
RISK FACTORS

An investment 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 investment 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 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 investment.

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 the section titled “Forward-looking statements” of this document.

RISKS RELATED TO OUR BUSINESS AND INDUSTRY

We incurred net losses during the Track Record Period and may not be able to maintain or increase the sales volume of our existing stores, control our costs and expenses and achieve or maintain profitability in the future.

We incurred net losses of RMB274.1 million, RMB471.1 million and RMB222.6 million in 2020, 2021 and 2022, respectively. Whether we would be able to achieve profitability in the future is affected by various factors, including our ability to increase the sales volume from our existing stores, continually grow revenue and our customer base in a cost-effective way by improving our operational efficiency.

Our ability to increase the sales volume from existing stores depends in part upon the successful implementation of measures for increasing traffic to our various customer touch points and sales per customer. These measures include providing a diverse menu, tailoring our food products to the palates of local consumers, enhancing the consumer experience to attract recurring customers, raising customer loyalties and attracting more consumers in off-peak periods. We cannot assure you that the sales volume of existing stores will not decline or that they will achieve their target growths. If we are unable to achieve continued growth in sales volume and revenue from our existing stores in the markets where we operate, our businesses, financial condition and results of operations may be materially and adversely affected.

Our ability to continue to improve operational efficiency depends on, among other things, our ability to enhance customer stickiness, optimize our supply chain management and further achieve economies of scale. Accordingly, we intend to continue to grow the number of our stores, enhance our reputation as a leader in the China pizza market, improve our technology infrastructure, launch novel and localized products, and enhance our delivery and supply chain management. If we are unable to continuously improve operational efficiency, our business, financial condition and results of operations may be materially and adversely affected.

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In addition, various uncontrollable factors may affect our ability to achieve profitability, which include general economic condition, such as inflation that could lead to an increase in our overall operational costs, exogenous shocks, such as the COVID-19 pandemic, and governmental regulations and policies which affect our stores' operations. Therefore, there is no guarantee that we can effectively control our costs and expenses and achieve or maintain profitability in the future.

Opening new stores could adversely affect our financial condition.

We expect to open new stores in cities across China, and we may enter markets where we have limited operating experience. Through our research of these markets, we believe that there is a substantial opportunity for growing our business and customer base in these markets. However, the competitive dynamics, consumer preferences and consumer spending patterns of new markets may be different from our existing markets. For example, despite our efforts to develop pizzas that are tailored for local palates, many consumers in Tier 2 cities may still prefer local Chinese cuisines. It may take longer than expected for us to develop our menu items and promote our brand locally to gain patronage from such consumers. Therefore, the sales volume and revenue from our new stores in new markets may ramp up slower than we expect. On the operating cost front, the initial running cost may be higher than we expect for these new stores in new markets. For instance, consumers in new markets may not be familiar with our brand and we may need to develop brand awareness in such markets, which may lead to higher advertising and promotion expenses than we expected. We may incur expenses with respect to new stores even before opening, such as rental expenses and staff compensation expense. We may find it more difficult in new markets to hire, inspire and retain qualified staff with the same concept and corporate culture recognition. As we continue to expand our store network, we may build new central kitchens when our existing central kitchens cannot support the operations of our new stores in terms of capacity and proximity. However, it may take a long time for these central kitchens to achieve the requisite operational efficiency for profitability. In addition, we may need more time to establish similar supply chain systems, logistics systems and suitable quality control systems in the new markets. As a result, we cannot assure you that we will be able to maintain or improve our financial condition and results of operations as we continue to expand into new markets and such failure may in turn affect our overall financial condition.

Furthermore, there can be no assurance that actual market demand will meet our expectations, which may result in the over-expansion of our store network. Such over-expansion will result in our inability to recoup our up-front and other investments, leading to significant losses and negative impacts on our liquidity. Therefore, we cannot assure you that we will be able to maintain or improve our financial condition and results of operations as we continue to expand into new markets and such failure may in turn affect our overall financial condition.

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Although we have grown rapidly, we cannot assure you that we will continue to grow at the same pace, or at all.

Our future growth in part depends on our ability to open and operate new stores. During the Track Record Period, we experienced rapid growth in the number of stores in our network. From January 1, 2020, the beginning of the Track Record Period, through to December 31, 2022, the end of the Track Record Period, the number of stores in our network grew from 268 to 588, representing an increase of 119.4%. We have adopted a plan to open approximately 180 new stores in 2023. Our future growth is also partly dependent on our ability to operate our existing stores effectively. We regard same-store sales growth, or SSSG, as a key performance metric that evaluates the operations of our existing stores. For the years ended December 31, 2020, 2021 and 2022, we achieved SSSG of 9.0%, 18.7% and 14.4%, respectively, and recorded positive SSSG during every quarter in the Track Record Period.

