our restaurants. Our food ingredients and standardized condiment packets are generally routed through these centers, either from our central kitchens or directly from suppliers, before being delivered to restaurants. The other consumables used in our restaurants delivered by our distribution centers include takeaway packing boxes, cleaning supplies, office supplies, and uniforms.

Logistics

Suppliers are generally responsible for delivering goods to our central kitchens and distribution centers. For subsequent deliveries from our central kitchens to distribution centers and onward to restaurants, we rely on reputable third-party logistics providers to meet our daily delivery needs.

To ensure the safety and quality of food ingredients during transit, we implement strict protocols covering temperature, humidity, hygiene, and physical conditions. Cold-chain vehicles are exclusively used for transporting our food ingredients and related products, such as containers and packaging materials. All cold-chain vehicles are equipped with advanced temperature sensors to maintain and monitor the required conditions during transit. Additionally, vehicles are equipped with GPS devices, enabling real-time tracking of travel routes and delivery processes. This comprehensive monitoring system ensures that all products are transported under optimal low-temperature and hygienic conditions, thereby allowing us to deliver products of quality, maximizing food safety throughout the logistics process.

OUR TECHNOLOGIES

Our technology infrastructure comprises integrated management systems tailored to support critical aspects of our operations.

Restaurant-level Technologies

We utilize an intelligent self-checkout machines system, POS system, and a range of smart devices across our restaurants to enhance digitalization, standardization, and automation of our operations. These technologies significantly improve our restaurants' operational efficiency while elevating product and service quality.

When customers dine in our restaurants, they can place their selected dishes at the checkout station, where the self-checkout machines quickly identify the items through image recognition and calculate the price. Customers can then complete self-checkout using a simple QR code scan. This seamless process takes only a few seconds, significantly reducing both labor costs and checkout time. In addition to enhancing efficiency, the system captures images of the dishes, assisting us in evaluating their quality and consistency. Compared to traditional manual checkout, the self-checkout machines improve checkout speed, substantially boosting operational efficiency. It also minimizes staffing requirements and reduces the risk of manual errors, further optimizing restaurant performance.

All of our restaurants are equipped with a POS system centrally managed by our headquarters. The system is designed to enhance operational efficiency, promote standardization, and facilitate centralized management of our restaurant network. Fully integrated with major third-party online payment platforms, the POS system also collects and records key operational data, such as customer count, order details, payment information, and membership data (where applicable). This data is analyzed to provide valuable insights for operational improvement.

We utilize smart devices to streamline our restaurant operations, including cooking robots, smart steam cabinets, automated soup boilers, and rice dispensers. Cooking robots ensure consistent taste by utilizing precise configurations and advanced functionalities, while automated rice dispensers allow customers to serve rice conveniently and according to their preferences. Additionally, data on ingredients and preparation processes is uploaded to our system, enabling greater automation, digitalizing recipes, and ensuring consistent dish quality. These innovations not only reduce labor costs associated with cooking but also enhance operational efficiency and elevate the overall dining experience for our customers.

Supply Chain Technologies

We implement various supply chain management technologies as follows:

- ***Chicken farming.*** We use an ERP system to manage the entire lifecycle of our chickens, ensuring efficient operations and traceability. The system integrates data across feeding, health monitoring, and inventory management, enabling precise control over key processes such as feed planning, vaccination schedules, and production tracking. It also records critical metrics like growth rates and egg production, allowing for real-time monitoring and optimization. By providing comprehensive oversight and traceability, the ERP system enhances operational efficiency, supports quality assurance, and ensures compliance with industry standards. See "— Our Integrated Supply Chain — Chicken Farming" for more details.

- ***Supplier relationship management.*** We use a centralized SRM system to streamline supplier selection, performance monitoring, evaluation and billing processes. The digital SRM provides us with the insights to make informed decisions on supplier management and build long-term partnerships with reliable suppliers. See "— Our Integrated Supply Chain — Procurement and Supplier Management — Supplier selection and management" for more details.

- ***Inventory and Warehouse Management.*** Our SAP system and WMS system work together to ensure efficient inventory management. These systems track key parameters, while monitoring inventory flow and movements across our networks.

  With data loggers and IoT sensors, these systems also monitor freezer temperatures in real time, preventing fluctuations that could compromise product quality. This seamless integration enhances operational efficiency while safeguarding food quality and safety.

- ***Logistics management.*** We use routing algorithms, traffic analysis, and GPS tracking to select the best delivery routes to minimize transportation costs and shorten delivery times. In addition, we monitor the storage temperature and condition of transportation vehicles through system to ensure the quality of our logistics.

Management Technologies

Our management-end platforms and systems support front-end tools and our overall operation. We have adopted the following systems and platforms:

- ***Data middle platform.*** We have established a data middle platform to unify our data assets by enabling data cleansing, transformation, and standardization, thereby eliminating data fragmentation. This platform provides efficient and user-friendly data applications, including BI tools, to empower business development, sales, marketing, and consumer operations. Through data-driven insights, we enhance the capabilities of all business departments.

- ***Business middle platform.*** Our business middle platform integrates a comprehensive suite of applications aimed at standardizing and streamlining core business functions. By providing standardized business components and reusable processes, it allows departments to respond quickly to evolving needs. This reduces redundant development, lowers technical investment and time costs, minimizes the complexity of cross-departmental collaboration, and improves operational efficiency.

FOOD SAFETY AND QUALITY CONTROL

We have implemented a stringent quality control system to maintain quality at every step of our business operation, from chicken farming and procurement to processing and logistics and restaurant management, ensuring comprehensive oversight of product quality and food safety. Our quality control system is certified under both ISO 22000 and HACCP standards, demonstrating our commitment to maintaining the high standards of quality and safety throughout our operations.

In October 2024, we were honored to be recognized by the State Administration for Market Regulation as one of the 25 exemplary enterprises nationwide for Innovative Practices in Fulfilling Corporate Food Safety Responsibilities (企業落實食品安全主體責任創新實踐典型案例). This recognition highlights our achievements and commitment to innovation in food safety practices.

During the Track Record Period and up to the Latest Practicable Date, we did not experience any material food safety or quality issues.

Commitment to Transparency

Our unwavering dedication to food safety is underpinned by a rigorous commitment to transparency. We are the first Chinese-style QSR company in China to publish monthly *Self-Inspection and Self-Rectification Reports* (自查自糾報告), according to CIC. These reports disclose identified deficiencies in our restaurants, along with detailed corrective actions taken, demonstrating our accountability and proactive approach to improvement.

In 2024, we initiated the *Dish Traceability Program (菜品溯源行動)*, a comprehensive initiative to trace the entire supply chain, encompassing the sourcing, processing, and in-restaurant handling of every dish and ingredient. This program resulted in the publication of a detailed *Dish Traceability Report (菜品溯源報告)*, which was made publicly available.

These initiatives aim to address consumer concerns, enhance operational transparency, and drive continuous improvement, thereby fostering trust and confidence in the quality and safety of our offerings.

Chicken Farming

In our chicken farms, we generally take the following quality control measures:

- ***Chicken farms' site selection and planning.*** We conduct comprehensive assessments during site selection, including water quality, air quality, and pathogen risk evaluations, while striving to avoid land contamination to ensure a safe environment.

- ***Procurement of healthy chicks.*** We enforce stringent requirements for the breed, specifications, and quality of chicks, along with acceptance standards, routine reporting, and on-site inspections of the third-party chicken farms to ensure healthy and high-quality stock.

- ***Environmental control.*** We monitor and regulate the environmental conditions in chicken farms, including air quality and temperature, using advanced equipment to reduce disease risks.

  To ensure long-term sustainability and efficiency, we conduct regular maintenance, including clearing weeds around the facilities and implementing strict protocols for the proper disposal of poultry mortalities and waste. All equipment responsible for odor generation has been upgraded to minimize emissions, and noise-reducing barriers have been instaled to mitigate sound pollution.

  Furthermore, chicken manure undergoes a self-fermentation process, transforming it into nutrient-rich compost that can be repurposed as organic fertilizer for crops. This eco-friendly approach not only reduces waste but also supports sustainable agriculture practices.

- ***Immunisation management.*** Tailored immunization protocols are developed based on seasonal needs, with strict oversight to ensure vaccines are administered effectively and operations comply with standards.

- ***Strict hygiene measures.*** Comprehensive hygiene measures are in place, including restrictions on vehicle entry and stringent disinfection protocols for personnel and vehicles entering and leaving the farms, maintaining a clean and secure environment.

See "— Our Integrated Supply Chain — Chicken Farming" for more details.

Procurement

Before engaging a supplier, we require them to pass our rigorous selection process, which includes background and qualification checks, and sample testing. Upon receiving the raw materials from our suppliers, we inspect the raw material quality and reject defective products. We terminate collaborations with the suppliers who fail to meet food safety standards.

To ensure the quality and shelf life of our ingredients, we conduct thorough inspections of food ingredients received at our central kitchen, distribution centers, and restaurants. Ingredients that fail to meet our standards are promptly returned to the supplier, and we may terminate the supply agreement if issues remain unresolved. These stringent supplier evaluation and management practices ensure that the ingredients we procure consistently meet our quality control requirements.

See "— Our Integrated Supply Chain — Procurement and Supplier Management" for more details.

Central Kitchens

We have established comprehensive internal policies and procedures to ensure food safety and hygiene across our central kitchens, which all employees are required to strictly follow. These measures include personal hygiene standards, inspection and safe storage, quality and shelf life of food ingredients, temperature control, and regular cleaning and sanitization of premises. Employees must complete mandatory training before commencing work in these facilities. Additionally, they are required to wear uniforms and adhere to strict personal hygiene and cleanliness standards.

Particularly, in our central kitchens, employees must undergo a series of checks, including inspection, changing into designated uniforms, handwashing, disinfection, and passing through an air shower before entering the facility. We have also implemented clear guidelines regarding proper attire, including wearing appropriate clothing and hats, as well as personal hygiene practices during production processes, to minimize the risk of secondary contamination caused by human handling.

See "— Our Integrated Supply Chain — Central Kitchens" for more details.

Logistics

To ensure product quality during transportation, we have established detailed technical standards to closely monitor and evaluate the performance of our third-party logistics providers. By utilizing GPS and temperature control systems instaled in vehicles, we maintain real-time monitoring of cold-chain vehicle temperatures and driving routes, ensuring robust food safety controls throughout the logistics process.

See "— Our Integrated Supply Chain — Logistics" for more details.

Restaurant Operations

To ensure food safety during the sales process, we have equipped our restaurants with advanced standardized equipment and we pioneered an industry-leading open, transparent kitchen business model in 2017, allowing consumers to observe and oversee our kitchen operations. According to CIC, we are among the first Chinese-style QSR brands in China to implement transparent kitchen business model, setting a precedent for openness. Additionally, restaurant staff regularly inspect the quality and shelf life of ingredients.

We strictly enforce a health examination management system for employees, requiring all new and existing staff to undergo regular annual health checks. Employees are only permitted to work after obtaining valid health certificates, ensuring their fitness for food handling responsibilities.

Our restaurants are required to maintain effective management of various operational elements, including temperature, air quality, music, lighting, tableware, dining environments, and food waste disposal. Stringent protocols for cleaning and disinfecting tableware are implemented, with inspections and tracking measures in place to ensure compliance. Additionally, we conduct random checks on hygiene standards and operational procedures, as well as monitor the execution of cleaning and disinfection plans, to provide customers with a clean and safe dining environment.

To further enhance the dining experience, we have established rigorous cleaning, disinfection, and supplies management policies. These include the standardized use of cleaning tools to ensure adherence to disinfection protocols while minimizing safety risks.

SALES AND MARKETING

Promotional Campaign

We consider organic word-of-mouth referrals from satisfied customers to be the most effective marketing channel. Concurrently, we realize the significance of brand building and consumer engagement in driving business growth. Accordingly, we engage in targeted marketing initiatives through both online and offline channels, including:

- ***Online marketing.*** We have built a comprehensive, robust online presence through our digitalized marketing efforts. By operating official accounts across major social media and e-commerce platforms, including Weibo, WeChat, Douyin, Xiaohongshu, and Bilibili, we effectively connect with a broad consumer base. We actively post marketing content, such as updates on new menu offerings and promotional activities, to engage with our audience.

  Leveraging social media platforms like Douyin, we utilize live-streaming and brand marketing to attract and interact with consumers. Additionally, we launch interactive campaigns to deepen consumer engagement. During the one-month promotional period of the 20th anniversary of our first restaurant campaign, our registered member base increased by over 1.5 million, demonstrating the effectiveness of our targeted marketing initiatives in driving consumer engagement and expanding our customer base.

- ***Offline marketing.*** To attract local consumers, we strategically deploy tailored outdoor advertisements targeting neighbourhoods and communities near our restaurants. In addition, we periodically introduce new dishes to maintain consumer interest and continuously optimize the taste and quality of our offerings based on feedback.

  We also organize brand-centric festivals to create memorable experiences for our customers. For instance, we have hosted the *Chicken Soup Festival* for several consecutive years, a signature event celebrating warmth and togetherness during the winter season. As part of the festival, we distributed free tickets through lucky draws on our mini programs and invited celebrities to engage with consumers. The festival featured diverse music performances and other immersive activities, fostering a vibrant and engaging atmosphere.

  Similarly, we host *Happy Family Day* at our restaurants, where families from nearby communities participate in interactive cooking and service experiences. These activities not only enrich the dining experience but also deepen our connection with local communities and strengthen consumer loyalty.

- ***Crossover collaborations.*** We actively engage in crossover collaborations aligned with prevailing trends and consumer preferences to expand our audience reach, enhance brand visibility, and drive product sales.

Membership Programs

We foster customer loyalty through our membership program, where customers can easily register and access through various online platforms, such as our official account or mini programs on major social media platforms.

We have designed various programs to engage our members and create a sense of community. For example, we offer a variety of rewards to our members, including birthday gifts. In addition, we have registered members and paying members. Paying members pay membership fees and receive additional benefits, such as additional discounts and weekly perks like free chicken legs on Thursdays and free eggs on Mondays. This membership program enables us to foster ongoing engagement with customers, and deepen the connection between our brand and our customers.

Our membership programs are unified and can be used interchangeably across all our restaurants, ensuring a seamless and integrated dining experience. Through the program, members can earn credited points for placing orders. These points can be redeemed for rewards such as discount coupons and remain valid until December 31 of the year following the year they were earned. Additionally, we offer prepaid cards under our membership program. When customers purchase prepaid cards, such amounts are deposited into a designated bank account. These cards have no expiration date. See "Financial Information — Selected Balance Sheet Items — Current Asset/Liabilities — Contract Liabilities" for more details.

In addition, consumers also receive promotions that are tailored to their preferences. Notifications in relation to our latest marketing information, such as new menu items, promotions, and other marketing activities, are pushed to member customers from time to time. As we learn about our members' preferences, we are able to recommend products to them with precision and personalize our promotion content, including distributing customized marketing campaigns and adopting tailor-made approaches to increase consumer engagement. As a result, our members demonstrated higher purchase frequency compared to non-members.

COMPETITION

The Chinese-style QSR market in China is relatively fragmented, with the top five market players accounting for 3.0% of the overall market size by GMV in 2023, according to CIC. This fragmentation presents significant opportunities for market consolidation. In addition, the market size of Chinese-style QSR in China has grown from RMB576.0 billion in 2018 to RMB753.2 billion in 2023, and it is expected to further grow and reach RMB1,245.9 billion in 2028, representing a CAGR of 10.6% from 2023 to 2028, according to CIC.

We operate in this rapidly growing market, where key entry barriers include brand influence and recognition, integrated supply chain management capabilities, standardized and scalable operational management, product development expertise, and digitalized operational systems. We believe we are well-positioned to compete effectively, leveraging our strengths in these areas.

For more information on the competitive landscape of our industry, see "Industry Overview."

OUR CUSTOMERS

Revenue derived from our five largest customers in each year/period during the Track Record Period accounted for less than 1.5% of our total revenue for the respective year/period. During the Track Record Period, we were not subject to any material customer concentration risk.

As a restaurant company, we have a large and fragmented customer base. Given the business nature of our Company, our business did not experience any distinguishable seasonal fluctuations in each quarter during the Track Record Period.

During the Track Record Period and up to the Latest Practicable Date, to the best of our knowledge, none of our Directors, their respective associates, or any shareholders of our Company (who or which, to the knowledge of our Directors, owned more than 5% of our Company's issued share capital) had any interest in any of our five largest customers.

DATA PRIVACY AND PROTECTION

We are committed to complying with data protection and privacy laws and protecting data security.

In providing our offerings and services, we may access certain customer data. We clearly inform consumers of the scenarios and purposes for collecting their personal information through our privacy policy, which is presented prior to their logging into our membership system. Personal information is collected only with their explicit consent. The data we collect typically includes names, mobile numbers, and order details. For registered members, optional information such as birthdays or gender may also be collected, but only if voluntarily shared by the member.

To ensure compliance with applicable laws and industry best practices, we have implemented rigorous data protection policies and measures governing the collection, processing, storage, and usage of personal information. These policies include:

- **Data collection.** We conduct compliance assessments when collecting data with notification to users and log records of the collection process.

- **Data processing.** We strictly process data in a manner that protects the legitimate rights of data subjects. We process data for a specific and reasonable purpose and limit our data processing activities to the minimum scope for achieving that purpose.

- **Data storage.** We require that information and data we receive in China be stored and preserved within China. After collecting information, we take appropriate measures, such as data encryption and de-identification processing, to ensure customer and consumer privacy and prevent data leakage.

- **Data usage.** We have clear and strict authorization and authentication procedures and policies in place. Our employees only have access to data that is directly relevant and necessary for their responsibilities and for limited purposes, and they are required to verify authorization upon every access attempt.

During the Track Record Period and up to the Latest Practicable Date, we had not received any third-party claim against us on the ground of infringement of the party's right to data protection as provided by any applicable laws and regulations. In addition, during the Track Record Period and up to the Latest Practicable Date, we complied with the applicable laws and regulations regarding personal information privacy and data security in all material aspects.

INTELLECTUAL PROPERTY

As of the Latest Practicable Date, we had 301 registered trademarks, eight patents, and 47 copyrights in China. See "Appendix IV — Statutory and General Information — Further Information about Our Business" for more details.

We seek to protect our intellectual property assets and brands through a combination of trademark, patent, copyright and trade secret protection laws in China, as well as through confidentiality agreements and other measures. During the Track Record Period and as of the Latest Practicable Date, we had not been subject to any material intellectual property claims which could have a material adverse effect on our business or operations. See "Risk Factors — Risks Relating to Our Business and Industry — We may not be able to adequately protect our intellectual property or face claims of infringement against us, which could harm the value of our brand, and adversely affect our business and operation."

PROPERTIES

Headquartered in Hefei, Anhui Province, we occupy certain properties across China in connection with our business operations.

As of September 30, 2024, we did not have any single property with a book value accounting for 15% or more of our total assets. Therefore, pursuant 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 (Winding Up and Miscellaneous Provisions) in relation to the Third Schedule, which requires a valuation report with respect to all of our Group's interests in land or properties.

Owned Properties

As of the Latest Practicable Date, we owned 133 properties with an aggregate gross floor of approximately 139,486 square meters, primarily used for central kitchens, offices and restaurants to support our business activities and operation in China.

As of the Latest Practicable Date, we have not obtained the building ownership certificates for four of our properties which were primarily used as restaurants. As advised by our PRC Legal Advisor, the lack of such building ownership certificates does not subject us to any administrative penalty under applicable PRC laws and regulations, but we may not transfer, mortgage or dispose of the underlying properties until we obtain the relevant building ownership certificates.

Leased Properties

As of the Latest Practicable Date, we leased 925 properties across China, with an aggregate gross floor area of approximately 164,887 square meters, primarily as our restaurants and offices.

Our leases generally have a term between two to six years. We are generally allowed to terminate lease agreements with a prior notice, which provides us with operational flexibility, albeit usually at the cost of forfeiting deposits and/or paying a termination fee.

Absence of Valid Title Certificates

As of the Latest Practicable Date, landlords of 213 of our leased properties in China, which are primarily used as restaurants and offices, have not provided us with valid title certificates or relevant authorization documents evidencing their rights to lease the properties to us. Our PRC Legal Advisor is of the view that we would not be subject to any administrative penalties with respect to these properties, but our leases may be affected if the lessors of the leased properties do not have the requisite rights to lease the relevant properties. However, where a dispute arises on the said leases, or we suffer a loss as a result of the said leases, we have a right to request a reduction in rent or refuse to pay rent or require the lessor to indemnify such losses under the lease agreements.

Our Directors believe that the likelihood of our business and results of operations being materially and adversely affected by these title defects is remote, considering that (i) as of the Latest Practicable Date, we have not been required to cease operations due to challenges from third-party rights holders against the lessors' right to lease that have resulted in a material adverse impact on our business, results of operations, or financial condition; (ii) it is unlikely that we would be subject to claims of rights from third parties with respect to a significant number of these leased properties at the same time, considering that these properties are geographically dispersed and are leased from different counterparties; and (iii) we maintain a pool of site candidates, and our Directors believe that we would be able to relocate to a different site without materially and adversely affecting our business and results of operations should we be required to do so.

Non-registration of Lease Agreements

As of the Latest Practicable Date, we had not completed lease registration or lease registration modification for 874 of the properties we leased in China, primarily due to the difficulty of procuring the relevant landlords' cooperation to register their leases. 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, we were not able to complete the registration of lease agreements mentioned above. 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.

As advised by our PRC Legal Advisor, the lack of registration for the lease contracts will not affect the validity of the lease contracts under PRC law, and that the relevant PRC authorities may request us to complete the registration, and if we still fail to do so, we may be imposed a fine ranging from RMB1,000 to RMB10,000 for each of such lease agreements. The aggregate amount of maximum fine will be approximately RMB8.8 million, which our Directors believe will not have any material adverse impact on our business operations. In addition, our PRC Legal Advisor is of the view that it is unlikely that we would be subject to fines for these leased properties at the same time, considering that these properties are geographically dispersed and be subject to the competent authorities in their respective regions.

As of the Latest Practicable Date, in relation to the leased properties that had not completed lease registration or lease registration modification, we have not been required by the relevant local housing administrative authorities to complete the registrations, nor been penalized or fined by the relevant authorities. In addition, 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. Based on the foregoing, our Directors believe that the lack of registration for lease agreements does not constitute material nor systemic non-compliance of us, and the non-registration of lease agreements described above will not, individually or in the aggregate, materially affect our business and results of operation.

For risks relating to our leased properties, see "Risk Factors — Risks Relating to Our Business and Industry — Failure to comply with PRC property-related laws and regulations regarding certain owned and leased properties may adversely affect our business."

OUR EMPLOYEES

As of September 30, 2024, we had a total of 18,093 full-time employees. The following table sets forth our full-time employees by function as of September 30, 2024.

Functions	Number of Employees
Restaurant	16,328
General and administration	332
Supply chain management	1,134
Information technology	97
Branding and marketing	128
Franchise	74
Total	**18,093**

Recruitment, Retention and Training

We recruit our employees primarily through campus recruitment programs, recruitment advertisements, agencies, online platforms, and referrals. We attract and retain suitable personnel by offering competitive wages and benefits.

We enter into standard labor contracts with our employees. We also enter into non-compete and confidentiality agreements with senior management and key personnel. We believe that we maintain a good working relationship with our employees, and we have not experienced any major labor disputes.

We conduct comprehensive online and offline training programs for all employees. Upon onboarding, we provide comprehensive pre-employment training for new employees, emphasizing safe operations and production to establish a strong foundation in safety-first principles. During daily operations, we conduct quarterly safety training sessions and drills focused on production, fire safety, and other critical areas across all restaurants and departments, strengthening employees' safety awareness and protective measures. We also deliver regular training programs covering all essential aspects of daily restaurant operations, including food preparation, service excellence, and technological systems. By promoting standardization across our operations, we ensure a seamless and enjoyable dining experience for customers from entry to departure. In addition, we organize quarterly training and audits on human resource management practices to safeguard employees' legal rights and ensure compliance across all restaurants.

Restaurant managers are important to the operation and management of our self-operated restaurants, with autonomy and flexibility to manage the restaurants' day-to-day operations. To support them, we provide comprehensive guidance through regular training programs and a structured career advancement pathway, fostering both professional growth and operational excellence. This approach, which balances defined responsibilities with managerial autonomy, has proven effective in motivating our restaurant managers and reducing turnover rates. During the Track Record Period, the turnover rate for our self-operated restaurant managers steadily declined to 1.5% in the nine months ended September 30, 2024, significantly lower than the industry average for Chinese-style QSR in China, according to CIC.

Restaurant managers are also responsible for recruiting new staff and identifying high-potential individuals as candidates for future managerial roles. These candidates gain experience and progress through structured development programs, providing them with the opportunity to eventually qualify for restaurant manager positions. Notably, during the Track Record Period, most of our restaurant managers were homegrown after serving in various non-managerial roles, highlighting the success of our talent development strategy.

Social Insurance and Housing Provident Funds

We are required under PRC law to make contributions to employee social insurance plans at specified percentages of the salaries, bonuses, and certain allowances of our staff, up to a maximum amount specified by the local government from time to time. During the Track Record Period, we had not made social insurance and housing provident funds for some of our employees in full in accordance with the relevant PRC laws and regulations. The shortfall of social insurance and housing provident fund contributions amounted to approximately RMB10.7 million, RMB21.4 million and RMB28.1 million in 2022, 2023 and the nine months ended September 30, 2024, respectively.

We were unable to make full social insurance and housing provident funds for the relevant employees, primarily because (i) consistent with the industry norm, our employees are highly mobile, which made it impracticable for us to make such contributions in time for the relevant employees that left us shortly after on-boarding, (ii) many of them were not willing to bear the costs associated with social insurance and housing provident funds, and (iii) certain employees had chosen to participate in local rural social security systems offered in their place of residency or their own homes in rural areas.

Our PRC Legal Advisor has advised us that, pursuant to relevant PRC laws and regulations, if we fail to pay the full amount of social insurance contributions as required, we may be ordered to pay the outstanding social insurance contributions within a prescribed time limit and may be subject to an overdue fine. If such payment is not made within the stipulated period, the competent authority may further impose a fine of one to three times the amount of any overdue payment. Our PRC Legal Advisor 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.

As of the Latest Practicable Date, we have obtained written confirmations of substantially all our major subsidiaries and several other PRC subsidiaries from local social insurance and housing provident fund authorities, each stating that the relevant subsidiary had not subject to any administrative penalty. As confirmed by our PRC Legal Advisor, the relevant confirmations were issued by the competent authorities. In addition, as of the Latest Practicable Date, we had not received any notification from the relevant PRC authorities requiring us to pay any shortfall with respect to the social insurance and housing provident funds or imposing any material administrative penalties on us, nor were we aware of any material employee complaints or involved in any material labor disputes with our employees with respect to social insurance and housing provident fund.

In view of the above, our PRC Legal Advisor is of the view that (i) the risk of us being penalized for failing to make social insurance and housing provident fund in full is remote, and (ii) the risk of us being required by relevant PRC authorities to pay the shortfall of social insurance and housing provident fund contributions is remote. As a result, we had not made any provision for the shortfall in our social insurance and housing provident fund contributions during the Track Record Period and up to the Latest Practicable Date.

We have reviewed and implemented enhanced internal control measures:

- ***Training.*** Strengthen the training of our personnel, including training on various compliance-related topics for our employees;

- ***Internal control measures.*** Establish an internal control team to monitor our ongoing compliance with the social insurance and housing provident fund contributions regulations and oversee the implementation of any necessary measures;

- ***Increasing awareness of developments in the law.*** Regularly keep abreast of the latest developments in PRC laws and regulations relating to social insurance and housing provident funds; and

- ***Legal counsel.*** Consult regularly with our legal advisor for advice on relevant PRC laws and regulations.

INSURANCE

As of the Latest Practicable Date, we maintained various insurance policies relating to our business operations, including public liability insurance to cover liability for damages arising out of our restaurant operations, property insurance to protect our business from certain natural disasters and other unfortunate events, and casualty insurance. We consider that the coverage from the insurance policies maintained by us is adequate for our present operations and is in line with industry norms. See "Risk Factors — Risks Relating to Our Business and Industry — We have limited insurance coverage."

ENVIRONMENTAL, SOCIAL AND CORPORATE GOVERNANCE

ESG Governance

We have been taking and will continue to take effective measures to embrace ESG into every aspect of our business operations. To this end, we establish a two-tier ESG governance framework, comprising of our Board and an ESG working group.

Our Board has accepted relevant ESG trainings and will take the overall responsibility for our ESG strategy and reporting. Our Board will be directly involved in setting up our overall ESG governance management policies, strategies, priorities and targets, reviewing our ESG policies on an annual basis to ensure its effectiveness, and fostering a culture of acting in accordance with our core ESG values.

Our ESG working group, consisting of our senior management and staff with a solid understanding of current and emerging ESG issues and our business, will directly report to the Board on ESG issues. Set forth below are the key responsibilities of our ESG working group:

- ensure that we abide by the latest ESG laws and regulations, including the applicable sections of the Listing Rules, and keep the Board informed of any changes in the laws and regulations and update our ESG policies accordingly;

- assess ESG risks on a regular basis according to applicable laws, regulations and policies, and formulate strategic plans and mitigating measures to ensure our responsibilities with respect to ESG matters are met;

- monitor local environmental, social, and climate changes in regions where we operate and take timely measures to mitigate the risks associated with volatile changes during our daily business operations;

- monitor the implementation of our ESG policies and engage third-party consultants to support us in fulfilling our ESG goals if the ESG working group considers it necessary;

- identify our key stakeholders based on our business operations and understand the stakeholders' influences and dependence with respect to ESG matters;

- hold meetings on a regular basis to identify, assess, and manage our progress in achieving our key ESG targets; and

- prepare ESG report routinely, report to our Board on our ESG performance and the effectiveness of our ESG policy, and provide our Board recommendations relating to ESG matters.

Environment Protection

We are an environmental-friendly company as demonstrated by the following efforts and measures.

Metrics and Targets

The following table sets forth the metrics of the resources consumption of us for the periods indicated.

Electricity and Water Consumption

		Year ended December 31,		Nine months ended September 30,
	Unit	2022	2023	2024
Electricity	MWh	271,175	296,825	250,361
Intensity	MWh/million RMB revenue	59.9	52.5	53.5
Water	Cubic meters	2,203,359	2,757,773	2,433,125
Intensity	Cubic meters/million RMB revenue	486.6	488.0	520.1

Greenhouse Gas Emission

We identify the range of greenhouse gas emissions that we mainly generate as Scope 1, Scope 2, and Scope 3 emissions according to the Greenhouse Gas Accounting System — Enterprise Accounting and Reporting Standard. Scope 1 emissions refer to direct greenhouse gas emissions primarily from the consumption of direct energy in our operations, namely emissions generated from the use of refrigerants. Scope 2 emissions refer to indirect greenhouse gas emissions primarily from the consumption of electricity during our operations. Scope 3 emissions refer to other indirect gas emissions primarily due to electricity used for processing our fresh water and sewage.

The following table sets forth the greenhouse gas emission for the periods indicated.

	Year ended December 31,		Nine months ended September 30,
	2022	**2023**	**2024**
Total Greenhouse Gas Emission (CO_2e)	**157,497**	**173,011**	**145,247**
Scope 1 (CO_2e)	2,323	3,081	1,890
Scope 2 (CO_2e)	154,651	169,279	142,781
Scope 3 (CO_2e)	523	651	576
Intensity (CO_2e/million RMB revenue)	34.8	30.6	31.0

Targets

Based on the resource consumption data in the nine months ended September 30, 2024, we plan to reduce the per revenue usage of electricity and water by approximately 1% by 2028, as measured by the cubic meter of water and MWh of electricity consumed per revenue. Based on the greenhouse gas emission data in the nine months ended September 30, 2024, we plan to reduce the per revenue greenhouse gas emission (scope 1, scope 2 and scope 3) by approximately 3% by 2027, as measured by the CO_2e of greenhouse gas emission per revenue.

Environment Protection Initiatives

To meet our targets, we implement various measures to reduce the resource consumption and stay compliant with respect to ESG matters.

Energy Efficiency and Emissions Reduction

We are committed to enhancing energy efficiency and reducing emissions across all our restaurants and offices through the implementation of targeted measures. These include:

- Optimizing heating, ventilation, and air conditioning (HVAC). Heating and air conditioning systems in our restaurants, common areas, and offices are set to appropriate temperatures based on seasonal and weather conditions, ensuring comfort while minimizing energy waste.

- Improving lighting efficiency. Separate control switches are instaled for lighting in public areas and offices to allow for better energy management. During working hours, only essential lighting, such as a single row in corridors, remains on, and all lights are turned off after working hours to avoid unnecessary energy consumption.

- Maximizing natural light usage. Our employees are encouraged to make full use of natural daylight during working hours to reduce reliance on artificial lighting. Additionally, all electronic equipment is turned off when employees leave the office to further conserve energy.

- Reducing standby energy consumption. Employees are encouraged to turn off computer monitors if they will be away from their desks for more than 30 minutes. Standby time for office equipment, including computers, printers, and copiers, is minimized to lower unnecessary energy usage.

Waste Management and Recycling

We are committed to minimizing waste generation and promoting resource recycling to enhance overall resource utilization efficiency. By adhering to the first-in, first-out principle, we effectively manage inventory and reduce waste production. In addition, we have implemented the following initiatives:

- Engaging qualified waste disposal providers. Through a rigorous tender process, we engage qualified third-party service providers to handle waste disposal. Our supply chain and environmental management teams carefully assess providers' qualifications and regularly monitor their waste disposal methods to ensure full compliance with regulations and prevent improper handling practices.

- Promoting sustainable packaging solutions. We actively embrace green and minimal packaging trends by promoting, adopting, and producing sustainable, eco-friendly materials. This approach helps reduce packaging-related environmental impacts.

- Recovering thermal energy. In our central kitchens, we recover thermal energy from steam condensation processes to optimize energy efficiency and reduce overall energy consumption.

Water Consumption

We recognize the vital role of water resources in sustainable development and are committed to conserving water and improving its efficient use.

To enhance our management and monitoring of water usage and pollution prevention, we have implemented the following measures:

- Promoting water conservation awareness. Water-saving signage is instaled in restrooms and other public water-use areas across our offices and restaurants to encourage mindful and responsible water usage.

- Addressing water system issues promptly. Employees are required to immediately report issues such as leaking pipes or faucets to property management staff for swift repairs, ensuring minimal water loss.

- Implementing water-saving measures. We adopt water-efficient equipment and conduct regular maintenance of water systems. Leaks, drips, and continuous water flow are strictly addressed, and unnecessary water usage, such as long-running taps, is eliminated.

- Encouraging responsible water use through training. Through training programs and awareness materials, we promote policies for lawful, efficient, and responsible water usage. Employees are encouraged to turn off faucets promptly after use to prevent water wastage.

- Enhancing wastewater treatment at chicken farms. Advanced wastewater treatment systems are employed at our chicken farms to ensure compliance with discharge standards. Additionally, we strive to optimize production processes to minimize wastewater generation.

Chicken Farming

To minimize odors and effectively manage waste at our chicken farms, we have implemented advanced environmental wastewater treatment systems. These facilities enable the comprehensive treatment, recycling, and compliant discharge of wastewater, ensuring effective pollution control. Poultry manure is processed through high-temperature composting and integrated wastewater treatment to produce organic fertilizers, facilitating resource recycling while reducing odor emissions and environmental impact at the source.

In addition, we have established and strictly enforce robust farm management protocols. These include waste classification and disposal, disinfection procedures, and environmental hygiene controls to minimize waste generation and mitigate odors within the farms.

Governance

We are committed to promoting a sustainable enterprise governance and integrate it into all major aspects of our business operations.

Food Safety

Maintaining the highest standards of food safety and quality is of paramount importance to us. We have established comprehensive food safety systems that span the entire business process to ensuring the safety and quality of all our menu offerings:

- *Procurement.* Our procurement process includes rigorous reviews of new suppliers to ensure full compliance with applicable regulations. Sample testing is conducted to verify that supplies meet national quality and safety standards. A raw material inspection and management system enables regular safety checks throughout food production. If any non-compliance is detected, the responsible employee is promptly notified to implement corrective actions within a specified timeframe. Follow-up inspections are conducted to verify compliance and improvements.

- *Central Kitchens.* At our central kitchens, we enforce strict hygiene protocols to maintain a clean and compliant food production environment. All operations adhere to relevant laws and regulations, including precise control over food additive usage in accordance with National Food Safety Standards for Food Additive Usage.

- *Restaurants.* In our restaurants, we have established clear inspection procedures for food ingredient reception, covering storage requirements, shelf-life monitoring, usage durations, and proper handling methods. A facility and equipment management system ensures that restaurant environments are clean, safe, and conducive to a pleasant dining experience. Food safety managers are appointed to oversee regular inspections, ensuring compliance with food safety practices at all locations.

- *Employee Training and Accountability.* To ensure all employees possess the necessary food safety knowledge, we have implemented mandatory training and assessment systems. Employees must complete comprehensive food safety training before assuming their roles, with annual refresher courses to reinforce their knowledge of food laws, regulations, and best practices. Specifically, our employees are required to complete a minimum of 40 hours of food safety training annually. Training outcomes are integrated into performance evaluations, influencing opportunities for promotion and compensation.

Supply Chain

We have established rigorous mechanisms and policies to identify, evaluate, and manage environmental and social risks throughout our supply chain. These include:

- *Strict Admission Standards.* We implement stringent admission procedures for suppliers to ensure they meet our high standards. Suppliers must undergo comprehensive sample testing and verification of qualification documents. A preliminary assessment is conducted based on key criteria, including financial stability, food safety, product quality, and logistics capabilities.

  This is followed by a thorough review by our procurement department. Suppliers are only added to our approved supplier list after successfully passing food safety audits and service capability assessments.

  If issues arise with a supplier's products, we follow standardized procedures to address them. This includes verifying concerns with relevant employees, notifying the supplier to resolve the problem, and closely monitoring progress to ensure effective and timely resolution.

- *Periodic Assessments.* We conduct monthly performance evaluations of suppliers based on their performance across key criteria such as product quality, delivery timeliness, order fulfillment, pricing, and service reliability.

Suppliers found to be involved in unresolved quality issues, fraudulent activities, or unlawful conduct — such as contract violations, deception, or bribery resulting in severe consequences — will be permanently removed from our supplier pool.

- *Ongoing Compliance.* To ensure consistent adherence to food safety standards, suppliers are required to conduct pesticide residue testing for every batch of supplies before delivery.

- *Product Management.* To uphold product quality and food safety, we have implemented a standardized raw material inspection and management system. This includes regular reviews and inspections of incoming goods, such as verification of testing reports and pesticide residue analyses. These measures ensure that all supplies meet our stringent standards before entering the production process.

Corporate Social Responsibility

Employee Well-being

Caring for our employees is a cornerstone of our corporate social responsibility. Our people are at the heart of our success, and we are dedicated to respecting their dignity, individuality, privacy, and personal interests. We strive to create a positive, inclusive, and supportive work environment that fosters happiness, a sense of belonging, and overall well-being.

We prioritize employee welfare, health, and work-life balance, building relationships with our employees that reflect trust, care, and family-like support through the following measures:

- *Family-Friendly Initiatives.* To support our female employees, we have established dedicated children's areas in the workplace, offering professional childcare services. This allows employees to bring their children to work with peace of mind, ensuring a balance between career and family responsibilities.

- *Health and Fitness Programs.* We have developed on-site fitness zones and established various sports clubs to encourage employees to maintain active, healthy lifestyles, promoting both physical well-being and personal happiness.

- *Support for Families.* In unfortunate cases where employees pass away due to illness, we provide compassionate financial assistance to their children. This support includes covering living expenses and tuition fees until they complete their university education.

We embrace the philosophy of the "Circle of Love," a culture of care that flows from the company to managers, from managers to employees, and from employees to customers. This ensures that every customer dining in our restaurants feels the warmth and care embedded in our corporate culture.

We also champion inclusion, equality, and diversity, welcoming employees of all ages, genders, abilities, and citizenship statuses. As of September 30, 2024, over 66% of our employees are female. We recognize that diversity, including gender diversity, is essential for fostering innovation, resilience, and success in today's dynamic business environment.

Professional Development

We encourage everyone within our organization to pursue professional development opportunities. In furtherance of this goal, we have been offering training and career development programs to our employees to support their growth and upward mobility. We encourage our young employees to take on leadership roles. We provide a large variety of professional development training. We conduct employee assessments at the end of each year to provide feedback and guidance, and, depending on their performance and responsibilities, provide promotion and training opportunities.

Charity

We are deeply committed to philanthropy and have actively supported charitable causes since our inception, reflecting our corporate social responsibility and dedication to promoting stable employment and community empowerment. Over the years, we have launched numerous impactful initiatives and programs to give back to society.

During the COVID-19 pandemic, we provided free meals and essential supplies to support affected communities and frontline workers. In 2021, we contributed to disaster relief efforts during the Henan floods. Through our *Warm Meal (溫暖一餐)* initiative, we continue to provide free meals to those in need. Additionally, we have established a dedicated volunteer service team to encourage employees to actively participate in public welfare activities, such as blood donation and other community services.

Animal Welfare

To ensure optimal farming conditions and uphold animal welfare, we have developed standardized chicken houses equipped with advanced technologies and environmental control systems. These systems maintain stable, regulated living conditions by providing appropriate space, air quality, lighting, and temperature, creating a healthy and comfortable environment for the hens. For details, please see "— Our Integrated Supply Chain — Chicken farming" and "— Our Technologies — Supply chain technologies."

Business Integrity

We are committed to shaping our corporate governance and culture to a high standard. We believe good governance and a healthy culture are essential to our employees' well-being as well as our business development. To this end, we have put in place a series of internal regulations to set forth guidelines for compliance with laws and regulations and promote honest and ethical conduct, including our code of business conduct and ethics, and internal control manual.

We have also implemented an anti-bribery and corruption policy that requires our employees to conduct business legally and ethically. Our anti-bribery and corruption policy prohibits our employees from offering unauthorized payments, such as bribes, kickbacks, or benefits to any third party, including government officers, customers, or suppliers, in order to secure or reward an improper benefit. They are also not allowed to accept or solicit any such unauthorized payment. Our anti-bribery and corruption policy also prohibits other misconduct, such as misappropriation and embezzlement, fraud or other illegal activities. Any violation of the policies could result in dismissal and financial fines. We have also established a whistle-blower program, wherein we encourage our employees, franchisees and other third parties to report instances of bribery directly to us.

RISK MANAGEMENT AND INTERNAL CONTROL

We have developed and implemented risk management policies and internal control measures in relation to our business operations, financial reporting, and general compliance. To monitor the ongoing implementation of our risk management policies and corporate governance measures after the [**REDACTED**], we have adopted and will adopt, among other things, the following risk management measures:

- We will design a comprehensive set of policies to identify, analyze, manage, and monitor various risks, and periodically assess and update our risk management policies;

- Our Board is responsible for overseeing the overall risk management and internal control. Our Audit Committee is authorized to review and evaluate our financial control, risk management, and internal control system. See "Directors and Senior Management — Management and Corporate Governance — Board Committees — Audit Committee" for the composition of the Audit Committee and the qualifications and experience of them;

- We will 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

- We will continue to organize training sessions for our Directors and senior management with respect to the relevant requirements of the Listing Rules and duties of directors of companies listed in Hong Kong.

Cash Management

We accept cash, WeChat Pay, Alipay, and other online payment methods at our restaurants. As online payments become increasingly common in China, risks related to cash management have been and are expected to be maintained at a minimal level. The percentage of cash payments in terms of total payments from our consumers declined over the Track Record Period. In the nine months ended September 30, 2024, cash payments account for 2.1% of our total revenue.

To avoid misappropriation and embezzlement of cash, we have adopted a series of internal policies and measures in relation to cash management and delivery in each of our restaurants. Restaurant managers are responsible for ensuring that cash received during the day matches the sales records and is timely saved to bank accounts. In addition, we have instaled cameras in cashier areas to monitor and prevent misconduct, and our finance team monitors the accuracy of sales records through the POS system and cash balances in our bank accounts in a timely manner.

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

Third-party Payment Arrangements

Background and Reasons

During the Track Record Period, we accepted payments made on behalf of certain customers (the "**Relevant Customer(s)**") through the accounts of third-party payors designated by the Relevant Customers (the "**Third-party Payment Arrangement(s)**").

Third-party Payment Arrangements — Scenario I

To the best of our knowledge, the third-party payors designated by the Relevant Customers primarily include the Relevant Customers' actual controllers, actual controllers' family members, their employees, and related entities. In 2022, 2023 and the nine months ended September 30, 2024, six, four and four customers settled transactions with us under this scenario. The aggregate amount of revenue generated under this scenario was RMB2.8 million, RMB0.7 million and RMB4.1 million in 2022, 2023 and the nine months ended September 30, 2024, respectively, representing approximately 0.1%, 0.01% and 0.1% of our revenue for the respective periods.

To the best of our knowledge, none of the third-party payors designated by the Relevant Customers is our connected person, and all designated third-party payors are independent from each of our Directors, senior management, and Controlling Shareholders.

Third-party Payment Arrangements — Scenario II

During the Track Record Period, in rare cases, our employees settled payments via their personal accounts upon requests of Relevant Customers, and such employees also constitute the third-party payors of the Relevant Customers.

In 2022, 2023 and the nine months ended September 30, 2024, the aggregate amount of revenue generated under this scenario was RMB1.9 million, RMB0.9 million and RMB0.01 million, respectively, representing approximately 0.04%, 0.02% and 0.0003% of our revenue for the respective periods.

To the best of our knowledge, the use of the Third-party Payment Arrangements primarily stems from the following reasons:

- Industry norm. According to CIC, it is a common commercial practice in China for customers to settle payments through third-party payors for various personal reasons.

- Customers' internal arrangements. Certain Relevant Customers are corporate groups with numerous related entities. These customers typically designate their parent company, a subsidiary, or a branch to handle payment arrangements with us due to internal operational or financial management practices, or for convenience. The third-party payors are generally related entities under common ownership and/or management with the Relevant Customers.

- Payment convenience. Certain Relevant Customers are small- and medium-sized enterprises, and, as confirmed by CIC, it is common for them to settle payments through personal bank accounts of their respective actual controllers, actual controllers' family members, and/or their employees for convenience.

- Requests during ordinary course of business. (i) For dine-in customers, payments are occasionally made directly to our employees via cash, Weixin, or Alipay for convenience, and (ii) for group dining customers placing advance orders by phone, payments are sometimes requested to be settled through our employees' Weixin or Alipay accounts, which are perceived as more convenient methods.

Implication and Termination of the Third-party Payment Arrangements

During the Track Record Period, our Directors confirm that (i) we had not proactively initiated any Third-party Payment Arrangements or participated in any of such arrangement in other forms, (ii) we had not provided any discount, commission, rebate, or other benefit to any of the Relevant Customers to facilitate or incentivize the Third-party Payment Arrangements, (iii) the pricing and payment terms of the agreements we entered into with the Relevant Customers were generally in line with customers not involved in the Third-party Payment Arrangements under similar scenarios, and (iv) the Third-party Payment Arrangements have been recorded completely and accurately in our accounting books and records in all material respects.

We have undertaken the following measures to manage Third-party Payment Arrangements:

- Prevention of fraud or money laundering. To prevent fraud or money laundering activities, we have implemented several know-your-customer procedures to have a comprehensive understanding of our customers. In addition, we conduct regular business meetings with corporate customers to understand the nature of their operations and business models. We also maintain active communication with our customers through both online and offline channels. Based on the above, we have no basis to believe that the Relevant Customers are involved in fraudulent or money laundering activities, nor any reason to suspect that the Third-Party Payment Arrangements involve proceeds or gains from such activities.

- Genuine underlying transactions. To ensure the Third-party Payment Arrangements are supported by genuine transactions, for payments received from the designated third-party payors, the Relevant Customers are required to submit the payor's account and payment information to us after completion of the order and payment. The financial staff of us were allowed to record the fund flows only when the information submitted by Relevant Customers is consistent with the order.

As of the Latest Practicable Date, to the best of our knowledge, (i) all settlements with us were supported by genuine transactions, (ii) the settlement amounts were consistent with the amounts incurred under the relevant transactions, (iii) we are not aware of any commercial bribery, money laundering, tax evasion, or existing or potential disputes existed under the Third-party Payment Arrangements, (iv) Relevant Customers have not claimed any interests as to any transaction payment to or from us through the Third-party Payment Arrangement, and (v) we have not been subject to any administrative notice, investigation or penalty related to the Third-party Payment Arrangements.

As advised by our PRC Legal Advisor, in light of the above, the Third-party Payment Arrangements are not in breach of mandatory requirements of current applicable laws and regulations in China.

As of the Latest Practicable Date, we had terminated Third-party Payment Arrangements. We believe that this termination has not had, and will not have, a material adverse effect on our business, given that revenue generated from the Third-party Payment Arrangements represented an insignificant percentage of our total revenue during the Track Record Period. Regarding the risks relating to the Third-party Payment Arrangement, see "Risk Factors — Risks Relating to Our Business and Industry — We face risks in connection with Third-party Payment Arrangements."

Enhanced Internal Control and Remedial Measures

We have adopted internal control measures to mitigate risks relating to, and prevent future occurrences of, the Third-party Payment Arrangement, including:

- Our employees are required not to accept any Third-Party Payment Arrangements, and to understand and implement our policies and measures related to the termination of Third-Party Payment Arrangements, alongside regular training sessions on fraud prevention and anti-money laundering practices;

- Our employees are required to inform all customers that Third-Party Payment Arrangements are not accepted;

- When contracts are signed, our employees are required to collect the customers' bank account information, including the account name, and ensure that all payment transactions are made using the account of the contracting party;

- Our employees are required to verify whether the payment details match the contracting party's information. In cases of discrepancy, the payment will be rejected and/or returned, and the customers will be notified to make the payment again using the correct account; and

- Our finance department is required to conduct monthly reviews of internal operations to identify any potential Third-Party Payment Arrangements. This includes sample checking of contracts to verify whether the payer matches the contracting party, among other measures.

Based on the follow-up review on the implementation of measures, our Directors are of the view that the above measures are effective and adequate in preventing Third-party Payment Arrangements and its associated risks, and our Directors will oversee the effectiveness of the aforementioned enhanced internal controls on the Third-party Payment Arrangements in the future.

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 up to the Latest Practicable Date, we had not been and were not a party to any legal, arbitral or administrative proceedings, and we were not aware of any pending or threatened legal, arbitral or administrative proceedings against us or our Directors that could, individually or in the aggregate, have a material adverse effect on our business, financial condition and results of operations.

COMPLIANCE, LICENSES AND PERMITS

As of the Latest Practicable Date, as advised by our PRC Legal Advisor, we had obtained all the requisite licenses, approvals, permits and certificates from relevant governmental authorities that are material to our business operations in China, and such licenses, approvals, permits and certificates remained in full effect save as disclosed in "— Fire Safety" below. We are required to renew such certificates, permits and licenses from time-to-time. We do not expect any material difficulties in such renewals.

Fire Safety

Background and Reasons

As of the Latest Practicable Date, 43 of our self-operated restaurants in operation had not obtained the required fire safety inspection approvals (the "**Fire Safety Approvals**"). In 2022, 2023, and the nine months ended September 30, 2024, revenue contribution from these restaurants not completing the Fire Safety Approvals was RMB115.2 million, RMB162.0 million and RMB157.0 million, representing 2.5%, 2.9% and 3.4% of our total revenue in the same periods, respectively.

Failure to obtain Fire Safety Approvals is mainly attributable to the following reasons:

- For 17 of these restaurants, despite of our best efforts seeking to be fully compliant, the owners of the entire property, where relevant restaurants were located, did not complete the required fire safety procedures. According to the PRC Legal Advisor, if the owners of the entire property where our restaurants were located did not complete the required fire safety procedures, the relevant local authority will not issue the Fire Safety Approvals to us on a standalone basis.

- For 26 of these restaurants, due to the varied requirements and practices on the relevant fire safety procedures adopted by the local governmental authorities of different cities in China where relevant restaurants are located, which resulted in misunderstanding of the applicable local requirements and practices by certain of our employees at the local relevant restaurants who were previously in charge of completing the relevant fire safety procedures. In this regard, we have enhanced employee's understanding of the relevant PRC laws and regulations, and we have strengthened our internal control policies with respect to fire safety inspections to avoid the recurrence of such non-compliance incidents in the future. As of the Latest Practicable Date, for 23 of such restaurants, we had submitted or were in the process of completing the applications for the required Fire Safety Approvals, but had not obtained the relevant approvals despite of exercising reasonable best efforts.

Potential Legal Consequences

For restaurants that have not obtained Fire Safety Approvals, our PRC Legal Advisor has advised that we may be subject to (i) potential closure of such restaurants, and (ii) a potential aggregate fine of up to RMB3.0 million, representing the maximum penalty under applicable PRC laws and regulations.

Although the potential fines range from RMB30,000 to RMB300,000 per restaurant, specific regulations vary by region for locations with different GFAs. For instance, in Anhui Province, the maximum fine for locations under 2,000 square meters is RMB45,000. In Guangdong Province, the maximum fine for locations under 500 square meters is RMB45,000. Most of our restaurants without Fire Safety Approvals fall below 500 square meters. For further details, see "Regulatory Overview — Regulations on Fire Prevention."

During the Track Record Period and up to the Latest Practicable Date, as confirmed by our PRC Legal Advisor, the relevant authorities had not imposed material administrative penalties on us. Our PRC Legal Advisor has advised us that (i) if we submit all the requisite documents acceptable to the relevant authorities, and pass the on-site inspection in accordance with the relevant PRC laws, regulations, government policies and the specific requirements of the relevant governmental authorities, there will not be any material legal impediment in completing the Fire Safety Approvals, (ii) upon completing the Fire Safety Approvals, in relation to the prior operating activities we had conducted, the risk that we would be subject to administrative penalties by the relevant fire safety authorities is remote, and (iii) it is unlikely that we would be required to close a significant number of such restaurants by competent authorities at the same time, considering that these restaurants are geographically dispersed and under the jurisdiction of different authorities.

Internal Control and Remedial Measures

We have implemented a robust set of internal control measures in relation to fire safety, and continued to strengthen our internal control system which mainly includes the following aspects:

- *Training.* We conduct extensive trainings for our staff, including periodic trainings on general fire safety awareness and knowledge, and trainings on proper use of fire safety equipment and emergency evacuation plans. We also conduct fire drills at our premises to familiarize our staff with our evacuation plans.

- *Designated Personnel.* We have designated personnel at each of our restaurants responsible for the fire safety. We have also designated personnel at our headquarters responsible for conducting monthly review of fire safety measures at our restaurants.

- *Fire Safety Policies.* We implement detailed fire safety measures and procedures with respect to our restaurants, including frequent inspection of the stoves and electric appliances in our kitchens, the gas valves, pipes and electrical systems, and the fire safety equipment that we equip on our premises. We have also formulated evacuation plans, fire protection and rescue plans in the event of fire emergency, and have also instaled signs for fire evacuation.

- *Equipment.* We equip our restaurants with the necessary fire safety equipment as required by the applicable PRC laws and regulations, including fire extinguishers, smoke detectors and automatic water spray, and we regularly assess the need to upgrade our equipment and facilities to achieve better ventilation, humidity, fire, and heat protection.

- *Design and Decoration.* We apply fire resistant construction and decoration materials when decorating new restaurants, installing proper evacuation route indication signs and where applicable, proper emergency exits.

- *Management of Licenses and Certificates.* We have established comprehensive license and certificate management policies to oversee the application, maintenance and renewal processes for required approvals, including fire safety inspection approvals and fire safety filings. Looking ahead, we will incorporate the fire safety approval status of potential premises as a key consideration when selecting locations for new restaurants and the required fire safety approvals as soon as practicable.

- *On-going Compliance Consultation.* We consult our legal advisors as to latest fire safety related rules and regulations to make sure we are in compliance with these rules and regulations from time to time.

After taking into account the above rectification and enhanced internal control measures as well as advice we have obtained from our PRC Legal Advisor, our Directors believe that the above-mentioned occurrences of the restaurants not completing the Fire Safety Approvals would not have a material adverse effect on our business and results of operations, considering that: (i) we did not receive any material fines or penalties with respect to the restaurants not completing the Fire Safety Approvals during the Track Record Period and up to the Latest Practicable Date; (ii) the maximum potential penalty of RMB3.0 million only accounted for less than 0.08% of our revenue in the nine months ended September 30, 2024; (iii) it is unlikely that we would be required to close or relocate a significant number of such restaurants by competent authorities at the same time, considering that these restaurants are geographically dispersed and under the jurisdiction of different authorities; (iv) we maintain a pool of restaurant site candidates, and believe we would be able to relocate to a different site relatively easily should we be required to do so by relevant competent authorities; (v) we have been proactively rectifying such incidents and are actively in the process of completing the Fire Safety Approvals; and (vi) the internal control consultant recommended enhancing the enforcement of internal control on obtaining the Fire Safety Approvals prior to the opening of self-operated restaurants, and we have enhanced our internal control measures and procedures.

For more details of the relevant risks, see "Risk Factors — Risks Relating to Our Business and Industry — 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."

The following discussion and analysis should be read in conjunction with our consolidated financial statements included in the Accountants' Report in Appendix I, together with the accompanying notes. Our consolidated financial statements have been prepared in accordance with IFRS.

The following discussion and analysis contain forward-looking statements that involve risks and uncertainties. These statements are based on assumptions and analysis that we make in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, our actual results may differ significantly from those projected in the forward-looking statements. Factors that might cause future results to differ significantly from those projected in the forward-looking statements include, but are not limited to, those discussed in "Risk Factors" and "Forward-Looking Statements" and elsewhere in this document.

OVERVIEW

We are the largest Chinese-style QSR brand in China. According to CIC, we ranked first in the Chinese-style QSR industry in China by GMV in 2023. Through our commitment to delivering delicious home-style Chinese cuisine of high-quality with convenient, friendly services, we have become a household restaurant brand well known by customers nationwide. With over two decades of refinement and innovation, our menu features a range of customer favorites, anchored by our signature chicken soups and chicken dishes.

Beginning with self-operated restaurants, we dedicated ourselves to perfecting every aspect of our operations, focusing on supply chain management, restaurant operation, dish development and customer engagement. As a result, we have accumulated valuable insights into a standardized operation that exemplifies efficiency. Building on such insights, we started to explore the franchise model in 2020, gradually developing and refining our franchise model. We have developed a "self-operated + franchised" restaurant network that strikes a balance between quality and scalability. With our footprint continuing to expand, we had 1,404 restaurants, including 949 self-operated restaurants and 455 franchised restaurants across 53 cities in nine provinces in China as of September 30, 2024.

We achieved steady growth during the Track Record Period. Our revenue increased by 24.8% from RMB4,527.9 million in 2022 to RMB5,650.6 million in 2023, and further by 11.9% from RMB4,181.9 million in the nine months ended September 30, 2023 to RMB4,678.1 million in the nine months ended September 30, 2024. In addition, our profit for the year/period increased by 49.0% from RMB252.0 million in 2022 to RMB375.4 million in 2023, and further by 3.3% from RMB355.4 million in the nine months ended September 30, 2023 to RMB367.1 million in the nine months ended September 30, 2024.

BASIS OF PRESENTATION

Pursuant to the Reorganization, our Company became the holding company of the companies now comprising our Group on July 31, 2024. For further details, see "History, Reorganization and Corporate Structure — Reorganization." As the Reorganization only involved the addition of the holding company on top of the existing group and did not result in any change of business substance, our historical financial information during the Track Record Period has been presented as a continuation of the existing group as if the Reorganization had been completed at the beginning of the Track Record Period.

The consolidated statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows of our Group for the Track Record Period include the results and cash flows of all companies now comprising our Group as if the current group structure had been in existence throughout the Track Record Period. The consolidated statements of financial position of our Group as of December 31, 2022, 2023 and September 30, 2024 include the consolidated assets and liabilities of all companies now comprising our Group as if the current group structure had been in existence as of the respective dates. No adjustments are made to reflect fair values or recognize any new assets or liabilities as a result of the Reorganization. All intra-group transactions and balances have been eliminated on consolidation.

The historical financial information has been prepared in accordance with International Financial Reporting Standards ("**IFRS**"), which comprise all standards and interpretations approved by the International Accounting Standards Board. All IFRS effective for the accounting period commencing from January 1, 2024, together with the relevant transitional provisions, have been early adopted by our Group in the preparation of the historical financial information throughout the Track Record Period. The historical financial information has been prepared under the historical cost convention, except for investment properties, biological assets, debt investments at fair value through other comprehensive income, equity investments at fair value through other comprehensive income and financial assets at fair value through profit or loss which have been measured at fair value.

The preparation of the historical financial information in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the management to make judgments, estimates and assumptions in the process of applying our Group's accounting policies. Judgments made by the management in the application of IFRS that have significant effect on the historical financial information and major sources of estimation uncertainty are discussed in Note 3 to the Accountants' Report in Appendix I to this document.

MAJOR FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Consumer demand for Chinese-style QSR dining in China

Our results of operations are affected by the shifting consumption behaviors and increasing demands of consumers for Chinese-style QSR dining in China:

- ***Increased consumer demands for Chinese-style QSR dining***: In recent years, factors such as smaller household sizes, the increase in urban population, less time for home-cooking, and the convenience of delivery services, are driving shifts in China's food consumption habits and the increase in consumers' willingness to dine out and order food delivery. Meanwhile, Chinese-style QSR dining has become more routine and popular, with covered consumer scenarios expanding from quick meal option at transportation hubs to workplace meals and daily dining for communities and families, and the consumer base broadening to include family consumers across all age groups and city tiers, fulfilling the increasingly diverse dining demands of consumers.

- ***Market potential of the Chinese-style QSR market in China***: Our future growth depends on the overall growth of the Chinese-style QSR market in China. According to the CIC, Chinese-style QSR market is the dominant segment within China's QSR industry. According to the CIC, Chinese-style QSR market strongly rebounded in 2023, with the market size increasing from RMB618.4 billion in 2022 to RMB753.2 billion in 2023, up 22.1% compared to 2019. The size of Chinese-style QSR market is expected to reach RMB1,245.9 billion by 2028, with a CAGR of 10.6% from 2023 to 2028.

Expansion and Management of Restaurant Network

During the Track Record Period, we derived revenue from (i) self-operated restaurant operations, (ii) sales of goods and (iii) franchise management services. As of December 31, 2022, 2023 and September 30, 2024, the number of our restaurants amounted to 1,125, 1,199 and 1,404, encompassing 53 cities in nine provinces across China. For further details, see "Business — Our Restaurants — Restaurant Network." With the continued expansion of our restaurant network, our revenue growth and operational efficiency largely depend on the number of our self-operated and franchised restaurants in operation and their performance, the scale of our restaurant network and our effective management:

- ***Self-operated restaurants***: As of December 31, 2022, 2023 and September 30, 2024, the number of our self-operated restaurants was 1,007, 973 and 949, respectively. This trend reflects our strategic adjustments to optimize restaurant network by converting self-operated restaurants to franchised restaurants, closing underperforming restaurants, and opening new restaurants in promising markets. By concentrating our resources in high-potential areas, we enhanced overall brand visibility, improved customer accessibility and increased the operation efficiency of our existing self-operated restaurants, which in turn contributed to our sustained same-store sales growth during the Track Record Period.

- ***Franchised restaurants***: As of December 31, 2022, 2023 and September 30, 2024, the number of our franchised restaurants was 118, 226, and 455, respectively. In 2022, 2023, and the nine months ended September 30, 2023 and 2024, revenue generated from our franchised restaurants (including revenue generated from sales of goods to our franchised restaurants and from franchise management services) amounted to RMB174.0 million, RMB274.4 million, RMB180.3 million and RMB444.6 million, respectively. We attributed this performance to our effective and standardized operational model, which has empowered franchisees to consistently deliver reliable dining experiences and in turn enabled us to ramp up our market presence significantly. As we further expand our franchise network, we recognize the need for enhanced franchise support, operational oversight, and consistent brand standards to sustain revenue growth and profitability.

Same Store Sales

We use same store sales as a key metric to assess the period-to-period operational performance of our restaurants as it excludes the increases in revenue growth contributed by new restaurants by comparing the operational and financial performance of existing restaurants. The table below sets out the same store sales of our restaurants for the periods indicated. For further details, see "Business — Our Restaurant Performance — Same Store Sales."

	Year ended December 31,		Nine months ended September 30,	
	2022	2023	2023	2024
Number of same stores(1)				
Self-operated restaurants	761		751	
Franchised restaurants	79		113	
Total number	**840**		**864**	
Same store sales (RMB in millions)(2)				
Self-operated restaurants	3,634	4,211	3,237	3,321
Franchised restaurants	307	362	379	405
Total	**3,941**	**4,573**	**3,616**	**3,726**
Average same store sales per restaurant (RMB in thousands)(3)				
Self-operated restaurants	4,774.9	5,533.6	4,310.4	4,422.1
Franchised restaurants	3,886.8	4,582.8	3,352.0	3,580.8
Total	**4,691.3**	**5,444.2**	**4,185.1**	**4,312.1**
Same store sales growth (%)				
Self-operated restaurants	15.9%		2.6%	
Franchised restaurants	17.9%		6.8%	
Overall growth	**16.1%**		**3.0%**	

Notes:

(1) Same stores refer to restaurants that opened for at least 300 days in both 2022 and 2023, and at least 225 days in the nine months ended September 30, 2023 and 2024.

(2) Same store sales refer to the sales of all the restaurants that qualified as same stores during that period.

(3) Average same store sales per restaurant is calculated by dividing the aggregate same store sales generated from our restaurants, by the respective number of same stores for the period.

From 2022 to 2023, our average same store sales per restaurant increased by 16.1% from RMB4,691.3 thousand in 2022 to RMB5,444.2 thousand in 2023, with a 15.9% increase in average same store sales per self-operated restaurant from RMB4,774.9 thousand to RMB5,533.6 thousand and a 17.9% increase in average same store sales per franchised restaurant from RMB3,886.8 thousand to RMB4,582.8 thousand. From the nine months ended September 30, 2023 to the nine months ended September 30, 2024, our average same store sales per restaurant further increased by 3.0% from RMB4,185.1 thousand to RMB4,312.1 thousand, with a 2.6% increase in average same store sales per self-operated restaurant from RMB4,310.4 thousand to RMB4,422.1 thousand and a 6.8% increase in average same store sales per franchised restaurant from RMB3,352.0 thousand to RMB3,580.8 thousand.

Same store sales are determined by the performance of our restaurant operations, and in particular, the dine-in performance of our restaurants and the performance of our delivery services:

- ***Dine-in Performance***: Our dine-in performance has been primarily driven by the consistency of our customer traffic. Optimizing operational efficiency, enhancing customer engagement, and providing value-driven pricing have been essential to maintaining our market appeal, meeting consumer demand, and sustaining customer traffic and long-term growth. During the Track Record Period, we achieved consistent customer traffic through (i) the implementation of digital initiatives, such as the employment of image recognition technology for dish identification and swift payment processing, (ii) leveraging targeted promotional activities and frequent menu offering updates to sustain steady customer engagement, and (iii) offering effective membership programs with exclusive benefits, which drove repeat visits and improved customer repurchase rates;

- ***Delivery Services***: We provide delivery services primarily through working with third-party e-commerce platforms for our nationwide network. For further details, see "Business — Our Restaurants — Our Delivery Services." The ability to effectively meet consumer demand for convenience, respond to market trends, and drive incremental revenue through delivery is integral to strengthening our brand visibility, expanding our customer base, and ultimately supporting sustained growth and market presence. During the Track Record Period, we achieved notable success in delivery services, with total orders from delivery services of our self-operated restaurants increasing significantly from 54.7 million in 2022 to 75.1 million in

2023, and from 54.9 million in the nine months ended September 30, 2023, to 61.6 million in the nine months ended September 30, 2024. This growth was primarily driven by our (i) strategic menu diversification, including delivery-only menu options tailored for one-person consumption, and (ii) the optimization of delivery operations achieved through close collaboration with third-party e-commerce platforms, which enabled consistent service quality and standards while ensuring faster and more efficient service for customers.

Since we continue to rapidly expand our business, our sustainable profitability will largely depend on our ability to effectively managing and optimizing our expanding restaurant operations and delivery services. Maintaining high standards in dine-in experience is essential to consumer satisfaction and fostering repeat visits, thereby driving restaurant sales growth. The combined efficiency of our dine-in and delivery services will be pivotal in driving our same store sales, and in turn, our financial performance.

Control of Our Cost of Sales and Operating Expenses

Raw Materials and Consumables

Raw material prices, especially food ingredient prices, have a direct impact on our cost of raw materials and consumables, which in turn affects our profitability. We purchase raw materials and consumables in the ordinary course of our operations, including key food ingredients such as meat, rice and vegetables as well as non-food materials such as packaging materials for our delivery services. We have implemented a dedicated centralized procurement policy to control our purchase cost. Despite the initiatives we have taken, the price and supply of raw materials, especially food ingredients, are subject to a number of factors that are beyond our control, including but not limited to availability, change in market demand and inflation. For further details, see "Business — Procurement and Supplier Management — Price Management and Price Sensitivity Analysis."

In 2022, 2023, and the nine months ended September 30, 2023 and 2024, our cost of sales related to raw materials and consumables amounted to RMB1,676.6 million, RMB2,131.4 million, RMB1,554.7 million and RMB1,863.2 million, respectively, representing 37.0%, 37.7%, 37.2% and 39.8% of our revenue in the same periods, respectively. The increase in our cost of sales related to raw materials and consumables during the Track Record Period was in line with our robust growth of restaurant sales and business expansion. Our cost of sales related to raw materials and consumables as a percentage of our revenue remained relatively stable at 37.0% and 37.7% in 2022 and 2023. Our cost of sales related to raw materials and consumables as a percentage of our revenue increased from 37.2% in the nine months ended September 30, 2023 to 39.8% in the nine months ended September 30, 2024, primarily driven by a structural shift in our cost of sales in the same periods, as our expanding franchised restaurant network contributed a larger share of revenue.

The cost of raw materials and consumables is highly correlated with the sustainable growth of our business. We expect the cost of raw materials and consumables to increase in absolute amount as we further expand our restaurant network nationwide and in its percentage to our revenue as franchised restaurants form a larger portion of our restaurant network. We will continue to closely monitor market price fluctuations and devote substantial efforts to effectively manage our cost of raw materials and consumables by (i) leveraging our economies of scale to strengthen our bargaining power over suppliers, (ii) enhancing our multi-channel procurement strategy to avoid over-reliance on certain suppliers, (iii) refining our inventory management approach to remain agile amid fluctuations in market prices and sales demand, (iv) expanding the production capacity of our central kitchens, and (v) utilizing our technology capabilities and digitalization to streamline our business operation and improve efficiency.

Staff Costs

Restaurant operations are highly service-oriented and therefore, our overall scale and profitability is closely tied to our staff cost, which primarily include salaries and other benefits payable to our restaurant staff as recognized under our cost of sales.

In 2022, 2023, and the nine months ended September 30, 2023 and 2024, our staff costs amounted to RMB1,050.6 million, RMB1,270.5 million, RMB944.8 million and RMB998.3 million, respectively. The increase in our staff costs during the Track Record Period was mainly attributable to (i) an increase in the number of our employees and (ii) an increase in the average salary level and improvement in our employee benefit schemes which was aligned with our business expansion. In 2022, 2023, and the nine months ended September 30, 2023 and 2024, our staff costs represented 23.2%, 22.5%, 22.6% and 21.4% of our total revenue in the same periods, respectively. The decrease in our staff costs as a percentage of our revenue from 2022 to 2023, and from the nine months ended September 30, 2023 to the nine months ended September 30, 2024, was in line with the decrease in the revenue generated from our self-operated restaurants as a percentage of our total revenue from 95.2% in 2022 to 94.2% in 2023, and from 95.1% in the nine months ended September 30, 2023 to 88.1% in the same periods in 2024.

We expect our staff costs to rise as we further expand our restaurant network which require additional staffing to support our daily operations. To mitigate this upward pressure, we plan to further optimize our operational efficiency through digitalization and standardized restaurant operation procedures, which enable us to streamline our workflows, reduce manual labor, and enhance productivity, ultimately allowing us to manage rising staff costs effectively while maintaining high service standards and operational excellence.

Platform Service Expenses

Platform service expenses represent fees paid to our collaborated third-party e-commerce platforms for the operation of our delivery services. Under our agreements with these third-party e-commerce platforms, the platforms are required to display our menus, manage online orders and coordinate the delivery logistics. Platform service expenses are measured at a fixed amount or at a prescribed rate of the sales proceeds from the online delivery orders, and are recognized under our selling and distribution expenses.

In 2022, 2023, and the nine months ended September 30, 2023 and 2024, our platform service expenses amounted to RMB286.1 million, RMB386.6 million, RMB280.1 million and RMB315.3 million, respectively, representing 6.3%, 6.8%, 6.7% and 6.7% of our revenue in the same periods, respectively. The increase in platform service expenses during the Track Record Period was primarily attributable to the expansion of our delivery services as evidenced by the growth in total orders from delivery services of self-operated restaurants from 54.7 million in 2022 to 75.1 million in 2023, and from 54.9 million in the nine months ended September 30, 2023 to 61.6 million in the nine months ended September 30, 2024. Our platform service expenses as a percentage of our revenue remained relatively stable during the Track Record Period.

We expect our platform service expenses to increase as we continue to expand our delivery services to capitalize on the growth potential and rising demand for food delivery. To manage these expenses and improve operating profitability, we intend to leverage our large restaurant network to secure favorable commercial terms with third-party e-commerce platforms.

Depreciation of Right-of-use Assets

We lease properties for a vast majority of our restaurant sites on which we operate our self-operated restaurants, certain office premises, as well as plants. During the Track Record Period, a substantial portion of the lease agreements for the restaurants in our network were under fixed lease arrangements with the remaining ones being under variable lease arrangements or mix arrangements of both. The lease arrangements for our restaurants generally last between two to six years. Depreciation charges for our leased properties for our self-operated restaurants are recorded under contract fulfillment cost of our cost of sales.

In 2022, 2023, and the nine months ended September 30, 2023 and 2024, our depreciation of right-of-use assets amounted to RMB385.1 million, RMB379.3 million, RMB274.5 million and RMB272.0 million, respectively, representing 8.5%, 6.7%, 6.6% and 5.8% as a percentage of our total revenue in the same periods, respectively. The decrease in the depreciation of right-of-use assets as a percentage of our total revenue during the Track Record Period was primarily due to (i) the steady growth of average daily sales per self-operated restaurant from RMB12,758.3 in 2022 to RMB15,389.5 in 2023 and from RMB15,286.9 in the nine months ended September 30, 2023 to RMB15,959.8 in the nine months ended September 30, 2024, and (ii) the increasing proportion of franchised restaurants within our restaurant network as a result of the expansion of our franchise business.

To manage the percentage of depreciation of right-of-use assets as our revenue, thereby optimizing our profitability, we plan to (i) continually optimize our operational efficiency and boost same-store sales through enhancements in our technology infrastructure and (ii) leverage our enhanced brand recognition and economies of scale to negotiate more favorable lease terms with local landlords.

NON-IFRS MEASURES

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

Adjusted Net Profit (non-IFRS measure)

We define adjusted net profit (non-IFRS measure) as net profit for the periods adjusted by adding (i) equity-settled share-based payment expenses and (ii) [**REDACTED**].

The following table sets out a reconciliation from net profit to adjusted net profit (non-IFRS measure) for the periods indicated:

	Year ended December 31,		**Nine months ended September 30,**	
	2022	**2023**	**2023**	**2024**
	(RMB in thousands)			
			(Unaudited)	
Reconciliation of net profit to adjusted net profit (non-IFRS measure)				
Net profit	252,040	375,412	355,350	367,107
Add:				
Equity-settled share-based payment[1]	15,512	13,247	11,020	12,158
[**REDACTED**]	–	14,535	7,959	5,906
– [**REDACTED**] related to the [**REDACTED**]	–	6,576	–	5,906
– [**REDACTED**] related to previous A-share listing attempt	–	7,959	7,959	–
Adjusted net profit (non-IFRS measure)	**267,552**	**403,194**	**374,329**	**385,171**

Note:

(1) Non-cash expenses arising from shares granted to qualified directors and employees under our Group's share-based incentive scheme. For further details, see Note 35 to the Accountant's Report in Appendix I to this document.

EBITDA (non-IFRS measure) and Adjusted EBITDA (non-IFRS measure)

We define EBITDA (non-IFRS measure) as net profit for the periods adjusted by adding back (i) income tax expense, (ii) finance costs, and (iii) depreciation and amortization, and excluding interest income. We then add back (i) equity-settled share-based payment expenses and (ii) [**REDACTED**] to derive adjusted EBITDA (non-IFRS measure).

The following table sets out a reconciliation from net profit to EBITDA (non-IFRS measure) and adjusted EBITDA (non-IFRS measure) for the periods indicated:

	Year ended December 31,		Nine months ended September 30,	
	2022	2023	2023	2024
	(RMB in thousands)			
			(Unaudited)	
Reconciliation of net profit to EBITDA (non-IFRS measure) and adjusted EBITDA (non-IFRS measure)				
Net profit	**252,040**	**375,412**	**355,350**	**367,107**
Add:				
Income tax expense	64,218	37,539	46,765	45,276
Finance costs	33,740	32,888	25,138	29,500
Depreciation and Amortization(1)	18,679	29,279	20,672	21,580
Less:				
Interest income	(11,881)	(20,216)	(14,886)	(12,358)
EBITDA (non-IFRS measure)	**356,796**	**454,902**	**433,039**	**451,105**
Add:				
Equity-settled share-based payment expenses	15,512	13,247	11,020	12,158
[**REDACTED**]	–	14,535	7,959	5,906
– [**REDACTED**] related to the [**REDACTED**]	–	6,576	–	5,906
– [**REDACTED**] related to previous A-share listing attempt	–	7,959	7,959	–
Adjusted EBITDA (non-IFRS measure)	**372,308**	**482,684**	**452,018**	**469,169**

Note:

(1) The amount of depreciation of property, plant and equipment represents the depreciation of buildings, leasehold land, leasehold improvements, machinery and transportation equipment, kitchen equipment, electrical equipment and office equipment recognized under our administrative expenses.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

We have identified certain accounting policies that are material to the preparation of our consolidated financial statements. Some of our accounting policies require us to apply estimates and assumptions as well as complex judgments related 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 operational results. Our management evaluates such estimates, assumptions and judgments based on past experience and other factors, including industry practices and expectations of future events that are deemed to be reasonable under the circumstances. There has not been any material deviation from 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.

We set forth below those 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. For details of our material accounting policies, estimates, assumptions and judgments, which are important for understanding our financial condition and results of operations, see Notes 2.4 and 3 to the Accountants' Report in Appendix I to this document.

Revenue Recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognized when control of goods or services is transferred to the customers at an amount that reflects the consideration to which we expect to be entitled in exchange for those goods or services. When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which we will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognized will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, 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 between us and the customer at contract inception. When the contract contains a financing component which provides us with a significant financial benefit for more than one year, revenue recognized under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

(a) Self-operated restaurant operations

We generate revenue from self-operated restaurant operations, which is recognized at the point in time when control of services is transferred generally when the related services have been rendered to customers.

(b) Provision of franchise management service

We enter into franchise agreements with all franchisees. As the franchisor, we provide franchise management services under our franchise agreements with franchisees. A Franchise is a right to sell products in a particular area using our brand name and trademarks. Our franchise management services revenue mainly includes franchise fees, royalty fees and income from the provision of other services.

For income from franchise fees, each franchisee pays fixed franchise fees and revenue is recognized over the franchise period. Such fees are generally charged for support services provided to the franchisees, including training, certain advisory services like license application, marketing advisory services and operational support. As those services are highly interrelated with the franchise right, they are not individually distinct from the ongoing licensing arrangement provided to the franchisees. For income from royalty fees, the franchisee receives ongoing operational support services with respect to brand name and trademark use, restaurant operations, marketing and promotions, during the franchise period, which are highly interrelated with the franchise right, from our Group during the whole franchise period, and pays continuing support services fee, which is determined based on a pre-determined fixed percentage of monthly restaurant sales and we recognize revenue when the franchisee's restaurant sales occur. For income from the provision of other services, including fixed site selection service fee, is recognized at a point in time when the service is rendered.

(c) Sales of Goods

Revenue from sales of goods is recognized at the point in time when control of the asset is transferred to the customer, generally on delivery of the products.

Fair Value Measurement

We measure our (i) investment properties, (ii) biological assets and (iii) financial assets at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by us. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. We use valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the Historical Financial Information are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly.

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the financial statements on a recurring basis, we determine whether transfers have occurred between levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

During the Track Record Period, the fair value of our investment properties, biological assets and financial assets at fair value were determined based on significant unobservable inputs using valuation techniques. During the Track Record Period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

- As of December 31, 2022, 2023 and September 30, 2024, our investment properties amounted to nil, RMB23.2 million and RMB22.8 million, respectively, representing the fair value of our commercial properties;

- As of December 31, 2022, 2023 and September 30, 2024, our biological assets amounted to RMB53.5 million, RMB95.1 million and RMB96.2 million, respectively, representing the fair value of our broilers and laying hens;

- As of December 31, 2022, 2023 and September 30, 2024, our equity investments designated at fair value through other comprehensive income amounted to nil, nil and RMB10.0 million, respectively, representing our unlisted equity investments in Suzhou Pengman Technology Co., Ltd;

- As of December 31, 2022, 2023 and September 30, 2024, our debt investments at fair value through other comprehensive income amounted to RMB84.4 million, RMB55.7 million and RMB20.2 million, respectively, representing the fair value of our investment in negotiable certificates of deposit issued by banks in China; and

- As of December 31, 2022, 2023 and September 30, 2024, our financial assets at fair value through profit or loss amounted to nil, nil and RMB70.4 million, representing our investments in principal guaranteed structured deposits and wealth management products purchased from commercial banks in China.

With reference to the guidance under the "Guidance Note on Directors' Duties in the Context of Valuations in Corporate Transactions" issued by the SFC in May 2017 applicable to directors of companies listed on the Stock Exchange, our Directors have undertaken the following key actions, based on which our Directors are of the view that the valuation analysis is fair and reasonable, and our financial statements are properly prepared:

- In relation to the valuation of our investment properties and biological assets, our Directors have (i) engaged an external valuer to perform valuations for the investment properties and biological assets, (ii) considered the independence, reputation, capabilities and objectivity of the external valuer to ensure the suitability of such valuer, (iii) reviewed and discussed with our management and the external valuer the valuation models and approaches, and (iv) reviewed the valuation work papers and results prepared by the valuer. Valuation techniques are verified by the independent and recognized international business valuer before being implemented for valuation and are calibrated to ensure that outputs reflect market conditions;

- In relation to the valuation of equity investments, our Directors have (i) reviewed the terms of the relevant investments and (ii) reviewed the fair value measurement assessment of the relevant investments 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 investments, such as cost to investment and market approach method; and

- In relation to the valuation of financial assets, our Directors have: (i) reviewed the terms of the relevant financial assets; (ii) reviewed the fair value measurement assessment of the relevant financial assets 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 financial assets; and (iii) reviewed the fair value measurement of the financial assets taking into account of the valuation techniques and assumptions of unobservable inputs and determine if the level 2 and level 3 fair value measurement is in compliance with the applicable IFRS.

Biological Assets

Our biological assets include (i) broilers which are classified as consumptive biological assets and (ii) laying hens held for own use to produce eggs which are classified as productive biological assets. Productive biological assets are classified into immature productive biological assets and mature productive biological assets according to different stages. The two stages refer the breeding stage and the production stage, respectively. Breeding costs and other related costs (such as labor costs, depreciation and amortization expenses and utility cost) are capitalized at the breeding and the production stage until normal and stable egg production.

Biological assets are measured at fair value less costs of disposals. Gains or losses arising from initial recognition of biological assets at fair value less costs of disposal and from a change in fair value less costs of disposal of biological assets are included in profit or loss in the period in which it arises. Agricultural produce harvested from biological assets is measured at its fair value less costs to sell at the point of harvest. Such measurement is the cost at that date when applying IAS 2 Inventories. A gain or loss arising from agricultural produce at the point of harvest at fair value less costs to sell is included in profit or loss for the period in which it arises. For further details, see Notes 2.4 and 18 to the Accountants' Report in Appendix I to this document.

IMPACTS OF COVID-19

In 2022, our business and results of operations were affected by the COVID-19 pandemic. Notably, our restaurants experienced reduced customer traffic, temporary closures and reduced operating hours in 2022. We also experienced a slowdown in the expansion of our restaurant network in 2022 in light of the resurgence of COVID-19 outbreaks.

Despite the challenges posed by the COVID-19 pandemic, our business exhibited resilience and further expanded during the Track Record Period. We implemented a comprehensive set of measures to mitigate the adverse effects of the COVID-19 pandemic, including (i) consistently expanding our restaurant network by leveraging our strong execution capabilities and taking advantage of the standardization and digitalization of our management systems, (ii) elevating our service capabilities and diversifying our menu offerings, and (iii) staying nimble to the pandemic control measures to resume restaurant operations through the implementation of flexible working hours.

In particular, in the wake of the COVID-19 pandemic, there has been a noticeable shift in consumer behavior, particularly regarding dining preferences. According to the CIC, consumers are increasingly choosing the convenience of delivery services over traditional dine-in experiences. In response to this surge in demand for delivery, we have proactively expanded our delivery services. This involved designing, updating and diversifying our menu offerings tailored specifically for delivery scenarios, along with improvements to our service capabilities to meet the rising consumer demand for delivery services. Attributable to our commitment to service and quality, we witnessed a significant growth in delivery services. Our total orders from delivery services from self-operated restaurants increased from 54.7 million in 2022 to 75.1 million in 2023, and from 54.9 million in the nine months ended September 30, 2023 to 61.6 million in the nine months ended September 30, 2024. Such increases were primarily attributable to our dedication to designing, updating and diversifying menu items for delivery scenarios and the optimization of delivery operations through close collaboration with third-party e-commerce platforms.

PRINCIPAL COMPONENTS OF CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

Revenue

We generate revenues from (i) self-operated restaurant operations, (ii) sales of goods, including sales of goods to franchised restaurants and sales of goods to other customers, and (iii) franchise management services.

Cost of sales

Our cost of sales stems from (i) raw material and consumables, including externally sourced and self-processed goods, with self-processed goods including raw materials, labor and production costs, (ii) staff costs, including staff costs for our staff at self-operated restaurants and staff dedicated to provide franchise management services, and (iii) contract fulfillment costs, which mainly include depreciation of fixed assets, right-of-use assets and utilities of our self-operated restaurants.

Gross Profit and Gross Profit Margin

Our gross profit represents our revenue less our cost of sales, and our gross profit margin represents our gross profit divided by our revenue, expressed as a percentage.

Other Income and Gains, Net

Our net other income and gains primarily comprise (i) income from value-added tax ("**VAT**") super deduction, representing tax incentives on VAT that are related to the deduction of the VAT input tax for life service taxpayers granted by the governments (for further details, see Note 5(ii) to Accountants' Report in Appendix I to this document), (ii) interest income on bank deposits, (iii) government grants, representing subsidies received from governments for industry development, consumption incentives, and employment stabilization, (iv) rental income, (v) gains on early termination of leases as a result of our strategic adjustment of restaurant network, (vi) compensation and fines, and (vii) others.

Selling and Distribution Expenses

Our selling and distribution expenses primarily comprise (i) platform service expenses, representing fees paid to third-party e-commerce platforms, as stipulated in contractual agreements, through which we offer food delivery services to consumers, which are in line with the industry norm, (ii) advertising and promotion expenses related to our marketing, advertising and promotion activities, (iii) employee compensation for sales employees, and (iv) others, including telegram expenses, travel and office expense and other miscellaneous selling and distribution expenses.

Administrative Expenses

Our administrative expenses mainly comprise (i) employee compensation for our administrative and operational staff, (ii) transportation expenses incurred for warehousing and transportation among our distribution centers and restaurants, (iii) professional service fees for business consulting services and costs associated with IT and software service, (iv) depreciation and amortization expenses, (v) share-based payment to our administrative and operational staff, (vi) taxes and surcharges, (vii) research and development expenses, representing employee compensations for our R&D staff and costs associated with R&D of production, processing, and packaging, aligning with the digitalization of our entire supply chain, (viii) business development expenses, and (ix) other miscellaneous administrative expenses.

Changes in Fair Value of Biological Assets

Our biological assets represent broilers and laying hens. We measure biological assets on initial recognition and at the end of each reporting period at their fair value less costs to sell.

Changes in fair value of biological assets represent changes in the fair value of our broilers and laying hens less costs to sell of biological assets. For biological assets sold during the period, we recognize realized changes in fair value of biological assets less costs to sell at the time of sales. For biological assets that remain at the end of each reporting period, we recognize unrealized changes in fair value of biological assets stated at fair value at the end of each reporting period. Changes in fair value of biological assets represent the fair value changes of our broilers and laying hens arising from the changes of market price and volume.

During the Track Record Period, our biological assets were revalued at each of December 31, 2022 and 2023, and September 30, 2024 by an independent qualified valuer, Jones Lang LaSalle Corporate Appraisal and Advisory Limited ("**Jones Lang LaSalle**"). Our finance manager and the chief financial officer have discussion with the valuers on the valuation assumptions and valuation results when the valuation is performed at the end of each reporting date. In applying valuation methods, Jones Lang LaSalle has relied on a number of valuation parameters. The fair value of the biological assets could be affected if those valuation parameters vary. For further details, see Note 18 to the Accountant's Report in Appendix I to this document.

Reversal of/(provision for) impairment losses on financial assets, net

Our net provision for impairment losses on financial assets represent expected credit losses on our trade receivables and other receivables, rental deposits, receivables under finance leases and non-current assets. For details, see Note 2.4 to the Accountants' Report in Appendix I to this document.

Other Expenses

Our other expenses mainly comprise (i) losses on disposal of non-current assets, (ii) revaluation loss on property, plant and equipment, (iii) reparation and fines primarily incurred upon the termination of leasing arrangements when closing certain self-operated restaurants, as a consequence of our strategic initiative to adjust the restaurant network and (iv) donations for charitable causes.

Finance Costs

Our finance costs primarily comprise interest expense on lease liabilities as well as bank borrowings.

Income Tax Expense

Our income tax expense represented income tax payable by us at the applicable tax rates in accordance with the relevant laws and regulations in each tax jurisdiction in which we operate or are domiciled.

Our principal applicable taxes and tax rates are set forth as follows:

Cayman Islands

Our Company incorporated in Cayman Islands is exempted companies and is not subject to Cayman Islands taxation.

Hong Kong

No provision of Hong Kong profit tax was made in our historical financial statements as we had no assessable profit subject to Hong Kong profit tax during the Track Record Period.

PRC

Under the Law of the PRC on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, except for the preferential treatments available to certain subsidiaries as mentioned below, other subsidiaries within our Group operating in the PRC are subject to the EIT Law at the statutory rate of 25% during the Track Record Period.

The exemption of EIT for income from agriculture and husbandry business has been uniformly in force since January 1, 2008. Pursuant to the prevailing tax rules and regulations in the PRC, the income from various China subsidiaries of our Company engaging in primary processing for agricultural products, animal husbandry and poultry feeding, are reduced or exempted from EIT during the Track Record Period.

RESULTS OF OPERATIONS

The following table sets forth a summary of our consolidated statements of profit or loss and other comprehensive income for the periods indicated.

	Year ended December 31,				Nine months ended September 30,			
	2022		2023		2023		2024	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*	*RMB*	*%*
	(RMB in thousands, except percentages)							
					(Unaudited)			
Revenue	4,527,875	100.0	5,650,616	100.0	4,181,926	100.0	4,678,091	100.0
Cost of sales	(3,608,659)	(79.7)	(4,331,242)	(76.7)	(3,190,121)	(76.3)	(3,578,728)	(76.5)
Gross profit	**919,216**	**20.3**	**1,319,374**	**23.3**	**991,805**	**23.7**	**1,099,363**	**23.5**
Other income and gains, net	112,724	2.6	102,187	1.8	75,983	1.8	52,953	1.1
Selling and distribution expenses	(364,920)	(8.1)	(545,757)	(9.6)	(355,823)	(8.5)	(415,421)	(8.9)
Administrative expenses	(306,295)	(6.8)	(428,078)	(7.6)	(287,159)	(6.8)	(304,849)	(6.5)
Changes in fair value of biological assets	32,212	0.7	46,919	0.8	34,504	0.8	25,671	0.5
Reversal of/ (provision for) impairment losses on financial assets, net	(7,915)	(0.2)	(1,410)	(0.0)	1,207	0.0	2,531	0.1
Other expenses	(35,024)	(0.8)	(47,396)	(0.8)	(33,264)	(0.8)	(18,365)	(0.4)
Finance costs	(33,740)	(0.7)	(32,888)	(0.6)	(25,138)	(0.6)	(29,500)	(0.6)
Profit before tax	**316,258**	**7.0**	**412,951**	**7.3**	**402,115**	**9.6**	**412,383**	**8.8**
Income tax expense	(64,218)	(1.4)	(37,539)	(0.7)	(46,765)	(1.1)	(45,276)	(1.0)
Profit for the year/period	**252,040**	**5.6**	**375,412**	**6.6**	**355,350**	**8.5**	**367,107**	**7.8**
Attributable to:								
Owners of the parent	252,478	5.6	375,436	6.6	355,350	8.5	367,315	7.9
Non-controlling interests	(438)	(0.0)	(24)	(0.0)	–	–	(208)	(0.0)

Revenue

The following table sets forth a breakdown of our revenue by business line, in absolute amounts and as percentages of the total revenue, for the periods indicated.

	Year ended December 31,				Nine months ended September 30,			
	2022		2023		2023		2024	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*	*RMB*	*%*
	(RMB in thousands, except percentages)							
					(Unaudited)			
Self-operated restaurant operations	4,310,700	95.2	5,322,540	94.2	3,977,333	95.1	4,122,680	88.1
Sales of goods	189,703	4.2	289,333	5.1	177,930	4.3	499,615	10.7
Franchise management services	27,472	0.6	38,743	0.7	26,663	0.6	55,796	1.2
Total	**4,527,875**	**100.0**	**5,650,616**	**100.0**	**4,181,926**	**100.0**	**4,678,091**	**100.0**

The majority of our revenue was generated from our self-operated restaurants during the Track Record Period. In 2022, 2023, and the nine months ended September 30, 2023 and 2024, we derived 95.2%, 94.2%, 95.1% and 88.1% of our total revenue from self-operated restaurant operations, respectively.

Comparison between the nine months ended September 30, 2024 and the nine months ended September 30, 2023. Revenue increased by 11.9% from RMB4,181.9 million in the nine months ended September 30, 2023 to RMB4,678.1 million in the nine months ended September 30, 2024, which was primarily attributable to the growth of revenue from sales of goods as a result of the expansion of our franchised restaurant network. Revenue from self-operated restaurant operations, sales of goods, and franchise management services increased by 3.7%, 180.8% and 109.3% from the nine months ended September 30, 2023 to the nine months ended September 30, 2024, respectively.

Comparison between 2023 and 2022. Revenue increased by 24.8% from RMB4,527.9 million in 2022 to RMB5,650.6 million in 2023, which was primarily attributable to the growth of revenue from self-operated restaurant operations. Revenue from self-operated restaurant operations, sales of goods, and franchise management services increased by 23.5%, 52.5% and 41.0% from 2022 to 2023, respectively.

Self-operated Restaurant Operations

In 2022, 2023, and the nine months ended September 30, 2023 and 2024, revenue from self-operated restaurants amounted to RMB4,310.7 million, RMB5,322.5 million, RMB3,977.3 million and RMB4,122.7 million, respectively. The following table sets forth a breakdown of our revenue from self-operated restaurant operations by region, in absolute amounts and as percentages of the total revenue, for the periods indicated:

	Year ended December 31,				Nine months ended September 30,			
	2022		2023		2023		2024	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*	*RMB*	*%*
	(RMB in thousands, except percentages)							
					(Unaudited)			
Anhui Province	2,810,227	62.1	3,257,950	57.7	2,432,621	58.2	2,512,676	53.7
Jiangsu Province, Zhejiang Province and Shanghai	963,781	21.3	1,382,353	24.4	1,038,092	24.8	1,006,384	21.5
Other regions[1]	536,692	11.8	682,237	12.1	506,620	12.1	603,620	12.9
Total	**4,310,700**	**95.2**	**5,322,540**	**94.2**	**3,977,333**	**95.1**	**4,122,680**	**88.1**

Note:

(1) Other regions include Beijing, Guangdong Province, Hubei Province, Henan Province, and Jiangxi Province.

In 2022, 2023, and the nine months ended September 30, 2023 and 2024, revenue from our self-operated restaurants in Anhui Province constituted the largest share of our revenue, accounting for 62.1%, 57.7%, 58.2% and 53.7%, respectively, of our total revenue in the same periods, which reflects our strong foothold and strategic expansion focus in Anhui Province during the Track Record Period. Meanwhile, revenue from our self-operated restaurants in Jiangsu Province, Zhejiang Province, and Shanghai showed steady growth as we further penetrated these markets, contributing to 21.3%, 24.4%, 24.8% and 21.5%, of our total revenue in 2022, 2023 and the nine months ended September 30, 2023 and 2024, respectively. As we accelerated the expansion of our franchise business, the percentage of revenue from self-operated restaurants decreased from 95.1% in the nine months ended September 30, 2023 to 88.1% in the nine months ended September 30, 2024. Specifically, revenue generated from self-operated restaurants in Jiangsu Province, Zhejiang Province, and Shanghai decreased from RMB1,038.1 million in the nine months ended September 30, 2023 to RMB1,006.4 million in the nine months ended September 30, 2024, while the respective revenue share decreased from 24.8% to 21.5% in the same periods, primarily due to the concentrated conversion of certain of our self-operated restaurants in Jiangsu Province to franchised restaurants in the fourth quarter of 2023.

Comparison between the nine months ended September 30, 2024 and the nine months ended September 30, 2023. Revenue from self-operated restaurants increased by 3.7% from RMB3,977.3 million in the nine months ended September 30, 2023 to RMB4,122.7 million in the nine months ended September 30, 2024, primarily due to (i) the same store sales growth of our self-operated restaurants by 2.6% from RMB3,237.1 million to RMB3,321.0 million, and (ii) revenue contributions from our 109 newly-opened self-operated restaurants in the nine months ended September 30, 2024.

Comparison between 2023 and 2022. Revenue from self-operated restaurants increased by 23.5% from RMB4,310.7 million in 2022 to RMB5,322.5 million in 2023, primarily due to (i) the same store sales growth of our self-operated restaurants by 15.9% from RMB3,633.7 million to RMB4,211.1 million as a result of improved customer spending following the ease of the COVID-19 pandemic, and (ii) revenue contributions from our 120 newly-opened self-operated restaurants in 2023.

Sales of Goods

Revenue from sales of goods is primarily generated by selling raw materials and ingredients to our franchisees for the production of menu offerings, including primary processed broilers, staple foods produced by our central kitchens, vegetables, and eggs produced by our laying hens. Additionally, we also generate a limited portion of revenue from sales of certain essential supplies in 2022 to assist in combating the COVID-19 pandemic, which was one-off in nature.

In 2022, 2023, and the nine months ended September 30, 2023 and 2024, our total revenue from sales of goods amounted to RMB189.7 million, RMB289.3 million, RMB177.9 million and RMB499.6 million, respectively. Among this, revenue generated from sales of goods to our franchised restaurants amounted to RMB146.6 million, RMB235.7 million, RMB153.6 million and RMB388.8 million, respectively, in the same period.

Comparison between the nine months ended September 30, 2024 and the nine months ended September 30, 2023. Revenue from sales of goods increased significantly by 180.8% from RMB177.9 million in the nine months ended September 30, 2023 to RMB499.6 million in the nine months ended September 30, 2024, primarily due to (i) the expansion of our franchised restaurant network as indicated by a significant growth in the number of our franchised restaurants by 222.7% from 141 as of September 30, 2023 to 455 as of September 30, 2024, (ii) an increase in the average daily sales per franchised restaurant from RMB11,943.5 in the nine months ended September 30, 2023 to RMB12,480.4 in the nine months ended September 30, 2024.

Comparison between 2023 and 2022. Revenue from sales of goods increased by 52.5% from RMB189.7 million in 2022 to RMB289.3 million in 2023, primarily due to (i) the expansion of our franchised restaurants operations as indicated by an increase in the number of our franchised restaurants by 91.5% from 118 as of December 31, 2022 to 226 in as of December 31, 2023, and (ii) an increase in the average daily sales per franchised restaurant from RMB10,768.8 in 2022 to RMB12,077.8 in 2023.

Franchise management services

Revenue from franchise management services is primarily generated by providing franchise management services to our franchisees, including upfront franchise fees, royalty fees and income from the provision of other services. For further details of our franchise agreements, see "Business — Our Franchisees — Agreements with Franchisees." For details of our revenue recognition policies for franchise management services, see Note 2.4 to the Accountants' Report in Appendix I to this document.

In 2022, 2023, and the nine months ended September 30, 2023 and 2024, our revenue from franchise management services amounted to RMB27.5 million, RMB38.7 million, RMB26.7 million and RMB55.8 million, respectively.

Comparison between the nine months ended September 30, 2024 and the nine months ended September 30, 2023. Revenue from franchise management services increased by 109.0% from RMB26.7 million in the nine months ended September 30, 2023 to RMB55.8 million in the nine months ended September 30, 2024, primarily attributable to the further expansion of our franchise business as indicated by a significant increase in the number of our franchised restaurants from 141 as of September 30, 2023 to 455 as of September 30, 2024.

Comparison between 2023 and 2022. Revenue from franchise management services increased by 41.0% from RMB27.5 million in 2022 to RMB38.7 million in 2023, primarily driven by the expansion of our franchised restaurant network as indicated by an increase in the number of our franchised restaurants from 118 as of December 31, 2022 to 226 as of December 31, 2023.

Cost of Sales

In 2022, 2023 and the nine months ended September 30, 2023 and 2024, our cost of sales amounted to RMB3,608.7 million, RMB4,331.2 million, RMB3,190.1 million and RMB3,578.7 million, respectively, representing 79.7%, 76.7%, 76.3% and 76.5% of our revenue in the same periods, respectively.

Cost of Sales by Nature

The following table sets forth a breakdown of the components of our cost of sales, in absolute amount and as a percentage of our total revenue, for the periods indicated.

	Year ended December 31,				Nine months ended September 30,			
	2022		2023		2023		2024	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*	*RMB*	*%*
	(RMB in thousands, except percentages)							
					(Unaudited)			
Raw materials and consumables	1,676,554	37.0	2,131,352	37.7	1,554,692	37.2	1,863,155	39.8
Staff costs	1,050,587	23.2	1,270,477	22.5	944,838	22.6	998,282	21.4
Contract fulfillment costs	881,518	19.5	929,413	16.5	690,591	16.5	717,291	15.3
Total	**3,608,659**	**79.7**	**4,331,242**	**76.7**	**3,190,121**	**76.3**	**3,578,728**	**76.5**

Comparison between the nine months ended September 30, 2024 and the nine months ended September 30, 2023. Our cost of sales increased by 12.2% from RMB3,190.1 million in the nine months ended September 30, 2023 to RMB3,578.7 million in the nine months ended September 30, 2024, which is primarily attributable to an increase in cost of raw materials and consumables and an increase in staff costs in line with our restaurant network expansion and restaurant sales growth.

- Our raw materials and consumables increased by 19.8% from RMB1,554.7 million in the nine months ended September 30, 2023 to RMB1,863.2 million in the nine months ended September 30, 2024, which is in line with (i) our overall revenue growth by 11.9% from RMB4,181.9 million in the nine months ended September 30, 2023 to RMB4,678.1 million in the same period, and (ii) a higher proportion of revenue generated from sales of goods in the same period, which generally incur higher cost of sales in relation to raw materials and consumables compared to self-operated restaurant operations;

- Our staff costs increased by 5.7% from RMB944.8 million in the nine months ended September 30, 2023 to RMB998.3 million in the nine months ended September 30, 2024, primarily driven by the increased average salary level of our employees which was in line with sales growth of our self-operated restaurants in the same periods; and

- Our contract fulfillment costs increased by 3.9% from RMB690.6 million in the nine months ended September 30, 2023 to RMB717.3 million in the nine months ended September 30, 2024, primarily attributable to an increase in depreciation, rent and utilities in relation to our newly opened self-operated restaurants in the nine months ended September 30, 2024. For further details, see "Business — Our Restaurants — Restaurant Network — Overview of Restaurant Network."

Comparison between 2023 and 2022. Our cost of sales increased by 20.0% from RMB3,608.7 million in 2022 to RMB4,331.2 million in 2023, which was primarily attributable to an increase in cost of raw materials and consumables and an increase in staff costs in line with our improved restaurant performance and revenue growth.

- Our raw materials and consumables increased by 27.1% from RMB1,676.6 million in 2022 to RMB2,131.4 million in 2023, primarily due to the revenue increase of our self-operated restaurants by 23.5% from RMB4,310.7 million in 2022 to RMB5,322.5 million in 2023;

- Our staff costs increased by 20.9% from RMB1,050.6 million in 2022 to RMB1,270.5 million in 2023, primarily attributable to an increase in the average salary level of our employees in the same periods as a result of an increase in performance-based salaries paid to our restaurant staff as we recorded restaurant sales growth from 2022 to 2023; and

- Our contract fulfillment costs increased by 5.4% from RMB881.5 million in 2022 to RMB929.4 million in 2023, mainly attributable to an increase in restaurant-related expenses, such as rent, utilities and depreciation aligned with our restaurant network expansion.

Cost of Sales by Business Line

The following table sets forth a breakdown of our cost of sales by business line, in absolute amount and as a percentage of our total revenue, for the periods indicated.

	Year ended December 31,				Nine months ended September 30,			
	2022		2023		2023		2024	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*	*RMB*	*%*
	(RMB in thousands, except percentages)							
					(Unaudited)			
Self-operated restaurant operations	3,458,885	76.4	4,071,555	72.1	3,033,047	72.6	3,142,852	67.2
Sales of goods	149,774	3.3	251,308	4.4	151,576	3.6	425,572	9.1
Franchise management services	–	–	8,379	0.2	5,498	0.1	10,304	0.2
Total	**3,608,659**	**79.7**	**4,331,242**	**76.7**	**3,190,121**	**76.3**	**3,578,728**	**76.5**

Comparison between the nine months ended September 30, 2024 and the nine months ended September 30, 2023. Our cost of sales increased by 12.2% from RMB3,190.1 million in the nine months ended September 30, 2023 to RMB3,578.7 million in the nine months ended September 30, 2024, primarily due to an increase in the cost of sales in relation to sales of goods and self-operated restaurant operations.

- Our cost of sales in relation to self-operated restaurant operations increased by 3.6% from RMB3,033.0 million in the nine months ended September 30, 2023 to RMB3,142.9 million in the nine months ended September 30, 2024, which was in line with the revenue growth of our self-operated restaurants in the same period;

- Our cost of sales in relation to sales of goods increased by 180.8% from RMB151.6 million in the nine months ended September 30, 2023 to RMB425.6 million in the nine months ended September 30, 2024, which was in line with the increase in revenue from sales of goods in the same period; and

- Our cost of sales in relation to franchise management services increased by 87.3% from RMB5.5 million in the nine months ended September 30, 2023 to RMB10.3 million in the nine months ended September 30, 2024, which was in line with our franchised restaurant network expansion and growth in the number of franchisees.

Comparison between 2023 and 2022. Our cost of sales increased by 20.0% from RMB3,608.7 million in 2022 to RMB4,331.2 million in 2023, which was primarily attributable to an increase in the cost of sales in relation to self-operated restaurant operations and sales of goods.

- Our cost of sales in relation to self-operated restaurant operations increased by 17.7% from RMB3,458.9 million in 2022 to RMB4,071.6 million in 2023, which was in line with our restaurant sales growth in the same period;

- Our cost of sales in relation to sales of goods increased by 67.8% from RMB149.8 million in 2022 to RMB251.3 million in 2023, which was in line with the expansion of our franchised restaurant network as indicated by an increase in the number of franchised restaurants from 118 as of December 31, 2022 to 226 as of December 31, 2023; and

- Our cost of sales in relation to franchise management services increased from nil in 2022 to RMB8.4 million in 2023, primarily because we assigned dedicated personnel to support our rapidly expanding franchise business since 2023.

Gross Profit and Gross Profit Margin

As a result of the foregoing, we recorded gross profit of RMB919.2 million, RMB1,319.4 million, RMB991.8 million and RMB1,099.4 million in 2022 and 2023, and the nine months ended September 30, 2023 and 2024, respectively, representing gross profit margin of 20.3%, 23.3%, 23.7% and 23.5%, respectively, during the same periods.

The following table sets forth a breakdown of our gross profit and gross profit margin by business line for the periods indicated.

	Year ended December 31,				Nine months ended September 30,			
	2022		2023		2023		2024	
	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin
	RMB	*%*	*RMB*	*%*	*RMB*	*%*	*RMB*	*%*
	(RMB in thousands, except percentages)							
					(Unaudited)			
Self-operated restaurant operations	851,815	19.8	1,250,985	23.5	944,286	23.7	979,828	23.8
Sales of goods	39,929	21.0	38,025	13.1	26,354	14.8	74,043	14.8
Franchise management services	27,472	100.0	30,364	78.4	21,165	79.4	45,492	81.5
Total	**919,216**	**20.3**	**1,319,374**	**23.3**	**991,805**	**23.7**	**1,099,363**	**23.5**

Comparison between the nine months ended September 30, 2024 and the nine months ended September 30, 2023. Our gross profit increased by 10.8% from RMB991.8 million in the nine months ended September 30, 2023 to RMB1,099.4 million in the nine months ended September 30, 2024, which was in line with our revenue growth in the same period. Our gross profit margin remained relatively stable at 23.7% and 23.5% in the nine months ended September 30, 2023 and 2024, respectively.

- Our gross profit for self-operated restaurant operations increased by 3.8% from RMB944.3 million in the nine months ended September 30, 2023 to RMB979.8 million in the nine months ended September 30, 2024. Our gross profit margin for self-operated restaurant operations remained relatively stable at 23.7% and 23.8% in the nine months ended September 30, 2023 and 2024;

- Our gross profit for sales of goods increased by 181.0% from RMB26.4 million in the nine months ended September 30, 2023 to RMB74.0 million in the nine months ended September 30, 2024. Our gross profit margin for sales of goods remained stable at 14.8% in the nine months ended September 30, 2023 and 2024; and

- Our gross profit for franchise management services increased by 114.9% from RMB21.2 million in the nine months ended September 30, 2023 to RMB45.5 million in the nine months ended September 30, 2024. Our gross profit margin for franchise management services increased from 79.4% in the nine months ended September 30, 2023 to 81.5% in the nine months ended September 30, 2024, primarily because the increase in revenue generated from franchise management services outnumbered the increase in cost of sales in relation to franchise management services, which was in line with our rapid franchise network expansion.

Comparison between 2023 and 2022. Our gross profit increased by 43.5% from RMB919.2 million in 2022 to RMB1,319.4 million in 2023, and our gross profit margin increased from 20.3% in 2022 to 23.3% in 2023. The increase in our overall gross profit margin was primarily driven by the increase in the gross profit margin for self-operated restaurant operations.