The number, timing and success of new stores to be opened and the operating results of our existing stores have been and will be subject to a number of risks and uncertainties, including but not limited to our ability to:

- maintain and enhance the quality of our products and services;
- retain existing customers and attract new customers;
- continually increase customer spending and to implement new initiatives to drive sales;
- continually increase same-store sales;
- identify and secure suitable store sites on commercially reasonable terms;
- effectively implement strategic plans to cope with potential deterioration or other changes to the neighborhood characteristics or demographics of the areas surrounding our stores;
- ensure full compliance with relevant laws and regulations, and maintain adequate and effective control, supervision and risk management of our stores;
- obtain adequate funding for the initial setup costs, including for design, renovation, marketing and other costs typically incurred for the opening of a new store;
- manage the overall costs of our operations, such as cost of raw materials, rental and other operating costs, and advertising and promotion expenses;
- accurately estimate consumer demand in existing and new locations and markets;
- maintain good relationships with third-party suppliers and service providers;

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- ensure a stable supply of fresh and high-quality food ingredients from reliable suppliers at reasonable prices and manage the inventory and logistics in an efficient manner at our central kitchens and across all of our stores;
- maintain the strength of our brand in existing markets and successfully promote our brand in new markets; and
- recruit, train and retain sufficient staff, such as store managers, kitchen staff and delivery riders.

Our expansion plan contemplates a more rapid pace of expansion than we have previously undergone in term of new stores to be opened every year and may place significant pressure on us in continuing our growth while ensuring the effective operation of our existing stores, which entails, among others, providing consistent and high-quality food and services, and stable, a user-friendly and technologically advanced online ordering system and ensuring compliance with the existing or new government regulations. We cannot assure you that our investments in opening and operating new stores will generate sufficient returns or have the expected effects on our business operations, if at all. There are no guarantees that we will be able to effectively manage any future growth in an efficient, cost-effective and timely manner, or at all. Our growth in a relatively short period of time is not necessarily indicative of our future results. If we do not effectively manage the growth, if any, of our business and operations, our results of operations and overall business and prospects could be negatively impacted.

Our business is affected by changes in consumer tastes and dining preferences, and we may not be able to anticipate, identify and react to these changes in a timely manner or at all.

Our business is affected by changes in consumer tastes and dining preferences, which are constantly changing and difficult to anticipate. We cannot assure you that we can anticipate or react to these changes in a timely manner or at all. During the COVID-19 pandemic, the Chinese government implemented various measures related to restaurants, such as restricting in-store visits, which accelerated the consumer adoption of food delivery as a regular dining habit. As a delivery-focused business, we benefited from this consumer trend. However, if the COVID-19 pandemic gradually eases in China, consumers' dining preferences may change, and consumers may rely less on delivery services for meals. If we fail to anticipate, identify and react to the changes in consumer tastes and dining preferences in a timely manner or at all, or if our competitors are able to react to these changes more effectively, we may face reduced consumer traffic, and our business, financial condition and results of operations may be materially and adversely affected.

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In addition, our new food products may not be successful, which could have an adverse impact on our business, results of operations and future prospects. In the event that such new product launches are not widely accepted by our customers, sales of our existing products may also be negatively impacted. Any negative publicity or perception about our food products could materially harm our business, results of operations and financial condition.

Our success depends on the awareness and popularity of our Domino's Pizza brand, and any damage to our brand, whether in our existing markets or new markets, could materially and adversely affect our business and results of operations.

We have successfully established the Domino's Pizza brand in China. We believe that maintaining and enhancing our brand to continuously attract consumers are vital to our continued success. Any incident that damages the image of our brand or erodes consumer trust in our brand may cause a material adverse impact on our business and results of operations. Our ability to maintain our brand awareness depends on various factors, some of which are beyond our control. Whether we can continue to maintain and enhance our brand image successfully highly depends on our ability to maintain our timely delivery, excellent taste, great value for money and a simple and convenient online ordering experience. If we are unable to do so, our brand value and image may be undermined, our businesses and results of operations may be adversely and materially affected. As we continue to grow in size, extend our geographic reach and expand our food and service offerings, maintaining the quality of our food and delivery service, consistency of the flavors of our food products and our value for money may become more challenging. If consumers perceive or experience a deterioration in the quality of our offerings, our brand value could suffer and the number of our customers may decline, which could have a material adverse impact on our business. Any events that will harm our reputation, such as liability claims, litigation, consumers' complaints, illegal activities conducted by consumers in our stores, other negative publicity of our food and delivery services, or any violation acts by our competitors such as using our brand illegally, may have a negative effect on our brand. Furthermore, the image of our brand may be affected by reviews made by consumers on the internet and social media platforms. We have no control over the content of such reviews or any photographs published by consumers in relation to our food and our delivery service. Any negative reviews or any such photographs or related content, regardless of their validity, may materially and adversely affect the image of our brand and the results of our operations. We cannot assure you that we will not receive any material consumer complaints or that no one will utilize our brand illegally, which may cause a material adverse effect on our future operation. Any act or violation that damages our reputation or brand may result in adverse impact on our financial condition and results of operations.