- Our gross profit for self-operated restaurant operations increased by 46.9% from RMB851.8 million in 2022 to RMB1,251.0 million in 2023. Our gross profit margin for self-operated restaurant operations increased from 19.8% in 2022 to 23.5% in 2023, primarily due to enhanced marginal efficiencies with seat turnover rate of our self-operated restaurants increasing from 3.8 in 2022 to 4.7 in 2023;

- Our gross profit for sales of goods decreased by 4.8% from RMB39.9 million in 2022 to RMB38.0 million in 2023. Our gross profit margin for sales of goods decreased from 21.0% in 2022 to 13.1% in 2023, primarily because due to (i) an increase in the sales of chicken eggs produced by our laying hens as a result of the expanded egg production scale of our laying hens beginning in September 2023 and (ii) the discontinuation of one-off sales we had during the COVID-19 pandemic; and

- Our gross profit for franchise management services increased by 10.5% from RMB27.5 million in 2022 to RMB30.4 million in 2023. Our gross profit margin for franchise management services decreased from 100.0% in 2022 to 78.4% in 2023, which was in line with the increase in the cost of sales related to our franchise management service from nil in 2022 to RMB8.4 million in 2023.

Other Income and Gains, Net

The following table sets forth a breakdown of our net other income and gains, in absolute terms and as percentages of our total net other income and gains, for the periods indicated.

	Year ended December 31,				Nine months ended September 30,			
	2022		2023		2023		2024	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*	*RMB*	*%*
	(RMB in thousands, except percentages)							
					(Unaudited)			
Income from value-added tax super deduction	58,294	51.7	36,071	35.3	28,691	37.8	8,538	16.1
Government grants	22,763	20.2	21,243	20.8	14,762	19.4	8,332	15.7
Interest income	11,881	10.5	20,216	19.8	14,886	19.6	12,358	23.3
Rental income	5,574	4.9	3,812	3.7	2,533	3.3	3,389	6.4
Gains on early termination of leases	4,112	3.7	6,150	6.0	3,203	4.2	1,689	3.2
Compensation and fines	2,286	2.0	2,246	2.2	1,629	2.1	2,037	3.9
Transfer of fair value reserve upon the disposal of debt investments at fair value through other comprehensive income	–	–	–	–	–	–	5,664	10.7
Fair value gains on financial assets at fair value through profit or loss	–	–	–	–	–	–	447	0.9
Proceeds from sale of scrapped items	5,492	4.9	8,185	8.0	6,195	8.2	5,660	10.7
Others	2,322	2.1	4,264	4.2	4,084	5.4	4,839	9.1
Total	**112,724**	**100.0**	**102,187**	**100.0**	**75,983**	**100.0**	**52,953**	**100.0**

Comparison between the nine months ended September 30, 2024 and the nine months ended September 30, 2023. Our net other income and gains decreased by 30.3% from RMB76.0 million in the nine months ended September 30, 2023 to RMB53.0 million in the nine months ended September 30, 2024. This was primarily due to (i) a decrease in income from value-added tax super deduction of RMB20.2 million, as a result of the termination of related tax policies and (ii) a decrease in government grants of RMB6.4 million, partially offset by an increase in transfer of fair value reserve upon the disposal of debt investments at fair value through other comprehensive income of RMB5.7 million in relation to the one-time receipt of interest payment for certain of our negotiable certificates of deposit which we redeemed upon maturity.

Comparison between 2023 and 2022. Our net other income and gains decreased by 9.3% from RMB112.7 million in 2022 to RMB102.2 million in 2023. This was primarily due to a decrease in income from value-added tax super deduction of RMB22.2 million, as a result of the reduced ratio of the value-added tax super deduction from 15% to 10% in 2023 (for further details, see Note 5(ii) to the Accountants' Report in Appendix I to this document), partially offset by an increase in interest income of RMB8.3 million in 2023 as a result of an increase in our bank deposits.

Selling and Distribution Expenses

The following table sets forth a breakdown of our selling and distribution expenses, in absolute terms and as percentages of our total selling and distribution expenses, for the periods indicated.

	Year ended December 31,				Nine months ended September 30,			
	2022		2023		2023		2024	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*	*RMB*	*%*
	(RMB in thousands, except percentages)							
					(Unaudited)			
Platform service expenses	286,089	78.4	386,562	70.8	280,135	78.7	315,347	75.9
Advertising and promotion expenses	51,688	14.2	119,911	22.0	49,925	14.0	69,933	16.8
Employee compensation	11,779	3.2	19,707	3.6	13,680	3.9	16,980	4.1
Others	15,364	4.2	19,577	3.6	12,083	3.4	13,161	3.2
Total	**364,920**	**100.0**	**545,757**	**100.0**	**355,823**	**100.0**	**415,421**	**100.0**

Comparison between the nine months ended September 30, 2024 and the nine months ended September 30, 2023. Our selling and distribution expenses increased by 16.8% from RMB355.8 million in the nine months ended September 30, 2023 to RMB415.4 million in the nine months ended September 30, 2024, primarily driven by (i) an increase in platform service expenses of RMB35.2 million which was in line with the expansion of our delivery service, as indicated by an increase in total orders from delivery services of our self-operated restaurants from 54.9 million in the nine months ended September 30, 2023 to 61.6 million in the same period in 2024, and (ii) an increase in advertising and promotion expenses of RMB20.0 million in relation to an increase in promotional and marketing activities to facilitate our brand exposure and customer engagement.

Comparison between 2023 and 2022. Our selling and distribution expenses increased by 49.6% from RMB364.9 million in 2022 to RMB545.8 million in 2023. This increase was mainly driven by an increase in platform service expenses of RMB100.5 million and an increase in advertising and promotion expenses of RMB68.2 million from 2022 to 2023. The increase in our platform service expenses was primarily due to the expansion of our delivery services as evidenced by an increase in total orders from delivery services of our self-operated restaurants from 54.7 million in 2022 to 75.1 million in 2023, while the increase in our advertising and promotion expenses was mainly due to our increased marketing activities, such as our 20th anniversary campaign in the fourth quarter of 2023, to expand our customer outreach and boost our restaurant sales.

Administrative Expenses

The following table sets forth a breakdown of our administrative expenses, in absolute terms and as percentages of our total administrative expenses, for the periods indicated.

	Year ended December 31,				Nine months ended September 30,			
	2022		2023		2023		2024	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*	*RMB*	*%*
	(RMB in thousands, except percentages)							
					(Unaudited)			
Employee compensation	119,758	39.1	174,029	40.7	110,288	38.4	123,956	40.7
Transportation expenses	71,215	23.2	87,607	20.5	61,950	21.6	60,634	19.9
Professional service fees	29,398	9.6	60,494	14.1	41,538	14.5	32,595	10.7
Depreciation and amortization	18,679	6.1	29,279	6.8	20,672	7.2	21,580	7.1
Share-based payment	15,512	5.1	13,247	3.1	11,020	3.8	12,158	4.0
Taxes and surcharges	8,847	2.9	10,066	2.3	6,617	2.3	11,081	3.6
Research and development expenses	6,614	2.2	9,407	2.2	6,824	2.4	8,074	2.6
Business development expenses	11,018	3.6	17,975	4.2	11,958	4.1	14,786	4.8
Others	25,254	8.2	25,974	6.1	16,292	5.7	19,985	6.6
Total	**306,295**	**100.0**	**428,078**	**100.0**	**287,159**	**100.0**	**304,849**	**100.0**

Comparison between the nine months ended September 30, 2024 and the nine months ended September 30, 2023. Our administrative expenses increased by 6.1% from RMB287.2 million in the nine months ended September 30, 2023 to RMB304.8 million in the nine months ended September 30, 2024, primarily due to an increase in employee compensation of RMB13.7 million as a result of an increase in the average salary level of our administrative staff which was in line with our financial performance, as partially offset by a decrease in professional service fees of RMB8.9 million as a result of reduced procurement of external consulting services.

Comparison between 2023 and 2022. Our administrative expenses increased by 39.8% from RMB306.3 million in 2022 to RMB428.1 million in 2023. Such increase was primarily due to (i) an increase in employee compensation of RMB54.3 million as a result of (a) an increase in the number of our employees which was in line with our business expansion, and (b) an increase in the average salary level of our administrative staff in relation to the performance-based salaries paid to our employees which was in line with our strong financial performance, and (ii) an increase in professional service fees of RMB31.1 million attributable to (a) the expenses incurred for this [**REDACTED**] and previous A-share listing attempt and (b) an increase in digital services procured from internet service providers driven by the expansion of our business operation and digital infrastructure.

Changes in Fair Value of Biological Assets

Biological assets are measured at fair value less costs of disposals. The fair value is measured by reference to local market selling prices. Gains or losses arising from initial recognition of biological assets at fair value less costs of disposal and from changes in fair value of biological assets less costs of disposal are included in profit or loss in the period in which they arise. In 2022, 2023, and the nine months ended September 30, 2023 and 2024, we recorded gains arising from changes in fair value less costs to sell biological assets of RMB32.2 million, RMB46.9 million, RMB34.5 million and RMB25.7 million, respectively.

Comparison between the nine months ended September 30, 2024 and the nine months ended September 30, 2023. Gains arising from changes in fair value of biological assets less costs to sell decreased by 25.6% from RMB34.5 million in the nine months ended September 30, 2023 to RMB25.7 million in the nine months ended September 30, 2024. The decrease was primarily due to a decrease in the market price of broilers and laying hens.

Comparison between 2023 and 2022. Gains arising from changes in fair value of biological assets less costs to sell increased by 45.7% from RMB32.2 million in 2022 to RMB46.9 million in 2023. The increased gains were primarily due to (i) an increase in the fair value of laying hens as of December 31, 2023 as compared to December 31, 2022 as a result of the expansion of our laying hens breeding scale in 2023 and (ii) an increase in the market price of broilers and laying hens.

Reversal of/(provision for) impairment losses on financial assets, net

We recorded net provision for impairment losses on financial assets of RMB7.9 million and RMB1.4 million in 2022 and 2023, respectively. We recorded net reversal of impairment on financial assets of RMB1.2 million and RMB2.5 million in the nine months ended September 30, 2023 and 2024, respectively.

Comparison between the nine months ended September 30, 2024 and the nine months ended September 30, 2023. Our net reversal of impairment on financial assets increased from RMB1.2 million in the nine months ended September 30, 2023 to RMB2.5 million in the nine months ended September 30, 2024, primarily driven by an increase in net reversal of impairment of rental deposits, which was in line with the gradual retrieval of rental deposits.

Comparison between 2023 and 2022. Our net provision for impairment losses on financial assets decreased by 82.3% from RMB7.9 million in 2022 to RMB1.4 million in 2023. The decrease in our net provision for impairment losses on financial assets was primarily attributed to (i) a decrease in expected credit loss on our trade receivables and other receivables, which was in line with a decrease in our trade receivables and other receivables in the same period, and (ii) a decrease in impairment losses on rental deposits due to the gradual retrieval of rental deposits.

Other Expenses

We recorded other expenses of RMB35.0 million, RMB47.4 million, RMB33.3 million and RMB18.4 million in 2022, 2023, and the nine months ended September 30, 2023 and 2024, respectively.

Comparison between the nine months ended September 30, 2024 and the nine months ended September 30, 2023. Our other expenses decreased by 44.7% from RMB33.3 million in the nine months ended September 30, 2023 to RMB18.4 million in the nine months ended September 30, 2024, primarily due to (i) a decrease in loss on disposal of non-current assets and (ii) the absence of revaluation loss on property, plant and equipment in the nine months ended September 30, 2024, as no properties were converted to investment properties in this period, unlike in the same period in 2023.

Comparison between 2023 and 2022. Our other expenses increased by 35.4% from RMB35.0 million in 2022 to RMB47.4 million in 2023, primarily due to the recognition of revaluation loss of our property, plant and equipment following the conversion of five owned-properties to investment properties in 2023, as these properties were leased to independent third parties to earn rentals. See Notes 13 and 14 of to the Accountants' Report in Appendix I to this document.

Finance Costs

We recorded finance costs of RMB33.7 million, RMB32.9 million, RMB25.1 million and RMB29.5 million in 2022, 2023, and the nine months ended September 30, 2023 and 2024, respectively.

Comparison between the nine months ended September 30, 2024 and the nine months ended September 30, 2023. Our finance costs increased by 17.5% from RMB25.1 million in the nine months ended September 30, 2023 to RMB29.5 million in the nine months ended September 30, 2024. This increase was primarily driven by higher interest expenses as a result of an increase in bank borrowings.

Comparison between 2023 and 2022. Our finance costs remained relatively stable at RMB33.7 million in 2022 and RMB32.9 million in 2023.

Income Tax Expense

We recorded income tax expense of RMB64.2 million, RMB37.5 million, RMB46.8 million and RMB45.3 million in 2022, 2023, and the nine months ended September 30, 2023 and 2024, respectively, and our effective tax rate (calculated as income tax expense divided by profit before tax) was 20.3%, 9.1%, 11.6% and 11.0%, respectively, for the same periods. As of the Latest Practicable Date, we did not have any disputes or unresolved issues with the relevant tax authorities.

Comparison between the nine months ended September 30, 2024 and the nine months ended September 30, 2023. Our income tax expense decreased by 3.2% from RMB46.8 million in the nine months ended September 30, 2023 to RMB45.3 million in the nine months ended September 30, 2024, primarily due to the utilization of previous tax losses for deduction. Our effective tax rate remained relatively stable at 11.6% and 11.0% in the nine months ended September 30, 2023 and 2024, respectively.

Comparison between 2023 and 2022. Our income tax expense decreased by 41.6% from RMB64.2 million in 2022 to RMB37.5 million in 2023, while our effective tax rate decreased from 20.3% in 2022 to 9.1% in 2023, primarily due to (i) the utilization of previous tax losses for deduction and (ii) the recognition of deferred tax assets in 2023 for certain tax losses and deductible temporary differences.

Profit for the year/period

As a result of the foregoing, our profit for the year increased by 49.0% from RMB252.0 million in 2022 to RMB375.4 million in 2023, and our profit for the period increased by 3.3% from RMB355.4 million in the nine months ended September 30, 2023 to RMB367.1 million in the nine months ended September 30, 2024.

LIQUIDITY AND CAPITAL RESOURCES

Overview

We have historically funded our cash requirements mainly from cash generated from our business operations, bank borrowings and shareholder contributions. After the [**REDACTED**], we intend to finance our future capital requirements through cash generated from our business operations, the net [**REDACTED**] from the [**REDACTED**], and other future equity or debt financings. We currently do not anticipate any changes to the availability of financing to fund our operations in the near future. We had cash and cash equivalents of RMB308.0 million, RMB517.2 million, and RMB494.3 million as of December 31, 2022, 2023 and September 30, 2024, respectively.

Working Capital Sufficiency

Taking into account the net [**REDACTED**] from the [**REDACTED**] and the financial resources available to us, including cash and cash equivalents, cash flows from operating activities and available unutilized banking facilities, our Directors are of the view, and the Joint Sponsors concur, that we have sufficient working capital to meet our present needs and for the next twelve months from the date of this document. Our Directors confirm that we had no material defaults on trade and non-trade payables and borrowings, nor did we breach any covenants during the Track Record Period and up to the date of this document.

Cash Flows Analysis

The following table sets forth selected cash flow statement information for the periods indicated.

	Year ended December 31,		Nine months ended September 30,	
	2022	2023	2023	2024
	(RMB in thousands)			
			(Unaudited)	
Net cash flows from operating activities	865,211	1,150,316	890,937	958,419
Net cash flows used in investing activities	(545,204)	(578,926)	(489,397)	(455,376)
Net cash flows used in financing activities	(299,387)	(362,214)	(369,325)	(525,886)
Net increase/(decrease) in cash and cash equivalents	**20,620**	**209,176**	**32,215**	**(22,843)**
Cash and cash equivalents at the beginning of the year/period	287,356	307,976	307,976	517,152
Cash and cash equivalents at the end of the year/period	**307,976**	**517,152**	**340,191**	**494,309**

Net Cash Flows from Operating Activities

Our cash flows from operating activities reflect our profit before tax adjusted for: (i) non-cash or non-operating items (such as depreciation of property, plant and equipment and interest income); (ii) the effects of movement in working capital (such as inventories, trade receivables, contract liabilities and trade and other payables); and (iii) other cash items (such as tax paid).

In the nine months ended September 30, 2024, we had net cash flows from operating activities of RMB958.4 million, which primarily consisted of profit before tax of RMB412.4 million, adjusted for certain non-cash or non-operating items. Adjustments for such non-cash and non-operating items primarily included (i) depreciation of right-of-use assets of RMB272.0 million, (ii) depreciation of property, plant and equipment of RMB148.7 million and (iii) finance costs of RMB29.5 million, and partially offset by fair value gains on biological assets of RMB25.7 million. The amount was further adjusted by changes in working capital, including (i) an increase in contract liabilities of RMB61.2 million, (ii) an increase in trade and other payables of RMB54.6 million, and (iii) a decrease in biological assets of RMB34.2 million.

In 2023, our net cash from operating activities was RMB1,150.3 million, which primarily consisted of profit before tax of RMB413.0 million, adjusted for certain non-cash or non-operating items. Adjustments for such non-cash or non-operating items primarily included (i) depreciation of right-of-use assets of RMB379.3 million, (ii) depreciation of property, plant and equipment of RMB194.0 million, and (iii) finance costs of RMB32.9 million, and partially offset by fair value gains on biological assets of RMB46.9 million. The amount was further adjusted by changes in working capital, primarily including (i) an increase in trade and other payables of RMB116.6 million, (ii) a decrease in biological asset of RMB45.2 million, (iii) an increase in contract liabilities of RMB36.1 million and (iv) a decrease in inventories of RMB33.8 million, as partially offset by a decrease in other payables, deposits received and accruals of RMB34.1 million.

In 2022, our net cash from operating activities was RMB865.2 million, which primarily consisted of profit before tax of RMB316.3 million, adjusted for certain non-cash or non-operating items. Adjustments for such non-cash or non-operating items primarily included (i) depreciation of right-of-use assets of RMB385.1 million, (ii) depreciation of property, plant and equipment of RMB210.4 million, and (iii) finance costs of RMB33.7 million, and partially offset by fair value gains on biological assets of RMB32.2 million. The amount was further adjusted by changes in working capital, primarily including (i) an increase in contract liabilities of RMB41.2 million and (ii) a decrease in biological assets of RMB25.6 million, as partially offset by (i) an increase in prepayments and other receivables of RMB54.6 million and (ii) an increase in inventories of RMB51.7 million.

Net Cash Flows Used in Investing Activities

Our cash inflows from investing activities primarily consisted of proceeds from disposal of debt investments at fair value through other comprehensive income and disposal of items of property, plant and equipment. Our cash outflows from investing activities primarily consist of purchases of items of property, plant and equipment and increase in bank deposits with original maturity of more than three months when acquired.

In the nine months ended September 30, 2024, our net cash flows used in investing activities was RMB455.4 million, which consisted primarily of (i) purchases of items of property, plant and equipment of RMB347.9 million, (ii) purchases of financial assets at fair value through profit or loss of RMB70.0 million and (iii) an increase in bank deposits with original maturity of more than three months when acquired of RMB23.4 million, as partially offset by (i) proceeds from disposal of debt investments at fair value through other comprehensive income of RMB50.0 million and (ii) disposal of items of property, plant and equipment of RMB18.9 million.

In 2023, our net cash flows used in investing activities was RMB578.9 million, which consisted primarily of (i) purchases of items of property, plant and equipment of RMB567.6 million, (ii) increase in bank deposits with original maturity of more than three months when acquired of RMB70.0 million and (iii) payment for purchase of productive biological assets of RMB51.3 million, partially offset by (i) withdrawal of bank deposits with original maturity of more than three months when acquired of RMB50.0 million, (ii) proceeds from disposal of debt investments at fair value through other comprehensive income of RMB30.0 million and (iii) receipt of government grants for property, plant and equipment of RMB21.6 million.

In 2022, our net cash used in investing activities was RMB545.2 million, which consisted primarily of (i) purchases of items of property, plant and equipment of RMB466.3 million, and (ii) increase in bank deposits with original maturity of more than three months when acquired of RMB125.0 million, partially offset by proceeds from disposal of debt investments at fair value through other comprehensive income of RMB80.0 million.

Net Cash Flows Used In Financing Activities

Our cash inflows from financing activities primarily consisted of new interest-bearing banking borrowings and capital contribution by the then shareholders. Our cash outflows from financing activities consisted of repayment of interest-bearing bank borrowings and principal portion of lease payments.

In the nine months ended September 30, 2024, our net cash flows used in financing activities was RMB525.9 million, which consisted primarily of (i) capital reduction by shareholders of a subsidiary of RMB344.0 million, (ii) repayment of interest-bearing bank borrowings of RMB325.0 million and (iii) principal portion of lease payments of RMB296.0 million, as partially offset by new interest-bearing bank borrowings of RMB448.6 million.

In 2023, our net cash flows used in financing activities was RMB362.2 million, which consisted primarily of (i) repayment of interest-bearing bank borrowings of RMB421.5 million, and (ii) principal portion of lease payments of RMB417.8 million, partially offset by new interest-bearing bank borrowings of RMB484.0 million.

In 2022, our net cash flows used in financing activities was RMB299.4 million, which consisted primarily of (i) repayment of interest-bearing bank borrowings of RMB430.0 million, and (ii) principal portion of lease payments of RMB391.5 million, partially offset by new interest-bearing bank borrowings of RMB538.0 million.

SELECTED BALANCE SHEET ITEMS

Current Assets/Liabilities

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

	As of December 31,		As of September 30,	As of November 30,
	2022	2023	2024	2024
	(RMB in thousands)			
			(Unaudited)	(Unaudited)
Current Assets				
Inventories	164,462	143,150	200,702	184,227
Biological assets	39,665	35,267	26,168	29,264
Trade receivables	40,248	24,524	34,258	39,351
Prepayments and other receivables	137,998	205,541	419,035	231,112
Financial assets at fair value through profit or loss	–	–	70,447	70,447
Income tax recoverable	55	3,641	–	–
Debt investments at fair value through other comprehensive income	30,665	55,664	–	–
Restricted bank deposits	–	52,581	45,001	45,001
Cash and bank balances	307,976	519,246	615,176	703,586
Total current assets	**721,069**	**1,039,614**	**1,410,787**	**1,302,988**
Current liabilities				
Trade and other payables	516,885	677,576	1,130,149	967,861
Contract liabilities	154,099	190,176	251,377	283,919
Interest-bearing bank borrowings	276,805	299,231	288,831	260,148
Tax payable	14,812	8,833	16,245	34,591
Lease liabilities	364,189	336,569	337,348	337,634
Total current liabilities	**1,326,790**	**1,512,385**	**2,023,950**	**1,884,153**
Net current liabilities	**(605,721)**	**(472,771)**	**(613,163)**	**(581,165)**

We recorded net current liabilities of RMB605.7 million, RMB472.8 million, RMB613.2 million and RMB581.2 million as of December 31, 2022, 2023, September 30, 2024 and November 30, 2024, respectively. Each of these net current liabilities positions was primarily due to the construction of our headquarters and new central kitchens in line with our restaurant network expansion plan. During the Track Record Period, we primarily used cash generated from our operating activities and bank borrowings to finance the capital expenditure, which translated into our non-current assets. Our non-current assets mainly include buildings, machinery and transportation equipment, electrical equipment, kitchen equipment, office equipment, construction in progress, leasehold improvements, productive biological assets, right-of-use assets and intangible assets. During the Track Record Period, our non-current assets increased from RMB2,713.7 million as of December 31, 2022, to RMB2,983.0 million as of December 31, 2023, and further to RMB3,046.6 million as of September 30, 2024. Specifically, our net current liabilities increased from RMB472.8 million as of December 31, 2023 to RMB613.2 million as of September 30, 2024, primarily because we recorded consideration payable of RMB380.8 million as of September 30, 2024 in relation to payables under capital reduction agreements pending settlement as part of our offshore restructuring process, which was one-off in nature. For further details, see Note 28 to the Accountants' Report in Appendix I to this document.

Comparison between September 30, 2024 and November 30, 2024. Our net current liabilities decreased from RMB613.2 million as of September 30, 2024 to RMB581.2 million as of November 30, 2024, primarily due to (i) a decrease in trade and other payables of RMB162.3 million as a result of the partial settlement of the consideration payable under capital reduction agreements as part of our offshore restructuring process and (ii) a decrease in interest-bearing banking borrowings of RMB28.7 million, which was larger than the decrease in our current assets as a result of a decrease in prepayments and other receivables of RMB187.9 million, as partially offset by an increase in cash and cash balances of RMB88.4 million.

Comparison between December 31, 2023 and September 30, 2024. Our net current liabilities increased from RMB472.8 million as of December 31, 2023 to RMB613.2 million as of September 30, 2024, primarily due to (i) an increase in trade and other payables of RMB452.6 million and (ii) an increase in contract liabilities of RMB61.2 million. The increase was partially offset by (i) an increase in prepayments and other receivables of RMB213.5 million, (ii) an increase in cash and cash balances of RMB95.9 million and (iii) an increase in financial assets at fair value through profit or loss of RMB70.4 million.

Comparison between December 31, 2022 and December 31, 2023. Our net current liabilities decreased from RMB605.7 million as of December 31, 2022 to RMB472.8 million as of December 31, 2023, primarily due to (i) an increase in cash and cash balances of RMB211.3 million and (ii) an increase in prepayments and other receivables of RMB67.5 million. The decrease was partially offset by (i) an increase in trade and other payables of RMB160.7 million and (ii) an increase in current portion of contract liabilities of RMB36.1 million as of December 31, 2023 as compared to December 31, 2022.

Inventories

Our inventories consist of (i) processed food, mainly representing food ingredients in process for the in-store cooking of our menu offerings, (ii) raw materials, mainly representing food ingredients such as meat, vegetable and condiment products, (iii) packaged food and beverage served directly at our restaurants and (iv) other materials used in our restaurant operations.

The following table sets forth our inventories as of the dates indicated.

	As of December 31,		As of September 30,
	2022	2023	2024
	(RMB in thousands)		(Unaudited)
Raw materials	75,220	68,922	98,199
Processed food	66,523	57,919	82,938
Packaged food and beverage	3,770	3,050	3,575
Other materials	18,949	13,259	15,990
Total	**164,462**	**143,150**	**200,702**

As of December 31, 2022, 2023 and September 30, 2024, our inventories amounted to RMB164.5 million, RMB143.2 million and RMB200.7 million, respectively. Our inventories decreased from RMB164.5 million as of December 31, 2022 to RMB143.2 million as of December 31, 2023, primarily due to the higher inventory levels at the end of 2022 as we procured more raw materials to address potential demand. Our inventory increased from RMB143.2 million as of December 31, 2023 to RMB200.7 million as of September 30, 2024, which was in line with our restaurant network expansion.

We believe that by maintaining optimal inventory levels, we can meet our consumer demand and ensure their satisfaction without compromising our liquidity. To this end, we have put in place a set of policies and procedures to manage our inventories. For further details, see "Business — Our Integrated Supply Chain — Procurement and Supplier Management."

The following table sets forth our inventory turnover days for the periods indicated.

	Year ended December 31,		Nine months ended September 30,
	2022	2023	2024
Inventory turnover days[1]	29.8	26.0	24.9

Note:

(1) Average inventory turnover days were calculated based on the average of the beginning and ending balances of inventories of a given year or period divided by the cost of raw materials and consumables for that corresponding year or period and multiplied by 360 days for 2022 and 2023 and 270 days for the nine months ended September 30, 2024.

Our inventory turnover days decreased from 29.8 days in 2022 to 26.0 days in 2023, and further to 24.9 days in the nine months ended September 30, 2024, primarily due to the increase in our cost of raw materials and consumables which were in line with our restaurant sales growth in the same periods.

As of November 30, 2024, RMB181.9 million, or 90.6%, of our inventories as of September 30, 2024 had been sold or utilized.

Biological Assets

Our biological assets mainly represent broilers raised for the creation of our menu offerings and laying hens kept for egg production in our ordinary course of business. Our broilers are classified as consumptive biological assets and are recognized as current biological assets, while the laying hens are classified as productive biological assets and are recognized as non-current biological assets.

The following table sets forth the number of our biological assets as of the dates indicated.

	As of December 31,		As of September 30,
	2022	2023	2024
	(in thousand heads)		
Broilers	745.8	613.7	502.4
Laying hens	343.4	1,678.0	1,994.2
Total	**1,089.2**	**2,291.7**	**2,496.6**

The following table sets forth the fair value of our biological assets as of the dates indicated.

	As of December 31,		As of September 30,
	2022	2023	2024
	(RMB in thousands)		
			(Unaudited)
Broilers	39,665	35,267	26,168
Laying hens	13,804	59,878	70,041
Total	**53,469**	**95,145**	**96,209**

As of December 31, 2022, 2023 and September 30, 2024, the fair value of our biological assets amounted to RMB53.5 million, RMB95.1 million and RMB96.2 million, respectively. The fair value of our biological assets increased from RMB53.5 million as of December 31, 2022 to RMB95.1 million as of December 31, 2023, primarily attributable to an increase in the volume of our laying hens from 2022 to 2023 due to our commencement of breeding our own laying hens in 2022 and the subsequent scaling up of our breeding operations in 2023. For further details, see "Business — Our Integrated Supply Chain — Chicken Farming." The fair value of our biological assets further increased from RMB95.1 million as of December 31, 2023 to RMB96.2 million as of September 30, 2024, primarily due to an increase in the volume of our laying hens, which was in line with the continued expansion of our laying hens breeding scale during the nine months ended September 30, 2024, as partially offset by a decrease in the stock volume of our broilers in the same period.

Stock-take and internal control

We have established standard procedures to ensure accuracy of headcount of our biological assets and other relevant information. Leveraging our smart chicken farming system, we are able to track the quantity, health, and other relevant information of our broilers and laying hens, as well as quantity, egg production rate and other relevant information of eggs produced by our laying hens. In addition, when broilers are sent to our central kitchens, our staff would conduct checks on the quantity of the broilers.

Valuation

Our biological assets were independently valued by Jones Lang LaSalle, a firm of independent qualified professional valuers not connected with us, which has appropriate qualifications and experiences in valuation of biological assets. Having considered the market reputation of Jones Lang LaSalle and relevant background research, our Directors and the Joint Sponsors are satisfied that Jones Lang LaSalle is independent from the Company and is competent in conducting the valuation of the biological assets. For valuation of our biological assets, see "— Critical Accounting Policies and Estimates — Fair Value Measurement" and Notes 2.4 and 18 to the Accountants' Report in Appendix I to this document.

The Reporting Accountants have performed their work on the historical financial information of the Group for each of the years ended December 31, 2022 and 2023 (the "**Historical Financial Information**") in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, Accountants' Reports on Historical Financial Information in Investment Circular. As part of their work on the Historical Financial Information, the Reporting Accountants have considered the results of audit procedures performed in connection with the valuation techniques and key inputs used in valuation of the biological assets. They have satisfied themselves in respect of the valuation technique chosen and the key inputs used in the valuation for the purpose of forming an opinion on the Historical Financial Information as a whole. They also have reviewed the Interim Financial Information (as defined in the Accountants' Report in Appendix I to this document) in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). Please see Appendix I to this document for further details.

The Joint Sponsors have reviewed and considered the relevant qualifications and valuation experience of Jones Lang LaSalle and its professional valuers, and had various discussions with Jones Lang LaSalle to understand its valuation techniques and procedures, valuation bases and assumptions, and the information used in preparing its valuation report. In addition, the Joint Sponsors noted from their discussions with the Reporting Accountants that the Reporting Accountants had considered the valuation prepared by Jones Lang LaSalle and performed their audit procedures in accordance with the relevant auditing standards. The Joint Sponsors are satisfied that the valuation techniques chosen and the inputs used in the valuation are appropriate and reasonable.

Trade Receivables

Our trade receivables represent outstanding amounts due from third-party e-commerce platforms, corporate customers, and franchisees in connection with the sales of our products in the ordinary course of business. Trade receivables from third-party e-commerce platforms were generally settled within one working day. For further details, see "Business — Our Restaurants — Our Delivery Services."

As of December 31, 2022, 2023 and September 30, 2024, we recorded trade receivables of RMB40.2 million, RMB24.5 million and RMB34.3 million, respectively. Our trade receivables decreased from RMB40.2 million as of December 31, 2022 to RMB24.5 million as of December 31, 2023, primarily due to a decrease in trade receivables from franchisees following the upgrade of our franchise settlement policies, which required our franchisees to settle outstanding payments for goods in full before placing orders, and thus shortened the settlement terms with our franchisees. Our trade receivables increased from RMB24.5 million as of December 31, 2023 to RMB34.3 million as of September 30, 2024, which was in line with growth in sales of goods to our franchisees and other customers and restaurant sales growth.

The following table sets forth the aging analysis of the trade receivables based on the invoice date and net of loss allowance as of the dates indicated.

	As of December 31,		As of September 30,
	2022	2023	2024
	(RMB in thousands)		
			(Unaudited)
Within 6 months	40,074	24,265	34,139
More than 6 but less than 12 months	174	259	119
Total	**40,248**	**24,524**	**34,258**

The following table sets forth our trade receivables turnover days during the periods indicated.

	Year ended December 31,		Nine months ended September 30,
	2022	**2023**	**2024**
Trade receivables turnover days[1]	2.6	2.1	1.7

Note:

(1) Trade receivables turnover days were calculated based on the average of opening and closing balance of trade receivables less allowance for impairment for the relevant year/period, divided by the revenue for the same year/period and multiplied by 360 days for 2022 and 2023, and by 270 days for the nine months ended September 30, 2024.

Our trade receivables turnover days decreased from 2.6 days in 2022 to 2.1 days in 2023, and further to 1.7 days in the nine months ended September 30, 2024, which was in line with our shortened settlement terms with franchisees. During the Track Record Period, we did not experience any significant losses associated with our trade receivables, and the fluctuation in our trade receivables did not have any material adverse impact on our liquidity or cash flows.

As of November 30, 2024, RMB31.1 million, or 90.9%, of our trade receivables as of September 30, 2024, had been subsequently settled.

Prepayments and Other Receivables

Our prepayments and other receivables primarily consist of (i) recoverable value-added tax ("**VAT**") primarily associated with our construction in progress, (ii) deposits for our leased properties and raw material procurement, (iii) prepayments made by us which was primarily in relation to raw material procurement, (iv) receivables under finance lease in relation to our store sublease agreements with certain franchisees, (v) due from a shareholder and (vi) other receivables. As of December 31, 2022, 2023 and September 30, 2024, we recorded prepayments and other receivables of RMB138.0 million, RMB205.5 million and RMB419.0 million, respectively.

The following table sets forth our prepayments and other receivables as of the dates indicated.

	As of December 31,		As of September 30,
	2022	2023	2024
	(RMB in thousands)		
			(Unaudited)
VAT Recoverable	72,636	108,071	118,997
Deposits	30,750	65,824	42,212
Prepayments	36,099	24,234	29,779
Receivables under finance lease	2,117	10,148	10,800
Due from a shareholder	–	–	192,393
Other receivables	7,600	10,104	36,868
Impairment allowance	(11,204)	(12,840)	(12,014)
Total	**137,998**	**205,541**	**419,035**

Our prepayments and other receivables increased from RMB138.0 million as of December 31, 2022 to RMB205.5 million as of December 31, 2023, mainly due to (i) an increase in VAT recoverable in relation to the ongoing construction of our production facilities and (ii) an increase in deposits due to the transfer of deposits related to the construction project of our production facilities from non-current assets into current assets as the project neared completion.

Our prepayments and other receivables increased from RMB205.5 million as of December 31, 2023 to RMB419.0 million as of September 30, 2024, primarily due to an increase in receivables due from a shareholder in relation to the shares issuance to Harvest Capital, which was fully settled in October 2024. This was as partially offset by a decrease in deposits arising from increased retrieval of deposits related to the construction project of our production facilities as the construction project completed. For further details of the share issuance, see Note 34 to the Accountants' Report in Appendix I to this document.

Financial Assets at fair value through profit or loss

Our financial assets at fair value through profit or loss during the Track Record Period mainly represented principal guaranteed structured deposits and wealth management products purchased from commercial banks in China. The expected return of the structured deposits and wealth management products is by reference to the performance of (i) the underlying instruments in the currency market, the interbank market, the bond market, and the security and equity market and (ii) the derivative financial assets. For further details, see Notes 3 and 26 to the Accountants' Report in Appendix I to this document.

We did not record financial assets at fair value through profit or loss as of December 31, 2022 and 2023. We recorded financial assets at fair value through profit or loss of RMB70.4 million as of September 30, 2024, because we purchased new structured deposits and wealth management products to improve cash utilization efficiency.

We have implemented a comprehensive set of internal policies and guidelines to monitor and control investment risks associated with our wealth management products. Our investment strategy aims to optimize the efficiency of idle funds, generate investment returns for our Shareholders, and minimize investment and financial risks. Guided by this strategy, we primarily invest in low-risk wealth management products with high liquidity and security, offered by reputable commercial banks in China, to minimize our risk exposure. Our chief financial officer, Ms. He Jing, is responsible for proposing, analyzing, and evaluating potential investment opportunities. For further details on Ms. He's qualifications and credentials, see "Directors and Senior Management." We make investment decisions related to wealth management products on a case-by-case basis after thoroughly considering a number of factors, including macro-economic environment, general market conditions, risk control and credit of issuing banks, our own working capital conditions, and the expected profit or potential loss of the investment. Going forward, we intend to invest in wealth management products that are in our Group's interest upon thorough evaluations and analysis, and we will ensure that all such investments comply with the applicable laws and regulations, including the relevant requirements under Chapter 14 of the Listing Rules after the [**REDACTED**].

Debt investments at fair value through other comprehensive income

Our debt investments at fair value through other comprehensive income primarily represent negotiable certificates of deposit issued by banks in China. The investment's contractual cash flows are solely principal and interest and our objective is achieved both by collecting contractual cash flows and selling of financial asset. For further details, see Note 21 to the Accountants' Report in Appendix I to this document.

As of December 31, 2022, 2023 and September 30, 2024, our debt investments at fair value through other comprehensive income amounted to RMB84.4 million, RMB55.7 million and RMB20.2 million, respectively. The decreases of our debt investments at fair value through other comprehensive income during the Track Record Period were primarily attributable to the redemption of certain negotiable certificates of deposit.

Trade and Other Payables

Our trade and other payables consist of (i) payable for purchase of property, plant and equipment, (ii) trade payables, representing the amounts payable to raw materials suppliers and other product and service providers, (iii) payroll and welfare payables relating to employee compensation, (iv) deposits made by franchisees, (v) other tax payables, (vi) consideration payable and (vii) others, representing miscellaneous payables. As of December 31, 2022, 2023 and September 30, 2024, we recorded trade and other payables of RMB516.9 million, RMB677.6 million and RMB1,130.1 million, respectively.

The following table sets forth a breakdown of our trade and other payables as of the dates indicated.

	As of December 31,		As of September 30,
	2022	2023	2024
	(RMB in thousands)		
			(Unaudited)
Payable for purchase of property, plant and equipment	113,735	157,556	164,291
Trade payables	257,896	324,572	362,918
Payroll and welfare payables	96,784	115,543	114,261
Deposits	25,470	41,421	60,118
Other tax payables	7,850	10,934	10,603
Consideration payable	–	–	380,769
Others	15,150	27,550	37,189
Total	**516,885**	**677,576**	**1,130,149**

Our trade and other payables increased from RMB516.9 million as of December 31, 2022 to RMB677.6 million as of December 31, 2023, primarily due to increases in (i) trade payables of RMB66.7 million as a result of an increase in procurement from suppliers, which was in line with our business expansion, (ii) payable for purchase of property, plant and equipment of RMB43.8 million in connection with the construction payables for the ongoing construction project of our production facilities in 2023, (iii) payroll and welfare payables of RMB18.8 million as a result of an increase in the number of our employees and an increase in the average salary level of our employees, which was in line with our business expansion, and (iv) deposits of RMB16.0 million attributable to an increase in deposits paid by our franchisees aligned with the expansion of our franchised restaurant network operations.

Our trade and other payables increased from RMB677.6 million as of December 31, 2023 to RMB1,130.1 million as of September 30, 2024, primarily due to increases in (i) consideration payable of RMB380.8 million in relation to payables under capital reduction agreements pending settlement as part of our offshore restructuring process (for details of the capital reduction, see "History, Reorganization and Corporate Structure — Reorganization — Offshore Restructuring of Anhui Laoxiangji"); (ii) trade payables of RMB38.3 million which was in line with increased procurement as a result of our business expansion and restaurant sales growth and (iii) deposits of RMB18.7 million in relation to increased deposits from franchisees as a result of the expansion of our franchise business and the growing numbers of franchisees.

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

	As of December 31,		As of September 30,
	2022	2023	2024
	(RMB in thousands)		
			(Unaudited)
Within 1 year	257,670	323,714	361,674
Over 1 year	226	858	1,244
Total	**257,896**	**324,572**	**362,918**

The following table sets forth our trade payables turnover days for the periods indicated.

	Year ended December 31,		Nine months ended September 30,
	2022	2023	2024
Trade payables turnover days[1]	50.3	49.2	49.8

Note:

(1) Trade payables turnover days are calculated using the average of opening balance and closing balance of trade payables for a year/period divided by our cost of raw materials and consumables for the relevant year/period and multiplied by 360 days for 2022 and 2023, and by 270 days for the nine months ended September 30, 2024.

Our trade payables turnover days slightly decreased from 50.3 days in 2022 to 49.2 days in 2023, primarily due to the larger increase in our raw materials and consumables than the increase in our trade payables in the same period as a result of restaurant sales growth. Our trade payables turnover days remained relatively stable at 49.2 days and 49.8 days in 2023 and the nine months ended September 30, 2024.

As of November 30, 2024, RMB116.8 million, or 32.2%, of our trade payables as of September 30, 2024, had been subsequently settled.

Contract Liabilities

Our contract liabilities arise from (i) prepaid cards we sold to customers but not yet used, (ii) products yet to be delivered and services yet to be provided to our franchisees, and (iii) credited points that our customers have accumulated under our customer loyalty scheme but not yet redeemed. During the Track Record Period, we sold prepaid cards to customers and issued credited points to customers' membership accounts, in appreciation of their purchases and as incentives to keep them engaged. For further details of our membership program, see "Business — Sales and Marketing — Membership Program."

Cash considerations received from sales of prepaid cards are recognized as contract liabilities, while revenue is recognized upon the usage of the prepaid cards. Revenue for credited points is recognized when the credited points are redeemed by our members. We did not record any forfeited income during the Track Record Period. As of December 31, 2022, 2023 and September 30, 2024, our contract liabilities amounted to RMB154.1 million, RMB190.2 million and RMB251.4 million, respectively.

The table below sets forth our current contract liabilities as of the dates indicated.

	As of December 31,		As of September 30,
	2022	2023	2024
	(RMB in thousands)		*(Unaudited)*
Contract liabilities related to prepaid cards	113,988	150,102	167,418
Contract liabilities related to customer loyalty scheme	2,050	2,669	3,254
Franchise management services and sales of goods	38,061	37,405	80,705
Total	**154,099**	**190,176**	**251,377**

Our contract liabilities increased from RMB154.1 million as of December 31, 2022, to RMB190.2 million as of December 31, 2023, primarily driven by (i) the increased sales of prepaid cards attributable to our heightened brand awareness and increasing customer acceptance and (ii) the increased accumulation of credited points by our customers under our customer loyalty scheme, which in turn, was attributable to the increased overall restaurant sales and business expansion, as a result of our continued product improvement as well as growing customer recognition. Our contract liabilities further increased from RMB190.2 million as of December 31, 2023 to RMB251.4 million as of September 30, 2024, primarily due to (i) the increased upfront franchise fees paid by our franchisees, aligning with our growing franchise businesses, and (ii) the increased sales of prepaid cards which was in line with our improved brand awareness as a result of our business expansion.

As of November 30, 2024, RMB65.8 million, or 26.2%, of our contract liabilities as of September 30, 2024 had been subsequently recognized as revenue.

Non-current Assets and Liabilities

The following table sets out our non-current assets and liabilities as of the dates indicated.

	As of December 31,		As of September 30,
	2022	2023	2024
	(RMB in thousands)		
			(Unaudited)
Non-current Assets			
Property, plant and equipment	1,190,036	1,586,402	1,736,600
Investment properties	–	23,224	22,774
Right-of-use assets	1,140,761	1,037,047	982,763
Goodwill	–	1,562	1,562
Intangible assets	13,734	11,779	11,764
Biological assets	13,804	59,878	70,041
Receivables under finance leases	2,935	13,576	12,614
Equity investments designated at fair value through other comprehensive income	–	–	10,000
Debt investments at fair value through other comprehensive income	53,758	–	20,210
Deferred tax assets	2,954	17,873	23,231
Rental deposits	39,084	35,749	33,700
Restricted bank deposits	45,000	–	5,673
Long-term bank deposits	168,089	189,751	91,649
Other non-current assets	43,540	6,174	23,974
Total non-current assets	**2,713,695**	**2,983,015**	**3,046,555**
Non-current liabilities			
Interest-bearing bank borrowings	–	39,993	174,073
Deferred income	5,556	27,880	31,666
Lease liabilities	704,864	636,358	580,991
Deposits from franchisees	11,800	19,803	38,574
Deferred tax liabilities	5,871	11,188	10,630
Total non-current liabilities	**728,091**	**735,222**	**835,934**

Property, Plant and Equipment

Our property, plant and equipment consists of (i) buildings, (ii) leasehold improvements, (iii) construction in progress, (iv) machinery and transportation equipment, (v) kitchen equipment, (vi) electrical equipment, and (vii) office equipment. As of December 31, 2022, 2023 and September 30, 2024, our property, plant and equipment amounted to RMB1,190.0 million, RMB1,586.4 million and RMB1,736.6 million, respectively.

The following table sets forth our property, plant and equipment as of the dates indicated.

	As of December 31,		As of September 30,
	2022	2023	2024
		(RMB in thousands)	
			(Unaudited)
Buildings	507,089	556,803	1,020,192
Leasehold improvements	199,967	171,528	155,200
Construction in progress	272,990	609,339	276,065
Machinery and transportation equipment	109,783	147,043	190,052
Kitchen equipment	68,769	72,081	69,309
Electrical equipment	17,444	17,612	15,120
Office equipment	13,994	11,996	10,662
Total	**1,190,036**	**1,586,402**	**1,736,600**

The carrying amount of our property, plant and equipment increased from RMB1,190.0 million as of December 31, 2022 to RMB1,586.4 million as of December 31, 2023, mainly due to our increased investment in infrastructure constructions such as the construction of our production facilities and headquarters which was in line with our business expansion. In particular, the carrying amount of our construction in progress increased from RMB273.0 million as of December 31, 2022 to RMB609.3 million as of December 31, 2023, primarily attributable to the ongoing construction of our production facilities. The carrying amount of our buildings increased from RMB507.1 million as of December 31, 2022 to RMB556.8 million as of December 31, 2023, primarily due to the completion of the construction for buildings at our headquarter. The carrying amount of our machinery and transportation equipment increased from RMB109.8 million as of December 31, 2022 to RMB147.0 million as of December 31, 2023, primarily due to the purchase of large-scale equipment for the breeding of our broilers and laying hens. The carrying amount of our kitchen equipment, and electrical equipment increased from RMB68.8 million and RMB17.4 million as of December 31, 2022, respectively, to RMB72.1 million and RMB17.6 million as of December 31, 2023, respectively, primarily as a result of regular equipment maintenances and upgrades in our restaurants.

The carrying amount of our property, plant and equipment increased from RMB1,586.4 million as of December 31, 2023 to RMB1,736.6 million as of September 30, 2024, primarily attributable to the increase in buildings in relation to the construction of our production facilities. In particular, the carrying amount of our buildings increased from RMB556.8 million as of December 31, 2023 to RMB1,020.2 million as of September 30, 2024, while the carrying amount of our construction in progress decreased from RMB609.3 million as of December 31, 2023 to RMB276.1 million as of September 30, 2024, primarily due to the completion of the construction for buildings at our production facilities. The carrying amount of our kitchen equipment, electrical equipment, and office equipment decreased from RMB72.1 million, RMB17.6 million and RMB12.0 million as of December 31, 2023, respectively, to RMB69.3 million, RMB15.1 million and RMB10.7 million as of September 30, 2024, respectively, primarily due to depreciation and amortization during the ordinary course of business.

Right-of-use Assets

Our right-of-use assets consist of (i) self-operated restaurants, (ii) leasehold land, and (iii) office premises and plants. As of December 31, 2022, 2023 and September 30, 2024, our right-of-use assets amounted to RMB1,140.8 million, RMB1,037.0 million and RMB982.8 million, respectively.

Our right-of-use assets decreased from RMB1,140.8 million as of December 31, 2022 to RMB1,037.0 million as of December 31, 2023, primarily due to (i) the depreciation charge of self-operated restaurants, and (ii) the increased early termination of leases in relation to (a) our strategic adjustment of restaurant network and (b) increased conversion of our self-operated restaurants to franchised restaurants in 2023 which was in line with our franchised restaurant network expansion. Our right-of-use assets further decreased from RMB1,037.0 million as of December 31, 2023 to RMB982.8 million as of September 30, 2024, primarily due to ongoing lease terminations for self-operated restaurants as a result of increased conversion to franchised restaurants in the nine months ended September 30, 2024.

Investment Properties

Our investment properties consist of five commercial properties in China. As of December 31, 2022, 2023 and September 30, 2024, the carrying amount of our investment properties amounted to nil, RMB23.2 million and RMB22.8 million, respectively.

Our investment properties were independently valued by Jones Lang LaSalle, a professionally qualified valuer not connected with us, which has appropriate qualifications and experiences in valuation of investment properties. Investment properties are measured at fair value, which reflects market conditions at the end of the reporting period. Gains or losses arising from changes in the fair values of investment properties are included in the statement of profit or loss in the period in which they arise.

The carrying amount of our investment properties increased from nil as of December 31, 2022 to RMB23.2 million as of December 31, 2023, primarily due to the conversion of five owned properties from property, plant, and equipment to investment properties in 2023 as we rented out the commercial properties to independent third parties to earn rentals. The fair value at the date of transfer had been arrived at on the basis of valuation carried out by Jones Lang LaSalle, while the surplus of the fair value of those properties and leasehold land over the carrying amounts at the date of transfer was recognized in property revaluation reserve. For further details of the transfer and valuation, see Notes 2.4, 13 and 14 to the Accountants' Report in Appendix I to this document. The carrying amount of our investment properties remained relatively stable at RMB23.2 million as of December 31, 2023 and RMB22.8 million as of September 30, 2024.

Receivables under finance leases

Since 2020, we began to explore the franchise model by converting self-operated restaurants into franchised restaurants. For further details, see "Business — Our Franchisees — Relationships with our Franchisees." To convert a self-operated restaurant to a franchised restaurant, we, as the intermediate lessor, may enter into restaurant sublease agreements with franchisees, which was accounted as finance leases. The cost of lease assets is capitalized at the present value of the lease payments and presented as a receivable at an amount equal to the net investment in the lease. See Note 19(b) to the Accountants' Report in Appendix I to this document for details.

As of December 31, 2022, 2023, and September 30, 2024, our receivables under finance leases amounted to RMB2.9 million, RMB13.6 million and RMB12.6 million, respectively. Our receivables under finance leases increased from RMB2.9 million as of December 31, 2022 to RMB13.6 million as of December 31, 2023, primarily due to an increase in the number of subleases we entered into with franchisees in relation to the franchised restaurants converted from our self-operated restaurants in Jiangsu Province in the fourth quarter in 2023. Our receivables under finance leases decreased slightly from RMB13.6 million as of December 31, 2023 to RMB12.6 million as of September 30, 2024, primarily due to the gradual collection of receivables over the lease terms of our finance leases.

Long-term bank deposits

Our long-term bank deposits mainly represents the bank deposits we made as part of our cash management policies. Our long-term bank deposits are all deposited with creditworthy banks with no recent history of default.

As of December 31, 2022, 2023, and September 30, 2024, our long-term bank deposits amounted to RMB168.1 million, RMB189.8 million, and RMB91.6 million, respectively. Our long-term bank deposits increased from RMB168.1 million as of December 31, 2022 to RMB189.8 million as of December 31, 2023, primarily due to the placement of additional bank deposits to optimize cash utilization. Our long-term bank deposits decreased from RMB189.8 million as of December 31, 2023 to RMB91.6 million as of September 30, 2024, primarily due to the partial conversion of long-term deposits into short-term deposits.

INDEBTEDNESS

The table below sets out the details of our indebtedness as of the dates indicated:

	As of December 31,		As of September 30,	As of November 30,
	2022	2023	2024	2024
	(RMB in thousands)			
			(Unaudited)	*(Unaudited)*
Current				
Interest-bearing bank borrowings	276,805	299,231	288,831	260,148
Lease liabilities	364,189	336,569	337,348	337,634
Non-current				
Interest-bearing bank borrowings	–	39,993	174,073	174,073
Lease liabilities	704,864	636,358	580,991	533,673
Total	**1,345,858**	**1,312,151**	**1,381,243**	**1,305,528**

Interest-bearing Bank Borrowings

As of December 31, 2022, 2023, September 30, 2024 and November 30, 2024, our interest-bearing bank borrowings, including current and non-current portion, amounted to RMB276.8 million, RMB339.2 million, RMB462.9 million and RMB434.2 million, respectively, mainly representing bank loans primarily to supplement our working capital and support our restaurant network expansion plan. During the Track Record Period, our bank borrowings were all denominated in RMB with fixed interest rates ranging from 2.5% to 3.7%. As of November 30, 2024, our unutilized banking facilities amounted to RMB1,899.4 million. For further information regarding our interest-bearing bank borrowings, see Note 30 to the Accountants' Report in Appendix I to this document.

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

Our lease liabilities are in relation to properties we leased for our self-operated restaurants, certain office premises, as well as plants in operation. As of December 31, 2022, 2023, September 30, 2024 and November 30, 2024, our lease liabilities, including current and non-current portions, amounted to RMB1,069.1 million, RMB972.9 million, RMB918.3 million and RMB871.3 million, respectively, mainly representing lease liabilities under leases for our restaurants. The decrease in our lease liabilities from RMB1,069.1 million as of December 31, 2022 to RMB972.9 million as of December 31, 2023 was primarily due to the increased termination of leases of our self-operated restaurants in 2023. The decrease in our lease liabilities from RMB972.9 million as of December 31, 2023 to RMB918.3 million as of September 30, 2024 was primarily attributable to a decrease in leases and lease payments as a result of the decrease in the number of self-operated restaurants during the period. For the maturity analysis and other detailed information regarding our leased liabilities, see Notes 15 and 44(d) to the Accountants' Report in Appendix I to this document.

No Other Outstanding Indebtedness

Except as disclosed above, as of November 30, 2024, being the latest practicable date for determining our indebtedness, we did not have any outstanding mortgages, charges, debentures, other issued debt capital, bank overdrafts, borrowings, liabilities under acceptance or other similar indebtedness, hire purchase commitments, guarantees or other material contingent liabilities. 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 November 30, 2024.

CONTINGENT LIABILITIES OR GUARANTEES

During the Track Record Period and up to the Latest Practicable Date, we did not have any contingent liabilities that would have a material impact on our financial position or results of operations.

CAPITAL EXPENDITURE

Our capital expenditures consisted of purchases of items of property, plant and equipment, purchases of intangible assets and payments for leasehold lands, primarily used to (i) open new restaurants, (ii) procure equipment for new restaurants and (iii) refurbish and remodel existing restaurants. Our capital expenditures in 2022, 2023, and the nine months ended September 30, 2023 and 2024, were RMB493.9 million, RMB572.9 million, RMB420.3 million and RMB351.6 million, respectively. The following table sets forth a breakdown of our capital expenditures for the periods indicated.

	Year ended December 31,		Nine months ended September 30,	
	2022	**2023**	**2023**	**2024**
	(RMB in thousands)			
			(Unaudited)	
Purchases of items of property, plant and equipment	466,343	567,622	417,355	347,894
Purchases of intangible assets	2,933	4,358	1,994	3,742
Payments for leasehold lands	24,647	954	954	–
Total	**493,923**	**572,934**	**420,303**	**351,636**

We funded our capital expenditure requirements during the Track Record Period mainly from cash flow generated from operating activities and debt financing. We expect to incur capital expenditure in the near future, primarily to support the growth of our business. We expect to fund these capital expenditures with a combination of cash flow generated from operating activities, debt financing and net [**REDACTED**] from the [**REDACTED**]. For further details of our capital expenditure, see "Business — Our Restaurants — Restaurant Network" and "Future Plans and Use of [**REDACTED**] — Use of [**REDACTED**]." We may adjust our capital expenditures for any given period according to our development plans or in light of market conditions and other factors we believe to be appropriate.