In addition, the Domino's Pizza trademark and related intellectual property are owned by Domino's IP Holder LLC, an affiliate of Domino's Pizza, Inc., and licensed to us in the China mainland, Hong Kong SAR, China and Macau SAR, China. Beside us, Domino's International also licenses its trademark and related intellectual property to entities in other international markets. Due to the nature of licensing and our agreements with Domino's International, our reputation and brand awareness in China are also directly affected by the brand strength of Domino's Pizza in other international markets. Any material liability claims, litigation,

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consumers' complaints, or other negative publicity relating to Domino's Pizza stores in other international markets, over which we do not have control, may have spillover effects and discourage our customers from ordering from us, resulting in negative impact on our brand image and reputation and ultimately our results of operations.

We are susceptible to outbreak, epidemic or pandemic of infectious or contagious diseases such as the COVID-19 pandemic, diseases of animals, food-borne illnesses as well as negative publicity relating to such incidents.

Any outbreak of food-borne diseases or epidemic occurrences, such as H5N1 avian flu, Middle East Respiratory Syndrome (MERS), Ebola, as well as influenza caused by H7N9, H5N6 and H2N2, and Swine Influenza (H1N1 virus) could disrupt the supply of our key food ingredients. An outbreak of any of the above diseases, or other diseases that have yet to become widespread, could therefore have a material adverse impact on our results of operations, financial condition and business prospects. Any outbreak, epidemic or pandemic of infectious or contagious diseases such as Severe Acute Respiratory Syndrome (SARS) and the novel coronavirus (COVID-19) in the regions in which we operate could lead to a reduction in our consumer traffic, our staffing and our revenue. As such diseases could have a material adverse impact on the macroeconomic condition of the affected regions, our business operations and financial performance could be negatively affected as a result. In addition, any negative publicity relating to the aforementioned and other health-related matters such as excessive level of medicine and chemicals contained in poultry and seafood, or outbreak of Bovine Spongiform Encephalopathy (also known as mad cow disease) may affect consumers' perception of food safety in general, which will consequently reduce consumer traffic at our stores and adversely affect our results of operations.

The COVID-19 pandemic has materially and adversely affected the global economy. In response, countries and regions around the world, including China, have imposed widespread lockdowns, closure of work places and restrictions on mobility and travel to contain the spread of COVID-19. In accordance with local public health guidelines, 30 of our stores suspended operations for a few days in February and March of 2020. In February and March of 2020 and during the second half of March 2022, we experienced temporary staffing shortage at some of our stores as a result of the travel restrictions and quarantine requirements that applied to some of our staff. In 2020, 2021 and 2022, 44, 34 and 470 of our stores closed temporarily for an average of 14, 5 and 25 days, respectively, due to the impact of the COVID-19 pandemic and the related control measures.

In the first half of 2022, as a result of COVID-19 outbreaks in certain regions of China, operations at some of our stores in Shanghai, Shenzhen and Beijing have been adversely impacted since mid-March of 2022 as a result of local governments' implementation of temporary lockdowns and travel restrictions. In April 2022, almost all of our stores in Shanghai were closed, for both dine-in and delivery, as a result of citywide lock-downs. Since mid-April, our stores in Shanghai have gradually been allowed to reopen. As of June 30, 2022, almost all of our stores in Shanghai were operating. In Shenzhen, our stores in the city were closed for one week in March. After the one-week citywide lockdown, our business returned to normal in Shenzhen. In Beijing, all dine-in services were suspended from May 1, 2022 to June 6, 2022,

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as a result of the COVID-19 control measures imposed by the local government. However, we continue to offer delivery services to our customers in Beijing. Due primarily to the impact of the COVID-19 pandemic and related control measures, our revenues in 2022 were approximately RMB30 million to RMB40 million lower than the management targets that we set at the beginning of the year. In addition to store closures, we experienced staffing shortages in Shanghai, particularly with respect to riders, because of the heightened health check requirements and citywide lockdown imposed by the local government there. Operations at our central kitchen in Shanghai were negatively impacted, and it became necessary for us to enlist our central kitchens in Sanhe, Hebei Province and Dongguan, Guangdong province to service stores originally covered by our central kitchen in Shanghai, resulting in higher logistics expense. In May 2022, our central kitchen in Shanghai resumed production. At the end of 2022, China began to modify its zero-COVID policy, and most of the travel restrictions and quarantine requirements were lifted in December. There were surges of cases in many cities during this time, which led to us experiencing temporary rider shortages, but did not otherwise materially impact our business. The future impact of COVID-19 remains uncertain, especially in light of this change in policy.