CONTRACTUAL OBLIGATIONS

Capital Commitments

As of December 31, 2022, 2023, and September 30, 2024, our capital commitments amounted to RMB773.6 million, RMB479.3 million and RMB362.1 million, respectively, primarily in connection with capital expenditures contracted for but not yet provided for plant and machinery in relation to the construction of our headquarters and production facilities.

KEY FINANCIAL RATIOS

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

	As of/For the year ended December 31,		As of/For the nine months ended September 30,
	2022	2023	2024
			(Unaudited)
Current ratio[1]	0.5	0.7	0.7
Gearing ratio (%)[2]	20.1	19.1	29.0
Return on average assets (%)[3]	7.5	10.1	11.5[5]
Return on average equity (%)[4]	20.2	23.8	29.0[5]

Notes:

(1) Current ratio equals to current assets divided by current liabilities as of the respective date.

(2) Gearing ratio equals to interest-bearing bank borrowings divided by total equity and multiplied by 100%.

(3) Return on average assets equals to profit for the year/period divided by average balance of total assets at the beginning and the end of that year/period and multiplied by 100%.

(4) Return on average equity equals to profits for the year/period divided by average balance of total equity at the beginning and the end of that year/period multiplied by 100%.

(5) These ratios are annualized by dividing profit for the nine months ended September 30, 2024 by 270 and multiplied by 360, then divided by average assets or average equity at the beginning and the end of this period, as applicable.

Current Ratio

Our current ratio remained relatively stable at 0.7 as of December 31, 2023 and as of September 30, 2024.

Our current ratio increased from 0.5 as of December 31, 2022 to 0.7 as of December 31, 2023, primarily because our total current assets increased by 44.2% from December 31, 2022 to December 31, 2023, which was larger than the 14.0% increase in our total current liabilities in the same period.

Gearing Ratio

Our gearing ratio increased from 19.1% as of December 31, 2023 to 29.0% as of September 30, 2024, primarily because our interest-bearing bank borrowings increased by 36.5% from December 31, 2023 to September 30, 2024, while our total equity decreased by 10.0% during the same period.

Our gearing ratio decreased slightly from 20.1% as of December 31, 2022 to 19.1% as of December 31, 2023 because our interest-bearing bank borrowings increased by 22.5% from December 31, 2022 to December 31, 2023, which was lower than the 28.6% increase in our total equity during the same period.

Return on average assets

Our return on average assets increased from 10.1% in 2023 to 11.5% in the nine months ended September 30, 2024, primarily because the 30.4% increase in our annualized profit for the nine months ended September 30, 2024 compared to 2023 was larger than the 13.7% increase in our average total assets in the nine months ended September 30, 2024.

Our return on average assets increased from 7.5% in 2022 to 10.1% in 2023, primarily because the increase in our profit for the year from 2022 to 2023 was larger than the increase in our average total assets in the same period. Our profit for the year increased by 48.9% from RMB252.0 million in 2022 to RMB375.4 million in 2023, primarily due to an increase in our revenue by 24.8% from RMB4,527.9 million in 2022 to RMB5,650.6 million in 2023, while our average total assets increased by 11.5% from 2022 to 2023.

Return on average equity

Our return on average equity increased from 23.8% in 2023 to 29.0% in the nine months ended September 30, 2024, primarily because the 30.4% increase in our annualized profit for the nine months ended September 30, 2024 compared to 2023 as a result of our revenue growth was larger than the 6.9% increase in our average total equity in the nine months ended September 30, 2024.

Our return on average equity increased from 20.2% in 2022 to 23.8% in 2023, mainly because our profit for the year increased at a higher rate than our average total equity. Our profit for the year increased by 48.9% from 2022 to 2023 as a result of our business expansion while our average total equity increased by 26.6% from 2022 to 2023.

OFF-BALANCE SHEET ARRANGEMENTS

As of the Latest Practicable Date, we had not entered 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.

MATERIAL RELATED PARTY TRANSACTIONS

Related party transactions are set out in Note 41 to the Accountants' Report included in Appendix I to this document. Our Directors confirm that these transactions were conducted in the ordinary and usual course of business and on an arm's length basis, and they did not distort our results of operations or make our historical results not reflective of our future performance.

FINANCIAL RISKS DISCLOSURE

We are exposed to a variety of financial risks, including interest rate risk foreign currency risk, credit risk and liquidity risk. Our overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on our financial performance. Our Board reviewed and agreed the following risk management policies. For a detailed description of our financial risk management, see Note 44 to the Accountants' Report in Appendix I to this document.

Interest Rate Risk

Our exposure to the risk of changes in market interest rates relates primarily to our bank and other borrowings. All of the Group's borrowings were obtained at fixed rates and exposed to fair value interest rate risk. The Group does not hedge cash flow and fair value interest rate risk.

Foreign Currency Risk

Our major businesses are carried out in China and most of the transactions are conducted in RMB. Most of our assets and liabilities are denominated in RMB. We do not have material foreign currency risk during the Track Record Period.

Credit Risk

We are exposed to credit risk in relation to our trade receivables, financial assets included in prepayments and other receivables, long-term bank deposits, and cash and cash equivalents. We expect that there is no significant credit risk associated with cash and cash equivalents, long-term bank deposits and debt investments at fair value through other comprehensive income since they are deposited at state-owned banks and other medium or large-sized listed banks. Our Management does not expect that there will be any significant losses from the non-performance risk by these counterparties.

We apply the simplified approach to provide for expected credit losses prescribed by IFRS 9, which permits the use of a lifetime expected credit loss provision for trade receivables. To measure the expected credit losses, trade receivables have been grouped based on the shared credit risk characteristics and the days past due. The expected credit loss also incorporates forward-looking information. We trade only with recognized and creditworthy third parties. It is our policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis.

We expected there is no significant credit risk associated with financial assets included in prepayments and other receivables since they have low historical default risk. We have assessed that during the Track Record Period, deposits and other receivables have not had a significant increase in credit risk since initial recognition. Thus, a 12-month expected credit loss approach that results from possible default events within 12 months of each of the Track Record Period is adopted by our management. For more details of our credit risk, see Note 44(c) to the Accountants' Report set out in Appendix I to this document.

Liquidity Risk

Our objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing bank and other borrowings. Cash flows are closely monitored on an ongoing basis. For details of the maturity profile of our financial liabilities, please see Note 44(d) to the Accountants' Report set out in Appendix I to this document.

Capital Management

The primary objectives of our capital management are to safeguard our ability to continue as a going concern and to maintain healthy capital ratios in order to support our business and maximize shareholders' value. We manage our capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, we may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. We monitor capital using an adjusted net debt-to-capital ratio, which is adjusted net debt divided by the adjusted capital plus adjusted net debt. Adjusted net debt includes interest-bearing bank borrowings trade and other payables, less cash and bank balance. Capital include equity attributable to owners of the parent. For further details, please see Note 44(e) to the Accountants' Report set out in Appendix I to this document.

DIVIDENDS

We did not declare or distribute dividends to our shareholders during the Track Record Period. We do not have any dividend policy. The decision on whether to pay dividends will be made at the discretion of our Directors and will depend upon, among others, the financial results, cash flows, business conditions and strategies, future operations and earnings, capital requirements and expenditure plans, any restrictions on payment of dividends, and other factors that our Directors may consider relevant. No dividend shall be declared or payable except out of our profits and share capital premium lawfully available for distribution. We do not have a pre-determined dividend payout ratio. As advised by our legal advisor on Cayman Islands law, under the laws of the Cayman Islands, a position of accumulated losses does not necessarily restrict us to declare and pay dividends to our shareholders as dividends may be declared and paid out of our share premium account notwithstanding our profitability, provided that this would not result in our Company being unable to pay debts as they fall due in the ordinary course of business.

We are a holding company incorporated under the laws of the Cayman Islands. As a result, the payment and amount of any future dividends will also depend on the availability of dividends received from our subsidiaries. PRC laws require that dividends shall be paid only out of the profit for the year determined 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 our subsidiaries to set aside at least 10% of its after-tax profits, if any, to fund its statutory reserves until such reserve funds reach and remain at or above 50% of the relevant PRC entity's registered capital, which are not available for distribution as cash dividends. Distributions from our subsidiaries may also be restricted if they incur debt or losses, or in accordance with any restrictive covenants in bank credit facilities or other agreements that we or our subsidiaries may enter into in the future.

DISTRIBUTABLE RESERVES

As of September 30, 2024, our distributable reserves amounted to RMB1,025.6 million.

[**REDACTED**]

Our [**REDACTED**] mainly include (i) [**REDACTED**] expenses, such as [**REDACTED**] fees and [**REDACTED**], and (ii) [**REDACTED**] expenses, comprising professional fees paid to our legal advisors and Reporting Accountants for their services rendered in relation to the [**REDACTED**] and the [**REDACTED**], and other fees and expenses. Assuming full payment of the discretionary incentive fee, the estimated total [**REDACTED**] (based on the mid-point of the [**REDACTED**] and assuming that the [**REDACTED**] is not exercised) for the [**REDACTED**] are approximately HK$[**REDACTED**] million, accounting for approximately of [**REDACTED**]% of our gross [**REDACTED**]. Among such estimated total [**REDACTED**], we expect to pay [**REDACTED**] expenses of HK$[**REDACTED**] million, professional fees for our legal advisors and Reporting Accountants of HK$[**REDACTED**] million and other fees and expenses of HK$[**REDACTED**] million. An estimated amount of HK$[**REDACTED**] million for our [**REDACTED**], accounting for approximately [**REDACTED**]% of our gross [**REDACTED**], was or is expected to be expensed through the statement of profit or loss and the remaining amount of HK$[**REDACTED**] million is expected to be recognized directly as a deduction from equity upon the [**REDACTED**]. We did not recognize any [**REDACTED**] in relation to the [**REDACTED**] in 2022. We recognized [**REDACTED**] in relation to the [**REDACTED**] of RMB6.6 million and RMB5.9 million in 2023 and the nine months ended September 30, 2024 in our consolidated statements of profit or loss and other comprehensive income, respectively.

UNAUDITED [REDACTED] ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

For further details, see "Appendix II — Unaudited [**REDACTED**] Financial Information in this document."

NO MATERIAL ADVERSE CHANGE

Our Directors have confirmed that up to the date of this document there has been no material adverse change in our financial or trading position or prospects since September 30, 2024, being the date of our latest audited financial statements, and there has been no event since September 30, 2024 which would materially affect the information shown in the Accountants' Report set out in Appendix I to this document.

DISCLOSURE REQUIRED UNDER LISTING RULES

Except as otherwise disclosed in this document, our Directors confirm that, as of the Latest Practicable Date, they were not aware of any circumstances which would give rise to a disclosure requirement under Rule 13.13 to Rule 13.19 of the Listing Rules.

OVERVIEW

Our Group was founded in 2003 by Mr. Shu Congxuan, father of Mr. Shu Xiaolong and Ms. Shu Wen, our executive Directors. As part of the family succession plan further detailed in "History, Reorganization and Corporate Structure" in this document, the equity interest of Mr. Shu Congxuan in our Group has been passed to the next generation of the founder family such that he has not held any direct equity interest in our Group since November 2012. As of the Latest Practicable Date, our Company was held as to 70.78% by Mr. Shu Xiaolong, 15.02% by Ms. Shu Wen (the sister of Mr. Shu Xiaolong) and 6.22% by Ms. Dong Xue (the spouse of Mr. Shu Xiaolong) through their respective indirectly wholly owned investment vehicles. Accordingly, Mr. Shu Xiaolong, Ms. Dong Xue and Ms. Shu Wen were collectively entitled to exercise 92.02% of the voting power at general meetings of our Company through their respective indirectly wholly owned investment vehicles as of the Latest Practicable Date.

Immediately following the completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised), Mr. Shu Xiaolong, Ms. Dong Xue and Ms. Shu Wen will collectively be entitled to exercise [**REDACTED**]% of the voting power at general meetings of our Company through their respective indirectly wholly owned investment vehicles, as detailed in "History, Reorganization and Corporate Structure — Corporate Structure" in this document. Upon [**REDACTED**], each of Mr. Shu Xiaolong, Ms. Dong Xue and Ms. Shu Wen together with their respective investment vehicles in the Company, namely (i) Rosanne Holding Ltd and Constantly Soar Ltd, each an investment vehicle wholly owned by Mr. Shu Xiaolong, (ii) Hurren Holding Ltd and Favourable Impression Ltd, each an investment vehicle wholly owned by Ms. Dong Xue, and (iii) Mata International Ltd and Jump Spark Ltd, each an investment vehicle wholly owned by Ms. Shu Wen, will constitute a group of Controlling Shareholders of our Company under the Listing Rules.

INTEREST IN COMPETING BUSINESS

Each of our Controlling Shareholders confirms that he/she/it had no interest in any business apart from the business of our Group which competes or is likely to compete, either directly or indirectly, with the business of our Group, which would require disclosure under Rule 8.10 of the Listing Rules as of the Latest Practicable Date.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Having considered the following factors, our Directors are satisfied that we are capable of carrying on our business independently of our Controlling Shareholders and their respective close associates upon [**REDACTED**].

Management Independence

Upon [**REDACTED**], our Board will comprise seven Directors, including three executive Directors, one non-executive Director and three independent non-executive Directors. Our management and operational decisions are made collectively by our Board and senior management, most of whom have served our Group for a significant period and have substantial and extensive relevant industry experience and expertise as set out in "Directors and Senior Management" in this document. Save for Mr. Shu Xiaolong, Ms. Dong Xue and Ms.

Shu Wen, who are our Controlling Shareholders and executive Directors, none of our Directors or members of the senior management are our Controlling Shareholders or hold any directorship or executive position in our Controlling Shareholders or their respective close associates.

Our Directors consider that our Board and senior management will function independently of our Controlling Shareholders for the following reasons:

(i) each Director is aware of his or her fiduciary duties as a Director which require, among other things, that such Director acts for the best interests of our Company and our Shareholders as a whole and does not allow any conflict between his or her duties as a Director and his or her personal interests;

(ii) our Company has established internal control mechanisms to identify connected transactions to ensure that our Shareholders or Directors with conflicting interests in a proposed transaction will abstain from voting on the relevant resolutions pursuant to the relevant requirements under our Articles of Association and/or the Listing Rules;

(iii) in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Company and our Directors or their respective close associates, the interested Director(s) is required to declare the nature of such interest before voting at the relevant Board meetings of our Company in respect of such transactions;

(iv) all of the other Directors are independent from Mr. Shu Xiaolong, Ms. Dong Xue and Ms. Shu Wen and decisions of the Board require the approval of a majority vote from the Board; and

(v) we have appointed three independent non-executive Directors, comprising more than one third of the total members of our Board, who have sufficient knowledge, experience and competence to provide a balance of the potentially interested Directors and independent Directors with a view to promote the interests of our Company and the Shareholders as a whole.

Based on the above, our Directors are of the view that our Board and senior management as a whole are capable to perform their roles in our Company independently and manage our business independently of our Controlling Shareholders and their respective close associates after [**REDACTED**].

Operational Independence

We are not operationally dependent on our Controlling Shareholders. We have established our own organizational structure, with each department assigned to specific areas of responsibilities which have been in operation and are expected to continue to operate independently of our Controlling Shareholders and their respective close associates. We have independent access to suppliers and customers. We are also in possession of relevant assets, licenses, trademarks and other intellectual properties and research and development facilities necessary to carry on and operate our business and we have sufficient operational capacity in terms of capital and employees to operate independently.

We have entered into certain transactions with our Controlling Shareholders, which are set out in "Continuing Connected Transactions" in this document and Note 41 to the Accountants' Report set out in Appendix I to this document. Considering that such transactions are conducted on normal commercial terms or better and the amounts of these transactions are not significant to our Group, our Directors believe that such transactions will not have any material adverse impact on our operational independence. Save for these transactions, our Directors do not expect that there will be any other significant transaction between our Group and our Controlling Shareholders upon or shortly after [**REDACTED**].

Based on the above, our Directors are satisfied that we will be able to operate independently of our Controlling Shareholders and their respective close associates after [**REDACTED**].

Financial Independence

We have the ability to operate independently of our Controlling Shareholders and their respective close associates from a financial perspective. We have an independent financial system and make financial decisions according to our own business needs. We have our independent financial department with a team of independent financial staff responsible for discharging the treasury function, and an audit committee comprising solely of non-executive Directors, the majority members of which are independent non-executive Directors, to oversee our accounting and financial reporting processes. We make tax registration and pay tax independently with our own funds. As such, our financial functions, such as cash and accounting management, invoices and bills, operate independently of our Controlling Shareholders and their respective close associates.

We do not rely on our Controlling Shareholders or their close associates to provide financial assistance to our Group. We have independent access to independent third party financing and our Directors believe that, if necessary, we are capable of obtaining financing from external sources without reliance on our Controlling Shareholders or their respective close associates. As of the Latest Practicable Date, none of our Controlling Shareholders or their respective close associates had provided any loans or guarantees in respect of our borrowings to our Group. Our Directors confirm that all subsisting guarantees in respect of our unutilized banking facilities provided by our Controlling Shareholders or their respective close associates to our Group will be fully released before [**REDACTED**].

As detailed in "History, Reorganization and Corporate Structure — Reorganization — 3. Offshore Restructuring of Anhui Laoxiangji" in this document, in connection with the capital reduction of Anhui Laoxiangji as part of the Reorganization, a total consideration of RMB202,132,850 payable by Anhui Laoxiangji to Hefei Yuyi, Mr. Shu Xiaolong, Qingdao Shudong and Ms. Shu Wen, each a Controlling Shareholder or their close associate remained outstanding as of the Latest Practicable Date and we expect to settle such consideration before [**REDACTED**]. Considering our cash and cash equivalents of approximately RMB494.3 million as of September 30, 2024, our unutilized banking facilities of RMB1,899.4 million as of November 30, 2024 and our ability to obtaining further financing from external sources when necessary, our Directors are of the view that the expected payment of the such consideration under the relevant capital reduction agreements will not have a material adverse impact on the cashflow and working capital position of our Group.

Based on the above, our Directors are satisfied that we will be able to maintain financial independence from our Controlling Shareholders and their respective close associates after [**REDACTED**].

CORPORATE GOVERNANCE MEASURES

In order to further safeguard the interests of our Shareholders, we will adopt the following corporate governance measures to manage any potential conflicts of interest with our Controlling Shareholders and their respective close associates:

(i) As part of our preparation for the [**REDACTED**], we have amended our Articles of Association to comply with the Listing Rules which will become effective upon [**REDACTED**]. In particular, our Articles of Association provides that, unless otherwise provided, a Director shall abstain from voting on any resolution approving any contract, transaction or arrangement in which such Director or any of his/her close associates has a material interest nor shall such Director be counted in the quorum present at the Board meeting.

(ii) Where a transaction or arrangement of our Company is subject to Shareholders' approval under the provisions of the Listing Rules, any Controlling Shareholder that has a material interest in the transaction or arrangement shall abstain from voting on the resolution(s) approving the transaction or arrangement at the general meeting.

(iii) Our Company has established internal control mechanisms to identify connected transactions. Upon [**REDACTED**], if our Company enters into connected transactions with our Controlling Shareholders or any of their associates, our Company will comply with the applicable requirements under the Listing Rules.

(iv) We are committed that our Board shall include a balanced composition of executive Directors 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 experiences and 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 Shareholders as a whole. For details of our independent non-executive Directors, see "Directors and Senior Management — Directors — Independent Non-Executive Directors" in this document. Furthermore, more than half of our Directors are independent from and do not have family relationship with our Controlling Shareholders.

(v) We have appointed Haitong International Capital Limited as our compliance advisor, 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.

Upon [**REDACTED**], the following transactions between us and our connected persons will constitute our continuing connected transactions under Chapter 14A of the Listing Rules.

RELEVANT CONNECTED PERSONS

The table below sets forth the parties that will become our connected persons and have entered into transactions with us which will constitute our continuing connected transactions upon [**REDACTED**]:

Connected person	Relationship
Anhui Green Basket Supermarket LLC (安徽綠籃子超市有限責任公司) ("**Green Basket Supermarket**")	As of the Latest Practicable Date, Green Basket Supermarket was owned as to 80% by Mr. Zhang Bing (張兵), father of Ms. Dong Xue (an executive Director and one of our Controlling Shareholders) and 20% by Ms. Yang Zizhen (楊自珍), mother of Ms. Dong Xue. Green Basket Supermarket will therefore be an associate of Ms. Dong Xue and a connected person of our Company upon [**REDACTED**].
Mr. Shu Xiaolong	One of our Controlling Shareholders, our executive Director, chairman of our Board and chief executive officer

FULLY EXEMPT CONTINUING CONNECTED TRANSACTIONS

1. Leasing of Property to Green Basket Supermarket

Green Basket Supermarket is the operator of a supermarket chain in Lu'an, Anhui. Pursuant to the lease agreement between Anhui Laoxiangji and Green Basket Supermarket, Anhui Laoxiangji has agreed to lease certain space of its property in Lu'an, Anhui to Green Basket Supermarket as its place of business. The rent was determined on an arm's length basis with reference to, among others, the prevailing market rental of similar properties located in the vicinity and the customer traffic of the area.

As all of the applicable percentage ratios calculated for the purpose of Chapter 14A of the Listing Rules in respect of the aforementioned transaction, which is conducted on normal commercial terms or better, are expected to be less than 0.1% on an annual basis, it will fall within the *de minimis* threshold under Rule 14A.76(1) of the Listing Rules and will be exempted from the reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

2. Purchase of Consumer Goods from Green Basket Supermarket

During our ordinary and usual course of business, we purchase certain consumer goods from Green Basket Supermarket. The prices charged by Green Basket Supermarket for these consumer goods will be determined on an arm's length basis with reference to Green Basket Supermarket's standard price schedules for its other independent customers, which is determined with reference to the procurement price of Green Basket Supermarket and the price schedules offered by other supermarkets situated in the vicinity of Green Basket Supermarket.

As all of the applicable percentage ratios calculated for the purpose of Chapter 14A of the Listing Rules in respect of the aforesaid transaction, which is conducted on normal commercial terms or better, are expected to be less than 0.1% on an annual basis, it will fall within the *de minimis* threshold under Rule 14A.76(1) of the Listing Rules and will be exempted from the reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

3. Leasing of Properties from Green Basket Supermarket and Mr. Shu Xiaolong

During the Track Record Period and in our ordinary and usual course of business, we leased certain of our restaurant premises from our connected persons (including deemed connected persons), including (i) Mr. Shu Xiaolong, (ii) Ms. Shu Wen, our executive Director, (iii) Mr. Shu Congxuan, father of Mr. Shu Xiaolong and Ms. Shu Wen, (iv) Ms. Zhang Qiong, mother of Mr. Shu Xiaolong and Ms. Shu Wen, (v) Ms. Wang Qinqin, our head of securities affairs and cousin of Mr. Shu Xiaolong and Ms. Shu Wen, (vi) Ms. Shao Linqin (邵林芹), spouse of Mr. Shu Congde, our non-executive Director, and (vii) Green Basket Supermarket. Certain of these leases are recognized as right-of-use assets in accordance with IFRS 16 "Leases" and are treated as one-off acquisitions of capital assets by our Group, which do not constitute our continuing connected transactions upon [**REDACTED**] under Chapter 14A of the Listing Rules.

Notwithstanding the foregoing, two of the existing leases for our restaurant premises, including one in Lu'an, Anhui leased from Green Basket Supermarket and another one in Hefei, Anhui leased from Mr. Shu Xiaolong, are exempt from recognition as right-of-use assets on our balance sheet under IFRS 16 (the "**Exempt Leases**"). Under the relevant lease arrangements, the rentals for the Exempt Leases are determined on a variable basis with reference to the operating revenue of the relevant restaurants. Such variable lease payments will be accounted for as our expenses and constitute our continuing connected transactions under the Listing Rules.

As all of the applicable percentage ratios calculated for the purpose of Chapter 14A of the Listing Rules in respect of the Exempt Leases, which are conducted on normal commercial terms or better, on an aggregated basis, are expected to be less than 0.1% on an annual basis, they will fall within the *de minimis* threshold under Rule 14A.76(1) of the Listing Rules and will be exempted from the reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

4. Purchase of Utilities from Green Basket Supermarket

Under the lease arrangements for certain of our restaurant premises leased from Green Basket Supermarket as disclosed in "— 3. Leasing of Properties from Green Basket Supermarket and Mr. Shu Xiaolong" above, Green Basket Supermarket has agreed to procure the supply of utilities (including water and electricity) that we consume during our use of these premises. The fees charged by Green Basket Supermarket for the aforesaid utilities will be determined on an at-cost basis with reference to the utility charges on the relevant premises paid by Green Basket Supermarket to the relevant utility providers, which typically are at government-prescribed rates. On a monthly basis, we will confirm the consumption amounts with Green Basket Supermarket with reference to the utility bills issued by the relevant utility providers.

The utilities are "consumer goods and services" under Rule 14A.97 of the Listing Rules because they are (i) of a type ordinarily supplied for our private use or consumption; (ii) for our own consumption and use; (iii) consumed and used by us in the same state as when they were bought; and (iv) purchased on no less favorable terms to our Group than those available from independent third parties, as such utility prices are published or publicly quoted and apply to other independent consumers. On the basis that we purchase such utilities from Green Basket Supermarket on normal commercial terms or better in our ordinary and usual course of business, the transaction will be fully exempt from the reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

AUTHORIZED AND ISSUED SHARE CAPITAL

Authorized Share Capital

As of the Latest Practicable Date, our authorized share capital was US$50,000 divided into 500,000,000 Shares of a par value of US$0.0001 each.

Issued Share Capital

As of the Latest Practicable Date, our issued share capital consisted of 357,241,320 Shares of a par value of US$0.0001.

Assuming the [**REDACTED**] is not exercised, the share capital of our Company immediately following the completion of the [**REDACTED**] will be as follows:

	Number of Shares	Aggregate nominal value
		US$
Shares in issue	357,241,320	35,724.132
Shares to be issued pursuant to the [**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Total	[**REDACTED**]	[**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

Upon completion of the [**REDACTED**], our Company has only one class of Shares, namely ordinary shares, each of which ranks *pari passu* with the other Shares.

Pursuant to the Cayman Companies Act and the terms of our Articles of Association, our Company may from time to time by ordinary resolution of Shareholders (i) increase its capital; (ii) consolidate and divide its capital into Shares of larger amount; (iii) subdivide its Shares into Shares of smaller amount; (iv) cancel any Shares which have not been taken or agreed to be taken by any person; (v) make provision for the allotment and issue of Shares which do not carry any voting rights; (vi) change the currency of denomination of its share capital; and (vii) reduce its share premium account. In addition, our Company may reduce its share capital or capital redemption reserve by its Shareholders passing a special resolution. For details, see "Summary of Our Constitution and Cayman Islands Company Law — 2. Articles of Association — 2.1. Shares — (c) Alteration of Capital" in Appendix III to this document.

Pursuant to the Cayman Companies Act and the terms of our Articles of Association, if at any time the share capital of our Company is divided into different classes of Shares, all or any of the rights attached to any class of Shares for the time being issued (unless otherwise provided by the terms of issue of the Shares of that class) may, whether or not our Company is being wound up, be varied only with the consent in writing of the holders of at least three-fourths of the issued Shares of that class, or with the approval of a resolution passed by not less than three-fourths of the votes cast by the holders of the Shares of that class present and voting in person or by proxy at a separate meeting of such holders. For details, see "Summary of Our Constitution and Cayman Islands Company Law — 2. Articles of Association — 2.1. Shares — (b) Variation of Rights of Existing Shares or Classes of Shares" in Appendix III to this document.

GENERAL MANDATE TO ISSUE SHARES

Subject to the [**REDACTED**] becoming unconditional, our Directors [have been] granted a general unconditional mandate to allot, issue and deal with Shares with a total nominal value of not more than the sum of:

- 20% of the aggregate nominal value of the Shares in issue immediately following completion of the [**REDACTED**] (excluding any Shares which may be issued pursuant to the exercise of the [**REDACTED**]); and

- the aggregate nominal value of Shares repurchased by us under the authority referred to in the paragraph headed "— General Mandate to Repurchase Shares" in this section.

This general mandate to issue Shares will expire at the earliest of:

- the conclusion of the next annual general meeting of our Company unless otherwise renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions;

- the expiration of the period within which our Company's next annual general meeting is required by the Memorandum and Articles of Association or any other applicable laws to be held; or

- the date on which it is varied or revoked by an ordinary resolution of our Shareholders in a general meeting.

See the section headed "Statutory and General Information — A. Further Information about Our Group — 5. Resolutions of Our Shareholders" in Appendix IV to this document.

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the [**REDACTED**] becoming unconditional, our Directors [have been] granted a general unconditional mandate to exercise all the powers of our Company to repurchase our own securities with nominal value of up to 10% of the aggregate nominal value of our Shares in issue immediately following the completion of the [**REDACTED**] (excluding any Shares which may be issued pursuant to the exercise of the [**REDACTED**]).

The repurchase mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange on which our Shares are listed (and which are recognized by the SFC and the Stock Exchange for this purpose), and which are in accordance with the Listing Rules. A summary of the relevant Listing Rules is set out in the section headed "Statutory and General Information — A. Further Information about Our Group — 6. Repurchase of Our Own Securities" in Appendix IV to this document.

This general mandate to repurchase Shares will expire at the earliest of:

- the conclusion of the next annual general meeting of our Company unless otherwise renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions;
- the expiration of the period within which our Company's next annual general meeting is required by the Memorandum and Articles of Association or any other applicable laws to be held; or
- the date on which it is varied or revoked by an ordinary resolution of our Shareholders in a general meeting. See "Statutory and General Information — A. Further Information about Our Group — 6. Repurchase of Our Own Securities" in Appendix IV to this document for further details.

SHARE SCHEME

We have established an employee share incentive plan on December 19, 2024. See "Statutory and General Information — D. Pre-[**REDACTED**] Share Incentive Plan" in Appendix IV to this document for further details.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following the completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised), the following persons will have an interest or short position in Shares and/or underlying Shares of our Company which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or will be, directly or indirectly, interested in 10% or more of the issued voting Shares of our Company.

Name of Shareholder	Nature of interest(1)	Number of Shares or underlying Shares held	Shareholding as of the Latest Practicable Date	Shareholding upon completion of the [REDACTED](2)
Mr. Shu Xiaolong(3)(6)	Interest in controlled corporation Interest of spouse	275,071,981	77.00%	[REDACTED]%
Ms. Dong Xue(4)(6)	Interest in controlled corporation Interest of spouse	275,071,981	77.00%	[REDACTED]%
Rosanne Holding Ltd(3)	Interest in controlled corporation	252,861,805	70.78%	[REDACTED]%
Constantly Soar Ltd(3)	Beneficial Owner	252,861,805	70.78%	[REDACTED]%
Ms. Shu Wen(5)	Interest in controlled corporation	53,668,499	15.02%	[REDACTED]%
Mata International Ltd(5)	Interest in controlled corporation	53,668,499	15.02%	[REDACTED]%
Jump Spark Ltd(5)	Beneficial Owner	53,668,499	15.02%	[REDACTED]%
Hurren Holding Ltd(4)	Interest in controlled corporation	22,210,176	6.22%	[REDACTED]%
Favourable Impression Ltd(4)	Beneficial Owner	22,210,176	6.22%	[REDACTED]%

Notes:

(1) All interests stated are long positions.

(2) The calculation is based on the total number of [**REDACTED**] Shares in issue immediately following the completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised).

(3) As of the Latest Practicable Date, Constantly Soar Ltd was wholly owned by Rosanne Holding Ltd, which was wholly owned by Mr. Shu Xiaolong. By virtue of the SFO, Mr. Shu Xiaolong and Rosanne Holding Ltd are deemed to be interested in the Shares held by Constantly Soar Ltd.

(4) As of the Latest Practicable Date, Favourable Impression Ltd was wholly owned by Hurren Holding Ltd, which was wholly owned by Ms. Dong Xue. By virtue of the SFO, Ms. Dong Xue and Hurren Holding Ltd are deemed to be interested in the Shares held by Favourable Impression Ltd.

(5) As of the Latest Practicable Date, Jump Spark Ltd was wholly owned by Mata International Ltd, which was wholly owned by Ms. Shu Wen. By virtue of the SFO, Ms. Shu Wen and Mata International Ltd are deemed to be interested in the Shares held by Jump Spark Ltd.

(6) Mr. Shu Xiaolong and Ms. Dong Xue are spouses. By virtue of the SFO, Mr. Shu Xiaolong and Ms. Dong Xue are deemed to be interested in the Shares held by each other.

For details of Shareholders who will be, directly or indirectly, interested in 10% or more of the issued voting shares of other members of our Group, see "Statutory and General Information — C. Further Information about Our Directors and Substantial Shareholders — 1. Disclosure of Interests" in Appendix IV to this document.

OVERVIEW

Upon [**REDACTED**], our Board will comprise seven Directors, including three executive Directors, one non-executive Director and three independent non-executive Directors, namely:

Name	Age	Position	Time of joining our Group	Date of appointment as Director	Roles and responsibilities	Relationship with other Directors or senior management
Mr. Shu Xiaolong (束小龍)	36	Executive Director, chairman of the Board and chief executive officer	September 2012	November 4, 2024	Overall management, strategic planning, business and daily operations of our Group	Spouse of Ms. Dong Xue; brother of Ms. Shu Wen
Ms. Dong Xue (董雪).	31	Executive Director	January 2019	November 4, 2024	Overseeing capital market affairs including investment and merger and acquisition of our Group	Spouse of Mr. Shu Xiaolong; sister-in-law of Ms. Shu Wen
Ms. Shu Wen (束文).	32	Executive Director	September 2013	November 4, 2024	Overseeing financial operation and regulatory compliance affairs of our Group	Sister of Mr. Shu Xiaolong; sister-in-law of Ms. Dong Xue
Mr. Shu Congde (束從德)	41	Non-executive Director	September 2007	January 4, 2024	Providing guidance and advice on the corporate and business strategies to the Board	None
Mr. Liu Chun (劉春).	57	Independent non-executive Director	July 2021	December 19, 2024	Providing independent advice on the operations and management of our Group	None

Name	Age	Position	Time of joining our Group	Date of appointment as Director	Roles and responsibilities	Relationship with other Directors or senior management
Mr. Li Guozhu (李國柱)	45	Independent non-executive Director	July 2021	December 19, 2024	Providing independent advice on the operations and management of our Group	None
Mr. Lai Lan-Sang (賴林勝)	68	Independent non-executive Director	December 2024	December 19, 2024	Providing independent advice on the operations and management of our Group	None

Our senior management team, in addition to the executive Directors listed above, comprises the following:

Name	Age	Position	Time of joining our Group	Date of appointment as senior management	Roles and responsibilities	Relationship with other Directors or senior management
Mr. Zhu Xianhua (朱先華)	47	Deputy general manager	April 2017	May 1, 2017	Developing and expanding restaurants of our Group	None
Mr. Wang Guowei (王國偉)	41	Board secretary and joint company secretary	November 2018	November 7, 2018	Board affairs, corporate governance and capital operations of our Group	None
Ms. He Jing (何晶).	34	Chief financial officer	June 2011	July 23, 2019	Financial operations of our Group	None
Ms. Wang Qinqin (王琴琴)	36	Head of securities affairs	April 2008	January 1, 2022	Capital management, investor relations and securities affairs of our Group	None

DIRECTORS

Executive Directors

Mr. Shu Xiaolong (束小龍), aged 36, is our executive Director, chairman of our Board and chief executive officer. Mr. Shu was appointed as our Director, the chairman of our Board and our chief executive officer on November 4, 2024 and was redesignated as an executive Director on December 19, 2024. He is primarily responsible for the overall management, strategic planning, business and daily operations of our Group, and oversees the operation and development of our restaurants under both direct operation model and franchise model.

As the son of Mr. Shu Congxuan, our founder, Mr. Shu has dedicated his career in our Group since his graduation. He joined our Group in September 2012 as a junior staff in one of our restaurants, and gradually progressed as a restaurant manager, regional director, general manager and director of a number of our operating subsidiaries. After serving as Anhui Laoxiangji's general manager from December 2016 to April 2020 and vice chairman from April 2020 to November 2023, Mr. Shu served as the chairman of Anhui Laoxiangji from November 2023 to May 2024. Further, Mr. Shu has also been a director of Anhui Laoxiangji since April 2019, and was redesignated as its executive director in May 2024. He also currently holds executive positions in a number of our other operating subsidiaries, including but not limited to the general manager of Jiangsu Laoxiangji Catering Co., Ltd. (江蘇老鄉雞餐飲有限公司).

Throughout his over 12 years of tenure in our Group, Mr. Shu has accumulated extensive experience in and understanding of the Chinese fast food industry, and has led the expansion and digital transformation of our business in various aspects including, for example, our restaurant design and operations, culinary techniques and supply chain digitalization. For example, Mr. Shu was elected as the vice president of the Junior Chamber of Commerce of Hefei City (合肥市青年商會副會長) in 2021 and a member of the standing committee of the People's Political Consultative Conference of Hefei City (合肥市市政協常務委員) in 2022. In addition, he was recognized as a Top 10 Excellent Private Entrepreneur of Shushan District, Hefei City (合肥市蜀山區十佳優秀民營企業家) in 2022, and a "Person of the Year 2023" (2023年度風雲人物) by Anhui Catering Industry Association (安徽省餐飲行業協會) in 2023.

Mr. Shu obtained a bachelor's degree in business management from Kent State University in the United States in July 2012.

Ms. Dong Xue (董雪), aged 31, is our executive Director. Ms. Dong was appointed as our Director on November 4, 2024 and was redesignated as an executive Director on December 19, 2024. She is primarily responsible for overseeing capital markets affairs including investment and merger and acquisition of our Group.

Ms. Dong joined our Group in January 2019 as a director and deputy general manager of Anhui Laoxiangji. In May 2024, following Anhui Laoxiangji's conversion into a limited liability company, she ceased to be a director of Anhui Laoxiangji, and continued to serve as its deputy general manager. Outside of our Group, Ms. Dong has been a supervisor of Anhui Aike Mantianxing Trading Co., Ltd. (安徽愛客滿天星商貿有限責任公司) since September 2012. Previously, Ms. Dong was a supervisor of Lu'an Shenyuan Garment Co., Ltd. (六安市申源服裝有限公司) from January 2012 to March 2022.

Ms. Dong obtained a bachelor's degree in management studies from University of Leicester in the United Kingdom in July 2014.

Ms. Shu Wen (束文), aged 32, is our executive Director. Ms. Shu was appointed as our Director on November 4, 2024 and was redesignated as an executive Director on December 19, 2024. She is primarily responsible for overseeing financial operation and management and regulatory compliance affairs of our Group.

As the daughter of Mr. Shu Congxuan, our founder, Ms. Shu has dedicated her career in our Group since her graduation. She joined our Group in September 2013 as a junior staff and successively served as a restaurant manager until May 2017. She then served as a financial accountant of Anhui Laoxiangji from June 2017 to May 2018, a financial manager of Anhui Laoxiangji from June 2018 to December 2018, a deputy director of research and development department of Anhui Laoxiangji from January 2019 to March 2022, the manager of marketing department of Laoxiangji (Shanghai) Catering Co., Ltd. (老鄉雞(上海)餐飲有限公司) from April 2022 to June 2023, the general manager of Anhui Laoxiangji Technology Co., Ltd. (安徽老鄉雞科技有限公司) from June 2023 to November 2023, and the investment manager of Laoxiangji (Shanghai) Catering Co., Ltd. (老鄉雞(上海)餐飲有限公司) from October 2023 to December 2023. Since December 2023, she has been serving as a deputy general manager of Anhui Laoxiangji.

Ms. Shu obtained a bachelor's degree in animation design from the University of Science and Technology Liaoning (遼寧科技大學) in the PRC in July 2013.

Non-Executive Director

Mr. Shu Congde (束從德), aged 41, is our non-executive Director. Mr. Shu Congde was appointed as a Director on January 4, 2024, and was redesignated as a non-executive Director on December 19, 2024. He is primarily responsible for providing guidance and advice on the corporate and business strategies to the Board.

Mr. Shu Congde joined our Group in September 2007 as a restaurant manager until January 2008. From January 2008 to March 2020, he consecutively served as the person-in-charge of our Shanghai market, regional deputy manager of operation and head of operation in our several operating subsidiaries. He then served as the deputy general manager of Anhui Laoxiangji from December 2016 to March 2020, the general manager of Anhui Laoxiangji from April 2020 to May 2024 and a director of Anhui Laoxiangji from January 2021 to May 2024.

Mr. Shu Congde obtained a bachelor's degree in business administration from Shanghai Jiao Tong University (上海交通大學) in the PRC in June 2016 and a master's degree in business administration from Anhui Institute of Business Administration (安徽工商管理學院) in the PRC in December 2018.

Independent Non-Executive Directors

Mr. Liu Chun (劉春), aged 57, is our independent non-executive Director. He was appointed as our independent non-executive Director on December 19, 2024 and is primarily responsible for providing independent advice on the operations and management of our Group. Mr. Liu joined our Group in July 2021 as an independent director of Anhui Laoxiangji until May 2024.

Mr. Liu has served as an independent director of Vipshop Holdings Limited (NYSE: VIPS) since March 2013, the senior vice president of Phoenix New Media Limited (NYSE: FENG) since October 2018, and an independent non-executive director of DL Holdings Group Limited (HKEX: 1709) since April 2020. Previously, he was a director and the chief cultural officer of Zhongnanhong Culture Group Co., Ltd. (中南紅文化集團股份有限公司, SZSE: 002445) from February 2015 to August 2018, and a vice president of Sohu.com Limited (NASDAQ: SOHU) from June 2011 to November 2013. From October 2000 to May 2011, Mr. Liu worked at Phoenix Satellite Television Holdings Ltd with his last position as the executive director of Phoenix Chinese TV. From July 1994 to October 2000, Mr. Liu served as an executive producer at China Central Television (中國中央電視台).

Mr. Liu obtained a bachelor's degree in Chinese studies from Anhui Normal University (安徽師範大學) in the PRC in July 1987 and a master's degree in journalism from Communication University of China (中國傳媒大學) in the PRC in June 1994.

Mr. Li Guozhu (李國柱), aged 45, is our independent non-executive Director. He was appointed as our independent non-executive Director on December 19, 2024 and is primarily responsible for providing independent advice on the operations and management of our Group. Mr. Li joined our Group in July 2021 as an independent director of Anhui Laoxiangji until May 2024.

Prior to joining our Group, Mr. Li served as an executive director and the general manager of Zhongsheng Lending Co., Ltd. (中盛租賃有限公司) from March 2017 to August 2022. Previously, he worked at Hanlin'ge Real Estate (Beijing) Co., Ltd. (翰林閣房地產(北京)有限公司) from September 2015 to February 2017, China Investment Development Co., Ltd. (中投發展有限責任公司) from March 2012 to August 2015, CITIC Real Estate Co., Ltd. (中信房地產股份有限公司, now known as CNOOC Real Estate Group Co., Ltd. (中海地產集團有限責任公司)) from March 2010 to March 2012, and Deloitte Hua Yong CPA Firm (德勤華永會計師事務所) from August 2005 to March 2010.

Mr. Li obtained a bachelor's degree in accounting and a master's degree in financial accounting from the Business School of Jilin University (吉林大學商學院) in the PRC in July 2002 and June 2005, respectively. He has also been a member of the Chinese Institute of Certified Public Accountants since June 2010.

Mr. Lai Lan-Sang (賴林勝), aged 68, is our independent non-executive Director. He was appointed as our independent non-executive Director on December 19, 2024 and is primarily responsible for providing independent advice on the operations and management of our Group.

Prior to joining our Group, Mr. Lai worked at McDonald's Corp (NYSE: MCD) from 1990 to 2006, with his last position as the chairman and president of its northern China region. Outside of our Group, he has been serving as a supervisor of Foshan Shangce Consulting Service Co., Ltd. (佛山尚策諮詢服務有限公司) since March 2023, a director of Shenzhen Baoma Catering Management Co., Ltd. (深圳保馬餐飲管理有限公司) since June 2018, a director of Shanghai Yuanquan Cultural Communication Co., Ltd. (上海源全文化傳播有限公司) since May 2016, a director of Shanghai Hanyi Brand Design Consulting Co., Ltd. (上海漢一品牌設計諮詢有限公司) since March 2016, the chairman of the board of Shanghai Hanyue Investment Management Co., Ltd. (上海漢悦投資管理有限公司) since March 2015 and a director of Hanyuan Oriental Enterprise Development Co., Ltd. (漢源東方企業發展有限公司) since June 2008.

In recognition of his achievements, Mr. Lai was appointed as a distinguished professor by the Institute of International Engineering Project Management of Tsinghua University (清華大學國際工程項目管理研究院) in January 2008 and elected as a director of China Soong Ching Ling Foundation (中國宋慶齡基金會) in September 2005.

Mr. Lai obtained a certificate from the Executive Development Program held jointly by Kellogg Graduate School of Management of Northwestern University in the United States and School of Business and Management of The Hong Kong University of Science and Technology (香港科技大學) in Hong Kong in May 2001.

Save as disclosed above, none of our Directors have been a director of any listed companies during the three years immediately prior to the date of this document.

Save as disclosed above, to the best knowledge, information and belief of our Directors having made all reasonable inquiries, there was no other matter with respect to the appointment of our Directors that needs to be brought to the attention of the Shareholders, and there was no information relating to our Directors that is required to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Listing Rules and no other matters are required to be brought to the attention of Shareholders as of the Latest Practicable Date.

Confirmations from Our Directors

Rule 3.09D of the Listing Rules

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 on December 19, 2024, and (ii) understands his or her obligations as a director of a listed issuer under the Listing Rules.

Rule 3.13 of the Listing Rules

Each of the independent non-executive Directors confirms (i) his independence as regards each of the factors referred to in Rules 3.13(1) to (8) of the Listing Rules, (ii) that he 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 our Company, and (iii) that there are no other factors that may affect his independence at the time of his appointments.

Rule 8.10 of the Listing Rules

Each of our Directors confirms that he or she does not have any interest in a business apart from the business of our Group which competes or is likely to compete, whether directly or indirectly, with our business, which would require disclosure under Rule 8.10 of the Listing Rules.

SENIOR MANAGEMENT

Our senior management team is responsible for the day-to-day management and operation of our business. Mr. Shu Xiaolong, Ms. Dong Xue and Ms. Shu Wen, our executive Directors, are also members of our senior management. For their biographies, see "— Directors — Executive Directors" in this section.

Mr. Zhu Xianhua (朱先華), aged 47, is our deputy general manager. He is primarily responsible for developing and expanding restaurants of our Group.

Mr. Zhu joined our Group in April 2017 as the deputy general manager of Anhui Laoxiangji. Prior to joining our Group, Mr. Zhu served at Anhui Qichao Catering Co., Ltd. (安徽棲巢餐飲有限公司) from April 2012 to March 2017, Anhui Yanzhifang Food Co., Ltd. (安徽燕之坊食品有限公司) from April 2009 to March 2012, and Anhui McDonald's (Restaurant Food) Co., Ltd. (安徽麥當勞(餐廳食品)有限公司, now known as Anhui Liansheng Restaurant Food Co., Ltd. (安徽聯升餐廳食品有限公司)) from October 1999 to April 2009.

Mr. Zhu obtained a master's degree in business administration from the City University of Macau (澳門城市大學) in Macau in June 2014.

Mr. Wang Guowei (王國偉), aged 41, is our Board secretary and a joint company secretary. He is primarily responsible for the Board affairs, corporate governance and capital operations of our Group.

Mr. Wang joined our Group in November 2018 as the board secretary of Anhui Laoxiangji. Prior to joining our Group, Mr. Wang served as the board secretary of Hefei Huitong Holdings Co., Ltd. (合肥匯通控股股份有限公司) from August 2017 to November 2018, a securities affairs representative of Sungrow Power Supply Co., Ltd. (陽光電源股份有限公司) from October 2010 to August 2017, and a project manager of Huapu Tianjian Accounting Firm (Special General Partnership) (華普天健會計師事務所(特殊普通合夥)) from October 2006 to October 2010.

Mr. Wang obtained a bachelor's degree in financial management from Anhui University of Technology (安徽工業大學) in the PRC in July 2006.

Ms. He Jing (何晶), aged 34, is our chief financial officer. She is primarily responsible for financial operations of our Group. Ms. He joined our Group in June 2011 as a financial accountant of Anhui Laoxiangji until November 2016, and was a financial manager of Anhui Laoxiangji from December 2016 to July 2019.

Ms. He graduated from Anhui University of Finance and Economics (安徽財經大學) in the PRC majoring in accounting in December 2016. She has been a member of the Chinese Institute of Certified Public Accountants since February 2024.

Ms. Wang Qinqin (王琴琴), aged 36, is our head of securities affairs. She is primarily responsible for capital management, investor relations and securities affairs of our Group.

Ms. Wang joined our Group in April 2008 as a treasurer of the Beijing Branch of Anhui Laoxiangji until January 2010. She then served as a financial manager of Anhui Laoxiangji from February 2010 to October 2017, the financial director of Hubei Laoxiangji Catering Co., Ltd. (湖北老鄉雞餐飲有限公司) from November 2017 to December 2019, and the deputy financial director of Anhui Laoxiangji from December 2019 to December 2021. Currently, she has been serving as an executive director and the general manager of a number of our subsidiaries, including but not limited to, Anhui Laomuji Trading Co., Ltd. (安徽老母雞商貿有限公司) since May 2024 and Hubei Laoxiangji Catering Co., Ltd. (湖北老鄉雞餐飲有限公司) since June 2024. She has also been serving as a manager of Anhui Laoxiangji since June 2024.

Ms. Wang graduated from China Central Radio and TV University (中央廣播電視大學, now known as the Open University of China (國家開放大學)) in the PRC majoring in accounting in July 2008.

Save as disclosed above, none of our senior management has been a director of any listed companies during the three years immediately prior to the date of this document.

JOINT COMPANY SECRETARIES

Mr. Wang Guowei (王國偉) is our Board secretary and a joint company secretary. For the biographical details of Mr. Wang, see "— Senior Management" in this section.

Ms. Sze Suet Ling (施雪玲) is an assistant vice president of SWCS Corporate Services Group (Hong Kong) Limited. She is a Chartered Secretary, a Chartered Governance Professional, and an associate member of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom. She has over 15 years of experience in corporate governance and company secretarial practice in listed companies on the Main Board of the Stock Exchange. She is also a full member of Hong Kong Investor Relations Association. Ms. Sze holds a master's degree in corporate governance from The Open University of Hong Kong (now known as Hong Kong Metropolitan University) and a bachelor's degree in business administration and management from the University of Huddersfield in the United Kingdom.

MANAGEMENT AND CORPORATE GOVERNANCE

Board Committees

Audit Committee

Our Board has established the Audit Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code set out in Appendix C1 to the Listing Rules (the "**Corporate Governance Code**"). The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal controls system of our Group, review and approve connected transactions and provide advice and comments to the Board. The Audit Committee comprises Mr. Li Guozhu, Mr. Shu Congde and Mr. Liu Chun, with Mr. Li Guozhu (being our independent non-executive Director with appropriate professional qualifications) as the chairperson.

Remuneration Committee

Our Board has established the Remuneration Committee with written terms of reference in compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code. The primary duties of the Remuneration Committee are to review and make recommendations to the Board on the terms of remuneration packages, bonuses and other compensation payable to our Directors and other senior management. The Remuneration Committee comprises Mr. Lai Lan-Sang, Mr. Shu Congde and Mr. Li Guozhu, with Mr. Lai Lan-Sang as the chairperson.

Nomination Committee

Our Board has established the Nomination Committee with written terms of reference in compliance with Rule 3.27A of the Listing Rules and the Corporate Governance Code. The primary duties of the Nomination Committee are to make recommendations to our Board on the appointment of Directors and management of Board succession. The Nomination Committee comprises Mr. Liu Chun, Ms. Dong Xue and Mr. Li Guozhu, with Mr. Liu Chun as the chairperson.

Corporate Governance

We aim to achieve high standards of corporate governance which are crucial to our development and safeguard the interests of our Shareholders. In order to accomplish this, we expect to comply with all applicable code provisions of the Corporate Governance Code upon [**REDACTED**] save for the below.

Pursuant to code provision C.2.1 of the Corporate Governance Code as set out in Appendix C1 to the Listing Rules, companies listed on the Stock Exchange are expected to comply with, but may choose to deviate from the requirement that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Our Company deviates from this provision because Mr. Shu Xiaolong performs both the roles of the chairman of our Board and chief executive officer of our Company. Our Board believes that, in view of his experience, personal profile and understanding of our business operations as mentioned above, Mr. Shu is the Director best suited to identify strategic opportunities and focus of the Board. Vesting the roles of both chairman and chief executive officer to Mr. Shu can promote the effective execution of strategic initiatives and facilitate the flow of information between management and the Board.

Our Board considers that the balance of power and authority will not be impaired due to this arrangement. In addition, all major decisions are made in consultation with members of the Board, including the relevant Board committees, and three independent non-executive Directors. Our Board will reassess the division of the roles of chairman and the chief executive officer from time to time, and may recommend dividing the two roles between different people in the future, taking into account the circumstances of our Group as a whole.

Board Diversity

Our Company has adopted a board diversity policy which sets out the approach to achieve diversity of the Board. We recognize and embraces the benefits of having a diverse Board and sees increasing diversity at the Board level, including gender diversity, as an essential element in maintaining our competitive advantage and enhancing our ability to attract, retain and motivate employees from the widest possible pool of available talent. In reviewing and assessing suitable candidates to serve as a Director, the Nomination Committee will consider a number of aspects, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge, and industry and regional experience.

Our Board currently consists of two female and five male Directors ranging from 31 to 68 years old with a balanced mix of knowledge and skills, including but not limited to overall management and strategic development, business administration, finance and accounting and corporate governance in addition to industry experience in fast food. They obtained degrees in various majors including business management, journalism and accounting. Taking into account our existing business model and specific needs, as well as the diverse background of our Directors, the composition of our Board satisfies the board diversity policy.

Our Nomination Committee will discuss periodically and when necessary, agree on the measurable objectives for achieving diversity, including gender diversity, on the Board and recommend them to the Board for adoption.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Our Directors receive remuneration in the form of fees, basic salaries, allowances and benefits in kind, contributions to pension schemes, and discretionary bonuses.

The aggregate amount of remuneration of our Directors (including fees, basic salaries, allowances and benefits in kind, contributions to pension schemes, and discretionary bonuses) for the years ended December 31, 2022 and 2023 and the nine months ended September 30, 2024 were RMB7.7 million, RMB10.3 million and RMB5.6 million, respectively. None of our Directors waived or agreed to waive any emolument during the same periods.

Under the arrangements in force at the date of this document, we estimate the aggregate remuneration payable to, and benefits in kind receivable by, our Directors by our Group in respect of the year ending December 31, 2025 to be approximately RMB4.9 million.

The five highest paid individuals of our Group for the years ended December 31, 2022 and 2023 and the nine months ended September 30, 2024 included three, three and three Directors, respectively. During the same periods, the aggregate amount of remuneration of the five highest paid individuals (including fees, basic salaries, allowances and benefits in kind, contributions to pension schemes, and discretionary bonuses) were RMB8.8 million, RMB12.7 million and RMB8.0 million, respectively.

During the Track Record Period, no remuneration was paid to, or received by, our Directors or five highest paid individuals as an inducement to join or upon joining us. No compensation was paid to, or received by, our Directors, past directors or five highest paid individuals for the loss of office as a director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group.

Save as disclosed above, no other payments have been made or are payable by our Group to our Directors in respect of the Track Record Period.

COMPLIANCE ADVISOR

We have appointed Haitong International Capital Limited as our compliance advisor pursuant to Rule 3A.19 of the Listing Rules. The compliance advisor will provide us with guidance and advice as to compliance with the requirements under the Listing Rules and applicable Hong Kong laws. Pursuant to Rule 3A.23 of the Listing Rules, the compliance advisor will, amongst other things, advise our Company in the following circumstances:

(a) before the publication of any regulatory announcement, circular, or financial report;

(b) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;

(c) where we propose to use the [**REDACTED**] of the [**REDACTED**] in a manner different from that detailed in this document or where our business activities, development or results of our Group deviate from any forecast, estimate or other information in this document; and

(d) where the Stock Exchange makes an inquiry of our Company concerning unusual movements in the price or [**REDACTED**] volume of our [**REDACTED**] or any other matters under Rule 13.10 of the Listing Rules.

The term of appointment of our compliance advisor shall commence on the [**REDACTED**] and is expected to end on the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the [**REDACTED**].

FUTURE PLANS

See "Business — Our Strategies" for detailed descriptions of our future plans.

USE OF [REDACTED]

We estimate that we will receive net [**REDACTED**] of HK$[**REDACTED**] million after deducting [**REDACTED**] fees and [**REDACTED**] and estimated [**REDACTED**] paid and payable by us in the [**REDACTED**], assuming no [**REDACTED**] is exercised and assuming an [**REDACTED**] of HK$[**REDACTED**] per [**REDACTED**] (being the mid-point of the [**REDACTED**] stated in this document).

We intend to use the net [**REDACTED**] from the [**REDACTED**] for the purposes set forth below:

- Approximately [**REDACTED**]% of the net [**REDACTED**], or HK$[**REDACTED**] million, is expected to be used to enhance our integrated supply chain over the next three years. In particular, we plan to use such [**REDACTED**] for the development of our new central kitchen in Guanting Town, Hefei. With our ongoing expansion plan, we believe that the establishment of the new central kitchen Hefei is expected to enhance production capabilities, better support our restaurant expansion plans, and expand the range of food ingredients supplied by our central kitchens.

  As of September 30, 2024, we have commenced the construction process for this new central kitchen. The new central kitchen is designed to have an aggregate gross floor area of approximately 180,000 square meters, with a designed maximum annual capacity of over 100.0 thousand tons. The estimated commencement time for trial production of the new central kitchen is expected to be in 2027. The new central kitchen is designed to include production lines intended for live chicken processing as well as for producing and processing vegetable products, egg products, meat products, seasonings, among others.

  Specifically, we plan to develop the new central kitchen over the next three years as follows:

  (i) Approximately [**REDACTED**]% of the net [**REDACTED**], or HK$[**REDACTED**] million, is expected to be used for food processing and production equipment, which includes the procurement and installation of essential machinery and systems necessary for various stages of food preparation, such as cleaning, proportioning, mixing, and packaging. These investments aim to enhance automation, efficiency, and consistency in food production.

(ii) Approximately [**REDACTED**]% of the net [**REDACTED**], or HK$[**REDACTED**] million, is expected to be used for interior and exterior improvements to the facility. This includes the installation of water and electrical systems to support operational needs, green landscaping to create a conducive working environment.

(iii) Approximately [**REDACTED**]% of the net [**REDACTED**], or HK$[**REDACTED**] million, is expected to be used for cold storage construction, involving the establishment of temperature-controlled storage facilities to ensure optimal preservation of raw materials and processed products. This includes advanced refrigeration systems to meet industry standards for food safety and quality.

(iv) Approximately [**REDACTED**]% of the net [**REDACTED**], or HK$[**REDACTED**] million, is expected to be used for warehousing equipment, covering storage racks and other essential infrastructure needed to facilitate the organized storage and handling of food ingredients and other raw materials as well as processed products. These upgrades are designed to improve efficiency and support seamless operations in inventory management and distribution.

- Approximately [**REDACTED**]% of the net [**REDACTED**], or HK$[**REDACTED**] million, is expected to be used to expand our restaurant network, to broaden our geographical coverage, and deepen our market penetration.

  According to CIC, the Chinese-style QSR industry is the largest segment within the QSR industry in China. The market size of Chinese-style QSR in China is expected to grow at a CAGR of 10.6% from RMB753.2 billion in 2023 to RMB1,245.9 billion in 2028. Additionally, the development of chain restaurants within the Chinese-style QSR segment is still in a relatively early stage compared to Western-style QSR chains. According to CIC, the size of Chinese-style QSR chain market in China is expected to grow from RMB241.0 billion in 2023 to RMB485.8 billion in 2028, representing a CAGR of 15.1%. This growth rate significantly outpaces the overall industry, highlighting robust growth momentum and untapped potential within this market segment. These favorable trends present substantial opportunities for us to capitalize on market expansion and strengthen our competitive position.

  To seize these opportunities, we plan to leverage our highly standardized operations, integrated supply chain, and advanced digital capabilities to further expand our network of self-operated restaurants.

We plan to open approximately 400-600 new self-operated restaurants across China over the next three years. Based on historical investment records, we estimate that the investment cost for opening a new self-operated restaurant to be between RMB0.8 million and RMB1.2 million. We expect the forecast revenue, initial breakeven period, and cash investment payback period for new restaurants will generally align with the historical performances of our existing restaurants during the Track Record Period. See "Business — Our Restaurants' Performance — Initial Breakeven Period and Cash Investment Payback Period."

This strategic restaurant network expansion is expected to strengthen our brand presence, improve market penetration, and increase customer accessibility. By strategically selecting high-potential locations and maintaining operational efficiency, we aim to drive sustainable growth and profitability while enhancing the overall customer experience.

- Approximately [**REDACTED**]% of the net [**REDACTED**], or HK$[**REDACTED**] million, is expected to be used to promote our information technology capabilities and upgrade our smart devices and digital systems over the next three years. In particular,

  (i) Approximately [**REDACTED**]% of the net [**REDACTED**], or HK$[**REDACTED**] million, is expected to be used to upgrade smart devices and digital systems across our restaurant network. These upgrades include the introduction and improvement of smart kitchen and service equipment such as cooking robots, smart steam cabinets, and smart self-check machines.

  As of September 30, 2024, approximately 200 restaurants have already adopted smart devices. Over the next three years, we plan to gradually increase the adoption rate of these smart devices across our expanding network of restaurants. We believe that integrating smart devices in our restaurants will drive significant improvements by streamlining workflows to reduce manual intervention and enhance operational efficiency. This automation will help minimize human error, ensuring greater consistency and quality in food preparation and service. Additionally, it will lower labor costs by decreasing reliance on manual work while boosting staff productivity. These advancements will also promote higher standardization, delivering a consistent customer experience across all locations. Ultimately, these upgrades will result in faster, more accurate, and higher-quality services, enhancing the overall dining experience for our customers.

(ii) Approximately [**REDACTED**]% of the net [**REDACTED**], or HK$[**REDACTED**] million, is expected to be used to develop and upgrade our information technology capabilities. Specifically, we plan to: (i) enhance the digitalization of our integrated supply chain by investing in advanced technologies such as an intelligent warehouse management system, a transportation management system, and an order management system, among others; (ii) upgrade our financial systems by improving the SAP platform, implementing a more efficient budgeting management system, and introducing other advanced tools; and (iii) invest in more advanced information technologies, including adopting cloud servers, upgrading our membership system, and procuring third-party SaaS solutions to support and streamline our business operations.

- Approximately [**REDACTED**]% of the net [**REDACTED**], or HK$[**REDACTED**] million, is expected to be used to enhance brand promotion and marketing activities over the next three years. In particular, we plan to undertake the following initiatives:

  – We plan to leverage online platforms, such as live-streaming events, to showcase our brand and products, reaching a wider audience and increasing brand visibility in real time.

  – We intend to conduct diverse online marketing activities through major social media platforms such as WeChat, Douyin, and Weibo. These activities may include interactive challenges, product promotions, and giveaways designed to enhance consumer engagement and build brand loyalty.

  – By partnering with well-known celebrities and influencers, we aim to amplify our brand message and products, capitalizing on their broad reach and credibility, to attract new customers and strengthen our market presence.

  – We plan to host offline events, such as seasonal festivals and themed promotions, such as *Chicken Soup Festival*, to enhance brand awareness and create memorable experiences for customers. These events are designed to foster community engagement and solidify our brand identity.

  – We intend to deploy targeted offline marketing resources to increase face-to-face engagement with customers. This includes personalized outreach campaigns, in-store promotions, and regional activations to enhance brand vitality and reinforce our connection with local communities.

- Approximately [**REDACTED**]% of the net [**REDACTED**], or HK$[**REDACTED**] million, is expected to be used for working capital and general corporate uses.

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 mid-point of the estimated [**REDACTED**].

If the [**REDACTED**] is determined at HK$[**REDACTED**] per [**REDACTED**], being the high end of the [**REDACTED**] stated in this document, after deducting the [**REDACTED**] fees and [**REDACTED**] and estimated expenses payable by us in connection with the [**REDACTED**], we will receive net [**REDACTED**] of approximately HK$[**REDACTED**] million.

If the [**REDACTED**] is determined at HK$[**REDACTED**] per [**REDACTED**], being the low end of the [**REDACTED**] stated in this document, after deducting the [**REDACTED**] fees and [**REDACTED**] and estimated expenses payable by us in connection with the [**REDACTED**], we will receive net [**REDACTED**] of approximately HK$[**REDACTED**] million.

To the extent that the net [**REDACTED**] of the [**REDACTED**] are not immediately used for the above purposes or if we are unable to put into effect any part of our future development plans as intended, we will only deposit such net [**REDACTED**] into short-term interest-bearing accounts at licensed commercial banks and/or other authorized financial institutions (as defined under the Securities and Future Ordinance or the applicable laws and regulations in other jurisdictions). We will make an appropriate announcement if there is any change to the above proposed use of [**REDACTED**].

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ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF LXJ INTERNATIONAL HOLDINGS LIMITED, CHINA INTERNATIONAL CAPITAL CORPORATION HONG KONG SECURITIES LIMITED AND HAITONG INTERNATIONAL CAPITAL LIMITED

Introduction

We report on the historical financial information of LXJ International Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages [●] to [●], which comprises the consolidated statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group for each of the years ended 31 December 2022 and 2023 (the "Relevant Periods"), and the consolidated statements of financial position of the Group as at 31 December 2022 and 2023, and material accounting policy information and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages [●] to [●] 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 the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively, and for such internal control as the directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively, in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial position of the Group as at 31 December 2022 and 2023 and of the financial performance and cash flows of the Group for each of the Relevant Periods in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively.

Review of interim financial information

We have reviewed the interim financial information of the Group which comprises the consolidated statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows for the nine months ended 30 September 2023 and 2024, and the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 30 September 2024 and other explanatory information (the "Interim Financial Information"). The directors of the Company are responsible for the preparation and presentation of the Interim Financial Information in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively. Our responsibility is to express a conclusion on the Interim Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Interim Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively.

Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page [I-4] have been made.

Dividends

We refer to note 11 to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Relevant Periods.

No historical financial statements for the Company

As at the date of this report, no statutory financial statements have been prepared for the Company since its date of incorporation.

[●]
Certified Public Accountants
Hong Kong
[date]

I HISTORICAL FINANCIAL INFORMATION

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of the Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by Ernst & Young in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

		Year ended 31 December		Nine months ended 30 September	
	Notes	**2022**	**2023**	**2023**	**2024**
		RMB'000	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000* *(unaudited)*
REVENUE	*5*	4,527,875	5,650,616	4,181,926	4,678,091
Cost of sales		(3,608,659)	(4,331,242)	(3,190,121)	(3,578,728)
GROSS PROFIT		919,216	1,319,374	991,805	1,099,363
Other income and gains	*5*	112,724	102,187	75,983	52,953
Selling and distribution expenses		(364,920)	(545,757)	(355,823)	(415,421)
Administrative expenses		(306,295)	(428,078)	(287,159)	(304,849)
Changes in fair value of biological assets	*18*	32,212	46,919	34,504	25,671
Reversal of/(provision for) impairment losses on financial assets, net		(7,915)	(1,410)	1,207	2,531
Other expenses		(35,024)	(47,396)	(33,264)	(18,365)
Finance costs	*7*	(33,740)	(32,888)	(25,138)	(29,500)
PROFIT BEFORE TAX	*6*	316,258	412,951	402,115	412,383
Income tax expense	*10*	(64,218)	(37,539)	(46,765)	(45,276)
PROFIT FOR THE YEAR/PERIOD		252,040	375,412	355,350	367,107
Attributable to:					
Owners of the parent		252,478	375,436	355,350	367,315
Non-controlling interests		(438)	(24)	–	(208)
		252,040	375,412	355,350	367,107
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT					
Basic and diluted	*12*	[N/A]	[N/A]	[N/A]	[N/A]

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year ended 31 December		Nine months ended 30 September	
	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000* *(unaudited)*
PROFIT FOR THE YEAR/PERIOD	252,040	375,412	355,350	367,107
OTHER COMPREHENSIVE INCOME				
Other comprehensive income that may be reclassified to profit or loss in subsequent periods, after tax:				
Debt investments at fair value through other comprehensive income:				
Changes in fair value	1,524	931	591	158
Reclassification adjustments for gains included in the consolidated statement of profit or loss:				
– Gain on disposal	–	–	–	(4,248)
	1,524	931	591	(4,090)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods, after tax:				
Change in use from owner-occupied properties to investment properties carried at fair value	–	1,320	–	–
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR/PERIOD, NET OF TAX	1,524	2,251	591	(4,090)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR/PERIOD	253,564	377,663	355,941	363,017
Attributable to:				
Owners of the parent	254,002	377,687	355,941	363,225
Non-controlling interests	(438)	(24)	–	(208)
	253,564	377,663	355,941	363,017

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	31 December		30 September
		2022	2023	2024
		RMB'000	RMB'000	RMB'000 (unaudited)
NON-CURRENT ASSETS				
Property, plant and equipment	13	1,190,036	1,586,402	1,736,600
Investment properties	14	–	23,224	22,774
Right-of-use assets	15	1,140,761	1,037,047	982,763
Goodwill	16	–	1,562	1,562
Intangible assets	17	13,734	11,779	11,764
Biological assets	18	13,804	59,878	70,041
Other non-current assets	19(a)	43,540	6,174	23,974
Receivables under finance leases	19(b)	2,935	13,576	12,614
Equity investments designated at fair value through other comprehensive income	20	–	–	10,000
Debt investments at fair value through other comprehensive income	21	53,758	–	20,210
Deferred tax assets	33	2,954	17,873	23,231
Rental deposits	22	39,084	35,749	33,700
Restricted bank deposits	27	45,000	–	5,673
Long-term bank deposits	27	168,089	189,751	91,649
Total non-current assets		2,713,695	2,983,015	3,046,555
CURRENT ASSETS				
Inventories	23	164,462	143,150	200,702
Biological assets	18	39,665	35,267	26,168
Trade receivables	24	40,248	24,524	34,258
Prepayments and other receivables	25	137,998	205,541	419,035
Financial assets at fair value through profit or loss	26	–	–	70,447
Income tax recoverable		55	3,641	–
Debt investments at fair value through other comprehensive income	21	30,665	55,664	–
Restricted bank deposits	27	–	52,581	45,001
Cash and bank balances	27	307,976	519,246	615,176
Total current assets		721,069	1,039,614	1,410,787

		31 December		30 September
	Notes	**2022**	**2023**	**2024**
		RMB'000	*RMB'000*	*RMB'000*
				(unaudited)
CURRENT LIABILITIES				
Trade and other payables	*28*	516,885	677,576	1,130,149
Contract liabilities	*29*	154,099	190,176	251,377
Interest-bearing bank borrowings	*30*	276,805	299,231	288,831
Tax payable		14,812	8,833	16,245
Lease liabilities	*15*	364,189	336,569	337,348
Total current liabilities		1,326,790	1,512,385	2,023,950
NET CURRENT LIABILITIES		(605,721)	(472,771)	(613,163)
TOTAL ASSETS LESS CURRENT LIABILITIES		2,107,974	2,510,244	2,433,392
NON-CURRENT LIABILITIES				
Interest-bearing bank borrowings	*30*	–	39,993	174,073
Deferred income	*31*	5,556	27,880	31,666
Lease liabilities	*15*	704,864	636,358	580,991
Deposits from franchisees	*32*	11,800	19,803	38,574
Deferred tax liabilities	*33*	5,871	11,188	10,630
Total non-current liabilities		728,091	735,222	835,934
NET ASSETS		1,379,883	1,775,022	1,597,458
EQUITY				
Equity attributable to owners of the parent				
Share capital	*34*	–	–	254
Reserves	*36*	1,379,883	1,770,817	1,593,207
Non-controlling interests		–	4,205	3,997
TOTAL EQUITY		1,379,883	1,775,022	1,597,458

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the parent									
	Share capital	Capital reserve*	Share-based compensation reserve*	Asset revaluation reserve#/*	Fair value reserve of financial assets at fair value through other comprehensive income*	Statutory surplus reserve*	Retained profits*	Total	Non-controlling interests	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 34	*Note 36*	*Note 35*			*Note 36*				
At 1 January 2022	–	1,042,444	16,445	–	1,793	2,031	47,656	1,110,369	1,784	1,112,153
Profit for the year	–	–	–	–	–	–	252,478	252,478	(438)	252,040
Other comprehensive income for the year:										
Change in fair value of debt investments at fair value through other comprehensive income, net of tax	–	–	–	–	1,524	–	–	1,524	–	1,524
Total comprehensive income for the year	–	–	–	–	1,524	–	252,478	254,002	(438)	253,564
Acquisition of non-controlling interests	–	–	–	–	–	–	–	–	(1,346)	(1,346)
Equity-settled share incentive scheme	–	–	15,512	–	–	–	–	15,512	–	15,512
Appropriations to statutory surplus reserve	–	–	–	–	–	8,530	(8,530)	–	–	–
At 31 December 2022	–	1,042,444	31,957	–	3,317	10,561	291,604	1,379,883	–	1,379,883

	Attributable to owners of the parent									
	Share capital	Capital reserve*	Share-based compensation reserve*	Asset revaluation reserve#/*	Fair value reserve of financial assets at fair value through other comprehensive income*	Statutory surplus reserve*	Retained profits*	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	Note 34	Note 36	Note 35			Note 36				
At 1 January 2023	–	1,042,444	31,957	–	3,317	10,561	291,604	1,379,883	–	1,379,883
Profit for the year	–	–	–	–	–	–	375,436	375,436	(24)	375,412
Other comprehensive income for the year:										
Change in fair value of debt investments at fair value through other comprehensive income, net of tax	–	–	–	–	931	–	–	931	–	931
Change in fair value of investment properties, net of tax	–	–	–	1,320	–	–	–	1,320	–	1,320
Total comprehensive income for the year	–	–	–	1,320	931	–	375,436	377,687	(24)	377,663
Acquisition of a subsidiary	–	–	–	–	–	–	–	–	4,229	4,229
Equity-settled share incentive scheme	–	–	13,247	–	–	–	–	13,247	–	13,247
Appropriations to statutory surplus reserve	–	–	–	–	–	8,728	(8,728)	–	–	–
At 31 December 2023	–	1,042,444	45,204	1,320	4,248	19,289	658,312	1,770,817	4,205	1,775,022

	Attributable to owners of the parent									
	Share capital	Capital reserve	Share-based compensation reserve	Asset revaluation reserve	Fair value reserve of financial assets at fair value through other comprehensive income	Statutory surplus reserve	Retained profits	Total	Non-controlling interests	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 34	*Note 36*	*Note 35*			*Note 36*				
At 1 January 2023	–	1,042,444	31,957	–	3,317	10,561	291,604	1,379,883	–	1,379,883
Profit for the period (unaudited)	–	–	–	–	–	–	355,350	355,350	–	355,350
Other comprehensive income for the period:										
Change in fair value of debt investments at fair value through other comprehensive income, net of tax (unaudited)	–	–	–	–	591	–	–	591	–	591
Total comprehensive income for the period (unaudited)	–	–	–	–	591	–	355,350	355,941	–	355,941
Equity-settled share incentive scheme (unaudited)	–	–	11,020	–	–	–	–	11,020	–	11,020
As at 30 September 2023 (unaudited)	–	1,042,444	42,977	–	3,908	10,561	646,954	1,746,844	–	1,746,844

	Attributable to owners of the parent									
	Share capital	Capital reserve*	Share-based compensation reserve*	Asset revaluation reserve#/*	Fair value reserve of financial assets at fair value through other comprehensive income*	Statutory surplus reserve*	Retained profits*	Total	Non-controlling interests	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 34	*Note 36*	*Note 35*			*Note 36*				
At 1 January 2024	–	1,042,444	45,204	1,320	4,248	19,289	658,312	1,770,817	4,205	1,775,022
Profit for the period (unaudited)	–	–	–	–	–	–	367,315	367,315	(208)	367,107
Other comprehensive income for the period:										
Change in fair value of debt investments at fair value through other comprehensive income, net of tax (unaudited)	–	–	–	–	158	–	–	158	–	158
Transfer of fair value reserve upon the disposal of debt investments at fair value through other comprehensive income (unaudited)	–	–	–	–	(4,248)	–	–	(4,248)	–	(4,248)
Total comprehensive income for the period (unaudited)	–	–	–	–	(4,090)	–	367,315	363,225	(208)	363,017
Issue of shares *(note 34)*	254	195,307	–	–	–	–	–	195,561	–	195,561
Capital reduction by shareholders of a subsidiary arising from Reorganisation (defined below) (unaudited) *(note 36(a))*	–	(748,300)	–	–	–	–	–	(748,300)	–	(748,300)
Equity-settled share incentive scheme (unaudited)	–	–	12,158	–	–	–	–	12,158	–	12,158
As at 30 September 2024 (unaudited)	254	489,451	57,362	1,320	158	19,289	1,025,627	1,593,461	3,997	1,597,458

The asset revaluation reserve arose from a change in use from an owner-occupied property to an investment property carried at fair value.

* These reserve accounts comprise the consolidated reserves of RMB1,379,883,000, RMB1,770,817,000 and RMB1,593,207,000 in the consolidated statements of financial position as at 31 December 2022 and 2023 and 30 September 2024, respectively.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	Year ended 31 December		Nine months ended 30 September	
		2022	2023	2023	2024
		RMB'000	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000 (unaudited)*
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before tax		316,258	412,951	402,115	412,383
Adjustments for:					
Finance costs	*7*	33,740	32,888	25,138	29,500
Interest income	*5*	(11,881)	(20,216)	(14,886)	(12,358)
Losses on disposal of property, plant and equipment	*6*	18,170	23,756	15,095	6,488
Gains on early termination of leases	*5*	(4,112)	(6,150)	(3,203)	(1,689)
Depreciation of property, plant and equipment	*6, 13*	210,423	194,024	143,317	148,711
Depreciation of right-of-use assets	*6, 15*	385,061	379,301	274,535	272,007
Amortisation of intangible assets	*6, 17*	5,819	6,313	4,775	3,757
(Reversal of)/provision for impairment losses on financial assets, net	*6*	7,915	1,410	(1,207)	(2,531)
Changes in fair value of financial assets at fair value through profit or loss	*26*	–	–	–	(447)
Transfer of fair value reserve upon the disposal of debt investments at fair value through other comprehensive income	*6*	–	–	–	(5,664)
Impairment of right-of-use assets	*6*	–	3,277	2,691	1,015
Fair value gains on biological assets	*6, 18*	(32,212)	(46,919)	(34,504)	(25,671)
Fair value losses on investment properties	*14*	–	144	111	450
Revaluation deficit on transfer of owned properties to investment properties	*13*	–	8,806	6,349	–
Deferred income recognised in profit or loss	*6*	(748)	(2,173)	(854)	(959)
Equity-settled share-based payment expense	*6, 35*	15,512	13,247	11,020	12,158
		943,945	1,000,659	830,492	837,150
(Increase)/decrease in inventories		(51,702)	33,818	25,965	(24,452)
Decrease in biological assets		25,613	45,183	35,963	34,164
(Increase)/decrease in trade receivables		(15,692)	15,210	9,829	(10,102)

	Notes	Year ended 31 December		Nine months ended 30 September	
		2022	2023	2023	2024
		RMB'000	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000* *(unaudited)*
Decrease/(Increase) in prepayments and other receivables and rental deposits		(54,614)	(5,310)	(12,336)	11,544
Increase in trade and other payables		22,894	116,625	57,218	54,604
Increase in contract liabilities		41,245	36,077	19,497	61,201
Increase/(decrease) in other payables, deposits received and accruals		5,660	(34,061)	(33,710)	21,436
Decrease/(increase) in restricted cash and bank deposits		10,350	(7,580)	(6,900)	7,580
Cash generated from operations		927,699	1,200,621	926,018	993,125
Interest received		4,880	7,151	5,445	4,072
Tax paid		(67,368)	(57,456)	(40,526)	(38,778)
Net cash flows from operating activities		865,211	1,150,316	890,937	958,419
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchases of items of property, plant and equipment		(466,343)	(567,622)	(417,355)	(347,894)
Purchases of intangible assets		(2,933)	(4,358)	(1,994)	(3,742)
Payments for leasehold lands		(24,647)	(954)	(954)	–
Payment for purchases of productive biological assets		(18,767)	(51,311)	(37,956)	(41,957)
Disposal of items of property, plant and equipment		7,860	10,716	6,084	18,930
Purchases of financial assets at fair value through profit or loss		–	–	–	(70,000)
Receipt of government grants for property, plant and equipment		3,649	21,600	21,600	1,426
Acquisition of a subsidiary		–	1,645	–	–
Purchases of equity investments designated at fair value through other comprehensive income		–	–	–	(10,000)
Purchases of debt investments at fair value through other comprehensive income		–	–	–	(19,999)
Proceeds from disposal of debt investments at fair value through other comprehensive income		80,000	30,000	10,000	50,000
Increase in bank deposits with original maturity of more than three months when acquired		(125,000)	(70,000)	(70,000)	(23,364)

	Notes	Year ended 31 December		Nine months ended 30 September	
		2022	2023	2023	2024
		RMB'000	*RMB'000*	*RMB'000* (unaudited)	*RMB'000* (unaudited)
Withdrawal of bank deposits with original maturity of more than three months when acquired		–	50,000	–	–
Interest received		977	1,358	1,178	11,224
Advance to a third party		–	–	–	(20,000)
Net cash flows used in investing activities		(545,204)	(578,926)	(489,397)	(455,376)
CASH FLOWS FROM FINANCING ACTIVITIES					
Acquisition of non-controlling interests		(1,346)	–	–	–
New interest-bearing bank borrowings		538,000	483,993	209,770	448,610
Repayment of interest-bearing bank borrowings		(430,000)	(421,546)	(272,000)	(325,000)
Interest paid		(8,942)	(6,793)	(5,926)	(8,597)
Principal portion of lease payments		(391,481)	(417,751)	(301,169)	(296,015)
[**REDACTED**]		(5,618)	(117)	–	(850)
Capital reduction by shareholders of a subsidiary		–	–	–	(344,034)
Net cash flows used in financing activities		(299,387)	(362,214)	(369,325)	(525,886)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		20,620	209,176	32,215	(22,843)
Cash and cash equivalents at beginning of year/period		287,356	307,976	307,976	517,152
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD		307,976	517,152	340,191	494,309
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS					
Cash and bank balances	27	307,976	519,246	394,935	615,176
Less: bank deposits with original maturity of more than three months	27	–	(2,094)	(54,744)	(120,867)
CASH AND CASH EQUIVALENTS AS STATED IN THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AND STATEMENTS OF CASH FLOWS	27	307,976	517,152	340,191	494,309

STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Note	30 September 2024
		RMB'000
		(unaudited)
NON-CURRENT ASSETS		
Investment in a subsidiary		–*
Total non-current assets		–*
CURRENT ASSETS		
Other receivables		192,393
Total current assets		192,393
CURRENT LIABILITIES		
Other payables		–*
Total current liabilities		–*
TOTAL ASSETS LESS CURRENT LIABILITIES		192,393
NET ASSETS		192,393
EQUITY		
Share capital	*34*	254
Reserves		192,139
		192,393

* Amount less than RMB1,000

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands on 4 January 2024. The registered address of the Company is Third Floor, Century Yard, Cricket Square, P.O. Box 902, Grand Cayman, KY1-1103, Cayman Islands.

The Company is an investment holding company. During the Relevant Periods and the nine months ended 30 September 2024, the Company's subsidiaries were principally engaged in restaurant operations, food processing and breading in the People's Republic of China (the "PRC"). The ultimate controlling shareholders are constituted of a group of Mr. Shu Xiaolong and Ms. Shu Wen (the sister of Mr. Shu Xiaolong), Ms. Dong Xue (the spouse of Mr. Shu Xiaolong) (the "Controlling Shareholders").

The Company and its subsidiaries now comprising the Group underwent the reorganisation ("Reorganisation") as set out in the paragraph headed "Reorganisation" in the section headed "History, Reorganisation and Corporate Structure" in the document. Apart from the Reorganisation, the Company has not commenced any business or operation since its incorporation.

As at the date of this report, the Company had direct or indirect interests in its subsidiaries, all of which are private limited liability companies (or, if incorporated outside Hong Kong, have characteristics substantially similar to a private company incorporated in Hong Kong), the particulars of which are set out below:

Name	Place and date of incorporation/ establishment and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company	Principal activities
Directly held:				
老鄉雞(香港)餐飲有限公司 LXJ (Hong Kong) Catering Co., Limited ("LXJ (HK)")	Hong Kong 19 January 2024	HKD1	100%	Investment holding
Indirectly held:				
老鄉雞(安徽)控股有限公司 Laoxiangji (AnHui) Holdings Co., Ltd. ("LXJ Anhui Holdings")	PRC/Mainland China 30 April 2024	RMB180,000,000	100%	Investment holding
老鄉雞(深圳)餐飲控股有限公司 Laoxiangji (Shenzhen) Catering Holdings Co., Ltd. ("LXJ Shenzhen Holdings")	PRC/Mainland China 18 March 2024	RMB20,000,000	100%	Investment holding
安徽老鄉雞餐飲有限公司 Anhui Laoxiangji Catering Co., Ltd. ("Anhui Laoxiangji")*/**	PRC/Mainland China 22 October 2003	RMB696,163,591	100%	Restaurant operations
江蘇老鄉雞餐飲有限公司 Jiangsu Laoxiangji Catering Co., Ltd. ("Jiangsu Laoxiangji")*/***	PRC/Mainland China 8 March 2017	RMB10,000,000	100%	Restaurant operations
湖北老鄉雞餐飲有限公司 Hubei Laoxiangji Catering Co., Ltd. ("Hubei Laoxiangji")*/***	PRC/Mainland China 18 January 2017	RMB5,000,000	100%	Restaurant operations
老鄉雞(上海)餐飲有限公司 Laoxiangji (Shanghai) Catering Co., Ltd. ("Laoxiangji (Shanghai)")*/**	PRC/Mainland China 12 April 2019	RMB120,000,000	100%	Restaurant operations
肥西老母雞農牧科技有限公司 Feixi Laomuji Agriculture and Animal Husbandry Technology Co., Ltd. ("Laomuji Agriculture and Animal Husbandry")*/***	PRC/Mainland China 29 December 2009	RMB100,000,000	100%	Breeding

Name	Place and date of incorporation/ establishment and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company	Principal activities
肥西老母雞食品有限公司 Feixi Laomuji Food Co., Ltd. ("Laomuji Food")*/**	PRC/Mainland China 12 August 2009	RMB5,000,000	100%	Food processing
壽縣老鄉雞家禽養殖有限公司 Shou County Laoxiangji Poultry Breeding Co., Ltd. ("Shou County Poultry Breeding")*/***	PRC/Mainland China 29 October 2020	RMB60,000,000	100%	Breeding
廣東老鄉雞餐飲有限公司 Guangdong Laoxiangji Catering Co., Ltd. ("Guangdong Laoxiangji")*/***	PRC/Mainland China 29 September 2020	RMB50,000,000	100%	Restaurant operations
浙江老鄉雞餐飲有限公司 Zhejiang Laoxiangji Catering Co., Ltd. ("Zhejiang Laoxiangji")*/***	PRC/Mainland China 18 August 2020	RMB100,000,000	100%	Restaurant operations
安徽老鄉雞食品有限公司 Anhui Laoxiangji Food Co., Ltd. ("Anhui Food")*/***	PRC/Mainland China 10 April 2020	RMB100,000,000	100%	Food processing
老鄉雞餐飲(青島)有限公司 Laoxiangji Catering (Qingdao) Co., Ltd. ("Qingdao Laoxiangji")*/***	PRC/Mainland China 9 March 2021	RMB10,000,000	100%	Restaurant operations
老鄉雞(北京)餐飲有限公司 Laoxiangji (Beijing) Catering Co., Ltd. ("Beijing Laoxiangji")*/***	PRC/Mainland China 25 December 2020	RMB50,000,000	100%	Restaurant operations
河南省軒龍餐飲管理有限公司 Henan Xuanlong Catering Management Co., Ltd. ("Henan Xuanlong")*/****(i)*	PRC/Mainland China 17 June 2021	RMB5,000,000	100%	Restaurant operations
信陽市軒龍餐飲有限公司 Xinyang Xuanlong Catering Co., Ltd. ("Xinyang Xuanlong")*/*** *(ii)*	PRC/Mainland China 23 June 2021	RMB1,000,000	100%	Restaurant operations
安徽軒酷信息科技有限公司 Anhui Xuanku Information Technology Co., Ltd. ("Xuanku")*/***	PRC/Mainland China 28 December 2020	RMB30,010,000	100%	Not yet commenced operation
安徽老鄉雞科技有限公司 Anhui Laoxiangji Technology Co., Ltd. ("Laoxiangji Technology")*/***	PRC/Mainland China 28 December 2020	RMB30,010,000	100%	Trading
江西老鄉雞餐飲有限公司 Jiangxi Laoxiangji Catering Co., Ltd. ("Jiangxi Laoxiangji")***	PRC/Mainland China 25 October 2023	RMB30,000,000	100%	Restaurant operations
利辛老鄉雞養殖有限公司 Lixin Laoxiangji Breeding Co., Ltd. ("Lixin Breeding")***	PRC/Mainland China 16 January 2023	RMB60,000,000	100%	Breeding
安徽省老鄉農場有限公司 Anhui Laoxiang Farm Co., Ltd. ("Laoxiang Farm")***	PRC/Mainland China 28 March 2022	RMB100,000,000	95.7%	Vegetable planting
河南省老母雞餐飲有限公司 Henan Laomuji Catering Co., Ltd. ("Henan Laomuji")***	PRC/Mainland China 18 December 2023	RMB30,000,000	100%	Restaurant operations
老鄉雞(寧波)餐飲有限公司 Laoxiangji (Ningbo) Catering Co., Ltd. ("Ningbo Laoxiangji")***	PRC/Mainland China 30 November 2023	RMB20,000,000	100%	Restaurant operations

Name	Place and date of incorporation/ establishment and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company	Principal activities
利辛老母雞餐飲有限公司 Lixin Laoxiangji Catering Co., Ltd. ("Lixin Laomuji")***	PRC/Mainland China 28 December 2023	RMB5,000,000	100%	Restaurant operations
老鄉雞(上海)食品有限公司 Laoxiangji (Shanghai) Food Co., Ltd. ("Shanghai Food")	PRC/Mainland China 18 February 2024	RMB10,000,000	100%	Food processing
老鄉雞(廣東)餐飲管理有限公司 Laoxiangji (Guangdong) Catering Management Co., Ltd. ("Guangdong Laoxiangji")	PRC/Mainland China 11 April 2024	RMB10,000,000	100%	Restaurant operations
老鄉雞(東莞)餐飲有限公司 Laoxiangji (Dongguan) Catering Co., Ltd. ("Dongguan Laoxiangji")	PRC/Mainland China 18 April 2024	RMB10,000,000	100%	Restaurant operations
安徽老母雞商貿有限公司 Anhui Laomuji Trading Co., Ltd. ("Anhui Trading")	PRC/Mainland China 17 May 2024	RMB5,000,000	100%	Trading
安徽老母雞物流有限公司 Anhui Laomuji Logistics Co., Ltd. ("Laomuji Logistics")	PRC/Mainland China 17 May 2024	RMB5,000,000	100%	Logistics
壽縣雙青農業科技有限公司 Shou County Shuangqing Agricultural Technology Co., Ltd ("Shouxian Shuangqing")	PRC/Mainland China 12 August 2024	RMB6,000,000	100%	Agricultural
老鄉雞(上海)商貿有限公司 Laoxiangji (Shanghai) Trade Co., Ltd ("Shanghai Trading")	PRC/Mainland China 16 October 2024	RMB5,000,000	100%	Trading

* The statutory financial statements of these companies for the year ended 31 December 2022 prepared in accordance with the PRC Generally Accepted Accounting Principles ("PRC GAAP") were audited by RSM China CPA LLP (容誠會計師事務所(特殊普通合夥)).

** The statutory financial statements of Anhui Laoxiangji Catering Co., Ltd. for the year ended 31 December 2023 prepared in accordance with PRC GAAP were audited by Xinan (Anhui) Certified public Accountants (安徽新安會計師事務所).

The statutory financial statements of Feixi Laomuji Food Co., Ltd. for the year ended 31 December 2023 prepared in accordance with PRC GAAP were audited by Anhui Boqiang Certified Public Accountants (General Partnership) (安徽博強會計師事務所(普通合夥)).

The statutory financial statements of Laoxiangji (Shanghai) Catering Co., Ltd. for the year ended 31 December 2023 prepared in accordance with PRC GAAP were audited by Anhui Huapeng Certified Public Accountants (安徽華鵬會計師事務所).

*** No audited financial statements have been prepared and issued for these entities for the year ended 31 December 2023 as these entities were not subject to any statutory audit requirements under the relevant rules and regulations.

(i) Henan Xuanlong Catering Management Co., Ltd. was deregistered on 18 July 2024.

(ii) Xinyang Xuanlong Catering Co., Ltd. was deregistered on 17 June 2024.

The English names of all group companies registered in the PRC represent the best efforts made by the management of the Company to translate the Chinese names of these companies as they do not have official English names.

2.1 BASIS OF PRESENTATION

Pursuant to the Reorganisation, as more fully explained in the paragraph headed "Reorganisation" in the section headed "History, Reorganisation and Corporate Structure" in the document, the Company became the holding company of the companies now comprising the Group on upon completion of the Reorganisation. The companies now comprising the Group were under the common control of the Controlling Shareholders before and after the Reorganisation. The Company has not been involved in any other business prior to the Reorganisation and does not meet the definition of a business. The steps as set out in the paragraph headed "Reorganisation" in the section headed "History, Reorganisation and Corporate Structure" in the document merely insert the holding company on top of the Group and did not result in any change of business substance. The Historical Financial Information for the Relevant Periods and the nine months ended 30 September 2024 has been presented as a continuation of the existing companies as if the Reorganisation had been completed at the beginning of the Relevant Periods.

The consolidated statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group for the Relevant Periods and the nine months ended 30 September 2023 and 2024 include the results and cash flows of all companies now comprising the Group as if the current group structure had been in existence throughout the Relevant Periods and the nine months ended 30 September 2023 and 2024. The consolidated statements of financial position of the Group as at 31 December 2022 and 2023 and 30 September 2024 include the consolidated assets and liabilities of all companies now comprising the Group as if the current group structure had been in existence as of the respective dates. No adjustments are made to reflect fair values or recognise any new assets or liabilities as a result of the Reorganisation.

All intra-group transactions and balances have been eliminated on consolidation.

2.2 BASIS OF PREPARATION

The Historical Financial Information has been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which comprise all standards and interpretations approved by the International Accounting Standards Board (the "IASB"). All IFRSs effective for the accounting period commencing from 1 January 2024, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the Historical Financial Information throughout the Relevant Periods and in the periods covered by the Interim Financial Information.

The Historical Financial Information has been prepared under the historical cost convention, except for investment properties, biological assets, debt investments at fair value through other comprehensive income, equity investments at fair value through other comprehensive income and financial assets at fair value through profit or loss, which have been measured at fair value.

Going concern

The Group's current liabilities exceeded its current assets by approximately RMB606 million, RMB473 million and RMB613 million as at 31 December 2022 and 2023 and 30 September 2024, respectively.

Management of the Company ("Management") closely monitors the Group's financial performance and liquidity position. The Group meets its day-to-day working capital requirements through steady operating cash inflow during the Relevant Periods and the nine months ended 30 September 2024. The Group had unutilised banking facilities of RMB931 million as at 30 September 2024 with an expiry date over twelve months from the date of this report. These banking facilities can be used to finance its daily operational cash flows. Management had prepared a cash flow projection covering the 12 months ended 31 December 2025. Based on the projection, the Group is expected to remain solvent during the next twelve months from 30 September 2024.

The directors of the Company (the "Directors") have reviewed the Group's cash flow projection and have made due and careful enquiry considering the basis and assumptions of management's projections. The directors are of the opinion that, taking into account the Group's future operational performance, the expected future operating cash inflows and the available unutilised banking facilities, the Group will have sufficient financial resources to support its operations and to meet its financial obligations as and when they fall due in the coming year. Accordingly, the Historical Financial Information has been prepared on a going concern basis.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these financial statements. The Group intends to apply these new and revised IFRSs, if applicable, when they become effective.

IFRS 18	*Presentation and Disclosure in Financial Statements*[3]
IFRS 19	*Subsidiaries without Public Accountability: Disclosures*[3]
Amendments to IFRS 9 and IFRS 7	*Amendments to the Classification and Measurement of Financial instruments*[2]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
Amendments to IAS 21	*Lack of Exchangeability*[1]
Annual Improvements to IFRS Accounting Standards – Volume 11	Amendments to IFRS 1, IFRS 7, IFRS 9, IFRS 10 and IAS 7[2]

1 Effective for annual periods beginning on or after 1 January 2025

2 Effective for annual periods beginning on or after 1 January 2026

3 Effective for annual/reporting periods beginning on or after 1 January 2027

4 No mandatory effective date yet determined but available for adoption

The Group is in the process of making an assessment of the impact of these new and amended standards upon initial application. IFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Entities are required to classify all income and expenses within the statement of profit or loss into one of the five categories: operating, investing, financing, income taxes and discontinued operations and to present two new defined subtotals. It also requires disclosures about management-defined performance measures in a single note and introduces enhanced requirements on the grouping (aggregation and disaggregation) and the location of information in both the primary financial statements and the notes. The application of IFRS 18 is not expected to have material impact on the results of operations and financial position of the Group but is expected to affect the presentation of the statement of profit or loss and statement of cash flows and disclosures in the future financial information. The Group will continue to assess the impact of IFRS 18 on the Groups financial information.

2.4 MATERIAL ACCOUNTING POLICIES

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss or other comprehensive income, as appropriate.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

The Group measures its investment properties, biological assets, debt and equity investments and financial assets at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the Historical Financial Information are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each of the Relevant Periods and the nine months ended 30 September 2024.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for non-financial asset is required (other than inventories, deferred tax assets, investment properties, biological assets and non-current assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs. In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each of the Relevant Periods and the nine months ended 30 September 2024 as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and 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 of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

- (i) the entity and the Group are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Group 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); and
- (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 parent of the Group.

Biological assets

The biological assets of the Group include (i) broilers which are classified as consumptive biological assets and (ii) laying hens held for own use to produce eggs which are classified as productive biological assets.

Productive biological assets are classified into immature productive biological assets and mature productive biological assets according to different stages. The two stages refer the breeding stage and the production stage, respectively.

Breeding costs and other related costs (such as labour costs, depreciation and amortisation expenses and utility cost) are capitalised at the breeding and the production stage until normal and stable egg production is achieved.

Biological assets are measured at fair value less costs of disposals. Gains or losses arising from initial recognition of biological assets at fair value less costs of disposal and from a change in fair value less costs of disposal of biological assets are included in profit or loss in the period in which it arises.

Agricultural produce harvested from biological assets is measured at its fair value less costs to sell at the point of harvest. Such measurement is the cost at that date when applying IAS 2 *Inventories*. A gain or loss arising from agricultural produce at the point of harvest at fair value less costs to sell is included in profit or loss for the period in which they arise.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Valuations are performed frequently enough to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Changes in the values of property, plant and equipment are dealt with as movements in the asset revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on an individual asset basis, the excess of the deficit is charged to the statement of profit or loss. Any subsequent revaluation surplus is credited to the statement of profit or loss to the extent of the deficit previously charged.

Annual transfer from the asset revaluation reserve to retained profits is made for the difference between the depreciation based on the revalued carrying amount of an asset and the depreciation based on the asset's original cost. On disposal of a revalued asset, the relevant portion of the asset revaluation reserve realised in respect previous valuations is transferred to retained profits as a movement in reserves.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	2.38% to 25.00%
Machinery and transportation equipment	9.50% to 19.00%
Electrical equipment	31.67%
Kitchen equipment	31.67%
Office equipment	31.67%
Leasehold improvements	Over the shorter of the lease terms and 25%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at the end of each of the Relevant Periods and the nine months ended 30 September 2024.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year/period the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress is stated at cost less any impairment losses, and is not depreciated. It is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Investment properties

Investment properties are interests in land and buildings (including right-of-use assets) held to earn rental income and/or for capital appreciation. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of each of the Relevant Periods and the nine months ended 30 September 2024.

Gains or losses arising from changes in the fair values of investment properties are included in the statement of profit or loss in the year/period in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of profit or loss in the year/period of the retirement or disposal.

For a transfer from investment properties to owner-occupied properties or inventories, the deemed cost of a property for subsequent accounting is its fair value at the date of change in use. If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under "Property, plant and equipment and depreciation" for owned property and/or accounts for such property in accordance with the policy stated under "Right-of-use assets" for property held as a right-of-use asset up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for as a revaluation in accordance with the policy stated under "Property, plant and equipment and depreciation" above. For a transfer from inventories to investment properties, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the statement of profit or loss.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Software

Software is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful life of 5 years.

Patents and licences

Purchased patents and licences are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of 4 years.

Research and development costs

All research costs are charged to the statement of profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Leases

The Group assesses at contract inception whether a 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.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful life of the asset as follows:

Leasehold land	25 to 50 years
Office premises	3 to 8 years
Self-operated restaurants	2 to 15 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g. a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of buildings and equipment that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for leases of low-value assets to leases of office equipment and laptop computers that are considered to be of low value.

Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease term and is included in other income in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as other income in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee are accounted for as finance leases. At the commencement date, the cost of the leased asset is capitalised at the present value of the lease payments and related payments (including the initial direct costs), and presented as a receivable at an amount equal to the net investment in the lease. The finance income on the net investment in the lease is recognised in the statement of profit or loss so as to provide a constant periodic rate of return over the lease terms.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

Purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through other comprehensive income (debt instruments)

For debt investments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to the statement of profit or loss.

Financial assets designated at fair value through other comprehensive income (equity investments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under IAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the statement of profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on the equity investments are also recognised as other income in the statement of profit or loss when the right of payment has been established.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At the end of each of the Relevant Periods and the nine months ended 30 September 2024, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information. The Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables that do not contain a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings, or payables, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, interest-bearing bank borrowings and deposits from franchisees.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at amortised cost

After initial recognition, trade and other payables, interest-bearing bank borrowings and deposits from franchise are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Inventories

Inventories are stated at the lower of cost or the deemed cost for agricultural produce harvested from biological assets and net realisable value. Cost is determined on the first-in, first-out basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statements of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statements of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of each of the Relevant Periods and the nine months ended 30 September 2024 of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each of the Relevant Periods and the nine months ended 30 September 2024, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of each of the Relevant Periods and the nine months ended 30 September 2024 between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and

- in respect of taxable temporary differences associated with investments in subsidiaries and an associate, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and

- in respect of deductible temporary differences associated with investments in subsidiaries and an associate, deferred tax assets are only recognized to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be recognized.

The carrying amount of deferred tax assets is reviewed at the end of each of the Relevant Periods and the nine months ended 30 September 2024 and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each of the Relevant Periods and the nine months ended 30 September 2024 and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each of the Relevant Periods and the nine months ended 30 September 2024.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Grants relating to biological assets

An unconditional government grant related to a biological asset measured at its fair value less costs to sell is recognised in the Consolidated statement of profit or loss when, and only when, the government grant becomes receivable. If a government grant related to a biological asset measured at its fair value less costs to sell is conditional, the Group recognises the government grant in the consolidated statement of profit or loss when, and only when, the conditions attaching to the government grant are met.

Other grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, 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 between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

(a) Self-operated restaurant operations

The Group generates revenue from self-operated restaurant operations, which is recognised at the point in time when control of services is transferred, generally when the related services have been rendered to customers.

(b) Provision of franchise management services

The Group enters into franchise agreements with all franchisees. As the franchisor, the Group provides franchise management services under its franchise agreements with franchisees. A franchise is a right to sell products in a particular area using the Group's brand name and trademarks.

The Group's franchise management services revenue mainly includes franchise fees, royalty fees and income from the provision of other services.

For income from franchise fees, each franchisee pays franchise fees and revenue is recognised over the franchise period, which is typically three to five years. Such fees are generally charged for support services provided to the franchisees, including training, certain advisory services like license application, marketing advisory services and operational support. As those services are highly interrelated with the franchise right, they are not individually distinct from the ongoing licensing arrangement provided to the franchisees.

For income from royalty fees, the franchisee receives ongoing operational support services with respect to brand name and trademark use, restaurant operations, marketing and promotions, during the franchise period, which are highly interrelated with the franchise right, from the Group during the whole franchise period, and pays continuing support services fee, which is determined based on a pre-determined fixed percentage of monthly restaurant sales, and the Group recognises revenue when the franchisee's restaurant sales occur.

For income from the provision of other services, including fixed site selection service fee, is recognised at a point in time when the service is rendered.

(c) Sales of Goods

Revenue from sales of goods is recognised at the point in time when control of the asset is transferred to the customer, generally upon delivery of the products.

Other income

Rental income is recognised on a time proportion basis over the lease terms. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are incurred.

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Contract liabilities

A contract liability is recognised when the payment is received or the payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Share-based payments

The Company operates a share-based incentive scheme. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions"). The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using the income approach to determine net assets value of equity interest in Anhui Laoxiangji. Further details of which are given in note 35 to the Historical Financial Information.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each of the Relevant Periods and the nine months ended 30 September 2024 until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification. Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately.

Employee benefits

Pension schemes

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. The subsidiaries operating in Mainland China are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Events after the reporting period

If the Group receives information after the reporting period, but prior to the date of authorisation for issue, about conditions that existed at the end of the Relevant Periods and the nine months ended 30 September 2024, it will assess whether the information affects the amounts that it recognises in its financial statements. The Group will adjust the amounts recognised in its financial statements to reflect any adjusting events after the reporting period and update the disclosures that relate to those conditions in light of the new information. For non-adjusting events after the reporting period, the Group will not change the amounts recognised in its financial statements, but will disclose the nature of the non-adjusting events and an estimate of their financial effects, or a statement that such an estimate cannot be made, if applicable.

Foreign currencies

Items included in the financial information of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Historical Financial Information is presented in RMB, which is also the Company's functional currency because the Group's principal operations are carried out in Mainland China. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of each of the Relevant Periods and the nine months ended 30 September 2024. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

Withholding tax arising from the distribution of dividends

The Group did not accrue deferred tax liabilities in respect of withholding taxes arising from the future distributions of dividends by certain subsidiaries according to the relevant tax rules enacted in the jurisdictions in which the subsidiaries are domiciled and operate during the Relevant Periods and the nine months ended 30 September 2024. In the opinion of the directors of the Company, it is not probable that these subsidiaries will distribute such earnings to foreign entities in the foreseeable future while the Group is expanding its business in Mainland China.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each of the Relevant Periods and the nine months ended 30 September 2024, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) at the end of each of the Relevant Periods and the nine months ended 30 September 2024. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Fair value measurements of financial assets measured at fair value

The Group invests in unlisted investments, which represent negotiable certificates of deposit, wealth management products and structured deposits issued by banks in Mainland China. For wealth management products and structured deposits issued by banks that are measured at fair value through profit or loss, the fair value is determined by using a discounted cash flow valuation model based on the market interest rates of instruments with similar terms and risks. For negotiable certificates of deposit are measured at fair value through other comprehensive income, the Group calculating the the fair value by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. Further details are included in note 43 to the Historical Financial Information.

Fair value measurements of biological assets

The management of the Group recognises the fair value less cost to sell of biological assets at the end of each of the Relevant Periods and the nine months ended 30 September 2024 with reference to market pricing, species, growing environment, costs incurred and professional valuation. The Directors of the Company worked closely with qualified external valuers to select the appropriate valuation techniques and inputs for the model. The decision involves the application of significant judgements. If actual results differ from management's estimates, the relevant differences from the original estimates will affect the fair value changes in the current and future periods. Details of the carrying amounts and fair value measurements of the Company's biological assets are disclosed in note 18 to the Historical Financial Information.

Estimate of fair value of equity-settled award

The fair value of the equity-settled award has been determined based on appraised market value provided by independent professional valuers. The valuers applied income approach to determine the fair value of equity interest in Anhui Laoxiangji. Further details are included in note 35 to the Historical Financial Information.

Deferred tax assets

Deferred tax assets are recognised for all deductible temporary differences and the carryforward of unused tax credits and unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details are included in note 33 to the Historical Financial Information.

4. OPERATING SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the executive directors of the Company. During the Relevant Periods and the nine months ended 30 September 2024, the Group was principally engaged in restaurant operations and other services. Management reviews the operating results of the Group's business as one operating segment for the purpose of making decisions about resource allocation and performance assessment. Therefore, the chief operating decision maker of the Company regards that there is only one segment which is used to make strategic decisions.

Geographical information

Since all of the Group's revenue was derived from customers based in Mainland China, during the Relevant Periods and the nine months ended 30 September 2024 and all the Group's non-current assets are located in Mainland China, no further geographical information in accordance with IFRS 8 *Operating Segments* is presented.

Information about major customers

No sales to a single customer accounted for 10% or more of the Group's revenue during the Relevant Periods and the nine months ended 30 September 2024.

5. REVENUE, OTHER INCOME AND GAINS

Revenue represents income from self-operated restaurant operations, franchise management services and sales of goods during the Relevant Periods and the nine months ended 30 September 2023 and 2024.

An analysis of revenue is as follows:

	Year ended 31 December		Nine months ended 30 September	
	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000* *(unaudited)*
Revenue from contracts with customers	4,527,875	5,650,616	4,181,926	4,678,091

Revenue from contracts with customers

(i) Disaggregated revenue information

	Year ended 31 December		Nine months ended 30 September	
	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000* *(unaudited)*
Types of goods or services				
Self-operated restaurant operations	4,310,700	5,322,540	3,977,333	4,122,680
Sales of goods	189,703	289,333	177,930	499,615
Franchise management services	27,472	38,743	26,663	55,796
Total	4,527,875	5,650,616	4,181,926	4,678,091
Timing of revenue recognition				
Goods transferred at a point in time	4,480,517	5,578,494	4,126,621	4,596,218
Services transferred over time	47,358	72,122	55,305	81,873
Total	4,527,875	5,650,616	4,181,926	4,678,091

The following table shows the amounts of revenue recognised during the Relevant Periods and the nine months ended 30 September 2023 and 2024 that were included in the contract liabilities at the beginning of each of the Relevant Periods and the nine months ended 30 September 2023 and 2024:

	Year ended 31 December		Nine months ended 30 September	
	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000* *(unaudited)*
Revenue recognised that was included in contract liabilities at the beginning of the year/period:				
Self-operated restaurant operations	87,440	116,039	87,029	114,578
Franchise management services	9,039	12,378	9,247	13,075
Sales of goods	–	584	584	1,049
	96,479	129,001	96,860	128,702

(ii) Performance obligations

Information about the Group's performance obligations is summarised below:

Self-operated restaurant operations

The performance obligation is satisfied when customers obtain control of the products which occurs when the goods are delivered to and have been accepted by the customers at the point in time. There were unsatisfied performance obligations for self-operated restaurant operations as at the end of each of the Relevant periods and the nine months ended 30 September 2024.

Sales of goods

The performance obligation is satisfied upon delivery of the goods and payment is generally settled once the goods are delivered, except for customers with credit terms, where payment is generally due within 15 days from delivery. There was unsatisfied performance obligation for the sale of goods at the end of each of the Relevant Periods and the nine months ended 30 September 2024. As permitted under IFRS 15, the Group applies the practical expedient and does not disclose the transaction price allocated to the unsatisfied performance obligations for contracts of the sale of products, which generally were an original expected length of one year or less.

Franchise management services

For Franchise management services (exclude other services), from which the revenue is satisfied over time as services are rendered and advances are normally required before rendering the services. Generally, franchise fee contracts are for periods of more than one year, and the franchise fees are billed according to the contracts. There were unsatisfied performance obligations for franchise management services as at the end of each of the Relevant periods and the nine months ended 30 September 2024.

For fixed site selection service and other services, they are rendered in a short period of time which is generally less than a month, we generally issue bills to the customer when the services are rendered. There are no unsatisfied performance obligations at the end of each of the Relevant periods and the nine months ended 30 September 2024.

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) for the years ended 31 December 2022 and 2023 and the nine months ended 30 September 2023 and 2024 are as follows:

	Year ended 31 December		**Nine months ended 30 September**	
	2022	**2023**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000* *(unaudited)*
Amounts expected to be recognised as revenue:				
Within one year	128,417	171,110	151,121	206,544
After one year	26,911	33,799	23,068	68,003
	155,328	204,909	174,189	274,547

All of the amounts of transaction prices allocated to the performance obligations are expected to be recognised as revenue within five years. The Group does not have variable consideration which is constrained.

Other income and gains

	Year ended 31 December		Nine months ended 30 September	
	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000 (unaudited)*
Government grants*	22,763	21,243	14,762	8,332
Income from value-added tax super deduction**	58,294	36,071	28,691	8,538
Gains on early termination of leases	4,112	6,150	3,203	1,689
Interest income	11,881	20,216	14,886	12,358
Rental income	5,574	3,812	2,533	3,389
Compensation and fines	2,286	2,246	1,629	2,037
Fair value gains on financial assets at fair value through profit or loss	–	–	–	447
Transfer of fair value reserve upon the disposal of debt investments at fair value through other comprehensive income	–	–	–	5,664
Proceeds from sale of scrapped items	5,492	8,185	6,195	5,660
Others	2,322	4,264	4,084	4,839
	112,724	102,187	75,983	52,953

* Partial government grants are related to income and are recognised in profit or loss upon receipt of these grants. There are no unfulfilled conditions or contingencies relating to these grants.

The rest of the government grants related to capital expenditures incurred for property, plant and equipment are deferred and amortised over the estimated useful lives of the respective assets.

** Tax incentives on value-added tax ("VAT") are related to the additional deduction of 15% of the VAT input tax for life service taxpayers from 1 January 2022 to 31 December 2022, and the additional deduction of 10% of the VAT input tax for life service taxpayers from 1 January 2023 to 31 December 2023.

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Notes	Year ended 31 December		Nine months ended 30 September	
		2022	2023	2023	2024
		RMB'000	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000 (unaudited)*
Cost of goods and services provided*		3,608,659	4,331,242	3,190,121	3,578,728
Depreciation of property, plant and equipment	*13*	210,423	194,024	143,317	148,711
Depreciation of right-of-use assets	*15(a)*	385,061	379,301	274,535	272,007
COVID-19-related rent concessions income	*15(c)*	(19,419)	(9,327)	(8,445)	–
Amortisation of intangible assets**	*17*	5,819	6,313	4,775	3,757
Lease payments not included in the measurement of lease liabilities:					
Variable lease payments not included in the measurement of lease liabilities	*15(c)*	27,969	38,809	29,527	30,860
Expense relating to short-term leases (included in administrative expenses)	*15(c)*	519	1,410	993	1,123

	Notes	Year ended 31 December		Nine months ended 30 September	
		2022	2023	2023	2024
		RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000 (unaudited)
Research and development costs		6,614	9,407	6,824	8,074
Auditor's remuneration		289	5,729	5,729	–
[**REDACTED**]		–	6,576	–	5,906
Changes in fair value of biological assets	18	(32,212)	(46,919)	(34,504)	(25,671)
Fair value losses on investment properties	14	–	144	111	450
Revaluation deficit on transfer of owned properties to investment properties	13	–	8,806	6,349	–
Changes in fair value of financial assets at fair value through profit or loss		–	–	–	(447)
Transfer of fair value reserve upon the disposal of debt investments at fair value through other comprehensive income		–	–	–	(5,664)
Interest income		(11,881)	(20,216)	(14,886)	(12,358)
Foreign exchange differences, net		–	–	–	3,331
(Reversal of)/provision for impairment losses on financial assets, net:					
Impairment of trade receivables	24	804	515	(86)	367
Impairment of other receivables	25	5,344	1,636	822	(826)
Impairment of rental deposits	22	813	(226)	(324)	(2,055)
Impairment of receivables under finance leases and other non-current assets		954	(515)	(1,619)	(17)
Impairment losses recognised on right-of-use assets	15	–	3,277	2,691	1,015
Losses on disposal of property, plant and equipment		18,170	23,756	15,095	6,488
Gains on early termination of leases		(4,112)	(6,150)	(3,203)	(1,689)
Deferred income recognised in profit or loss	30	(748)	(2,173)	(854)	(959)
Employee benefit expense (excluding directors' and chief executive's remuneration *(note 8)*):					
Equity-settled share-based payment	35	15,512	13,247	11,020	12,158
Wages, salaries and other allowances		1,141,854	1,396,192	1,012,205	1,151,396
Pension scheme contributions and social welfare		188,926	222,027	165,412	167,166

* Cost of goods and services provided includes expenses relating to depreciation of property, plant and equipment, depreciation of right-of-use assets and staff costs, which is also included in the respective total amounts disclosed separately above for each of these types of expenses.

** The amortisation of other intangible assets is included in administrative expenses and selling and distribution expenses in the consolidated statements of profit or loss.

7. FINANCE COSTS

An analysis of finance costs is as follows:

	Year ended 31 December		Nine months ended 30 September	
	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000* *(unaudited)*
Interest on bank and other borrowings	7,681	5,822	4,891	10,231
Interest expense on deposits	–	943	300	284
Interest expense on lease liabilities *(note 15(b))*	26,059	26,526	20,025	20,833
	33,740	33,291	25,216	31,348
Less: Interest capitalised	–	(403)	(78)	(1,848)
	33,740	32,888	25,138	29,500

During the Relevant Periods and the nine months ended 30 September 2023 and 2024, the capitalisation rates used to determine the amount of borrowing costs eligible for capitalisation were nil, 3.30%, 3.30% and 3.15%, respectively.

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Certain of the directors received remuneration from the subsidiaries now comprising the Group for their appointments as directors of these subsidiaries. The remuneration of each of these directors as recorded in the financial statements of the subsidiaries is set out below:

	Year ended 31 December		Nine months ended 30 September	
	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000* *(unaudited)*
Fees	180	180	90	90
Other emoluments:				
Salaries, allowances and benefits in kind	3,285	4,050	2,785	2,079
Performance-related bonuses	844	2,244	–	–
Share-based payments	3,161	3,409	2,483	3,130
Pension scheme contributions and social welfare	198	410	307	287
	7,668	10,293	5,665	5,586

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the Relevant Periods and the nine months ended 30 September 2023 and 2024 were as follows:

	Year ended 31 December		Nine months ended 30 September	
	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000* (unaudited)	*RMB'000* (unaudited)
Independent non-executive directors				
Mr. Liu Chun *(Note (a))*	60	60	30	30
Mr. Li Guozhu *(Note (b))*	60	60	30	30
Mr. Ruan Yingguo *(Note (c))*	60	60	30	30
	180	180	90	90

Notes:

(a) Mr. Liu Chun serves as an independent director of Anhui Laoxiangji, with a term of office from 17 July 2021 to 1 May 2024, and he was appointed as an independent director of the Company on 19 December 2024.

(b) Mr. Li Guozhu serves as an independent director of Anhui Laoxiangji, with a term of office from 17 July 2021 to 1 May 2024. and he was appointed as an independent director of the Company on 19 December 2024.

(c) Mr. Ruan Yingguo serves as an independent director of Anhui Laoxiangji, with a term of office from 17 July 2021 to 1 May 2024.

(d) Mr. Lai Lan-Sang was appointed as an independent director of the Company on 19 December 2024.

(b) Executive and non-executive directors and the chief executive

Year ended 31 December 2022

	Salaries, allowances and benefits in kind	Performance-related bonuses	Share-based payments	Pension scheme contributions and social welfare	Total remuneration
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors:					
Mr. Shu Xiaolong	999	–	–	60	1,059
Ms. Dong Xue	465	144	153	47	809
Mr. Shu Congde	815	280	3,008	60	4,163
Chief executive:					
Mr. Shu Congxuan	1,006	420	–	31	1,457
	3,285	844	3,161	198	7,488

Year ended 31 December 2023

	Salaries, allowances and benefits in kind	Performance-related bonuses	Share-based payments	Pension scheme contributions and social welfare	Total remuneration
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors:					
Ms. Dong Xue	514	144	153	132	943
Mr. Shu Congde	1,424	1,260	3,256	132	6,072
Chief executive:					
Mr. Shu Congxuan *(Note (a))*	1,074	420	–	14	1,508
Mr. Shu Xiaolong *(Note (b))*	1,038	420	–	132	1,590
	4,050	2,244	3,409	410	10,113

Nine months ended 30 September 2023 (unaudited)

	Salaries, allowances and benefits in kind	Performance-related bonuses	Share-based payments	Pension scheme contributions and social welfare	Total remuneration
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors:					
Ms. Dong Xue	386	–	115	97	598
Mr. Shu Congde	816	–	2,368	98	3,282
Chief executive:					
Mr. Shu Congxuan *(Note (a))*	804	–	–	14	818
Mr. Shu Xiaolong *(Note (b))*	779	–	–	98	877
	2,785	–	2,483	307	5,575

Nine months ended 30 September 2024 (unaudited)

	Salaries, allowances and benefits in kind	Performance-related bonuses	Share-based payments	Pension scheme contributions and social welfare	Total remuneration
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Non-executive director:					
Mr. Shu Congde *(Note (c))*	792	–	3,015	83	3,890
Executive director:					
Ms. Dong Xue	507	–	115	102	724
Chief executive:					
Mr. Shu Xiaolong *(Note (b))*	780	–	–	102	882
	2,079	–	3,130	287	5,496

Notes:

(a) Mr. Shu Congxuan has retired as the chief executive of Anhui Laoxiangji with effect from 1 December 2023.

(b) Mr. Shu Xiaolong has been appointed as the chief executive of Anhui Laoxiangji with effect from 1 December 2023.

(c) Mr. Shu Congde has been appointed as the non-executive director of the Company on 4 January 2024.

(d) Ms. Shu Wen has been appointed as the executive director of the Company on 19 December 2024.

9. FIVE HIGHEST PAID EMPLOYEES

The five individuals with the highest emoluments in the Group for the years ended 31 December 2022 and 2023 and the nine months ended 30 September 2023 and 2024 included two directors and the chief executive, two directors and the chief executive, two directors and the chief executive, two directors and the chief executive disclosed above, respectively. Details of the directors' remuneration are set out in note 8 above. Details of the remuneration of the remaining two, two, two and two highest paid employees who are neither a director nor chief executive of the Company for the years ended 31 December 2022 and 2023 and the nine months ended 30 September 2023 and 2024 are as follows:

	Year ended 31 December		Nine months ended 30 September	
	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000* *(unaudited)*
Salaries, allowances and benefits in kind	1,367	1,458	1,146	1,977
Performance-related bonuses	260	157	–	–
Social welfare and other benefits	47	82	60	73
Share-based payments	441	441	331	425
	2,115	2,138	1,537	2,475

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	Year ended 31 December		Nine months ended 30 September	
	2022	2023	2023	2024
Nil to HKD1,000,000	–	–	2	–
HKD1,000,001 to HKD1,500,000	2	2	–	2
Total	2	2	2	2

10. INCOME TAX

	Year ended 31 December		Nine months ended 30 September	
	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000* *(unaudited)*
Current tax:				
PRC/Mainland China	63,220	47,889	57,696	49,829
Deferred tax *(note 33)*	998	(10,350)	(10,931)	(4,553)
Total tax charge for the year/period	64,218	37,539	46,765	45,276

The Group is subject to income tax on an entity basis on profits arising in or derived from the tax jurisdictions in which members of the Group are domiciled and operate. Pursuant to the rules and regulations of the Cayman Islands, the Company incorporated in the Cayman Islands is not subject to any income tax. The Group's subsidiary incorporated in Hong Kong was not liable for income tax as it did not have any assessable profits arising in Hong Kong during the Relevant Periods and the nine months ended 30 September 2023 and 2024.

Subsidiaries of the Group operating in Mainland China are under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and the Implementation Regulation of the EIT Law, the tax rate of the China subsidiaries is 25% except for the following:

According to the Implementation Regulation of the EIT Law and the EIT exemptions regulation set out in the Circular of the Ministry of Finance and the State Administration on Releasing the Primary Processing Ranges of Agricultural Products Entitled to Preferential Policies on Enterprise Income Tax (Trial Implementation) (Cai Shui [2008] No. 149) and the requirements of Article 86 of the Implementation Regulation of the EIT Law, the income from various China subsidiaries of the Company engaging in primary processing for agricultural products is exempted from EIT.

Pursuant to the related regulations in respect of the Implementation Regulation of the EIT Law, the income from various China subsidiaries of the Company engaging in projects of animal-husbandry and poultry feeding was entitled to exemption from EIT.

A reconciliation of tax expense applicable to profit before tax at the statutory rate for the jurisdictions in which the majority of its subsidiaries are domiciled to the income tax expense at the effective tax rate is as follows:

	Year ended 31 December		Nine months ended 30 September	
	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000* *(unaudited)*
Profit before tax	316,258	412,951	402,115	412,383
Tax at the statutory tax rate	79,065	103,238	100,529	103,096
Effect of different tax rates applicable to subsidiaries	(5,417)	(10,639)	(7,837)	(11,585)
Additional deductible allowance for research and development expenses	(54)	(838)	(620)	(354)
Expenses not deductible for tax	5,180	5,307	3,679	3,978
Income not subject to tax	(43,068)	(52,890)	(38,658)	(38,593)
Tax effect of unrecognised tax losses and temporary difference of prior periods	–	(14,882)	(12,818)	(16,574)
Tax losses and deductible temporary differences not recognised	28,512	8,243	2,490	5,308
Tax charge at the Group's effective rate	64,218	37,539	46,765	45,276

11. DIVIDENDS

No dividends have been paid or declared by the Company since the date of incorporation.

12. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT

Information about earnings per share is not presented as its inclusion, for the purpose of this report, is not considered meaningful due to the Reorganisation and the basis of presentation of the Group for the Relevant Periods and the nine months ended 30 September 2023 and 2024 as disclosed in note 2.1 to the Historical Financial Information.

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Machinery and transportation equipment	Electrical equipment	Kitchen equipment	Office equipment	Construction in progress	Leasehold improvements	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2022								
At 1 January 2022:								
Cost	562,043	139,306	65,117	205,216	50,209	105,147	449,175	1,576,213
Accumulated depreciation	(100,728)	(35,561)	(42,216)	(115,557)	(30,857)	–	(191,608)	(516,527)
Net carrying amount	461,315	103,745	22,901	89,659	19,352	105,147	257,567	1,059,686
At 1 January 2022, net of accumulated depreciation	461,315	103,745	22,901	89,659	19,352	105,147	257,567	1,059,686
Additions	10,890	17,967	5,514	23,402	4,784	229,546	71,458	363,561
Transfers from construction in progress	59,464	2,239	–	–	–	(61,703)	–	–
Depreciation provided during the year	(24,580)	(13,931)	(10,117)	(40,913)	(9,640)	–	(111,242)	(210,423)
Disposals	–	(237)	(854)	(3,379)	(502)	–	(17,816)	(22,788)
At 31 December 2022, net of accumulated depreciation	507,089	109,783	17,444	68,769	13,994	272,990	199,967	1,190,036
At 31 December 2022:								
Cost	631,875	158,791	62,530	204,590	49,172	272,990	447,720	1,827,668
Accumulated depreciation	(124,786)	(49,008)	(45,086)	(135,821)	(35,178)	–	(247,753)	(637,632)
Net carrying amount	507,089	109,783	17,444	68,769	13,994	272,990	199,967	1,190,036

	Buildings	Machinery and transportation equipment	Electrical equipment	Kitchen equipment	Office equipment	Construction in progress	Leasehold improvements	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2023								
At 1 January 2023:								
Cost	631,875	158,791	62,530	204,590	49,172	272,990	447,720	1,827,668
Accumulated depreciation	(124,786)	(49,008)	(45,086)	(135,821)	(35,178)	–	(247,753)	(637,632)
Net carrying amount	507,089	109,783	17,444	68,769	13,994	272,990	199,967	1,190,036
At 1 January 2023, net of accumulated depreciation	507,089	109,783	17,444	68,769	13,994	272,990	199,967	1,190,036
Additions	49,990	31,126	11,256	47,653	6,643	417,521	91,086	655,275
Surplus on revaluation	1,761	–	–	–	–	–	–	1,761
Deficit on revaluation *(note 6)*	(8,806)	–	–	–	–	–	–	(8,806)
Transfer to investment properties *(note 14)*	(23,368)	–	–	–	–	–	–	(23,368)
Transfers from construction in progress	56,875	23,163	–	–	–	(81,172)	1,134	–
Depreciation provided during the year	(26,738)	(16,806)	(9,874)	(38,130)	(7,688)	–	(94,788)	(194,024)
Disposals	–	(223)	(1,214)	(6,211)	(953)	–	(25,871)	(34,472)
At 31 December 2023, net of accumulated depreciation	556,803	147,043	17,612	72,081	11,996	609,339	171,528	1,586,402
At 31 December 2023:								
Cost	703,677	211,410	59,931	208,157	47,636	609,339	425,023	2,265,173
Accumulated depreciation	(146,874)	(64,367)	(42,319)	(136,076)	(35,640)	–	(253,495)	(678,771)
Net carrying amount	556,803	147,043	17,612	72,081	11,996	609,339	171,528	1,586,402

	Buildings	Machinery and transportation equipment	Electrical equipment	Kitchen equipment	Office equipment	Construction in progress	Leasehold improvements	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
30 September 2024								
At 1 January 2024:								
Cost	703,677	211,410	59,931	208,157	47,636	609,339	425,023	2,265,173
Accumulated depreciation	(146,874)	(64,367)	(42,319)	(136,076)	(35,640)	–	(253,495)	(678,771)
Net carrying amount	556,803	147,043	17,612	72,081	11,996	609,339	171,528	1,586,402
At 1 January 2024, net of accumulated depreciation	556,803	147,043	17,612	72,081	11,996	609,339	171,528	1,586,402
Additions (unaudited)	7,246	13,537	5,062	29,448	3,676	198,720	66,638	324,327
Transfers from construction in progress (unaudited)	483,297	46,460	–	–	–	(531,994)	2,237	–
Depreciation provided during the period (unaudited)	(27,154)	(15,986)	(6,138)	(26,769)	(4,244)	–	(68,420)	(148,711)
Disposals (unaudited)	–	(1,002)	(1,416)	(5,451)	(766)	–	(16,783)	(25,418)
At 30 September 2024, net of accumulated depreciation (unaudited)	1,020,192	190,052	15,120	69,309	10,662	276,065	155,200	1,736,600
At 30 September 2024:								
Cost (unaudited)	1,193,333	268,075	55,231	204,957	44,923	276,065	423,790	2,466,374
Accumulated depreciation (unaudited)	(173,141)	(78,023)	(40,111)	(135,648)	(34,261)	–	(268,590)	(729,774)
Net carrying amount (unaudited)	1,020,192	190,052	15,120	69,309	10,662	276,065	155,200	1,736,600

As at 31 December 2022, certain of the Group's buildings with an aggregate net carrying amount of approximately RMB8,202,000 were pledged to secure bank and other borrowings granted to the Group (note 39).

As at 31 December 2022 and 2023 and 30 September 2024, the Group has obtained the property ownership certificates for all buildings except for the buildings with carrying amounts of RMB75,954,000, RMB94,113,000, RMB66,281,000 (unaudited), respectively, for which the Group is in the process of obtaining the certificates.

14. INVESTMENT PROPERTIES

	Commercial properties
	RMB'000
Carrying amount at 31 December 2022 and 1 January 2023	–
Transfer from owner-occupied property *(note 13)*	23,368
Changes in fair value of investment properties	(144)
Carrying amount at 1 January 2024	23,224
Changes in fair value of investment properties (unaudited)	(450)
Carrying amount at 30 September 2024 (unaudited)	22,774

The Group's investment properties consist of five commercial properties in Mainland China. During the year ended 31 December 2023, five owned-properties had become investment properties because the Group had rented out the commercial properties to independent third parties to earn rentals. Accordingly, the carrying amount of these owner-occupied properties at the date of transfer had been transferred from property, plant and equipment to investment properties. The fair value at the date of transfer amounting to RMB23,368,000 had been arrived at on the basis of valuation carried out by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, independent professionally qualified valuer, not connected with the Group. The surplus of the fair value of those owned-properties and leasehold land over the carrying amounts at the date of transfer amounting to RMB1,761,000 was recognised in property revaluation reserve. The revaluation gave rise to a loss arising from changes in fair value of RMB8,806,000 which has been included in the statement of profit or loss.

The Group's investment properties were revalued on 31 December 2023 and 30 September 2024 based on valuations performed by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, independent professionally qualified valuer, at RMB23,224,000 and RMB22,774,000, respectively. The Group's property manager and the chief financial officer decide to appoint which external valuer to be responsible for the external valuations of the Group's properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Group's property manager and the chief financial officer have discussions with the valuer on the valuation assumptions and valuation results when the valuation is performed for financial reporting.

The investment properties are leased to third parties under operating leases, further summary details of which are included in note 15 to the Historical Financial Information.

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's investment properties:

	Fair value measurement as at 31 December 2023 using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Recurring fair value measurement for:				
Commercial properties	–	–	23,224	23,224
Total	–	–	23,224	23,224

	Fair value measurement as at 30 September 2024 using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000* *(unaudited)*
Recurring fair value measurement for:				
Commercial properties	–	–	22,774	22,774
Total	–	–	22,774	22,774

During the Relevant Periods and the nine months ended 30 September 2024, there were no transfer of fair value measurements between Level 1 and Level 2 and no transfer into or out of Level 3.

Below is a summary of the valuation techniques used and the key inputs to the valuation of investment properties:

	Valuation techniques	Significant unobservable inputs	Range
			31 December 2023
Commercial properties	Income capitalisation method	Estimated rental value (per sq.m. per month)	31 to 195
		Capitalisation rate	4% to 5.5%
		Long term vacancy rate	5% to 25%

	Valuation techniques	Significant unobservable inputs	Range
			30 September 2024
			(unaudited)
Commercial properties	Income capitalisation method	Estimated rental value (per sq.m. per month)	30 to 194
		Capitalisation rate	4% to 5.5%
		Long term vacancy rate	5% to 25%

15. LEASES

The Group as a lessee

The Group has lease contracts for items of self-operated restaurants and office premises used in its operations. Lump sum payments were made to acquire some leased land from the owners with lease periods of 50 years, and no ongoing payments will be made under the terms of these land leases. Self-operated restaurants have lease terms rang from 2 to 15 years, and leases of office premises generally have lease terms between 3 and 8 years.

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during each of the Relevant Periods and the nine months ended 30 September 2024 are as follows:

	Self-operated restaurants	Office premises	Leasehold land	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2022	1,212,869	2,926	57,152	1,272,947
Additions	338,997	1,904	24,647	365,548
Depreciation charge	(382,040)	(891)	(2,130)	(385,061)
Early termination of leases	(112,673)	–	–	(112,673)
As at 31 December 2022 and 1 January 2023	1,057,153	3,939	79,669	1,140,761
Additions	321,293	–	106,319	427,612
Depreciation charge	(369,569)	(1,019)	(8,713)	(379,301)
Early termination of leases	(148,748)	–	–	(148,748)
Impairment	(3,277)	–	–	(3,277)
As at 31 December 2023 and 1 January 2024	856,852	2,920	177,275	1,037,047
Additions (unaudited)	260,869	–	–	260,869
Depreciation charge (unaudited)	(263,618)	(391)	(7,998)	(272,007)
Early termination of leases (unaudited)	(42,131)	–	–	(42,131)
Impairment (unaudited)	(1,015)	–	–	(1,015)
As at 30 September 2024 (unaudited)	810,957	2,529	169,277	982,763

As at 31 December 2022 and 2023 and 30 September 2024, in view of the unfavourable future prospects of certain restaurants, the Group's management estimated the recoverable amount of each such restaurant (cash-generating unit ("CGU")) with an indication of impairment. The recoverable amount of each CGU is determined based on fair value less cost of disposal or the value-in-use calculations by preparing cash flow projections of the relevant CGUs derived from the most recent financial forecast approved by the management covering the remaining lease term, which is higher. The cash flows are discounted using a discount rate of 11.00%, 10.90% and 10.90% as at 31 December 2022 and 2023 and 30 September 2024, respectively. The discount rate used is pre-tax and reflects specific risks relating to the relevant CGU.

During the years ended 31 December 2022 and 2023 and the nine months ended 30 September 2024, impairment losses of nil, RMB3,277,000 and RMB1,015,000 were recognised, respectively, as the carrying amount of certain cash-generating units ("CGUs") exceeded their recoverable amount. The impairment losses recognised were included in "Other expenses" in profit or loss.

The impairment losses were allocated to the assets in related restaurant including right-of-use assets, leasehold improvement and other property, plant and equipment within the CGU on a pro rata basis, consequently, the carrying amounts of right-of-use assets included in the cash-generating unit were written down by nil, RMB3,277,000 and RMB1,015,000 for the years ended 31 December 2022 and 2023 and the nine months ended 30 September 2024, respectively.

(b) Lease liabilities

The carrying amount of lease liabilities and the movements during each of the Relevant Periods and the nine months ended 30 September 2024 are as follows:

	31 December		30 September
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000* *(unaudited)*
Carrying amount at 1 January	1,210,793	1,069,053	972,927
New leases	339,254	425,110	259,303
Accretion of interest recognised during the year/period	26,059	26,526	20,833
Payments	(391,481)	(417,751)	(296,015)
Early termination of leases	(115,572)	(130,011)	(38,709)
At the end of the year/period	1,069,053	972,927	918,339
Analysed into:			
Current portion	364,189	336,569	337,348
Non-current portion	704,864	636,358	580,991

The maturity analysis of lease liabilities is disclosed in note 44 to the Historical Financial Information.

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	31 December		30 September
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000* *(unaudited)*
Interest on lease liabilities	26,059	26,526	20,833
Depreciation charge of right-of-use assets	385,061	379,301	272,007
Gains on early termination of leases	4,112	6,150	1,689
Variable lease payments not included in the measurement of lease liabilities	27,969	38,809	30,860
Expense relating to short-term leases (included in administrative expenses)	519	1,410	1,123
COVID-19-related rent concessions received	(19,419)	(9,327)	–
Total amount recognised in profit or loss	424,301	442,869	326,512

The total cash outflow for leases is disclosed in note 37(c) to the Historical Financial Information.

The Group as a lessor

The Group leases certain of its stores to third parties under operating lease arrangements. Leases for stores are negotiated for terms ranging from 3 to 6 years.

The amounts of rental income recognised by the Group for the years ended 31 December 2022 and 2023 and the nine months ended 30 September 2023 and 2024 were RMB5,574,000, RMB3,812,000, RMB2,533,000 and RMB3,389,000 respectively.

During the Relevant Periods and the nine months ended 30 September 2024, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	31 December		30 September
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000* *(unaudited)*
Within one year	3,615	5,286	5,118
After one year but within two years	3,146	4,942	4,514
After two years but within three years	2,262	4,521	3,649
After three years	1,993	4,115	2,476
	11,016	18,864	15,757

16. GOODWILL

	31 December		30 September
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000* *(unaudited)*
Cost	–	1,562	1,562
Accumulated impairment	–	–	–
	–	1,562	1,562

Impairment testing of goodwill

Goodwill acquired through business combinations is allocated to the following cash-generating unit for impairment testing.

The recoverable amount of Laoxiang Farm CGU has been determined based on a value-in-use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. Cash flows beyond the forecast period are extrapolated using the estimated growth rates stated below.

The key assumptions, long-term growth rates and discount rates used in the value-in-use calculation for 31 December 2023 and 30 September 2024 are as follows:

	Laoxiang Farm	
	31 December 2023	30 September 2024
	RMB'000	*RMB'000*
Sales annual growth rate (%)	13% to 19%	13% to 19%
Gross margin (% of revenue)	36% to 37%	36% to 37%
Long-term growth rate	3%	3%
Pre-tax discount rate	11%	11%

The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Budgeted gross margins

The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budget year, increased for expected efficiency improvements, and expected market development.

Discount rates

The discount rates used are before tax and reflect specific risks relating to the relevant units.

Long-term growth rates

The long-term growth rates used are based on common industry practice.

The values assigned to the key assumptions on market development of the cash-generating units, the discount rates and long-term growth rate are consistent with external information sources.

The Group recognised no impairment loss of goodwill as at 31 December 2023 and 30 September 2024.

17. INTANGIBLE ASSETS

	Software	Patents and licences	Total
	RMB'000	*RMB'000*	*RMB'000*
31 December 2022			
At 1 January 2022:			
Cost	26,844	29	26,873
Accumulated amortisation	(10,448)	(2)	(10,450)
Net carrying amount	16,396	27	16,423
Cost at 1 January 2022, net of accumulated amortisation	16,396	27	16,423
Additions	3,130	–	3,130
Amortisation provided during the year	(5,812)	(7)	(5,819)
At 31 December 2022, net of accumulated amortisation	13,714	20	13,734
At 31 December 2022:			
Cost	29,974	29	30,003
Accumulated amortisation	(16,260)	(9)	(16,269)
Net carrying amount	13,714	20	13,734
31 December 2023			
At 1 January 2023:			
Cost	29,974	29	30,003
Accumulated amortisation	(16,260)	(9)	(16,269)
Net carrying amount	13,714	20	13,734
Cost at 1 January 2023, net of accumulated amortisation	13,714	20	13,734
Additions	4,358	–	4,358
Amortisation provided during the year	(6,306)	(7)	(6,313)
At 31 December 2023, net of accumulated amortisation	11,766	13	11,779
At 31 December 2023:			
Cost	34,332	29	34,361
Accumulated amortisation	(22,566)	(16)	(22,582)
Net carrying amount	11,766	13	11,779

	Software	Patents and licences	Total
	RMB'000	*RMB'000*	*RMB'000*
30 September 2024			
At 1 January 2024:			
Cost	34,332	29	34,361
Accumulated amortisation	(22,566)	(16)	(22,582)
Net carrying amount	11,766	13	11,779
Cost at 1 January 2024, net of accumulated amortisation	11,766	13	11,779
Additions (unaudited)	3,742	–	3,742
Amortisation provided during the period (unaudited)	(3,752)	(5)	(3,757)
At 30 September 2024, net of accumulated amortisation (unaudited)	11,756	8	11,764
At 30 September 2024:			
Cost (unaudited)	38,074	29	38,103
Accumulated amortisation (unaudited)	(26,318)	(21)	(26,339)
Net carrying amount (unaudited)	11,756	8	11,764

18. BIOLOGICAL ASSETS

The biological assets of the Group include (i) broilers which are classified as consumptive biological assets and (ii) laying hens which are classified as productive biological assets.

	Broilers	Laying hens	Total
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2022	33,727	–	33,727
Increase due to purchasing/raising	146,248	13,143	159,391
Gain arising from changes in fair value less costs to sell of biological assets	31,551	661	32,212
Decrease due to sales/disposal	(171,861)	–	(171,861)
At 31 December 2022	39,665	13,804	53,469

	Broilers	Laying hens	Total
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2023	39,665	13,804	53,469
Increase due to purchasing/raising	164,819	52,446	217,265
Gain arising from changes in fair value less costs to sell of biological assets	40,785	6,134	46,919
Decrease due to sales/disposal	(210,002)	(12,506)	(222,508)
At 31 December 2023	35,267	59,878	95,145

	Broilers	Laying hens	Total
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2024	35,267	59,878	95,145
Increase due to purchasing/raising (unaudited)	115,987	40,337	156,324
Gain arising from changes in fair value less costs to sell of biological assets (unaudited)	25,065	606	25,671
Decrease due to sales/disposal (unaudited)	(150,151)	(30,780)	(180,931)
At 30 September 2024 (unaudited)	26,168	70,041	96,209

Market approach is adopted to value the broilers. The Group can obtain the market-based prices for broilers breeds and broilers at the end of each of the Relevant Periods and the nine months ended 30 September 2024. Given the relatively short finishing cycle of broilers, the fair value of the broilers is developed through the application of market approach with reasonable adjustments to reflect the age differences during the rearing period.

Since there are laying hens production cycles and there are no market prices for these laying hens at different stages, the replacement cost approach is adopted.

As there were no actively trading markets for laying hens at specific ages during the production cycles, the market prices for laying hen chicks and the disposal hens were obtained. The feeding costs for rearing the laying hens were also taken into consideration to assess the fair value of immature laying hens. The value of mature laying hens was adjusted based on the implied relationship among the ages, egg production and the disposal price implied by the historical records.

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's biological assets:

	Fair value measurement as at 31 December 2022 using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Broilers	–	–	39,665	39,665
Laying hens	–	–	13,804	13,804
	–	–	53,469	53,469

	Fair value measurement as at 31 December 2023 using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Broilers	–	–	35,267	35,267
Laying hens	–	–	59,878	59,878
	–	–	95,145	95,145

	Fair value measurement as at 30 September 2024 using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Broilers (unaudited)	–	–	26,168	26,168
Laying hens (unaudited)	–	–	70,041	70,041
	–	–	96,209	96,209

The fair value measurements of biological assets fall into level 3 of the fair value hierarchy.

During the years ended 31 December 2022 and 2023 and the nine months ended 30 September 2024, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of each of reporting period and in which they occur.

Changes in the fair value less cost to sell of biological assets are classified as changes in fair value. The Group's biological assets were valued by an independent qualified valuer, Jones Lang LaSalle Corporate Appraisal and Advisory Limited ("Jones Lang LaSalle") 7/F, One Taikoo Place, 979 King's Road, Quarry Bay, Hong Kong. The Group's finance manager and the chief financial officer have discussion with the valuers on the valuation assumptions and valuation results when the valuation is performed at the end of each of Relevant Periods and the nine months ended 30 September 2024.

Below is a summary of the valuation techniques used and the key inputs to the valuation of biological assets:

	Valuation techniques	Significant unobservable inputs	31 December 2022	31 December 2023	30 September 2024
					(unaudited)
Broilers	Market approach	Market price (RMB/Head) *(Note(a))*	33 to 77	32 to 84	30 to 77
Laying hens	Replacement cost approach	Market price for laying chicks (RMB/Head) *(Note(b))*	18.87	3.32 and 19.15	3.49
		Daily Rearing Costs during the immature period (RMB/Head) *(Note(b))*	0.31	0.20 to 0.34	0.18 to 0.26
		Disposal Hens price (RMB/Head)	37	37	34

Notes:

(a) Market-based prices for broiler chick, mature broiler can be obtained from traded market. The fair value of the broilers is developed through the application of market approach with reasonable adjustments to reflect the age differences during the rearing period.

(b) The Group purchases laying chicks of varying ages, resulting in differences in market prices and daily rearing costs.

19.A OTHER NON-CURRENT ASSETS

	31 December		30 September
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000* *(unaudited)*
Prepayment for property, plant and equipment	13,205	5,400	23,974
Prepayment for biological assets	1,835	700	–
Deposits	30,000	74	–
	45,040	6,174	23,974
Less: loss allowance	(1,500)	–	–
	43,540	6,174	23,974

The expected credit losses of deposits are estimated by applying a loss rate approach with reference to the historical loss record of the Group. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate.

19.B RECEIVABLES UNDER FINANCE LEASES

	31 December		30 September
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000* *(unaudited)*
Gross investment	5,500	26,057	25,572
Unearned finance income	(182)	(1,084)	(926)
	5,318	24,973	24,646
Less: loss allowance	(266)	(1,249)	(1,232)
	5,052	23,724	23,414
Less: receivables under finance leases due within one year *(note 25)*	(2,117)	(10,148)	(10,800)
Receivables under finance leases due after one year	2,935	13,576	12,614

The Group, as the intermediate lessor, entered into self-operated restaurants sublease agreements with certain franchisees, which were accounted as finance leases. The cost of lease assets is capitalised at the present value of the lease payments and presented as a receivable at an amount equal to the net investment in the lease.

Management considered that the credit risk on receivables under finance lease has not increased significantly since initial recognition. The Group measures the loss allowance for that financial instrument at an amount equal to expected credit losses within the next 12 months. The expected credit loss rates applied as at 31 December 2022 and 2023 and 30 September 2024 were 5.00%, 5.00% and 5.00%, respectively.

20. EQUITY INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	31 December		30 September
Unlisted equity investment, at fair value	**2022**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000* (*unaudited*)
Suzhou Pengman Technology Co., Ltd.	–	–	10,000
	–	–	10,000

The above equity investment was irrevocably designated at fair value through other comprehensive income as the Group considers the investment to be strategic in nature.

21. DEBT INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	31 December		30 September
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000* (*unaudited*)
Non-current assets			
Debt investments	53,758	–	20,210
Current assets			
Debt investments	30,665	55,664	–

Debt investments represented negotiable certificates of deposit issued by banks in Mainland China, the investment's contractual cash flows are solely principal and interest and the objective of the Group's business model is achieved both by collecting contractual cash flows and selling of financial assets. Management closely monitors the performance and fair value of these investments on a regular basis and expects that there is no significant credit risk associated with debt investments since they are held with reputable commercial banks.

22. RENTAL DEPOSITS

	31 December		30 September
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000* (*unaudited*)
Rental deposits	50,055	46,494	42,390
Impairment	(10,971)	(10,745)	(8,690)
	39,084	35,749	33,700

The refundable rental deposits themselves are not part of the lease payments and the measurement is 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 considered an additional lease payment made by the Group and it is included in the measurement of the right-of-use assets.

Expected credit losses are estimated by applying a loss rate approach with reference to the historical loss record of the Group. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate. The loss rates applied as at 31 December 2022 and 2023 and the nine months ended 30 September 2024 were 21.92%, 23.11% and 20.47%, respectively.

The movements in the loss allowance for impairment of rental deposits are as follows:

	31 December		30 September
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000* *(unaudited)*
At 1 January	10,158	10,971	10,745
Impairment losses, net *(note 6)*	813	(226)	(2,055)
At end of year/period	10,971	10,745	8,690

23. INVENTORIES

	31 December		30 September
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000* *(unaudited)*
Raw materials	75,220	68,922	98,199
Processed food	66,523	57,919	82,938
Packaged food and beverages	3,770	3,050	3,575
Other materials	18,949	13,259	15,990
	164,462	143,150	200,702

24. TRADE RECEIVABLES

	31 December		30 September
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000* *(unaudited)*
Trade receivables	42,415	27,206	37,307
Impairment	(2,167)	(2,682)	(3,049)
	40,248	24,524	34,258

The Group's trading terms with its certain corporate customers are mainly on credit. The credit period is generally one month, extending up to three months for major corporate customers. The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An ageing analysis of the trade receivables as at the end of each of the Relevant Periods and the nine months ended 30 September 2024, based on the invoice date and net of loss allowance, is as follows:

	31 December		30 September
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000* *(unaudited)*
Within 6 months	40,074	24,265	34,139
6 to 12 months	174	259	119
	40,248	24,524	34,258

The Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected credit loss provision for all trade receivables. The Group considers the overall characteristics of the shared credit risk and the days past due of the trade receivables to measure the expected credit losses. Majority of the receivables were neither past due nor impaired and relate to diversified customers for whom there was no recent history of default and in general, trade receivables are written off if past due for more than one year and are not subject to enforcement activity.

The ECLs below incorporate forward-looking information. The movements in the loss allowance for impairment of trade receivables are as follows:

	31 December		30 September
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000* *(unaudited)*
At 1 January	1,363	2,167	2,682
Impairment losses, net *(note 6)*	804	515	367
At end of year/period	2,167	2,682	3,049

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

31 December 2022

		Past due			
	Current	1 to 6 months	6 to 12 months	Over 1 year	Total
Expected credit loss rate (%)	2.84	2.83	27.80	100.00	5.11
Gross carrying amount (RMB'000)	35,516	5,727	241	931	42,415
Expected credit losses (RMB'000)	1,007	162	67	931	2,167

31 December 2023

		Past due			
	Current	1 to 6 months	6 to 12 months	Over 1 year	Total
Expected credit loss rate (%)	3.42	3.41	35.96	100.00	9.86
Gross carrying amount (RMB'000)	18,503	6,620	406	1,677	27,206
Expected credit losses (RMB'000)	633	226	146	1,677	2,682

30 September 2024 (unaudited)

		Past due			
	Current	1 to 6 months	6 to 12 months	Over 1 year	Total
Expected credit loss rate (%)	3.23	3.23	35.87	100.00	8.17
Gross carrying amount (RMB'000)	27,207	8,072	184	1,844	37,307
Expected credit losses (RMB'000)	878	261	66	1,844	3,049

25. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	31 December		30 September
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000* *(unaudited)*
Prepayments	36,099	24,234	29,779
Deposits	30,750	65,824	42,212
Other receivables	7,600	10,104	36,868
Due from a shareholder*	–	–	192,393
VAT Recoverable	72,636	108,071	118,997
Receivables under finance leases *(note 19(b))*	2,117	10,148	10,800
	149,202	218,381	431,049
Impairment allowance	(11,204)	(12,840)	(12,014)
	137,998	205,541	419,035

* The amount due from a shareholder represented the consideration receivable of USD27,421,790.31 (equivalent to RMB192,393,000) related to the shares issuance to Harvest Popular Catering Corporation ("Harvest Capital"), which was subsequently fully settled in October 2024. The details are given in note 34 to the Historical Financial Information.

Other receivables are unsecured, non-interest-bearing and have no fixed terms of repayment.

The movements in the loss allowance for impairment of other receivables and deposits are as follows:

	31 December		30 September
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000* *(unaudited)*
At 1 January	5,860	11,204	12,840
Impairment losses, net *(note 6)*	5,344	1,636	(826)
At end of year/period	11,204	12,840	12,014

Expected credit losses are estimated by applying a loss rate approach with reference to the days past due for groupings of parties with similar loss patterns. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate.

The following table provides information about the exposure to credit risk and ECLs for other receivables from third parties and other financial assets at amortised cost which are assessed collectively based on an estimated average credit loss rate as at 31 December 2022 and 2023 and 30 September 2024:

	31 December 2022		
	Average loss rate	Gross carrying amount	Impairment loss allowance
		RMB'000	*RMB'000*
Other receivables and other financial assets at amortised cost	27.69%	40,467	11,204

	31 December 2023		
	Average loss rate	**Gross carrying amount**	**Impairment loss allowance**
		RMB'000	*RMB'000*
Other receivables and other financial assets at amortised cost	14.92%	86,076	12,840

	30 September 2024		
	Average loss rate	**Gross carrying amount**	**Impairment loss allowance**
		RMB'000 *(unaudited)*	*RMB'000* *(unaudited)*
Other receivables and other financial assets at amortised cost	13.37%	89,880	12,014

26. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 December		30 September
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000* *(unaudited)*
Structured deposits and wealth management products	–	–	70,447

These structured deposits and wealth management products are principal guaranteed and purchased from reputable banks in Mainland China with expected return by reference to the performance of (i) the underlying instruments in the currency market, the interbank market, the bond market, and the security and equity market and (ii) the derivative financial assets. The yields on all of these wealth management products are not guaranteed, and hence their contractual cash flows do not qualify for solely payments of principal and interest. After making an investment, the Group closely monitors the performance and fair value of these investments on a regular basis.

27. LONG-TERM BANK DEPOSITS, CASH AND CASH EQUIVALENTS AND RESTRICTED BANK DEPOSITS

	31 December		30 September
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000* *(unaudited)*
Non-current			
Restricted bank deposits	45,000	–	5,673
Long-term bank deposits	168,089	189,751	91,649
	213,089	189,751	97,322
Denominated in RMB	213,089	189,751	97,322
Current			
Cash and cash equivalents	307,976	517,152	494,309
Short-term bank deposits	–	2,094	120,867
Restricted cash and bank deposits	–	52,581	45,001
	307,976	571,827	660,177
Denominated in RMB	307,976	571,827	648,340
Denominated in USD	–	–	11,837

The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash on hand and cash at bank earn interest at floating rates or fixed rates between 0.15% and 5.20% per annum based on daily bank deposit rates. The bank deposits are made for varying periods of between one year and three years depending on the cash management of the Group. The bank balances and deposits are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents approximate to their fair values.

Restricted cash and bank deposits of RMB45,000,000, RMB52,581,000 and RMB45,001,000 as at 31 December 2022 and 2023 and 30 September 2024, respectively were reserved for receipts in advance of prepaid cards in accordance with relevant regulations issued by the Ministry of Commerce of the PRC.

Restricted bank deposits of RMB5,673,000 as at 30 September 2024 represented guarantee deposits for construction of the "Integration of Land Reclamation Construction and Operation of No. 3 Waste Disposal Site in Shushan District of the Yangtze River and Huaihe Project (Anhui Section) (引江濟淮工程)".

28. TRADE AND OTHER PAYABLES

	31 December		30 September
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000* (*unaudited*)
Payable for purchase of property, plant and equipment	113,735	157,556	164,291
Trade payables *(a)*	257,896	324,572	362,918
Payroll and welfare payables	96,784	115,543	114,261
Deposits	25,470	41,421	60,118
Other tax payables	7,850	10,934	10,603
Consideration payable *(b)*	–	–	380,769
Others	15,150	27,550	37,189
	516,885	677,576	1,130,149

Notes:

(a) An ageing analysis of the trade payables as at the end of each of the Relevant Periods and 30 September 2024, based on the invoice date, is as follows:

	31 December		30 September
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000* (*unaudited*)
Within 1 year	257,670	323,714	361,674
Over 1 year	226	858	1,244
	257,896	324,572	362,918

The trade payables are non-interest-bearing and are normally settled on the terms of 30 to 60 days.

(b) Pursuant to the capital reduction agreements entered into between Anhui Laoxiangji and each of its then shareholders, Anhui Laoxiangji agreed to repurchase their entire equity interests in Anhui Laoxiangji for a total consideration of RMB404,266,000, respectively. Such consideration would be settled in two instalments, with the first instalment (representing approximately 50% of the consideration) payable by 31 December 2024 and the second instalment (representing approximately the remaining 50% of the consideration) payable by 30 June 2025.

As at 30 September 2024, the consideration payable of RMB404,266,000 after deduction of the applicable individual income tax of RMB23,497,000 withheld and paid by the Group was included in trade and other payables.

29. CONTRACT LIABILITIES

	31 December		30 September
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000* *(unaudited)*
Contract liabilities related to prepaid cards *(a)*	113,988	150,102	167,418
Contract liabilities related to customer loyalty scheme *(b)*	2,050	2,669	3,254
Franchise management services and sales of goods *(c)*	38,061	37,405	80,705
Total contract liabilities	154,099	190,176	251,377

Notes:

(a) The Group issued prepaid cards which can be utilised for future consumption in restaurants at customers' discretion.

(b) Customer loyalty scheme which can be used for future purchases and consumption in the restaurants as at 31 December 2022 and 2023 and 30 September 2024 represented the transaction price allocated to unsatisfied performance obligations.

(c) Franchise management services and sales of goods include payments received for sales of products and franchise services.

The increase in contract liabilities in 2022 and 2023 and the nine months ended 30 September 2024 was mainly due to the increase in advance payments received from franchisees and from customers in relation to prepaid cards at the end of each of the Relevant Periods and the nine months ended 30 September 2024.

30. INTEREST-BEARING BANK BORROWINGS

	31 December 2022			31 December 2023			30 September 2024 (unaudited)		
	Effective interest rate	Maturity	RMB'000	Effective interest rate	Maturity	RMB'000	Effective interest rate	Maturity	RMB'000
	(%)			*(%)*			*(%)*		
Current									
Bank loans – secured	3.7	2023	20,022	–	–	–	–	–	–
Bank loans – unsecured	2.9-3.35	2023	256,783	2.90-3.35	2024	299,194	2.7-2.95	2025	287,186
Current portion of long-term bank loans – unsecured	–	–	–	3.30	2024	37	2.5	2025	1,645
Total – current			276,805			299,231			288,831
Non-current									
Bank loans – secured	–	–	–	–	–	–			
Bank loans – unsecured	–	–	–	3.30	2029	39,993	2.5-3.4	2025-2029	174,073
Total – non-current			–			39,993			174,073
Total			276,805			339,224			462,904

	31 December		30 September
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000* *(unaudited)*
Analysed into:			
Bank loans and overdraft repayable:			
Within one year or on demand	276,805	299,231	288,831
In the second year	–	–	7,699
In the third to fifth years, inclusive	–	–	155,374
Beyond five years	–	39,993	11,000
Total	276,805	339,224	462,904

The Group's bank borrowings are all denominated in RMB with fixed interest rates.

As at 31 December 2022, the Group's secured bank borrowings of RMB20,022,000 were guaranteed by the Controlling Shareholders and an independent third party and secured by certain property, plant and equipment with the carrying amount of RMB8,202,000.

In addition, certain of the bank loans up to RMB138,149,000, RMB195,094,000 and RMB265,063,000, were guaranteed by the Controlling Shareholders and related parties as at 31 December 2022 and 2023 and 30 September 2024, respectively. Details are included in note 41 to the Historical Financial Statements.

31. DEFERRED INCOME

	31 December		30 September
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000* *(unaudited)*
Government grants	5,556	24,983	25,450
Deposits from franchisees *(note 32)*	–	2,897	6,216
	5,556	27,880	31,666

Movements in government grants of the Group during the Relevant Periods and the nine months ended 30 September 2024 are as follows:

	31 December		30 September
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000* *(unaudited)*
At 1 January	2,655	5,556	24,983
Government grants received	3,649	21,600	1,426
Credited to the consolidated statements of profit or loss during the year/period	(748)	(2,173)	(959)
Government grants	5,556	24,983	25,450

The Group received government grants for capital expenditure incurred for equipment and cold chain facilities. The amounts are deferred and amortised over the estimated useful lives of the respective assets.

32. DEPOSITS FROM FRANCHISEES

	31 December		30 September
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000* *(unaudited)*
Deposits from franchisees	11,800	19,803	38,574

The balance represented the refundable initial deposits received from franchisees at the inception of franchise agreements, and are non-interest-bearing and will be refunded upon the termination of the franchise term.

The deposits from franchisees should be measured at fair value on initial recognition. Any difference between the initial fair value and the nominal value of the deposits is accounted for as additional franchise fee received and is included in the deferred income in the statements of financial position, and is released to profit or loss over the franchise term.

33. DEFERRED TAX

The movements in deferred tax liabilities and assets during the Relevant Periods and the nine months ended 30 September 2024 are as follows:

Deferred tax assets

	Losses available for offsetting against future taxable profits	Impairment of financial assets	Lease liabilities	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2022	–	2,258	301,082	1,438	304,778
Deferred tax (charged)/credited to profit or loss during the year	–	944	(38,489)	754	(36,791)
Gross deferred tax assets at 31 December 2022	–	3,202	262,593	2,192	267,987
At 1 January 2023	–	3,202	262,593	2,192	267,987
Deferred tax (charged)/credited to profit or loss during the year	8,087	243	(49,471)	4,977	(36,164)
Gross deferred tax assets at 31 December 2023	8,087	3,445	213,122	7,169	231,823
At 1 January 2024	8,087	3,445	213,122	7,169	231,823
Deferred tax (charged)/credited to profit or loss during the period (unaudited)	4,880	(239)	(12,705)	(197)	(8,261)
Gross deferred tax assets at 30 September 2024 (unaudited)	12,967	3,206	200,417	6,972	223,562

Deferred tax liabilities

	Accelerated tax depreciation	Unrealised gains from debt investments designated at fair value through OCI	Right-of-use assets	Investment properties	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2022	3,623	598	301,967	–	–	306,188
Deferred tax charged/(credited) to profit or loss during the year	2,666	–	(38,459)	–	–	(35,793)
Deferred tax charged to other comprehensive income ("OCI") during the year	–	509	–	–	–	509
Gross deferred tax liabilities at 31 December 2022	6,289	1,107	263,508	–	–	270,904
At 1 January 2023	6,289	1,107	263,508	–	–	270,904
Deferred tax charged/(credited) to profit or loss during the year	2,403	–	(48,413)	(2,122)	1,618	(46,514)
Deferred tax charged to OCI during the year	–	308	–	440	–	748
Gross deferred tax liabilities at 31 December 2023	8,692	1,415	215,095	(1,682)	1,618	225,138
At 1 January 2024	8,692	1,415	215,095	(1,682)	1,618	225,138
Deferred tax charged/(credited) to profit or loss during the period (unaudited)	748	–	(13,204)	(113)	(245)	(12,814)
Deferred tax credited to OCI during the period (unaudited)	–	(1,363)	–	–	–	(1,363)
Gross deferred tax liabilities at 30 September 2024 (unaudited)	9,440	52	201,891	(1,795)	1,373	210,961

For presentation purposes, certain deferred tax assets and liabilities have been offset in the consolidated statements of financial position. The following is an analysis of the deferred tax balances for financial reporting purposes:

	31 December		30 September
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000* *(unaudited)*
Net deferred tax assets recognised in the consolidated statements of financial position	2,954	17,873	23,231
Net deferred tax liabilities recognised in the consolidated statements of financial position	(5,871)	(11,188)	(10,630)

Deferred tax assets have not been recognised in respect of the following items:

	31 December		30 September
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000* *(unaudited)*
Tax losses	526,331	442,577	387,922
Deductible temporary differences	32,505	33,213	33,807
	558,836	475,790	421,729

During the years ended 31 December 2022 and 2023 and the nine months ended 30 September 2024, the Group has not recognised deferred tax assets in respect of tax losses and other temporary differences of RMB558,836,000, RMB475,790,000 and RMB421,729,000, respectively, as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity.

Deferred tax assets have not been recognised in respect of these losses as they have arisen in certain subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

The Group is liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008. The applicable rate is 5% for the Group.

As at 31 December 2022 and 2023 and 30 September 2024, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the Directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately RMB691,464,000, RMB1,066,329,000 and RMB1,393,435,000 as at 31 December 2022 and 2023 and 30 September 2024.

34. SHARE CAPITAL

The Group and the Company

	As at 30 September 2024
Number of ordinary shares:	
Authorised:	
Ordinary shares of USD0.0001	500,000,000
Issued and fully paid:	
Ordinary shares of USD0.0001	357,241,320

	As at 30 September 2024
	RMB'000
Amounts:	
Issued and fully paid:	
Ordinary shares of USD0.0001	254

(a) The Company was incorporated in the Cayman Islands on 4 January 2024 with limited liability with an authorised share capital of USD50,000 divided into 500,000,000 shares of a par value of USD0.0001 each. Upon incorporation, one share was allotted and issued to the initial subscriber, an independent third party. On the same date, such share was transferred to Constantly Soar Ltd, which is indirectly wholly owned by Mr. Shu Xiaolong. The Company further allotted and issued 252,861,804 shares, 53,668,499 shares and 22,210,176 shares at par value, respectively to Constantly Soar Ltd, Jump Spark Ltd, which is indirectly wholly owned by Ms. Shu Wen and Favourable Impression Ltd, which is indirectly wholly owned by Ms. Dong Xue.

(b) On 12 January 2024, the Company allotted and issued 10,717,200 shares at par value to Poweroy Holding Ltd, which is indirectly owned by the relevant grantees under the share incentive plan of Anhui Laoxiangji.

(c) On 22 August 2024, the Company allotted and issued 17,783,640 shares to Harvest Capital, the designated entity of Yuhe (Tianjin) Equity Investment Fund Partnership (Limited Partnership) ("Yuhe Investment"), for a consideration of USD27,421,709.31, with approximately RMB13,000 and RMB195,307,000 credited to the Company's share capital and capital reserve, respectively.

35. SHARE-BASED PAYMENT

The Group operates a share-based incentive scheme (the "Scheme") under which the restricted stock units ("RSUs") of Anhui Laoxiangji will be granted as share incentives to qualified directors and employees of Anhui Laoxiangji and its subsidiaries through four employee shareholding platforms, Qingdao Tongfeng Investment Partnership Enterprise (Limited Partnership) ("青島同豐投資合夥企業(有限合夥)"), Qingdao Tonglu Investment Partnership Enterprise (Limited Partnership) ("青島同祿投資合夥企業(有限合夥)"), Qingdao Tongfu Investment Partnership Enterprise (Limited Partnership) ("青島同富投資合夥企業(有限合夥)") and Qingdao Tongyi Investment Partnership Enterprise (Limited Partnership) ("青島同義投資合夥企業(有限合夥)"), which indirectly hold a total of 3% equity in Anhui Laoxiangji through Tianjin Tongchuang Enterprise Management Consulting Partnership (Limited Partnership) ("天津同創企業管理諮詢合夥企業(有限合夥)" ("Tianjin Tongchuang")) and Tianjin Tongyi Enterprise Management Consulting Partnership (Limited Partnership) ("天津同義企業管理諮詢合夥企業(有限合夥)" ("Tianjin Tongyi")) which were the shareholder of Anhui Laoxiangji prior to the Reorganisation. Mr. Shu Congde is the general partner of four employee shareholding platforms.

On 10 December 2020, 3% of the then equity interest in Anhui Laoxiangji was granted to Tianjin Tongchuang and Tianjin Tongyi through the four employee shareholding platforms for a consideration of RMB45,000,000. A total of 139 directors and employees of the Group have been granted a total of 1,098,000 RSUs ("2020 Equity Incentive").

The RSUs granted would vest on condition that employees remain in service for five years without any performance requirements. Once the vesting conditions underlying the respective RSUs are met, the RSUs are considered duly and validly issued to the holder, and free of restrictions on transfer.

The fair value of services received in return for a share award granted is measured by reference to the fair value of the share award granted less the consideration received by the Group. The fair value of the share award granted is measured as the market value at the grant date, which was determined with the assistance of an independent third party valuation firm, ZhongShui Asset Evaluation Co., Ltd. ("中水致遠資產評估有限公司"), and discounted cash flow method under the income approach was used. The discounted cash flow derived by management considered Anhui Laoxiangji' s future business plan, specific business and financial risks, the stage of development of Anhui Laoxiangji' s operations and economic and competitive elements affecting Anhui Laoxiangji' s business, industry and market. There were no market conditions associated with the RSUs.

Prior to the Reorganisation, the equity settled share-based payments were carried out by Anhui Laoxiangji. The equity interests of Anhui Laoxiangji was subsequently converted into shares of the Company upon the Reorganisation. Further details of the Reorganization are set out in section headed "History, Reorganization and Corporate Structure". The Company evaluate the difference in fair value between the newly granted equity and the originally granted equity on the Reorganisation date. Due to the shares granted under the 2020 equity incentive and the newly granted shares are the equity value of the Company, the consideration for the Equity Incentive remains consistent, and the relevant terms of the Scheme have not changed, the Company considered that there has been no change in fair value of the share incentive on 19 December 2024.

Expenses arising from the share-based incentive scheme were RMB15,512,000, RMB13,247,000, RMB11,020,000 (unaudited) and RMB12,158,000 (unaudited) as at 31 December 2022 and 2023 and 30 September 2023 and 2024, respectively.

Movements in RSUs granted to the Group's directors and employees and the respective weighted-average grant date fair value are as follows:

	Number of RSUs	Weighted average grant date fair value per RSU
Outstanding as of 1 January 2022	1,098,000	70.23
Granted during the year	3,904	447.4
Forfeited during the year	(3,904)	69.56
Outstanding as of 1 January 2023	1,098,000	71.58
Granted during the year	64,660	122.32
Forfeited during the year	(64,660)	78.12
Outstanding as of 1 January 2024	1,098,000	74.18
Granted during the period (unaudited)	–	–
Forfeited during the period (unaudited)	–	–
Outstanding as of 30 September 2024 (unaudited)	1,098,000	74.18

36. RESERVES

The amounts of the Group's reserves and the movements therein for the Relevant Periods and the nine months ended 30 September 2023 and 2024 are presented in the consolidated statements of changes in equity.

(a) Capital reserve

The capital reserve of the Group represents: (1) The issued capital of the then holding company of the companies now comprising the Group and the capital contributions from the equity holders of certain subsidiaries now comprising the Group before the completion of the Reorganisation; (2) The consideration of Anhui Laoxiangji agreed to provide to repurchase all of its shares held by Yuhe Investment, Shenzhen Maixing Haojia Venture Capital Partnership (Limited Partnership) and GF Qianhe Investment Co., Ltd, with amounts of RMB199,120,000, RMB98,275,000 and RMB55,210,000, respectively, on 29 January 2024; (3) The consideration of Anhui Laoxiangji agreed to provide to repurchase all of its equity interests held by Hefei Yuyi Enterprise Management Co., Ltd., Mr. Shu Xiaolong, Qingdao Shudong Enterprise Management Consulting Partnership (Limited Partnership) and Ms. Shu Wen, with amounts of RMB233,384,300, RMB107,048,000, RMB42,415,600 and RMB21,417,800, respectively, on 31 July 2024; (4) The difference between the capital contribution of USD1,689,000 (equivalent to approximately RMB12,001,000) from AJS Family Holding Limited, an independent third party in Anhui Laoxiangji on 4 February 2024 and the consideration of USD483,000 to Anhui Laoxiangji agreed to provide to repurchase the entire equity interest held by it on 31 July 2024 (equivalent to approximately RMB3,429,000).

(b) Statutory surplus reserve

In accordance with the PRC Company Law and the articles of association of the subsidiaries established in the PRC, the Group is required to appropriate 10% of its net profit after tax, as determined under the Chinese Accounting Standards, to the statutory surplus reserve until the reserve balance reaches 50% of its registered capital. Subject to certain restrictions set out in the relevant PRC regulations and in the articles of association of the Group, the statutory surplus reserve may be used either to offset losses, or to be converted to increase share capital provided that the balance after such conversion is not less than 25% of the registered capital of the Group. The reserve cannot be used for purposes other than those for which it is created and is not distributable as cash dividends.

37. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Major non-cash transactions

During the years ended 31 December 2022 and 2023 and the nine months ended 30 September 2024, the Group had non-cash additions to right-of-use assets of RMB365,548,000, RMB427,612,000 and RMB260,869,000 (unaudited), additions to lease liabilities of RMB339,254,000, RMB425,110,000 and RMB259,303,000 (unaudited) respectively, in respect of lease arrangements.

(b) Changes in liabilities arising from financing activities

	Interest-bearing other borrowings	Lease liabilities	[REDACTED] payable (included in trade and other payables)
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2022	170,066	1,210,793	–
Cash flows from financing cash flows	108,000	(391,481)	–
New lease	–	339,254	–
Addition	–	–	–
Early termination of leases	–	(115,572)	–
Accretion of interest recognised during the year	(1,261)	26,059	–
At 31 December 2022 and 1 January 2023	276,805	1,069,053	–
Cash flows from financing activities	62,447	(417,751)	(117)
New lease	–	425,110	–
Addition	–	–	711
Early termination of leases	–	(130,011)	–
Accretion of interest recognised during the year	(28)	26,526	–
At 31 December 2023 and 1 January 2024	339,224	972,927	594
Cash flows from financing activities (unaudited)	123,610	(296,015)	(850)
New lease	–	259,303	–
Addition (unaudited)	–	–	603
Early termination of leases (unaudited)	–	(38,709)	–
Accretion of interest recognised during the period (unaudited)	70	20,833	–
At 30 September 2024 (unaudited)	462,904	918,339	347
At 1 January 2023	276,805	1,069,053	–
Cash flows from financing activities (unaudited)	(62,230)	(301,169)	–
New lease (unaudited)	–	346,981	–
Early termination of leases (unaudited)	–	(116,497)	–
Accretion of interest recognised during the period (unaudited)	96	19,115	–
At 30 September 2023 (unaudited)	214,671	1,017,483	–

(c) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	Year ended 31 December		Nine months ended 30 September	
	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000* *(unaudited)*
Within operating activities	28,488	40,219	30,999	31,983
Within financing activities	391,481	417,751	301,169	296,015
	419,969	457,970	332,168	327,998

38. CONTINGENT LIABILITIES

As at 31 December 2022 and 2023 and 30 September 2024, neither the Group nor the Company had any material contingent liabilities.

39. PLEDGE OF ASSETS

Details of the Group's assets pledged for the Group's certain bank and other borrowings at the end of each of the Relevant Periods and the nine months ended 30 September 2024 are as follows:

	31 December		30 September
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000* *(unaudited)*
Property, plant and equipment *(note 13)*	8,202	–	–

40. COMMITMENTS

	31 December		30 September
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000* *(unaudited)*
Contracted but not provided for:			
Plant and machinery	773,624	479,281	362,071

41. RELATED PARTY TRANSACTIONS

(a) Names of related parties and relationships with the Group

Name of the related party	Relationship with the Group
束小龍 ("Mr. Shu Xiaolong")	Controlling shareholders
董雪 ("Ms. Dong Xue")	Controlling shareholders
束文 ("Ms. Shu Wen")	Controlling shareholders
束從德 ("Mr. Shu Congde")	The director of the Group
朱先華 ("Mr. Zhu Xianhua")	The key management personnel of the Group
董子超 ("Mr. Dong Zichao")	The key management personnel of the Group
王國偉 ("Mr. Wang Guowei")	The key management personnel of the Group
何晶 ("Ms. He Jing")	The key management personnel of the Group
王琴琴 ("Ms. Wang Qinqin")	The key management personnel of the Group
倪榮廣 ("Mr. Ni Rongguang")	The key management personnel of the Subsidiary
楊選偉 ("Mr. Yang Xuanwei")	The key management personnel of the Subsidiary
錢雲鶴 ("Ms. Qian Yunhe")	The key management personnel of the Subsidiary
束從軒 ("Mr. Shu Congxuan") *(i)*	A close family member of Controlling Shareholders
張瓊 ("Ms. Zhang Qiong")	A close family member of Controlling Shareholders
束從芝 ("Ms. Shu Congzhi")	A close family member of Controlling Shareholders

Name of the related party	Relationship with the Group
邵中南 ("Mr. Shao Zhongnan")	A close family member of the associate of the Group
高偉燕 ("Ms. Gao Weiyan")	A close family member of the associate of the Group
合肥肥西老母雞家園有限公司 ("Hefei Feixi Old Hen Home Co., Ltd.")	Company controlled by a close family member
合肥肥西老母雞禽業有限公司 ("Hefei Feixi Old Hen Poultry Industry Co., Ltd.")	Company controlled by a close family member
安徽綠籃子超市有限責任公司 ("Anhui Green Basket Supermarket LLC")	Company controlled by a close family member
合肥子蕙農牧科技有限公司 ("Hefei Zihui Agricultural Husbandry Technology Co., Ltd.")	Company controlled by a close family member
安徽愛客滿天星商貿有限責任公司 ("Anhui Aike Mantianxing Trading LLC")	Company controlled by a close family member
蕪湖綠籃子商貿有限責任公司 ("Wuhu Green Basket Trading LLC") *(ii)*	Company controlled by a close family member
Harvest Popular Catering Corporation	Shareholder of the Company
合肥羽壹企業管理有限公司 ("Hefei Yuyi Enterprise Management Co,. Ltd.") ("Hefei Yuyi") *(iii)*	Shareholder of a subsidiary
青島束董企業管理諮詢合夥企業(有限合夥) ("Qingdao Shudong Enterprise Management Consulting Partnership (Limited Partnership)") ("Qingdao Shudong") *(iii)*	Shareholder of a subsidiary

(i) Mr. Shu Congxuan has retired as the chief executive of the Group with effect from November 2023.

(ii) Wuhu Green Basket Trading LLC was deregistered on 20 September 2024.

(iii) Hefei Yuyi and Qingdao Shudong ceased to be shareholder of a subsidiary on 31 July 2024.

(b) The Group had the following transactions with related parties during the Relevant Periods and the nine months ended 30 September 2023 and 2024:

		Year ended 31 December		Nine months ended 30 September	
	Notes	2022	2023	2023	2024
		RMB'000	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000 (unaudited)*
Sales of goods	*(i)*				
Hefei Zihui Agricultural Husbandry Technology Co., Ltd.		3,940	3,767	2,736	2,145
Hefei Feixi Old Hen Home Co., Ltd.		220	189	153	14
		4,160	3,956	2,889	2,159
Rental Income	*(ii)*				
Anhui Green Basket Supermarket LLC		62	46	31	22
		62	46	31	22
Purchase of goods	*(iii)*				
Anhui Green Basket Supermarket LLC		58	407	392	–
		58	407	392	–

	Notes	Year ended 31 December		Nine months ended 30 September	
		2022	2023	2023	2024
		RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000 (unaudited)
Purchase of services	(iii)				
Hefei Feixi Old Hen Home Co., Ltd.		1,476	716	260	1,129
Anhui Green Basket Supermarket LLC		1,027	1,060	748	797
Wuhu Green Basket Trading LLC		175	160	121	–
		2,678	1,936	1,129	1,926
Lease payments	(iv)				
Mr. Shu Xiaolong		6,109	6,492	4,818	5,049
Mr. Shu Congxuan		1,120	1,120	840	840
Anhui Green Basket Supermarket LLC		986	1,022	751	813
Wuhu Green Basket Trading LLC		295	337	252	28
Ms. Shu Wen		1,010	1,010	758	758
Mr. Shao Zhongnan		1,199	1,360	1,002	999
Ms. Shu Congzhi		1,087	1,156	900	1,260
Ms. Wang Qinqin		898	979	689	875
Ms. Gao Weiyan		538	635	463	474
Ms. Zhang Qiong		213	260	195	267
		13,455	14,371	10,668	11,363

These transactions were carried out in accordance with the terms and conditions mutually agreed by the parties involved.

Notes:

(i) The Group sold broilers, eggs and other materials to related parties with similar terms and conditions set out in the contracts entered into with other customers.

(ii) The rental income was derived from the leasing of the Group's property, plant and equipment to related parties at rates similar to the terms and conditions set out in the rental agreements entered into with other tenants of the Group.

(iii) The Group purchased certain raw materials and services from related parties in the ordinary course of business.

(iv) During the years ended 31 December 2022 and 2023 and the nine months ended 30 September 2024, the Group entered into several lease contracts in respect of certain leasehold properties from the controlling shareholders and other related parties under fixed lease payment terms. All of the above lease payment amounts were determined with reference to the then market price. As at 31 December 2022 and 2023 and 30 September 2024, the relevant carrying amounts of lease liabilities were RMB27,218,000, RMB21,879,000 and RMB16,269,000 (unaudited), respectively.

(c) Outstanding balances with related parties

		Year ended 31 December		Nine months ended 30 September	
		2022	2023	2023	2024
		RMB'000	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000* *(unaudited)*
Trade related:					
Trade and other payables:					
Ms. Wang Qinqin		72	–	–	–
Mr. Shao Zhongnan		379	–	–	–
Ms. Gao Weiyan		154	–	–	–
Ms. Shu Congzhi		223	–	–	–
		828	–	–	–
Non-trade related:					
Consideration payables:	*(i)*				
Mr. Shu Xiaolong		–	–	–	107,048
Ms. Shu Wen		–	–	–	21,418
Hefei Yuyi		–	–	–	233,384
Qingdao Shudong		–	–	–	42,416
		–	–	–	404,266
Consideration receivables:	*(ii)*				
Harvest Popular Catering Corporation		–	–	–	192,393
		–	–	–	192,393

Notes:

(i) The Group had an outstanding balance of non-trade payables of RMB 404,266,000 as at 30 September 2024. Further details of consideration payables are included in note 28 to the Historical Financial Information. The balances are unsecured and non-interest-bearing. Such consideration would be settled in two instalments. The first instalment (representing approximately 50% of the consideration) has been settled in October 2024. The remaining 50% of the consideration will be paid by 30 June 2025.

(ii) The Group had an outstanding balance of non-trade receivables of USD27,421,790.31 (equivalent to RMB192,393,000) as at 30 September 2024. Further details of consideration payables are included in note 25 to the Historical Financial Information. The balance is unsecured, non-interest-bearing and have no fixed terms of repayment.Such consideration has been subsequently fully settled in October 2024.

(d) Guarantees

As at 13 June 2022, the Group's borrowings of RMB20,000,000 were guaranteed by Mr. Shu Congxuan, Mr. Shu Xiaolong, Ms. Zhang Qiong and Ms. Dong Xue. The guarantees were fully released on 8 June 2023.

As at 30 August 2022, the Group's borrowings of RMB20,000,000 were guaranteed by Mr. Shu Congxuan and Mr. Shu Xiaolong. The guarantees were fully released on 29 August 2023.

As at 22 June 2022, the Group's borrowings of RMB100,000,000 were guaranteed by Mr. Shu Congxuan, Mr. Shu Xiaolong, Ms. Zhang Qiong and Ms. Dong Xue. The guarantees were fully released on 20 June 2023.

As at 30 August 2023, the Group's borrowings of RMB50,000,000 were guaranteed by Mr. Shu Congxuan, Mr. Shu Xiaolong, Ms. Zhang Qiong and Ms. Dong Xue. The guarantees were fully released on 29 August 2024.

As at 31 December 2023, the Group's borrowings of RMB85,000,000 were guaranteed by Mr. Shu Congxuan, Mr. Shu Xiaolong, Ms. Zhang Qiong and Ms. Dong Xue. The guarantees were released on 5 December 2024.

As at 4 December 2023, the Group's borrowings of RMB20,000,000 were guaranteed by Mr. Shu Congxuan and Mr. Shu Xiaolong. The guarantees were released on 3 April 2024.

As at 23 August 2023, the Group's borrowings of RMB17,125,285 were guaranteed by Mr. Shu Congxuan, Mr. Shu Xiaolong and Ms. Zhang Qiong. The guarantees were released on 23 December 2024.

As at 14 September 2023, the Group's borrowings of RMB12,645,175 were guaranteed by Mr. Shu Congxuan, Mr. Shu Xiaolong and Ms. Zhang Qiong. The guarantees were released on 23 December 2024.

As at 13 October 2023, the Group's borrowings of RMB10,222,286 were guaranteed by Mr. Shu Congxuan, Mr. Shu Xiaolong and Ms. Zhang Qiong. The guarantees were released on 23 December 2024.

As at 4 January 2024, the Group's borrowings of RMB60,000,000 were guaranteed by Mr. Shu Congxuan and Mr. Shu Xiaolong. The guarantees were released on 11 December 2024.

As at 6 February 2024, the Group's borrowings of RMB30,000,000 were guaranteed by Mr. Shu Xiaolong and Ms. Dong Xue. The guarantees were released on 29 November 2024.

As at 29 April 2024, the Group's borrowings of RMB50,000,000 were guaranteed by Mr. Shu Xiaolong and Ms. Dong Xue. The guarantees were released on 2 December 2024.

(e) Compensation of key management personnel of the Group

	Year ended 31 December		**Nine months ended 30 September**	
	2022	**2023**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000* *(unaudited)*
Performance-related bonuses	1,568	2,958	–	–
Salaries, allowances and benefits in kind	5,755	7,861	5,489	4,747
Share-based payments	4,434	4,830	3,509	3,877
Social welfare and other benefits	342	795	589	550
Total compensation paid to key management personnel	12,099	16,444	9,587	9,174

Further details of directors' emoluments are included in note 8 to the Historical Financial Information.

42. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments are as follows:

31 December 2022

Financial assets

	Financial assets at fair value through other comprehensive income		
	Debt investments	**Financial assets at amortised cost**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Debt investments at fair value through other comprehensive income *(note 21)*	84,423	–	84,423
Financial assets included in prepayments and other receivables	–	29,263	29,263
Trade receivables *(note 24)*	–	40,248	40,248
Restricted cash and bank deposits *(note 27)*	–	45,000	45,000
Rental deposits *(note 22)*	–	39,084	39,084
Cash and bank balances *(note 27)*	–	307,976	307,976
Long-term bank deposits *(note 27)*	–	168,089	168,089
	84,423	629,660	714,083

Financial liabilities

	Financial liabilities at amortised cost
	RMB'000
Financial liabilities included in trade and other payables	403,037
Deposits from franchisees *(note 32)*	11,800
Interest-bearing bank and other borrowings *(note 30)*	276,805
	691,642

31 December 2023

Financial assets

	Financial assets at fair value through other comprehensive income		
	Debt investments	**Financial assets at amortised cost**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Debt investments at fair value through other comprehensive income *(note 21)*	55,664	–	55,664
Financial assets included in prepayments and other receivables	–	73,236	73,236
Trade receivables *(note 24)*	–	24,524	24,524
Restricted cash and bank deposits *(note 27)*	–	52,581	52,581
Rental deposits *(note 22)*	–	35,749	35,749
Cash and bank balances *(note 27)*	–	519,246	519,246
Long-term bank deposits *(note 27)*	–	189,751	189,751
	55,664	895,087	950,751

Financial liabilities

	Financial liabilities at amortised cost
	RMB'000
Financial liabilities included in trade and other payables	539,801
Deposits from franchisees *(note 32)*	19,803
Interest-bearing bank borrowings *(note 30)*	339,224
	898,828

30 September 2024 (unaudited)

Financial assets

	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income			
	Designated as such upon initial recognition	Debt investments	Equity investments	Financial assets at amortised cost	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets at fair value through profit or loss *(note 26)*	70,447	–	–	–	70,447
Equity investments at fair value through other comprehensive income	–	–	10,000	–	10,000
Debt investments at fair value through other comprehensive income *(note 21)*	–	20,210	–	–	20,210
Financial assets included in prepayments and other receivables	–	–	–	270,259	270,259
Trade receivables *(note 24)*	–	–	–	34,258	34,258
Restricted cash and bank deposits *(note 27)*	–	–	–	50,674	50,674
Rental deposits *(note 22)*	–	–	–	33,700	33,700
Cash and bank balances *(note 27)*	–	–	–	615,176	615,176
Long-term bank deposits *(note 27)*	–	–	–	91,649	91,649
	70,447	20,210	10,000	1,095,716	1,196,373

Financial liabilities

	Financial liabilities at amortised cost
	RMB'000 *(unaudited)*
Financial liabilities included in trade and other payables	990,388
Deposits from franchisees *(note 32)*	38,574
Interest-bearing bank borrowings *(note 30)*	462,904
	1,491,866

43. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, trade receivables, trade payables, financial assets included in prepayments and other receivables, deposits, financial liabilities included in other payables and accruals and interest-bearing bank and other borrowings approximate to their carrying amounts largely due to the short-term maturities of these instruments. The fair values of the other non-current financial assets and financial liabilities have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities.

The Group's corporate finance team is responsible for determining the policies and procedures for the fair value management of financial instruments. The corporate finance team reports directly to the chief financial officer and the board of directors. At the end of each of the Relevant Periods and the nine months ended 30 September 2024, the corporate finance team analysed the movements in the values of financial instruments and determined the major inputs applied in the valuation. The valuation was reviewed and approved by the chief financial officer.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The Group invests in financial assets at fair value through profit or loss, which represent structured deposits and wealth management products issued by banks. The Group has estimated the fair value of these unlisted investments by reference to the performance of (i) the underlying instruments in the currency market, the interbank market, the bond market, and the security and equity market and (ii) the derivative financial assets.

The fair values of the structured deposits which were all issued by reputable commercial banks have been estimated by using discounted cash flow valuation models with reference to observable inputs including fluctuations of foreign exchange rates.

The Group has estimated the fair values of the unlisted wealth management investments by using a discounted cash flow valuation model based on the market interest rates of instruments with similar terms and risks.

The fair value of the unlisted equity investment which is not quoted in an active market is valued by using cost to investment and market approach methods, which are mainly based on the price of recent investment and comparable company's market multiple.

Below is a summary of significant unobservable inputs to the valuation of financial assets at fair value through profit or loss and unlisted equity investments together with an analysis as at 30 September 2024.

Valuation Technique	Significant unobservable input	Range	Sensitivity of fair value to the input
Financial assets at fair value through profit or loss	Estimated return rate	1.5%-2.80%	1% increase/(decrease) would result in increase/(decrease) in fair by RMB81,073 (RMB72,537)
Unlisted equity investment	Most recent transaction price	N/A	N/A

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

31 December 2022

	Fair value measurement using			
	Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs	
	(Level 1)	(Level 2)	(Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Debt investments at fair value through other comprehensive income	–	84,423	–	84,423

31 December 2023

	Fair value measurement using			
	Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs	
	(Level 1)	(Level 2)	(Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Debt investments at fair value through other comprehensive income	–	55,664	–	55,664

30 September 2024 (unaudited)

	Fair value measurement using			
	Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs	
	(Level 1)	(Level 2)	(Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Debt investments at fair value through other comprehensive income	–	20,210	–	20,210
Financial assets at fair value through profit or loss	–	50,308	20,139	70,447
Equity investments designated at fair value through other comprehensive income	–	–	10,000	10,000
	–	70,518	30,139	100,657

The movements in fair value measurements within Level 3 during the Relevant Periods and the nine months ended 30 September 2024 are as follows:

	31 December		30 September
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000* *(unaudited)*
Financial assets at fair value through profit or loss:			
At 1 January	–	–	–
Total gains recognised in the statement of profit or loss included in other income	–	–	139
Purchase	–	–	30,000
Disposals	–	–	–
At the end of the year/period	–	–	30,139

The Group did not have any financial liabilities measured at fair value during the Relevant Periods and the nine months ended 30 September 2024.

During the Relevant Periods and the nine months ended 30 September 2024, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments mainly include debt investments at fair value through other comprehensive income, long-term bank deposits, financial assets included in trade receivables, prepayments and other receivables, cash and cash equivalents, financial liabilities included in trade and other payables, which arise directly from its operations. The Group has other financial assets and liabilities such as interest-bearing bank borrowings. The main purpose of these financial instruments is to raise finance for the Group's operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. Generally, the Group introduces conservative strategies on its risk management. To keep the Group's exposure to these risks at a minimum, the Group has not used any derivatives and other instruments for hedging purposes. The Group does not hold or issue derivative financial instruments for trading purposes. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below:

(a) Interest rate risk

The Group's exposure to risk for changes in market interest rates relates primarily to the Group's interest-bearing bank borrowings set out in note 30. All of the Group's borrowings were obtained at fixed rates and exposed to fair value interest rate risk. The Group does not hedge cash flow and fair value interest rate risk.

(b) Foreign currency risk

The Group's major businesses are carried out in Mainland China and most of the transactions are conducted in RMB. Most of the Group's assets and liabilities are denominated in RMB. The Group did not have material foreign currency risk during the Relevant Periods and the nine months ended 30 September 2024.

(c) Credit risk

The Group is exposed to credit risk in relation to its trade receivables, financial assets included in prepayments and other receivables, long-term bank deposits and cash and cash equivalents.

The Group expects that there is no significant credit risk associated with cash and cash equivalents, long-term bank deposits and debt investments at fair value through other comprehensive income since they are deposited at state-owned banks and other medium or large-sized listed banks. Management does not expect that there will be any significant losses from the non-performance risk by these counterparties.

The Group applies the simplified approach to provide for expected credit losses as prescribed by IFRS 9, which permits the use of a lifetime expected credit loss provision for trade receivables. To measure the expected credit losses, trade receivables have been grouped based on the shared credit risk characteristics and the days past due. The expected credit loss also incorporates forward-looking information.

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis.

The Group has assessed that during the Relevant Periods and the nine months ended 30 September 2024, deposits and other receivables did not have a significant increase in credit risk since initial recognition. Thus, a 12-month expected credit loss approach that result from possible default events within 12 months of each of the Relevant Periods and 30 September 2024 was adopted by management.

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December 2022 and 2023 and 30 September 2024.

As at 31 December 2022

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Debt investments at fair value through other comprehensive income	84,423	–	–	–	84,423
Trade receivables*	–	–	–	42,415	42,415
Long-term bank deposits	168,089	–	–	–	168,089
Financial assets included in prepayments and other receivables					
– Normal**	40,467	–	–	–	40,467
Rental deposits					
– Normal**	50,055	–	–	–	50,055
Restricted cash and bank deposits					
– Not yet past due	45,000	–	–	–	45,000
Cash and cash balances					
– Not yet past due	307,976	–	–	–	307,976
	696,010	–	–	42,415	738,425

As at 31 December 2023

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Debt investments at fair value through other comprehensive income	55,664	–	–	–	55,664
Trade receivables*	–	–	–	27,206	27,206
Long-term bank deposits	189,751	–	–	–	189,751
Financial assets included in prepayments and other receivables					
– Normal**	86,076	–	–	–	86,076
Rental deposits					
– Normal**	46,494	–	–	–	46,494
Restricted cash and bank deposits					

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
– Not yet past due	52,581	–	–	–	52,581
Cash and cash balances					
– Not yet past due	519,246	–	–	–	519,246
	949,812	–	–	27,206	977,018

As at 30 September 2024 (unaudited)

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Debt investments at fair value through other comprehensive income	20,210	–	–	–	20,210
Trade receivables*	–	–	–	37,307	37,307
Long-term bank deposits	91,649	–	–	–	91,649
Financial assets included in prepayments and other receivables					
– Normal**	282,273	–	–	–	282,273
Rental deposits					
– Normal**	42,390	–	–	–	42,390
Restricted cash and bank deposits					
– Not yet past due	50,674	–	–	–	50,674
Cash and cash balances					
– Not yet past due	615,176	–	–	–	615,176
	1,102,372	–	–	37,307	1,139,679

* For trade receivables to which the Group applied the simplified approach for impairment, information based on the provision matrix is disclosed in note 24 to the Historical Financial Information.

** The credit quality of the financial assets included in rental deposits and prepayments and other receivables is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

(d) Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing other borrowings. Cash flows are closely monitored on an ongoing basis.

The maturity profile of the Group's financial liabilities as at the end of each of the Relevant Periods and the nine months ended 30 September 2024, based on the contractual undiscounted payments, was as follows:

	On demand	Less than 3 months	3 to 12 months	Over 1 year	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2022					
Interest-bearing bank borrowings	–	2,222	281,440	–	283,662
Financial liabilities included in trade and other payables	403,037	–	–	–	403,037
Deposits from franchisees	–	–	–	11,800	11,800
Lease liabilities	–	108,455	285,745	792,695	1,186,895
	403,037	110,677	567,185	804,495	1,885,394

	On demand	Less than 3 months	3 to 12 months	Over 1 year	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2023					
Interest-bearing bank borrowings	–	86,282	220,155	46,229	352,666
Financial liabilities included in trade and other payables	539,801	–	–	–	539,801
Deposits from franchisees	–	–	–	19,803	19,803
Lease liabilities	–	109,508	263,071	769,847	1,142,426
	539,801	195,790	483,226	835,879	2,054,696

	On demand	Less than 3 months	3 to 12 months	Over 1 year	Total
	RMB'000 *(unaudited)*	*RMB'000* *(unaudited)*	*RMB'000* *(unaudited)*	*RMB'000* *(unaudited)*	*RMB'000* *(unaudited)*
30 September 2024					
Interest-bearing bank borrowings	–	88,695	207,182	193,452	489,329
Financial liabilities included in trade and other payables	990,388	–	–	–	990,388
Deposits from franchisees	–	–	–	38,574	38,574
Lease liabilities	–	105,693	273,323	723,182	1,102,198
	990,388	194,388	480,505	955,208	2,620,489

(e) Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

The Group monitors capital using an adjusted net debt-to-capital ratio, which is adjusted net debt divided by the adjusted capital plus adjusted net debt. Adjusted net debt includes interest-bearing bank borrowings, trade and other payables, less cash and bank balances. Capital includes equity attributable to owners of the parent. The adjusted net debt-to-capital ratios as at 31 December 2022 and 2023 and 30 September 2024 were as follows:

	31 December		30 September
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000* *(unaudited)*
Interest-bearing bank borrowings *(note 30)*	276,805	339,224	462,904
Trade and other payables	516,885	677,576	1,130,149
Less: Cash and bank balances	(307,976)	(519,246)	(615,176)
Adjusted net debt	485,714	497,554	977,877
Equity attributable to owners of the parent	1,379,883	1,770,817	1,593,207
Adjusted capital and net debt	1,865,597	2,268,371	2,571,084
Adjusted net debt-to-capital ratio	26%	22%	38%

45. EVENTS AFTER THE RELEVANT PERIODS

There were no significant events after the end of the Relevant Periods and the nine months ended 30 September 2024 that require additional disclosure or adjustments.

46. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company, the Group or any of the companies now comprising the Group in respect of any period subsequent to 31 December 2023.

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

[REDACTED]

Set out below is a summary of certain provisions of the constitution of the Company and certain aspects of the company laws of the Cayman Islands.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 4 January 2024 under the Companies Act. The Company's constitutional documents consist of the Memorandum of Association and the Articles of Association.

1. MEMORANDUM OF ASSOCIATION

The Memorandum provides, *inter alia*, that the liability of the members of the Company is limited, that the objects for which the Company is established are unrestricted (and therefore include acting as an investment holding company) and that the Company shall have full power and authority to carry out any object not prohibited by the Companies Act or any other law of the Cayman Islands.

2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on [●] and will become effective on the [**REDACTED**]. A summary of certain provisions of the Articles is set out below.

2.1 Shares

(a) Classes of Shares

The share capital of the Company consists of a single class of ordinary shares.

(b) Variation of Rights of Existing Shares or Classes of Shares

If at any time the share capital of the Company is divided into different classes of Shares, all or any of the rights attached to any class of Shares for the time being issued (unless otherwise provided by the terms of issue of the Shares of that class) may, whether or not the Company is being wound up, be varied with the consent in writing of the holders of at least three-fourths of the issued Shares of that class, or with the approval of a resolution passed by at least three-fourths of the votes cast by the holders of the Shares of that class present and voting in person or by proxy at a separate meeting of such holders. The provisions of the Articles relating to general meetings shall apply *mutatis mutandis* to every such separate meeting, except that the necessary quorum shall be two persons together holding (or, in the case of a member being a corporation, by its duly authorised representative), or representing by proxy, at least one-third 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.

For the purposes of a separate class meeting, the Board may treat two or more classes of Shares as forming one class of Shares if the Board considers that such classes of Shares would be affected in the same way by the proposals under consideration, but in any other case shall treat them as separate classes of Shares.

Any rights conferred upon the holders of Shares of any class shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of the Shares of that class, be deemed to be varied by the creation or issue of further Shares ranking *pari passu* therewith.

(c) Alteration of Capital

The Company may by ordinary resolution:

(i) increase its share capital by the creation of new Shares of such amount and with such rights, priorities and privileges attached to such Shares as it may determine;

(ii) consolidate and divide all or any of its share capital into Shares of a larger amount than its existing Shares. On any consolidation of fully paid Shares and division into Shares of a larger amount, the Board may settle any difficulty which may arise as it thinks expedient and, in particular (but without prejudice to the generality of the foregoing), may as between the holders of Shares to be consolidated determine which particular Shares are to be consolidated into a consolidated Share, and if it shall happen that any person shall become entitled to fractions of a consolidated Share or Shares, such fractions may be sold by some person appointed by the Board for that purpose and the person so appointed may transfer the Shares so sold to the purchaser(s) thereof and the validity of such transfer shall not be questioned, and the net proceeds of such sale (after deduction of the expenses of such sale) may either be distributed among the persons who would otherwise be entitled to a fraction or fractions of a consolidated Share or Shares rateably in accordance with their rights and interests or may be paid to the Company for the Company's benefit;

(iii) sub-divide its Shares or any of them into Shares of an amount smaller than that fixed by the Memorandum; and

(iv) cancel any Shares which, as at the date of passing 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.

The Company may by special resolution reduce its share capital or any undistributable reserve, subject to the provisions of the Companies Act.

(d) Transfer of Shares

Subject to the terms of the Articles, any member of the Company may transfer all or any of his Shares by an instrument of transfer. If the Shares in question were issued in conjunction with rights, options, warrants or units issued pursuant to the Articles on terms that one cannot be transferred without the other, the Board shall refuse to register the transfer of any such Share without evidence satisfactory to it of the like transfer of such right, option, warrant or unit.

Subject to the Articles and the requirements of 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 recognised 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.

Subject to the provisions of the Companies Act, if the Board considers it necessary or appropriate, the Company may establish and maintain a branch register or registers of members at such location or locations within or outside the Cayman Islands as the Board thinks fit. The Board may, in its absolute discretion, at any time transfer 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.

The Board may, in its absolute discretion, decline to register a transfer of any Share (not being a fully paid Share) to a person of whom it does not approve or on which the Company has a lien, or 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. It may also decline to recognise any instrument of transfer if the proposed transfer does not comply with the Articles or any requirements of the Listing Rules.

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 and the relevant section of the Companies Ordinance, be closed at such time or for such period not exceeding in the whole 30 days in each year as the Board may determine (or such longer period as the members of the Company may by ordinary resolution determine, provided that such period shall not be extended beyond 60 days in any year).

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.

(e) Redemption of Shares

Subject to the provisions of the Companies Act, the Listing Rules and any rights conferred on the holders of any Shares or attaching to any class of Shares, the Company may issue Shares that are to be redeemed or are liable to be redeemed at the option of the members or the Company. The redemption of such Shares shall be effected in such manner and upon such other terms as the Company may by special resolution determine before the issue of such Shares.

(f) Power of the Company to Purchase its own 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 purchase or otherwise acquire all or any of its own Shares (which includes redeemable Shares), provided that the manner and terms of purchase have first been authorised by ordinary resolution and that any such purchase shall only be made in accordance with the relevant code, rules or regulations issued from time to time by the Stock Exchange and/or the Securities and Futures Commission of Hong Kong from time to time in force.

(g) 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.

(h) Calls on Shares and Forfeiture of Shares

Subject to the terms of allotment and issue of any Shares (if any), 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 (whether in respect of par value or share premium). A member who is the subject of the call shall (subject to receiving at least 14 clear days' notice specifying the time or times for payment) pay to the Company at the time or times so specified the amount called on his Shares. A call may be made payable either in one sum or by instalments, and shall be deemed to have been made at the time when the resolution of the Board authorising such call was passed. The joint holders of a Share shall be severally as well as jointly liable for the payment of all calls and instalments due in respect of such Share.

If a call remains unpaid after it has become due and payable, the member from whom the sum is due shall pay interest on the unpaid amount at such rate as the Board shall determine (together with any expenses incurred by the Company as a result of such non-payment) from the day it became due and payable until it is paid, but the Board may waive payment of such interest or expenses in whole or in part.

If a member fails to pay any call or instalment of a call after it has become due and payable, the Board may, for so long as any part of the call or instalment remains unpaid, give to such member not less than 14 clear days' notice requiring payment of the unpaid amount together with any interest which may have accrued and which may still accrue up to the date of payment (together with any expenses incurred by the Company as a result of such non-payment). The notice shall specify a further day on or before which the payment required by the notice 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 such notice is not complied with, any Share in respect of which the notice was given may, before the payment required by the notice has been made, be forfeited by a resolution of the Board. Such forfeiture shall include all dividends, other distributions and other monies payable in respect of the forfeited Share and not paid before the forfeiture.

A person whose Shares have been forfeited shall cease to be a member in respect of the forfeited Shares, shall surrender to the Company for cancellation the certificate(s) for the Shares forfeited and shall remain liable to pay to the Company all monies which, as at the date of forfeiture, were payable by him to the Company in respect of the Shares together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until the date of payment as the Board may determine and any expenses incurred by the Company as a result of such non-payment.

2.2 Directors

(a) Appointment, Retirement and Removal

The Company may by ordinary resolution of the members elect any person to be a Director. The Board may also appoint any person to be a Director at any time, either to fill a casual vacancy or as an additional Director subject to any maximum number fixed by the members in general meeting or the Articles. Any Director so appointed shall hold office only until the first annual general meeting of the Company after his appointment and shall then 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.

There is no shareholding qualification for Directors nor is there any specified age limit for Directors.

The members may by ordinary resolution remove any Director (including a managing or executive Director) before the expiration of his term of office, notwithstanding anything in the Articles or any agreement between the Company and such Director, and may by ordinary resolution elect another person in his stead. Nothing shall be taken as depriving a Director so removed of any compensation or damages payable to such Director in respect of the termination of his appointment as Director or of any other appointment or office as a result of the termination of his appointment as Director.

The office of a Director shall be vacated if:

(i) the Director gives notice in writing to the Company that he resigns from his office as Director;

(ii) the Director is absent, without being represented by proxy or an alternate Director appointed by him, for a continuous period of 12 months without special leave of absence from the Board, and the Board passes a resolution that he has by reason of such absence vacated his office;

(iii) the Director becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;

(iv) the Director dies or an order is made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs and the Board resolves that his office be vacated;

(v) the Director is prohibited from being or ceases to be a Director by operation of law;

(vi) the Director has been required by the Stock Exchange to cease to be a Director or no longer qualifies to be a Director pursuant to the Listing Rules; or

(vii) the Director is removed from office by notice in writing served upon him signed by not less than three-fourths in number (or, if that is not a round number, the nearest lower round number) of the Directors (including himself) then in office.

At each annual general meeting, one-third of the Directors for the time being shall retire from office by rotation. 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, provided that every Director shall be subject to retirement by rotation at least once every three years. The Directors to retire at each annual general meeting shall be those who have been in office longest since their last re-election or appointment and, 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.

(b) Power to Allot and Issue Shares and other Securities

Subject to the provisions of the Companies Act, the Memorandum and Articles and, where applicable, the Listing Rules, and without prejudice to any rights or restrictions for the time being attached to any Shares, the Board may allot, issue, grant options over or otherwise dispose of Shares with or without preferred, deferred or other rights or restrictions, whether with regard to dividend, voting, return of capital or otherwise, to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, provided that no Shares shall be issued at a discount to their par value.

The Company may issue rights, options, warrants or convertible securities or securities of a similar nature conferring the right upon the holders thereof to subscribe for, purchase or receive any class of Shares or other securities in the Company on such terms as the Board may from time to time determine.

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.

(c) Power to Dispose of the Assets of the Company or any of its Subsidiaries

Subject to the provisions of the Companies Act, the Memorandum and Articles and any directions given by special resolution of the Company, the Board may exercise all powers and do all acts and things which may be exercised or done by the Company to dispose of the assets of the Company or any of its subsidiaries. No alteration to the Memorandum or Articles and no direction given by special resolution of the Company shall invalidate any prior act of the Board which would have been valid if such alteration or direction had not been made or given.

(d) Borrowing Powers

The Board may exercise all the powers of the Company to raise or borrow money, secure the payment of any sum or sums of money for the purposes of the Company, mortgage or charge all or any part of its undertaking, property and uncalled capital of the Company, and, subject to the Companies Act, issue debentures, debenture stock, bonds and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(e) Remuneration

A Director shall be entitled to receive such sums as shall from time to time be determined by the Board or the Company in general meetings. The Directors shall also be entitled to be repaid all expenses reasonably incurred by them in connection with attendance at meetings of the Board or committees of the Board, or general meetings of the Company or separate meetings of the holders of any class of Shares or debentures of the Company, or otherwise in connection with the business of the Company and the discharge of their duties as Directors, and/or to receive fixed allowances in respect thereof as may be determined by the Board.

The Board or the Company in general meetings may also approve additional remuneration to any Director for any services which in the opinion of the Board or the Company in general meetings go beyond such Director's ordinary routine work as a Director.

(f) Compensation or Payments for Loss of Office

There are no provisions in the Articles relating to compensation or payment for loss of office.

(g) Loans to Directors

There are no provisions in the Articles relating to making of loans to Directors.

(h) 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 the 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 benefits received by him as a director, officer or member of such other company.

No person shall be disqualified from the office of Director or alternate Director or prevented by such office from contracting with the Company, nor shall any such contract or any other contract or transaction entered into by or on behalf of the Company in which any Director or alternate Director is in any way interested be or be liable to be avoided, nor shall any Director or alternate Director so contracting or being so interested be liable to account to the Company for any profit realised by or arising in connection with any such contract or transaction by reason of such Director or alternate Director holding such office or of the fiduciary relationship established by it, provided that the nature of interest of any Director or alternate Director in any such contract or transaction shall be disclosed by such Director or alternate Director at or prior to the consideration and vote thereon.

A Director shall not vote on (or be counted in the quorum in relation to) any resolution of the Board in respect of any contract or arrangement or other proposal in which he or any of his close associate(s) has a material interest, and if he shall do so his vote shall not be counted and he shall not be counted in the quorum for such resolution. This prohibition shall not apply to any of the following matters:

(i) 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;

(ii) 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;

(iii) 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 underwriting or sub- underwriting of the offer;

(iv) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries, including the adoption, modification or operation of (A) any employees' share scheme or any share incentive or share option scheme under which the Director or his close associate(s) may benefit or (B) any pension fund or retirement, death or disability benefits scheme which relates to the Director, his 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

(v) 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.

2.3 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. Unless otherwise determined, two Directors shall be a quorum. 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.

2.4 Alterations to the Constitutional Documents and the Company's Name

The Memorandum and Articles may only be altered or amended, and the name of the Company may only be changed, by special resolution of the Company.

2.5 Meetings of Members

(a) Special and Ordinary resolutions

A special resolution must be passed by a majority of not less than two-thirds (other than in relation to any resolution approving changes to the Company's constitutional documents or a voluntary winding up of the Company, in which case a special resolution must be passed by a majority of not less than three-fourths) of the voting rights held by such members as, being entitled so to do, vote in person or by proxy or, in the case of any members which is a corporation, by its duly authorised representative(s) or by proxy, at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given. A special resolution may also be approved in writing by all the members entitled to vote at a general meeting in one or more instruments each signed by one or more of such members.

An ordinary resolution, in contrast, is a resolution passed by a simple majority of the voting rights held by such members as, being entitled to do so, vote in person or by proxy or, in the case of any member which is a corporation, by its duly authorised representative(s) or by proxy, at a general meeting. An ordinary resolution may also be approved in writing by all the members entitled to vote at a general meeting in one or more instruments each signed by one or more of such members.

The provisions of special resolutions and ordinary resolutions shall apply *mutatis mutandis* to any resolutions passed by the holders of any class of shares.

(b) Voting Rights and Right to Demand a Poll

Subject to any 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, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote for every 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.

In the case of joint holders, the vote of the senior holder who tenders a vote, whether in person or by proxy shall be accepted to the exclusion of the votes of the other join holders, and seniority shall be determined by the order in which the names of the holders stand in the register of members of the Company.

No person shall be counted in a quorum or be entitled to vote at any general meeting unless he is registered as a member on the record date for such meeting, nor unless all calls or other monies then payable by him in respect of the relevant Shares have been paid.

At any general meeting a resolution put to the vote of the meeting shall be decided by way of poll save that the chairman of the meeting may, pursuant to the Listing Rules, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands.

Any corporation or other non-natural person which is a member of the Company may in accordance with its constitutional documents, or in the absence of such provision by resolution of its directors or other governing body or by power of attorney, authorise such person as it thinks fit to act as its representative at any meeting of the Company or of any class of members, and the person so authorised shall be entitled to exercise the same powers as the corporation or other non-natural person could exercise as if it were a natural person member of the Company.

If a recognised clearing house or its nominee(s) is a member of the Company, it may appoint proxies or authorise such person or persons as it thinks fit to act as its representative(s), who enjoy rights equivalent to the rights of other members, at any meeting of the Company (including but not limited to general meetings and creditors meetings) 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 so authorised shall be entitled to exercise the same rights and powers on behalf of the recognised clearing house or its nominee(s) as if such person were a natural person member of the Company, including the right to speak and vote individually on a show of hands or on a poll.

All members of the Company (including a member which is a recognised clearing house (or its nominee(s))) shall have the right to (i) speak at a general meeting and (ii) and 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. Where 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.

(c) Annual General Meetings and Extraordinary General Meetings

The Company must hold a general meeting as its annual general meeting in each financial year. Such meeting shall be specified as such in the notices calling it, and must be held within six months after the end of the Company's financial year. A meeting of the members or any class thereof may be held by telephone, teleconferencing or other electronic means, provided that all participants are able to communicate contemporaneously with one another, and participation in a meeting in such manner shall constitute presence at such meetings.

The Board may convene an extraordinary general meeting whenever it thinks fit. In addition, one or more members holding, as at the date of deposit of the requisition, in aggregate not less than one-tenth of the voting rights (on a one vote per Share basis) in the share capital of the Company may make a requisition to convene an extraordinary general meeting and/or add resolutions to the agenda of a meeting. Such requisition, which must state the objects and the resolutions to be added to the agenda of the meeting and must be signed by the requisitionists, shall be deposited at the principal place of business of the Company in Hong Kong or, in the event the Company ceases to have such a principal place of business, the registered office of the Company. If the Board does not within 21 days from the date of deposit of such requisition duly proceed to convene a general meeting to be held within the following 21 days, the requisitionists or any of them representing more than one-half of the total voting rights of all the requisitionists may themselves convene a general meeting, but any such meeting so convened shall be held no later than the day falling three months after the expiration of the said 21-day period. A general meeting convened by requisitionists shall be convened in the same manner as nearly as possible as that in which general meetings are to be convened by the Board, and all reasonable expenses incurred by the requisitionists shall be reimbursed to the requisitionists by the Company.

(d) 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 date, time, place and agenda of the meeting, the particulars of the resolution(s) to be considered at the meeting and the general nature of the business to be considered at the meeting.

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, (to the extent permitted by the Listing Rules and all applicable laws and regulations) by electronic means or (in the case of a notice) by advertisement published in the manner prescribed under the Listing Rules.

Notwithstanding that a meeting of the Company is called by shorter notice than as specified above, if permitted by the Listing Rules, 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 an extraordinary general 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 held by such members.

If, after the notice of a general meeting has been sent but before the meeting is held, or after the adjournment of a general meeting but before the adjourned meeting is held (whether or not notice of the adjourned meeting is required), the Board in its absolute discretion consider that it is impractical or unreasonable for any reason to hold a general meeting on the date or at the time and place specified in the notice calling such meeting, it may change or postpone the meeting to another date, time and place.

The Board also has the power to provide in every notice calling a general meeting that in the event of a gale warning, a black rainstorm warning or extreme conditions is/are in force at any time on the day of the general meeting (unless such warning is cancelled at least a minimum period of time prior to the general meeting as the Board may specify in the relevant notice), the meeting shall be postponed without further notice to be reconvened on a later date.

Where a general meeting is postponed:

(A) the Company shall endeavour to cause a notice of such postponement, which shall set out the reason for the postponement in accordance with the Listing Rules, to be placed on the Company's website and published on the Stock Exchange's website as soon as practicable, provided that failure to place or publish such notice shall not affect the automatic postponement of a general meeting due to a gale warning, a black rainstorm warning or extreme conditions being in force on the day of the general meeting;

(B) the Board shall fix the date, time and place for the reconvened meeting and at least seven clear days' notice shall be given for the reconvened meeting. Such notice shall specify the date, time and place at which the postponed meeting will be reconvened and the date and time by which proxies shall be submitted in order to be valid at such reconvened meeting (provided that any proxy submitted for the original meeting shall continue to be valid for the reconvened meeting unless revoked or replaced by a new proxy); and

(C) only the business set out in the notice of the original meeting shall be considered at the reconvened meeting, and notice given for the reconvened meeting does not need to specify the business to be considered at the reconvened meeting, nor shall any accompanying documents be required to be recirculated. Where any new business is to be considered at such reconvened meeting, the Company shall give a fresh notice for such reconvened meeting in accordance with the Articles.

(e) Quorum for Meetings and Separate Class Meetings

No business shall be considered 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 approve the variation of class rights, the necessary quorum shall be two persons holding or representing by proxy not less than one-third of the issued Shares of that class.

(f) Proxies

Any member of the Company (including a member which is a recognised clearing house (or its nominee(s))) entitled to attend and vote at a meeting of the Company is entitled to appoint another person (being a natural person) as his proxy to attend and vote in his place. 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 a natural person 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 as if it were a natural person member present in person at any general meeting. 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 authorised representative) or by proxy.

The instrument appointing a proxy shall be in writing and executed under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation or other non-natural person, either under its seal or under the hand of a duly authorised representative.

The Board shall, in the notice convening any meeting or adjourned meeting, or in an instrument of proxy sent out by the Company, specify the manner by which the instrument appointing a proxy shall be deposited and the place and time (being no later than the time appointed for the commencement of the meeting or adjourned meeting to which the instrument of proxy relates) at which such instrument shall be deposited.

Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form that complies with the Listing Rules as the Board may from time to time approve. Any form issued to a member for appointing a proxy to attend and vote at a general meeting at which any business is to be considered 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 the discretion of the proxy in respect of) each resolution dealing with any such business.

2.6 Accounts and Audit

The Board shall cause to be kept such books of account as are necessary to give a true and fair view of the state of the Company's affairs and to explain its transactions in accordance with the Companies Act.

The books of accounts of the Company shall be kept at the principal place of business of the Company in Hong Kong or, subject to the provisions of the Companies Act, at such other place or places as the Board thinks fit and shall always be open to inspection by any Director. No member (not being a Director) or other person 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 as authorised by the Board or the Company in general meeting.

The Board shall cause to be prepared and laid before the Company at every annual general meeting a profit and loss account for the period since the preceding account, together with a balance sheet as at the date to which the profit and loss account is made up, a Directors' report with respect to the profit or loss of the Company for the period covered by the profit and loss account and the state of the Company's affairs as at the end of such period, an auditors' report on such accounts and such other reports and accounts as may be required by law and the Listing Rules.

The members shall at each annual general meeting appoint auditor(s) to hold office by ordinary resolution of the members 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 at the annual general meeting at which they are appointed by ordinary resolution of the members or in any other manner as specified in such ordinary resolution. The members may, at any general meeting convened and held in accordance with the Articles, remove the auditors by ordinary resolution at any time before the expiration of the term of office and shall, by ordinary resolution, at that meeting appoint new auditors in their place for the remainder of the term.

The accounts of the Company shall be prepared and audited based on the generally accepted accounting principles of Hong Kong, the International Accounting Standards or such other standards as may be permitted by the Stock Exchange.

2.7 Dividends and other Methods of Distribution

Subject to the Companies Act and the Articles, the Company may by ordinary resolution resolve to declare dividends and other distributions on Shares in issue in any currency and authorise payment of the dividends or distributions out of the funds of the Company lawfully available therefor, provided that (i) no dividends shall exceed the amount recommended by the Board, and (ii) no dividends or distributions shall be paid except out of the realised or unrealised profits of the Company, out of the share premium account or as otherwise permitted by law.

The Board may from time to time pay to the members of the Company such interim dividends as appear to the Board to be justified by the financial conditions and the profits of the Company. In addition, the Board may from time to time declare and pay special dividends on Shares of such amounts and on such dates as it thinks fit.

Except as otherwise provided by the rights attached to any Shares, all dividends and other distributions shall be paid according to the amounts paid up on the Shares that a member holds during the period in respect of which the dividends and distributions are paid. No amount paid up on a Share in advance of calls shall for this purpose be treated as paid up on the Share.

The Board may deduct from any dividends or other distributions payable to any member of the Company all sums of money (if any) then payable by him to the Company on account of calls or otherwise. The Board may retain any dividends or distributions payable on or in respect of a Share upon which the Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists.

No dividends or other distributions payable by the Company on or in respect of any Share shall carry interest against the Company.

Where the Board or the Company in general meeting has resolved that a dividend should be paid or declared, the Board may further resolve:

(a) that such dividend be satisfied in whole or in part in the form of an allotment of Shares credited as fully paid on the basis that the Shares so allotted shall be of the same class as the class already held by the allottee, provided that the members entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or

(b) that the members entitled to such dividend will be entitled to elect to receive an allotment of Shares credited as fully paid in lieu of the whole or such part of the dividend as the Board may think fit on the basis that the Shares so allotted shall be of the same class as the class already held by the allottee.

Upon the recommendation of the Board, the Company may by ordinary resolution resolve in respect of any one particular dividend of the Company determine that notwithstanding the foregoing, a dividend may be satisfied wholly in the form of an allotment of Shares credited as fully paid without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividends, distributions or other monies payable in cash in respect of Shares may be paid by wire transfer to the holder of such Shares or by cheque or warrant sent by post to the registered address of such holder, or in the case of joint holders, to the registered address of the holder who is first named on the register of members of the Company, or to such person and to such address as the holder or joint holders may in writing direct. Any one of two or more joint holders may give effectual receipts for any dividends, distributions or other monies payable in respect of the Shares held by them as 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 in whole or in part by the distribution of specific assets of any kind.

Any dividends or other distributions which remain unclaimed for six years from the date on which such dividends or distributions become payable shall be forfeited and shall revert to the Company.

2.8 Inspection of Corporate Records

For so long as any part of the share capital of the Company is [**REDACTED**] 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 in accordance with the Companies Ordinance) 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 Companies Ordinance.

2.9 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 the Cayman Islands laws, as summarised in paragraph 3.6 below.

2.10 Procedures on Liquidation

Subject to the Companies Act, the members of the Company may by special resolution resolve to wind up the Company voluntarily or by the court.

Subject to any 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:

(a) if the assets available for distribution among the members of the Company are more than sufficient to repay the whole of the Company's paid up capital at the commencement of the winding up, the surplus shall be distributed *pari passu* among such members in proportion to the amount paid up on the Shares held by them at the commencement of the winding up; and

(b) if the assets available for distribution among the members of the Company are insufficient to repay the whole of the Company's paid up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or ought to be paid up, on the Shares held by them at the commencement of the winding up.

If the Company is wound up (whether the liquidation is voluntary or compelled by the court), the liquidator may, with the approval of a special resolution and any other approval required by the Companies Act, divide among the members in 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 approval, vest any part of the assets in trustees upon such trusts for the benefit of the members as the liquidator thinks fit, provided that no member shall be compelled to accept any shares or other property upon which there is a liability.

3. COMPANY LAWS OF THE CAYMAN ISLANDS

The Company was incorporated in the Cayman Islands as an exempted company on 4 January 2024 subject to the Companies Act. Certain provisions of the company laws of the Cayman Islands 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 company laws of the Cayman Islands, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

3.1 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.

3.2 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 premium 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 premium 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:

(a) paying distributions or dividends to members;

(b) paying up unissued shares of the company to be issued to members as fully paid bonus shares;

(c) any manner provided in section 37 of the Companies Act;

(d) writing-off the preliminary expenses of the company; and

(e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

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.

3.3 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.

3.4 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 the Cayman Islands laws 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.

3.5 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.

3.6 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 vs. 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.

3.7 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).

3.8 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 (2021 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.

3.9 Exchange Control

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

3.10 Taxation

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.

3.11 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.

3.12 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.

3.13 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.

3.14 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 (2021 Revision) of the Cayman Islands.

3.15 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. The Registrar of Companies shall make available the list of the names of the current directors of the Company (and, where applicable, the current alternate directors of the Company) for inspection by any person upon payment of a fee by such person. A copy of the register of directors and officers must be filed with the Registrar of Companies in the Cayman Islands, and any change must be notified to the Registrar of Companies within 30 days of any change in such directors or officers, including a change of the name of such directors or officers.

3.16 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 authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the court.

3.17 Mergers and Consolidations

The Companies Act permits mergers and consolidations between Cayman Islands companies and between Cayman Islands companies and non-Cayman Islands companies. For these purposes, (a) "merger" means the merging of two or more constituent companies and the vesting of their undertaking, property and liabilities in one of such companies as the surviving company, and (b) "consolidation" means the combination of two or more constituent companies into a consolidated company and the vesting of the undertaking, property and liabilities of such companies to the consolidated company. In order to effect such a merger or consolidation, the directors of each constituent company must approve a written plan of merger or consolidation, which must then be authorised by (a) a special resolution of each constituent company and (b) such other authorisation, if any, as may be specified in such constituent company's articles of association. The written plan of merger or consolidation must be filed with the Registrar of Companies of the Cayman Islands together with a declaration as to the solvency of the consolidated or surviving company, a list of the assets and liabilities of each constituent company and an undertaking that a copy of the certificate of merger or consolidation will be given to the members and creditors of each constituent company and that notification of the merger or consolidation will be published in the Cayman Islands Gazette. Dissenting members have the right to be paid the fair value of their shares (which, if not agreed between the parties, will be determined by the Cayman Islands court) if they follow the required procedures, subject to certain exceptions. Court approval is not required for a merger or consolidation which is effected in compliance with these statutory procedures.

3.18 Mergers and Consolidations involving a Foreign Company

Where the merger or consolidation involves a foreign company, the procedure is similar, save that with respect to the foreign company, the directors of the Cayman Islands exempted company are required to make a declaration to the effect that, having made due enquiry, they are of the opinion that the requirements set out below have been met: (i) that the merger or consolidation is permitted or not prohibited by the constitutional documents of the foreign company and by the laws of the jurisdiction in which the foreign company is incorporated, and that those laws and any requirements of those constitutional documents have been or will be complied with; (ii) that no petition or other similar proceeding has been filed and remains outstanding or order made or resolution adopted to wind up or liquidate the foreign company in any jurisdictions; (iii) that no receiver, trustee, administrator or other similar person has been appointed in any jurisdiction and is acting in respect of the foreign company, its affairs or its property or any part thereof; (iv) that no scheme, order, compromise or other similar arrangement has been entered into or made in any jurisdiction whereby the rights of creditors of the foreign company are and continue to be suspended or restricted.

Where the surviving company is the Cayman Islands exempted company, the directors of the Cayman Islands exempted company are further required to make a declaration to the effect that, having made due enquiry, they are of the opinion that the requirements set out below have been met: (i) that the foreign company is able to pay its debts as they fall due and that the merger or consolidated is bona fide and not intended to defraud unsecured creditors of the foreign company; (ii) that in respect of the transfer of any security interest granted by the foreign company to the surviving or consolidated company (a) consent or approval to the transfer has been obtained, released or waived; (b) the transfer is permitted by and has been approved in accordance with the constitutional documents of the foreign company; and (c) the laws of the jurisdiction of the foreign company with respect to the transfer have been or will be complied with; (iii) that the foreign company will, upon the merger or consolidation becoming effective, cease to be incorporated, registered or exist under the laws of the relevant foreign jurisdiction; and (iv) that there is no other reason why it would be against the public interest to permit the merger or consolidation.

3.19 Reconstructions and Amalgamations

Reconstructions and amalgamations may be approved by (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, in each case depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the Grand Court of the Cayman Islands. 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, it can be expected that the court would approve the transaction if it is satisfied that (i) the company is not proposing to act illegally or beyond the scope of our corporate authority and the statutory provisions as to majority vote have been complied with, (ii) the members have been fairly represented at the meeting in question, (iii) the transaction is such as a businessman would reasonable approve and (iv) the transaction is not one that would more properly be sanctioned under some other provisions of the Companies Act or that would amount to a "fraud on the minority".

If the transaction is approved, no dissenting member would have any rights comparable to the appraisal rights (namely the right to receive payment in cash for the judicially determined value of his shares), which may be available to dissenting members of corporations in other jurisdictions.

3.20 Takeovers

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.

3.21 Indemnification

The Cayman Islands laws do 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.

3.22 Economic Substance

The Cayman Islands enacted the International Tax Co-operation (Economic Substance) Act (2024 Revision) together with the Guidance Notes published by the Cayman Islands Tax Information Authority from time to time. If a company is considered to be a "relevant entity" and is conducting one or more of the nine "relevant activities", then such company will be required to comply with the economic substance requirements in relation to the relevant activity from 1 July 2019. All companies whether a relevant entity or not is required to file an annual report with the Registrar of Companies of the Cayman Islands confirming whether or not it is carrying on any relevant activities and if it is, it must satisfy an economic substance test.

4. GENERAL

Harney Westwood & Riegels, the Company's legal adviser on Cayman Islands laws, has sent to the Company a letter of advice summarising the aspects of the Companies Act set out in section 3 above. This letter, together with copies of the Companies Act, the Memorandum and the Articles, is on display on the websites of the Stock Exchange and the Company as referred to in the paragraph headed "Documents Delivered to the Registrar of Companies and Available on Display" in Appendix V. Any person wishing to have a detailed summary of the Companies Act 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 on January 4, 2024 under the laws of the Cayman Islands as an exempted company with limited liability. We were registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance on January 2, 2025, and have established a place of business in Hong Kong at 40/F, Dah Sing Financial Centre, 248 Queen's Road East, Wanchai, Hong Kong. Ms. Sze Suet Ling 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 is incorporated in the Cayman Islands, our operations are subject to the relevant laws and regulations of the Cayman Islands. A summary of our Memorandum and Articles of Association and relevant aspects of Cayman Islands law is set out in "Summary of Our Constitution and Cayman Islands Company Law" in Appendix III to this document.

2. Changes in the Share Capital of Our Company

Upon the incorporation of our Company on January 4, 2024, our authorized share capital was US$50,000 divided into 500,000,000 Shares of a par value of US$0.0001 each.

The following sets out the changes in the issued share capital of our Company within the two years immediately preceding the date of this document:

- On January 4, 2024, our Company allotted and issued one Share at par value to Tricor Services (Cayman Islands) Limited as initial subscriber;

- On January 4, 2024, Tricor Services (Cayman Islands) Limited transferred the one subscriber Share to Constantly Soar Ltd at par value, and our Company further allotted and issued 252,861,804 Shares to Constantly Soar Ltd at par value;

- On January 4, 2024, our Company allotted and issued 53,668,499 Shares to Jump Spark Ltd and 22,210,176 Shares to Favourable Impression Ltd at par value;

- On January 12, 2024, our Company allotted and issued 10,717,200 Shares to Poweroy Holding Ltd at par value; and

- On August 22, 2024, our Company allotted and issued 17,783,640 Shares to Harvest Capital for a consideration of US$27,421,709.31.

Save as disclosed above and in "— A. Further Information about Our Group — 5. Resolutions of Our Shareholders" in this section, there has been no alteration in our share capital within the two years immediately preceding the date of this document.

3. Changes in the Share Capital of Our Subsidiaries

A summary of the corporate information and the particulars of our subsidiaries are set out in note 1 to the Accountants' Report in Appendix I to this document.

The following subsidiaries of our Company were incorporated within two years immediately preceding the date of this document:

Name of subsidiary	Place of incorporation	Date of incorporation	Registered capital/share capital
Jiangxi Laoxiangji Catering Co., Ltd. (江西老鄉雞餐飲有限公司)	PRC	October 25, 2023	RMB30,000,000
Laoxiangji (Ningbo) Catering Co., Ltd. (老鄉雞(寧波)餐飲有限公司)	PRC	November 30, 2023	RMB20,000,000
Henan Laomuji Catering Co., Ltd. (河南省老母雞餐飲有限公司)	PRC	December 18, 2023	RMB30,000,000
Lixin Laomuji Catering Co., Ltd. (利辛老母雞餐飲有限公司)	PRC	December 28, 2023	RMB5,000,000
LXJ (Hong Kong) Catering Co., Limited (老鄉雞(香港)餐飲有限公司)	Hong Kong	January 19, 2024	HK$1
Laoxiangji (Shanghai) Food Co., Ltd. (老鄉雞(上海)食品有限公司)	PRC	February 18, 2024	RMB10,000,000
Laoxiangji (Shenzhen) Catering Holdings Co., Ltd. (老鄉雞(深圳)餐飲控股有限公司)	PRC	March 18, 2024	RMB20,000,000
Laoxiangji (Guangdong) Catering Management Co., Ltd. (老鄉雞(廣東)餐飲管理有限公司)	PRC	April 11, 2024	RMB10,000,000
Laoxiangji (Dongguan) Catering Co., Ltd. (老鄉雞(東莞)餐飲有限公司)	PRC	April 18, 2024	RMB10,000,000
Laoxiangji (Anhui) Holdings Co., Ltd. (老鄉雞(安徽)控股有限公司)	PRC	April 30, 2024	RMB180,000,000
Anhui Laomuji Trade Co., Ltd. (安徽老母雞商貿有限公司)	PRC	May 17, 2024	RMB5,000,000
Anhui Laomuji Logistics Co., Ltd. (安徽老母雞物流有限公司)	PRC	May 17, 2024	RMB5,000,000
Shou County Shuangqing Agricultural Technology Co., Ltd. (壽縣雙青農業科技有限公司)	PRC	August 12, 2024	RMB6,000,000
Laoxiangji (Shanghai) Trade Co., Ltd. (老鄉雞(上海)商貿有限公司)	PRC	October 16, 2024	RMB5,000,000

The following sets out the changes in the share capital of our subsidiaries within the two years immediately preceding the date of this document:

Anhui Laoxiangji

(i) On January 29, 2024, the registered capital of Anhui Laoxiangji decreased from RMB360,000,000 to RMB339,457,680.

(ii) On February 4, 2024, the registered capital of Anhui Laoxiangji increased from RMB339,457,680 to RMB342,886,545.

(iii) On June 4, 2024, the registered capital of Anhui Laoxiangji increased from RMB342,886,545 to RMB1,039,050,136.

(iv) On July 31, 2024, the registered capital of Anhui Laoxiangji decreased to RMB696,163,591.

Save as disclosed above, there has been no alteration in the share capital of our subsidiaries within the two years immediately preceding the date of this document.

4. Corporate Reorganization

The companies comprising our Group underwent the Reorganization in preparation for the [**REDACTED**]. See "History, Reorganization and Corporate Structure — Reorganization" in this document.

5. Resolutions of Our Shareholders

On [●], resolutions of our Shareholders were passed that, among other things, conditions upon the satisfaction (or if applicable, waiver) of the conditions set out in "Structure of the [**REDACTED**] — Conditions of the [**REDACTED**]" and pursuant to the terms set out therein:

(a) the Memorandum and the Articles was approved and adopted with effect from the [**REDACTED**];

(b) the [**REDACTED**] (including the [**REDACTED**]) and the [**REDACTED**] were approved and our Directors were authorized to allot and issue the [**REDACTED**] pursuant to the [**REDACTED**];

(c) subject to the "lock-up" provisions under Rule 10.08 of the Listing Rules, a general unconditional mandate would be granted to the Directors to approve, confirm and ratify that the Company allot, issue and deal with the Shares or securities convertible into Shares or options, warrants or similar rights to subscribe for the Shares or such convertible securities and to make or grant offers, agreements or options which would or might require the exercise of such powers whether during or after the end of the Relevant Period (as defined below), provided that the aggregate number of Shares allotted or agreed to be allotted by the Directors other than pursuant to a (i) rights issue, (ii) any scrip dividend scheme or similar arrangement providing for the allotment of the Shares in lieu of the whole or part of a dividend on the Shares; and (iii) a specific authority granted by the Shareholders in general meeting, shall not exceed the aggregate of:

(A) 20% of the total number of Shares in issue immediately following the completion of the [**REDACTED**] (excluding any Shares which may be issued pursuant to the exercise of the [**REDACTED**]); and

(B) the aggregate number of Shares repurchased by the Company (if any) under the general mandate to repurchase Shares referred to in paragraph below.

Such mandate to remain in effect during the period from the passing of the resolution until the earliest of (i) the conclusion of the next annual general meeting the Company unless renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions, (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Memorandum and Articles of Association or any applicable laws to be held, and (iii) the date on which the mandate is varied or revoked by an ordinary resolution of the Shareholders in general meeting (the "**Relevant Period**"); and

(d) a general unconditional mandate would be granted to the Directors to exercise all the powers of the Company to repurchase the Shares on the Stock Exchange, or on any other stock exchange on which the Shares may be listed (and which is recognized by the SFC and the Stock Exchange for this purpose) not exceeding in aggregate 10% of the total number of Shares in issue immediately following the completion of the [**REDACTED**] but excluding (where applicable) any Shares which may be issued pursuant to the exercise of the [**REDACTED**] of the Company in accordance with all applicable laws and the requirements of the Listing Rules, such mandate to remain in effect during the period from the passing of the resolution until the earliest of (i) the conclusion of the next annual general meeting of the Company unless renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions, (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Memorandum and Articles of Association or any applicable laws to be held, and (iii) the date on which the mandate is varied or revoked by an ordinary resolution of the Shareholders in general meeting.

6. Repurchases of Our Own Securities

The following paragraphs include, among others, certain information required by the Stock Exchange to be included in this document concerning the repurchase of our own securities.

(a) Provision of the Listing Rules

The Listing Rules permit companies with a primary listing on the Stock Exchange to repurchase their own securities on the Stock Exchange subject to certain restrictions, the most important of which are 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, or pursuant to the company's articles of association.

Pursuant to a resolution passed by our Shareholders on [●], a repurchase mandate was given to our Directors authorizing them to exercise all powers of our Company to repurchase Shares on the Stock Exchange, or on any other stock exchange on which the securities of our Company may be listed and which is recognized by the SFC and the Stock Exchange for this purpose, with a total nominal value up to 10% of the aggregate nominal value of our Shares in issue immediately following the completion of the [**REDACTED**] (excluding any Shares which may be issued under the [**REDACTED**]), with such mandate to expire at the earliest of (i) the conclusion of the next annual general meeting of our Company (unless renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions), (ii) the expiration of the period within which our Company's next annual general meeting is required by the Memorandum and Articles of Association or any other applicable laws to be held, and (iii) the date when it is varied or revoked by an ordinary resolution of our Shareholders in general meeting (the "**Repurchase Mandate**").

(ii) Source of Funds

Purchases must be funded out of funds legally available for the purpose in accordance with the memorandum of association and articles of association and the applicable laws and regulations of Hong Kong and the Cayman Islands. A listed company may not purchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time. As a matter of Cayman Islands law, any purchases by a company may be made out of profits or out of the proceeds of a new issue of shares made for the purpose of the purchase or from sums standing to the credit of our share premium account or out of capital, if so authorized by the articles of association and subject to the Cayman Companies Act. Any premium payable on the purchase over the par value of the shares to be purchased must have been provided for out of profits or from sums standing to the credit of our share premium account or out of capital, if so authorized by the articles of association and subject to the Cayman Companies Act.

(iii) Trading Restrictions

The total number of shares which a listed company may repurchase on the Stock Exchange is the number of shares representing up to a maximum of 10% of the aggregate number of shares in issue. A company may not issue or announce a proposed issue of new securities for a period of 30 days immediately following a repurchase (other than an issue of securities pursuant to an exercise of warrants, share options or similar instruments requiring the company to issue securities which were outstanding prior to such repurchase) without the prior approval of the Stock Exchange. In addition, a listed company is prohibited from repurchasing its shares on the Stock Exchange if the purchase price is 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Stock Exchange. The Listing Rules also prohibit a listed company from repurchasing its securities if the repurchase would result in the number of listed securities which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange. A company is required to procure that the broker appointed by it to effect a repurchase of securities discloses to the Stock Exchange such information with respect to the repurchase as the Stock Exchange may require.

(iv) Status of Repurchased Shares

The listing of all purchased securities (whether on the Stock Exchange or, otherwise) is automatically canceled and the relative certificates must be canceled and destroyed. Under the laws of the Cayman Islands, unless, prior to the purchase the directors of a company resolve to hold the shares purchased by the company as treasury shares, shares purchased by the company shall be treated as canceled and the amount of the company's issued share capital shall be diminished by the nominal value of those shares. However, the purchase of shares will not be taken as reducing the amount of the authorized share capital under the Cayman Companies Act.

(v) Suspension of Repurchase

A listed company may not make any repurchase of securities after a price sensitive development has occurred or has been the subject of a decision until such time as the price sensitive information has been made publicly available. In particular, during the period of one month immediately preceding the earlier of (a) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of a listed company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules) and (b) the deadline for publication of an announcement of a listed company's results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), the listed company may not repurchase its shares on the Stock Exchange other than in exceptional circumstances. In addition, the Stock Exchange may prohibit a repurchase of securities on the Stock Exchange if a listed company has breached the Listing Rules.

(vi) Reporting Requirements

Certain information relating to repurchases of securities on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the following annual report is required to disclose details regarding repurchases of securities made during the year, including a monthly analysis of the number of securities repurchased, the purchase price per share or the highest and lowest price paid for all such repurchases, where relevant, and the aggregate prices paid.

(vii) Core Connected Persons

The Listing Rules prohibit a company from knowingly purchasing securities on the Stock Exchange from a "core connected person", that is, a director, chief executive or substantial shareholder of the company or any of its subsidiaries or a close associate of any of them (as defined in the Listing Rules) and a core connected person shall not knowingly sell his/her/its securities to the company.

(b) Reasons for Repurchases

Our Directors believe that it is in the best interests of our Company and Shareholders for our Directors to have a general authority from our Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made where our Directors believe that such repurchases will benefit our Company and Shareholders.

(c) Funding of Repurchases

Repurchase of our Shares must be funded out of funds legally available for such purpose in accordance with the Articles of Association and the applicable laws of the Cayman Islands. Our Directors may not repurchase our Shares on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange. Subject to the foregoing, our Directors may make repurchases with profits of our Company or out of a new issuance of shares made for the purpose of the repurchase or, if authorized by the Articles of Association and subject to the Cayman Companies Act, out of capital and, in the case of any premium payable on the repurchase, out of profits of our Company or from sums standing to the credit of the share premium account of our Company or, if authorized by the Articles of Association and subject to the Cayman Companies Act, out of capital.

However, our Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or its gearing levels which, in the opinion of our 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**] (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 the earliest of:

- the conclusion of the next annual general meeting of our Company unless renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions;

- the expiration of the period within which our Company's next annual general meeting is required by the Articles of Association or any other applicable laws to be held; or

- the date when it is varied or revoked by an ordinary resolution of our Shareholders in general meeting.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws in the Cayman Islands.

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their respective close associates, have any present intention, if the Repurchase Mandate is exercised, to sell any Shares to our Company.

No core connected person (as defined in the Listing Rules) has notified us that he/she/it has a present intention to sell Shares to us, 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 increases, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert, depending on the level of increase of Shareholders' interest, could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

Any repurchase of Shares that results in the number of Shares held by the public falling below to the relevant prescribed minimum percentage as required by the Stock Exchange could only be implemented if the Stock Exchange agreed to waive the Listing Rules requirements regarding the public shareholding referred to above.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of Material Contracts

The following contracts (not being contracts entered into in the ordinary course of the business carried on or intended to be carried on by our Company) were entered into by any member of our Group within the two years preceding the date of this document and are or may be material:

(a) the reorganization framework agreement (重組框架協議) dated December 1, 2023 entered into among Tianjin Tongchuang, Tianjin Tongyi, Anhui Laoxiangji, Shu Congde (束從德), Ni Rongguang (倪榮廣), Li Xinlin (李新林), Wang Wei (王偉), Wang Guowei (王國偉), Zhu Xianhua (朱先華), He Jing (何晶), Yang Xuanwei (楊選偉), Xu Congxiao (許叢笑), Li Shaoju (李紹菊), Zheng Zhou (鄭洲), Li Chaolong (李超龍), Wang Yongxin (王永鑫), Ge Bing (葛兵), Chen Wanming (陳萬明), Pan Yongqing (潘永清), Zhang Yingfu (張迎福), Lyu Haifeng (呂海峰), Chu Yuling (褚玉玲), Yao Juxin (姚巨新), Wang Daocun (王道存), Li Bin (李斌), Chen Tingfeng (陳庭鋒), Zhang Xueqin (張雪芹), Dong Xiaolei (董小磊), Wang Qinqin (王琴琴), Dong Xue (董雪), Li Mingwu (李明午), Wang Qingkai (汪慶凱), Zhou Yan (周顏), He Lan (何蘭), Xu Weiyong (徐維勇), Zhang Ruibao (張瑞保), Liu Xujiu (劉旭九), Qian Yunhe (錢云鶴), Shen Qiaoli (沈喬力), Ma Weiwei (馬薇薇), Zhang Chenggong (張成功), Huang Benshan (黃本善), Wei Lili (位莉莉), Li Fengmei (李鳳梅), He Yangyang (何洋洋), Sun Changju (孫昌菊), Dai Zhaojiong (戴照炯), Sun Fangping (孫方平), Su Xujuan (蘇旭娟), Li Dandan (李丹丹), Lin Gang (林鋼), He Shensong (何申松), Shi Xiaoyun (石曉雲), Sun Xia (孫夏), Zhao Tingting (趙婷婷), Li Meng (李夢), Wang Qingju (汪慶菊), Wang Xiaojuan (王小娟), Cao Zheng (曹政), Peng Min (彭敏), Huang Hai (黃海), Wu Lin (吳林), Tang Qian (湯倩), Yu Xiaojuan (禹曉娟), Li Guilin (李桂林), Wu Duoxia (吳多霞), Zhu Haijian (朱海艦), Li Lijuan (李麗娟), Chu Zhiyuan (儲志遠), Pu Yongchun (蒲永春), Li Genglin (李耕林), Chen Yingying (陳穎穎), Zhang Jiao (張姣), Wu Yuefeng (吳月峰), Xia Nyu (夏女), Xu Qing (許晴), Li Rui (李睿), Xie Zhengping (解正平), Shao Jun (邵軍), Bai Jishou (柏吉收), Hu Huimin (胡慧敏), Wu Xiaoli (伍小莉), Sun Chao (孫超), Li Linsheng (李林生), Shu Congzhi (束從芝), Dong Zichao (董子超), Lin Runwei (林潤衛), Zhao Xiongya (趙雄雅), Chu Xiaoyan (儲曉燕), Yang Weifu (楊維富), Zhang Junyu (張俊玉), Dong Peizhi (董佩智), Yu Yang (余洋), Mu Junjun (牟軍軍), Wang Qilin (王麒麟), Wang Konghui (汪孔輝), Du Yin (杜銀), Wei Yuzhu (韋玉柱), Li Mingsheng (李銘勝), Li Jun (李軍), Shu Conggui (束從桂), Wang Hanqing (王漢清), Shu Zhigang (束志剛), Fang Pengfei (方鵬飛), Zhang Huarong (張華榮), Cao Zuqing (曹祖清), Hou Liangfei (侯良飛), Liao Shanshan (廖珊珊), Li Zejun (李澤軍), Liu Yong (劉永), Yang Jun (楊軍), Cai Qingbin (蔡慶彬), Liu Xinhua (劉新華), Hu Junyang (胡君洋), Pan Tingting (潘婷婷), Yao Ziwei (姚自偉), Xu Xiaoyong (許小勇), Zhu Luyang (朱魯陽), Yang Jian (楊建), Wang Daojun (王道軍), Wang Fangfang (汪芳芳), Li Qingqing (李清清) and Wang Shucheng (王書成) in respect of the arrangements for the employee shareholding platforms of Anhui Laoxiangji to exit their equity interests in Anhui Laoxiangji in exchange for shareholdings in our Company for the purpose of the Reorganization;

(b) the reorganization framework agreement (重組框架協議) dated January 4, 2024 entered into among Yuhe Investment, Anhui Laoxiangji, Mr. Shu Congxuan (束從軒), Mr. Shu Xiaolong (束小龍), Ms. Shu Wen (束文), Hefei Yuyi and Qingdao Shudong, pursuant to which Anhui Laoxiangji agreed to repurchase all the shares held by Yuhe Investment in Anhui Laoxiangji for a consideration of RMB199,120,000;

(c) the share transfer agreement (股份轉讓協議) dated January 30, 2024 entered into between Tianjin Tongchuang and Hefei Yuyi, pursuant to which Tianjin Tongchuang agreed to sell, and Hefei Yuyi agreed to purchase all the shares held by Tianjin Tongchuang in Anhui Laoxiangji for a consideration of RMB30,000,000;

(d) the share transfer agreement (股份轉讓協議) dated January 30, 2024 entered into between Tianjin Tongyi and Hefei Yuyi, pursuant to which Tianjin Tongyi agreed to sell, and Hefei Yuyi agreed to purchase all the shares held by Tianjin Tongyi in Anhui Laoxiangji for a consideration of RMB15,000,000;

(e) the capital and share increase agreement (增資擴股協議) dated January 2024 entered into among Anhui Laoxiangji, Mr. Shu Xiaolong (束小龍), Ms. Shu Wen (束文), Hefei Yuyi, Qingdao Shudong and AJS Family Holding Limited, pursuant to which AJS Family Holding Limited agreed to subscribe for the registered capital of Anhui Laoxiangji in the amount of RMB3,428,865 for a consideration of RMB12,000,587;

(f) the capital reduction agreement (減資協議) dated June 11, 2024 entered into by AJS Family Holding Limited and Anhui Laoxiangji, pursuant to which Anhui Laoxiangji agreed to repurchase the entire equity interest held by AJS Family Holding Limited in Anhui Laoxiangji;

(g) the capital reduction agreement (減資協議) dated June 11, 2024 entered into by Hefei Yuyi and Anhui Laoxiangji, pursuant to which Anhui Laoxiangji agreed to repurchase the entire equity interest held by Hefei Yuyi in Anhui Laoxiangji for a consideration of RMB233,384,300;

(h) the capital reduction agreement (減資協議) dated June 11, 2024 entered into by Mr. Shu Xiaolong (束小龍) and Anhui Laoxiangji, pursuant to which Anhui Laoxiangji agreed to repurchase the entire equity interest held by Mr. Shu Xiaolong in Anhui Laoxiangji for a consideration of RMB107,048,000;

(i) the capital reduction agreement (減資協議) dated June 11, 2024 entered into by Qingdao Shudong and Anhui Laoxiangji, pursuant to which Anhui Laoxiangji agreed to repurchase the entire equity interest held by Qingdao Shudong in Anhui Laoxiangji for a consideration of RMB42,415,600;

(j) the capital reduction agreement (減資協議) dated June 11, 2024 entered into by Ms. Shu Wen (束文) and Anhui Laoxiangji, pursuant to which Anhui Laoxiangji agreed to repurchase the entire equity interest held by Ms. Shu Wen in Anhui Laoxiangji for a consideration of RMB21,417,800; and

(k) [**REDACTED**].

2. Our Intellectual Property Rights

(a) Trademarks

As of the Latest Practicable Date, we had registered the following trademarks which we consider to be material in relation to our business:

No.	Trademark	Class	Registrant	Place of registration	Registration number	Expiry date
1. . .		29	Anhui Laoxiangji	PRC	58571685	July 13, 2032
2. . .		9	Anhui Laoxiangji	PRC	58580072	February 13, 2032
3. . .		30	Anhui Laoxiangji	PRC	58552705	February 13, 2032
4. . .		43	Anhui Laoxiangji	PRC	48995949	March 20, 2031
5. . .		43	Anhui Laoxiangji	PRC	48578765	March 13, 2031
6. . .		29	Anhui Laoxiangji	PRC	48573695	March 13, 2031
7. . .		9	Anhui Laoxiangji	PRC	58562877	February 13, 2032
8. . .		29	Anhui Laoxiangji	PRC	58553632	February 13, 2032

No.	Trademark	Class	Registrant	Place of registration	Registration number	Expiry date
9. . .		30	Anhui Laoxiangji	PRC	58560138	February 13, 2032
10. .		43	Anhui Laoxiangji	PRC	58565717	February 13, 2032
11. .	老乡鸡	43	Laomuji Husbandry Technology	PRC	58886102	April 27, 2032
12. .	老乡鸡	9	Laomuji Husbandry Technology	PRC	58903548	February 20, 2032
13. .	老乡鸡	29	Laomuji Husbandry Technology	PRC	48577773	July 6, 2031
14. .	老乡鸡	43	Laomuji Husbandry Technology	PRC	48564656	June 6, 2031
15. .	老乡鸡	43	Laomuji Husbandry Technology	PRC	58899169	April 27, 2032
16. .	老乡鸡	9	Laomuji Husbandry Technology	PRC	58895916	February 20, 2032
17. .	老乡鸡 ORIGINAL CHICKEN	43	Laomuji Husbandry Technology	PRC	58893069	April 27, 2032
18. .	老乡鸡 ORIGINAL CHICKEN	9	Laomuji Husbandry Technology	PRC	58910502	February 20, 2032
19. .	老乡鸡 ORIGINAL CHICKEN	43	Laomuji Husbandry Technology	PRC	38904380	April 27, 2030
20. .	老乡鸡 ORIGINAL CHICKEN	43	Laomuji Husbandry Technology	PRC	33824969	January 27, 2030
21. .	老乡鸡 ORIGINAL CHICKEN	43	Laomuji Husbandry Technology	PRC	33824963	August 27, 2029
22. .	ORIGINAL CHICKEN	43	Laomuji Husbandry Technology	PRC	12703859	October 20, 2034

No.	Trademark	Class	Registrant	Place of registration	Registration number	Expiry date
23.	老乡鸡	9	Laomuji Husbandry Technology	PRC	43766205	October 20, 2030
24.	老乡鸡	30	Laomuji Husbandry Technology	PRC	9864472	October 20, 2032
25.	老乡鸡	9	Laomuji Husbandry Technology	PRC	9710575	September 6, 2032
26.	老乡鸡	43	Laomuji Husbandry Technology	PRC	9710081	August 20, 2032
27.	老乡鸡	16	Anhui Laoxiangji	Hong Kong	306446575	January 7, 2034
28.	老乡鸡	43	Laomuji Husbandry Technology	Macau	N/097913	September 14, 2029
29.	老乡鸡	43	Laomuji Husbandry Technology	Taiwan	01745582	December 15, 2025

(b) Patents

As of the Latest Practicable Date, we had registered the following patents which we consider to be material to our business:

No.	Patent	Patent type	Patentee	Patent number	Effective date
1.	A poultry slaughtering and processing automatic production line	Invention patent	Feixi Laomuji Food Co., Ltd. (肥西老母雞食品有限公司, "**Laomuji Food**")	ZL201811569138.8	December 21, 2018
2.	A braised pork processing equipment and processing method	Invention patent	Laomuji Food	ZL201811290889.6	October 31, 2018
3.	A chicken offal rapid treatment device and treatment method	Invention patent	Laomuji Food	ZL201811288817.8	October 31, 2018

(c) Copyrights

As of the Latest Practicable Date, we had registered the following copyrights which we consider to be material to our business:

No.	Copyright	Registrant	Registration number	Registration date
1. .	Laoxiangji Logo 1 (老鄉雞logo1)	Anhui Laoxiangji	Wan Zuo Deng Zi – 2020-F-00013933 (皖作登字-2020-F-00013933)	September 2, 2020
2. .	Laoxiangji Logo 1 (老鄉雞logo1)	Anhui Laoxiangji	Wan Zuo Deng Zi – 2020-F-00011525 (皖作登字-2020-F-00011525)	August 17, 2020
3. .	Laoxiangji Logo 2 (老鄉雞logo2)	Laomuji Husbandry Technology	Wan Zuo Deng Zi – 2020-F-00011526 (皖作登字-2020-F-00011526)	August 17, 2020
4. .	Online Repair Reporting Platform V3.0 (在線報修平台V3.0)	Anhui Laoxiangji	2022SR0436791	April 6, 2022
5. .	Maintenance Intelligent Dispatch System V3.0 (維修智能調度系統V3.0)	Anhui Laoxiangji	2022SR0436792	April 6, 2022
6. .	Xuanku Information Intelligent Menu Content Generation and Automated Distribution System V1.0 (軒酷信息智能餐牌內容生成及自動化分發系統V1.0)	Anhui Xuanku Information Technology Co., Ltd. (安徽軒酷信息科技有限公司, "**Anhui Xuanku**") and Shenzhen Showtop Technology Co., Ltd. (深圳數拓科技有限公司)	2021SR0763203	May 25, 2021
7. .	Chain Store Unified Information Attribution Management Platform V1.0 (連鎖門店統一信息歸口管理平台V1.0)	Anhui Xuanku	2023SR0955665	August 21, 2023
8. .	Chain Store Integrated Application Management Platform V1.0 (連鎖門店集成應用管理平台V1.0)	Anhui Xuanku	2023SR0733334	June 27, 2023

No.	Copyright	Registrant	Registration number	Registration date
9. .	Organizational Architecture-Based Multi-Application Distribution Management Platform V1.0 (基於組織架構的多應用分發管理平台V1.0)	Anhui Xuanku	2023SR0727363	June 27, 2023
10.	Whole Industry Chain Inventory Management Platform V1.0 (全產業鏈庫存管理平台V1.0)	Anhui Xuanku	2023SR0720550	June 26, 2023
11.	Omni-Channel Order Integration Platform V1.0 (全渠道訂單集成平台V1.0)	Anhui Xuanku	2023SR0720549	June 26, 2023
12.	Enterprise Multi-Application Integration Platform V1.0 (企業級多應用集成平台V1.0)	Anhui Xuanku	2023SR0720547	June 26, 2023
13.	Omni-Channel Menu Management Platform V1.0 (全渠道菜單管理平台V1.0)	Anhui Xuanku	2023SR0720548	June 26, 2023
14.	Omni-Channel Delivery Management Platform V1.0 (全渠道外賣管理平台V1.0)	Anhui Xuanku	2023SR0720551	June 26, 2023

(d) Domain names

As of the Latest Practicable Date, we had registered the following domain names which we consider to be material in relation to our business:

No.	Domain name	Registrant	Expiry date
1. . .	www.lxjchina.com.cn	Anhui Laoxiangji	March 22, 2027
2. . .	www.lxjchina.cn	Anhui Laoxiangji	March 22, 2027

Save as aforesaid, as of the Latest Practicable Date, there were no other trademarks, patents or other intellectual or industrial property rights which we consider to be material in relation to our business.

C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Disclosure of Interests

(a) Interests of our Directors and chief executive

Immediately following the completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised), the interests or short positions of our Directors and chief executive 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 have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are 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 therein, 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 [**REDACTED**], are set out below:

(i) Interest in our Company

Name of Director or chief executive	Nature of interest(1)	Number of Shares or underlying Shares held	Shareholding upon completion of the [REDACTED](2)
Mr. Shu Xiaolong(3)(6)	Interest in controlled corporation Interest of spouse	275,071,981	[**REDACTED**]%
Ms. Dong Xue(4)(6)	Interest in controlled corporation Interest of spouse	275,071,981	[**REDACTED**]%
Ms. Shu Wen(5)	Interest in controlled corporation	53,668,499	[**REDACTED**]%

Notes:

(1) All interests stated are long positions.

(2) The calculation is based on the total number of [**REDACTED**] Shares in issue immediately following the completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised).

(3) As of the Latest Practicable Date, Constantly Soar Ltd was wholly owned by Rosanne Holding Ltd, which was wholly owned by Mr. Shu Xiaolong. By virtue of the SFO, Mr. Shu Xiaolong and Rosanne Holding Ltd are deemed to be interested in the Shares held by Constantly Soar Ltd.

(4) As of the Latest Practicable Date, Favourable Impression Ltd was wholly owned by Hurren Holding Ltd, which was wholly owned by Ms. Dong Xue. By virtue of the SFO, Ms. Dong Xue and Hurren Holding Ltd are deemed to be interested in the Shares held by Favourable Impression Ltd.

(5) As of the Latest Practicable Date, Jump Spark Ltd was wholly owned by Mata International Ltd, which was wholly owned by Ms. Shu Wen. By virtue of the SFO, Ms. Shu Wen and Mata International Ltd are deemed to be interested in the Shares held by Jump Spark Ltd.

(6) Mr. Shu Xiaolong and Ms. Dong Xue are spouses. By virtue of the SFO, Mr. Shu Xiaolong and Ms. Dong Xue are deemed to be interested in the Shares held by each other.

(ii) Interest in our associated corporations

Name of Director or chief executive	Name of associated corporation	Nature of interest[1]	Number of Shares or underlying Shares held	Shareholding
Mr. Shu Xiaolong[2] . . .	Constantly Soar Ltd.	Interest in controlled corporation	1	100%
	Rosanne Holding Ltd.	Beneficial interest	1	100%

Notes:

(1) All interests stated are long positions.

(2) As of the Latest Practicable Date, Constantly Soar Ltd was wholly owned by Rosanne Holding Ltd, which was wholly owned by Mr. Shu Xiaolong.

Save as disclosed above, so far as our Directors are aware, immediately following the completion of the [**REDACTED**], no Directors or the chief executive will, directly or indirectly, be interested in the shares or underlying shares of the associated corporations of our Company.

(b) Interests of our substantial Shareholders

Save as disclosed in "Substantial Shareholders" in this document and "— C. Further Information about Our Directors and Substantial Shareholders — 1. Disclosure of Interests — (a) Interests of our Directors and chief executive — (ii) Interest in our associated corporations" in this section, our Directors and chief executive are not aware of any person (other than a Director or chief executive of our Company) who will have an interest or a short position in the shares or underlying shares of our Company which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or will be, directly or indirectly, interested in 10% or more of the issued voting shares of any other member of our Group any other member of our Group.

2. Directors' Service Contracts and Letters of Appointment

Each of our executive Directors [has entered] into a service contract with our Company. The terms of appointment under the service contracts are for an initial term of three years from the [**REDACTED**], 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.

We [have issued] a letter of appointment to our non-executive Director. The terms of appointment under the letter of appointment are for an initial term of three years from the [**REDACTED**], subject to termination in accordance with their respective terms. The letter of appointment may be renewed in accordance with our Articles of Association and the applicable Listing Rules.

We have issued letters of appointment to each of our independent non-executive Directors. The terms of appointment under the letters of appointment are for an initial term of three years from the appointment dates of the relevant independent non-executive Directors, subject to termination in accordance with their respective terms. The letters of appointment may be renewed in accordance with our Articles of Association and the applicable Listing Rules.

Save as disclosed above, none of our Directors have entered, or have proposed to enter, a service contract with any member of our 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 paid and benefits in kind granted to our Directors by our Group in respect of the last completed financial year, being the year ended December 31, 2023, was RMB10.3 million. For details of our Directors' emoluments during the Track Record Period, see Note 8 to the Accountants' Report in Appendix I to this document.

Under the arrangements in force at the date of this document, we estimate the aggregate remuneration payable to, and benefits in kind receivable by, our Directors by our Group in respect of the year ending December 31, 2025 to be approximately RMB4.9 million.

D. PRE-[REDACTED] SHARE INCENTIVE PLAN

1. Background

In order to improve the remuneration structure and motivate and retain talents, Anhui Laoxiangji implemented an employee share incentive plan in December 2020 (the "**Previous Share Incentive Plan**"), through which grantees under the Previous Share Incentive Plan were granted the rights to and have subscribed for the partnership interests in the then employee shareholding platforms and hold indirect interest in Anhui Laoxiangji.

Upon the Reorganization, to continue our incentive to the employees of the Group under the Previous Share Incentive Plan, the Board has approved and we have adopted the employee share incentive plan of the Company on December 19, 2024 (the "**Pre-[REDACTED] Share Incentive Plan**"), through which eligible participants (the "**Participants**") were granted the rights to and have subscribed for the shares of Kandel Holding Ltd, our employee shareholding platform.

The Pre-[**REDACTED**] Share Incentive Plan does not involve any grant of Awards (as defined below) or issuance of new Shares by our Company after [**REDACTED**], the terms of which are not subject to Chapter 17 of the Listing Rules. As of the Latest Practicable Date, all Awards (as defined below) under the Pre-[**REDACTED**] Share Incentive Plan have been granted.

2. Awards

Under the Pre-[**REDACTED**] Share Incentive Plan, the Participants have been granted a right to subscribe for shares (the "**Awards**") of Kandel Holding Ltd, our employee shareholding platform.

3. Source and Number of Shares

The Shares underlying the Awards granted under the Pre-[**REDACTED**] Share Incentive Plan are indirectly held by Kandel Holding Ltd through its wholly owned subsidiary, Poweroy Holding Ltd, which directly held 10,717,200 Shares, representing 3.00% of our total issued Shares as of the Latest Practicable Date. Upon the grant of Awards, the Participants shall hold shares of Kandel Holding Ltd to reflect their respective Awards.

As of the Latest Practicable Date, the number of Shares underlying the Awards granted under the Pre-[**REDACTED**] Share Incentive Plan were in aggregate of 10,717,200 Shares, representing approximately 3.00% of our total issued Shares immediately before the completion of the [**REDACTED**] and [**REDACTED**]% of our total issued Shares immediately upon completion of the [**REDACTED**], assuming the [**REDACTED**] is not exercised.

4. Participants

Participants of the Pre-[**REDACTED**] Share Incentive Plan are Directors, senior management members and employees of our Group at the time being granted such Award(s).

5. Service Period

For a Participant of the Pre-[**REDACTED**] Share Incentive Plan who was a grantee under the Previous Share Incentive Plan, the service period represents five years commencing from December 10, 2020 (being the effective date of the Previous Share Incentive Plan). For other Participants of the Pre-[**REDACTED**] Share Incentive Plan, the service period represents five years commencing from the date he/she becomes a grantee under the Pre-[**REDACTED**] Share Incentive Plan. For details of the restrictions for the transfer of the Awards within the service period, please refer to paragraph 6 below.

6. Personal Awards

Under the Pre-[**REDACTED**] Share Incentive Plan, prior to [**REDACTED**] and within the service period as detailed in paragraph 5 above, the Participants shall not enter into any arrangements for the transfer of the Awards with any third party without the consent of our Company, subject to the following exceptions:

(i) in the event of the retirement of a Participant, he/she may exit the Pre-[**REDACTED**] Share Incentive Plan and transfer the Awards held by him/her to the director(s) of Kandel Holding Ltd or person(s) designated by the board of directors of Kandel Holding Ltd; and

(ii) in the event of the death of a Participant, the Awards held by him/her may, at the discretion of the Participant's heir(s), be transferred to the Participant's heir(s), or to the director(s) of Kandel Holding Ltd or persons designated by the board of directors of Kandel Holding Ltd.

The consideration for the transfer in the above events to the director(s) of Kandel Holding Ltd or person(s) designated by the board of directors of Kandel Holding Ltd shall be determined based on the initial acquisition cost of the Participant, plus interest at the rate of 8% per annum.

7. Obligations of the Participants

Under the Pre-[**REDACTED**] Share Incentive Plan, the Participants shall:

(i) abide by the Pre-[**REDACTED**] Share Incentive Plan and relevant agreement(s) in relation to the Awards;

(ii) hold the Awards and the corresponding property rights and interests, and bear the corresponding risks therein in accordance with the Pre-[**REDACTED**] Share Incentive Plan; and

(iii) not engage in (regardless of whether in the name of our Company) or assist others to engage in the business within our Company's business scope.

Prior to [**REDACTED**], if a Participant terminates his/her employment with our Group, he/she shall transfer all the Awards held by him/her to the director(s) of Kandel Holding Ltd or person(s) designated by the board of directors of Kandel Holding Ltd. The consideration of such transfer shall be determined based on the initial acquisition cost of the Participant, plus interest at the rate of 5% per annum.

8. Details of the Awards Granted

As of the Latest Practicable Date, we had granted Awards representing 10,717,200 Shares under the Pre-[**REDACTED**] Share Incentive Plan to 112 Participants, representing [**REDACTED**]% of the total issued Shares immediately upon completion of the [**REDACTED**] (assuming no changes to our issued and outstanding Shares between the Latest Practicable Date and the [**REDACTED**] and the [**REDACTED**] is not exercised).

Details of the Awards granted pursuant to the Pre-[**REDACTED**] Share Incentive Plan as of the Latest Practicable Date are set out as follows:

Participant	Position in our Group	Number of Shares underlying the Awards granted as of the Latest Practicable Date	Approximate percentage of Shares underlying the Awards granted immediately upon completion of the [REDACTED] (assuming the [REDACTED] is not exercised)
Mr. Shu Congde (束從德)	Non-executive Director	2,424,426	[REDACTED]%
Ms. Wang Qinqin (王琴琴)	Head of securities affairs of our Company	297,705	[REDACTED]%
Mr. Wang Guowei (王國偉)	Board secretary and joint company secretary of our Company	166,706	[REDACTED]%
Mr. Li Bin (李斌)	Director of Laoxiangji (Shanghai) Catering Co., Ltd. (老鄉雞(上海)餐飲有限公司)	142,898	[REDACTED]%

Participant	Position in our Group	Number of Shares underlying the Awards granted as of the Latest Practicable Date	Approximate percentage of Shares underlying the Awards granted immediately upon completion of the [REDACTED] (assuming the [REDACTED] is not exercised)
Mr. Wang Daocun (王道存) . .	Director of Shou County Laoxiangji Poultry Breeding Co., Ltd. (壽縣老鄉雞家禽養殖有限公司)	142,898	[REDACTED]%
Mr. Zhu Xianhua (朱先華). . .	Deputy general manager of our Company	142,891	[REDACTED]%
Mr. Dong Xiaolei (董小磊) . .	Director of Laomuji Food	107,174	[REDACTED]%
Ms. He Jing (何晶)	Chief financial officer of our Company	95,261	[REDACTED]%
Other connected persons(1) . .	/	1,214,636	[REDACTED]%
Other employees of our Group(2)	/	5,982,605	[REDACTED]%

Notes:

(1) Representing an aggregate of four Participants who are deemed connected persons of our Company, namely (i) Ms. Shu Congzhi (束從芝), (ii) Ms. Shu Conggui (束從桂), (iii) Ms. Li Shaoju (李紹菊), each an aunt of Mr. Shu Xiaolong and Ms. Shu Wen, and (iv) Mr. Zhang Huarong (張華榮), an uncle of Mr. Shu Xiaolong and Ms. Shu Wen. Each of such Participants was granted Awards with 976,473, 23,816, 190,531 and 23,816 underlying Shares, representing approximately [**REDACTED**]%, [**REDACTED**]%, [**REDACTED**]% and [**REDACTED**]% of our Company's total issued Shares immediately after the completion of [**REDACTED**] (assuming the [**REDACTED**] is not exercised), respectively.

(2) Representing an aggregate of 100 Participants who are not Directors, senior management or connected persons (including deemed connected persons) of our Company, with no single Participant being granted Awards with more than 309,598 underlying Shares, representing no more than [**REDACTED**]% of our Company's total issued Shares immediately after the completion of [**REDACTED**] (assuming the [**REDACTED**] is not exercised). Such Participants include, among others, Wang Wei (王偉), Li Xinlin (李新林), Lyu Haifeng (呂海峰), Li Bin (李斌), Zhang Xueqin (張雪芹), Wang Hanqing (王漢清), Li Jun (李軍) and Cao Zuqing (曹祖清), each a director of our insignificant subsidiaries (as defined under the Listing Rules) who does not constitute our connected person. For details of their shareholding in Kandel Holding Ltd, see "History, Reorganization and Corporate Structure — Corporate Structure" in this document.

E. OTHER INFORMATION

1. Estate Duty

Our Directors have been advised that no material liability for estate duty would be likely to fall upon any member of our Group.

2. Litigation

Save as disclosed in this document and so far as our Directors are aware, no litigation or claim of material importance is pending or threatened against any member of our Group.

3. Joint Sponsors

The Joint Sponsors have made an [**REDACTED**] on our behalf to the [**REDACTED**] for the [**REDACTED**] of, and permission to [**REDACTED**] in, the Shares in issue and to be issued pursuant to the [**REDACTED**] (including any additional Shares which may be issued pursuant to the exercise of the [**REDACTED**]).

The Joint Sponsors satisfy the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules. Each of the Joint Sponsors will receive a fee of US$500,000 for acting as a sponsor for the [**REDACTED**].

4. No Material Adverse Change

Save as disclosed in this document, our Directors confirm that there has been no material adverse change in the financial or trading position of our Group since September 30, 2024 (being the date to which the latest audited consolidated financial statements of our Group were prepared).

5. Qualification and Consent of Experts

This document contains statements made by the following experts:

Name	Qualification
China International Capital Corporation Hong Kong Securities Limited	A corporation licensed to carry on Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 5 (advising on futures contracts) and Type 6 (advising on corporate finance) regulated activities under the SFO
Haitong International Capital Limited	A corporation licensed to carry on Type 6 (advising on corporate finance) regulated activities under the SFO

Name	Qualification
Llinks Law Offices	Qualified PRC lawyers
Harney Westwood & Riegels	Legal advisor as to Cayman Islands law
Ernst & Young	Certified public accountants and public interest entity auditor
China Insights Industry Consultancy Limited	Industry consultant
Jones Lang LaSalle	Biological assets valuer

As of the Latest Practicable Date, none of the experts named above had any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

The experts named above have each given and have not withdrawn their respective written consents to the issue of this document with copies of their reports, letters, opinions or summaries of opinions (as the case maybe) and references to their names included in the form and context in which they are respectively included.

6. Promoter

Our Company has no promoter for the purpose of the Listing Rules. 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.

7. Preliminary Expenses

We have not incurred any material preliminary expenses.

8. Binding Effect

This document shall have the effect, where an application is made in pursuance hereof, 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.

9. 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).

10. Miscellaneous

(a) Save as disclosed in this document, within the two years immediately preceding the date of this document:

(i) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any capital of any member of our Group, and no Directors, promoters or experts named in "— E. Other Information — 5. Qualification and Consent of Experts" in this section have received any such payment or benefit;

(ii) no capital of any member of our Group has been issued or is proposed to be issued for cash or issued as fully or partly paid up otherwise than in cash;

(iii) none of our Directors or the experts named in "— E. Other Information — 5. Qualification and Consent of Experts" in this section have any interest, direct or indirect, in the promotion of, or in any assets which have been, acquired or disposed of by or leased to, any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group; and

(iv) no commissions (but not including commissions to sub-underwriters) have been paid or payable for subscribing or agreeing to subscribe, or procuring or agreeing to procure subscriptions, for any Shares or debentures of our Company.

(b) Save as disclosed in this document:

(i) there is no arrangement under which future dividends are waived or agreed to be waived;

(ii) our Company has no outstanding convertible debt securities or debentures;

(iii) there are no founder, management or deferred shares in our Company or any of our subsidiaries;

(iv) no capital of any member of our Group is under option, or is agreed conditionally or unconditionally to be put under option;

(v) there has not been any interruption in the business of our Group which may have or have had a significant effect on our financial position in the 12 months immediately preceding the date of this document; and

(vi) none of our Directors are materially interested in any contract or arrangement subsisting at the date of this document which is significant in relation to the business of our Group.

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 "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 "Statutory and General Information — E. Other Information — 5. Qualification and Consent of Experts" in Appendix IV to this document.

DOCUMENTS AVAILABLE ON DISPLAY

Copies of the following documents will be published on the websites of the Stock Exchange at **www.hkexnews.hk** and our Company at **www.lxjchina.com.cn** for a period of 14 days from the date of this document:

(a) the Memorandum and Articles of Association;

(b) the audited consolidated financial statements of our Group for the Track Record Period;

(c) the Accountants' Report for the Track Record Period issued by Ernst & Young, the text of which is set out in Appendix I to this document;

(d) the report on the unaudited [**REDACTED**] financial information of our Group issued by Ernst & Young, the text of which is set out in Appendix II to this document;

(e) the letter of advice issued by Harney Westwood & Riegels, our legal advisor as to Cayman Islands law, summarizing certain aspects of the company law of the Cayman Islands referred to in Appendix III to this document;

(f) the legal opinions issued by Llinks Law Offices, our PRC Legal Advisor, in respect of certain aspects and the property interests of the Group in the PRC;

(g) the industry report issued by China Insights Consultancy;

(h) the material contracts referred to in "Statutory and General Information — B. Further Information about Our Business — 1. Summary of Material Contracts" in Appendix IV to this document;

(i) the service contracts and letters of appointment referred to in "Statutory and General Information — C. Further Information about Our Directors and Substantial Shareholders — 2. Directors' Service Contracts and Letters of Appointment" in Appendix IV to this document;

(j) the written consents referred to in "Statutory and General Information — E. Other Information — 5. Qualification and Consent of Experts" in Appendix IV to this document; and

(k) the Cayman Companies Act.