Despite these closures, staffing shortages and supply chain disruptions, we did not experience a material increase in our operational costs. Additionally, we received COVID-19 related government grants in 2020, 2021 and 2022. The total amount of government grants we received, which includes certain exemptions on value-added tax granted by the PRC government authorities and additional COVID-19 government grants granted by the PRC government, was RMB14.4 million, RMB2.8 million and RMB8.4 million in 2020, 2021 and 2022, respectively. For more information on the impact of COVID-19 on our operations, please see “Financial information – Impact of COVID-19 on operations”.

We cannot assure you that our efforts to limit the adverse impact of the pandemic will be effective or at all. Furthermore, businesses in the catering industry in China continue to be affected by the COVID-19 pandemic because of the emergence of new strains and mutated variants of COVID-19, including the Alpha, Beta, Gamma, Delta and Omicron variants, which are considered to be highly contagious and pose a serious public health threat. Hence, we may in the future experience additional disruptions that could materially and adversely impact our business operations, financial condition and results of operations, including but not limited to:

- disruptions in our supply chain;
- decrease in consumer traffic or consumer spending arising in connection with the COVID-19 outbreak;
- the possibility that one or more clusters of COVID-19 cases could occur at our stores or work places, or arise from our delivery riders’ interaction with our customers;

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- difficulties to adequately staff our central kitchens, stores or delivery service, due to our staff's fear of contracting COVID-19 or contraction of the virus;
- inability to implement our growth plans, including delays in construction of new stores and central kitchens; and
- additional regulations or requirements with respect to compensation of our employees.

To the extent that the COVID-19 pandemic adversely affects our business and operations, it may also have the effect of heightening many of the other risks described in this "Risk factors" section, such as those relating to our ability to effectively operate our existing stores, acquire new customers and raise sufficient capital on acceptable terms to support our continuous growth.

There are no comparable recent events that provide guidance as to the effect the COVID-19 pandemic may have, and as a result, the ultimate impact of the pandemic is highly uncertain and subject to change. We do not yet know the full extent of its impact on our business, operations or the global economy as a whole. The extent to which the pandemic impacts our results of operations going forward will depend on future developments which are highly uncertain and unpredictable, including the frequency, duration and extent of outbreaks of COVID-19, the appearance of new variants with different characteristics, the effectiveness of efforts to contain or treat cases, and future actions that may be taken in response to these developments. Consequently, the COVID-19 pandemic may materially affect our business, financial condition and results of operations in the current and future years.

Any failure to maintain effective quality control systems of our stores could have a material adverse effect on our business and operations.

The quality of the food we serve is critical to our success. Maintaining consistent food quality depends significantly on the effectiveness of our quality control systems, which in turn depends on a number of factors, including the design of our quality control systems and our ability to ensure that our employees adhere to those quality control policies and guidelines. Our quality control systems primarily cover (a) procurement and suppliers, (b) logistics, (c) central kitchens and restaurants, and (d) food delivery. For more information, please see "Business – Food safety and quality control". There is no assurance that our quality control systems will remain effective in the ever-changing pizza industry. Any significant failure or deterioration of our quality control systems could have a material adverse effect on our reputation, results of operations and financial condition.

We rely significantly on our Master Franchise Agreement with Domino's International for our business operations.

We rely significantly on our Master Franchise Agreement dated June 1, 2017 and the subsequent amendments thereto dated March 27, 2019, May 29, 2019, August 7, 2019, June 8, 2020 and March 24, 2022 with Domino's Pizza International Franchising Inc., or Domino's

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International. This agreement, as amended, provides us with the exclusive right to develop and operate Domino's Pizza stores and to use and license Domino's system and the associated trademarks in the operation of the pizza stores in China mainland, Hong Kong SAR, China and Macau SAR, China. The term of the Master Franchise Agreement continues until June 1, 2027 and is renewable at our option for two additional 10-year terms, subject to the fulfillment of certain conditions. Pursuant to the Master Franchise Agreement and Domino's International Store Operating Standards, we are required to seek approval of Domino's International for certain matters, such as the design of our store fronts. We cannot guarantee that Domino's International will not involve themselves in our operating activities in a way that limits our ability to take certain actions or cause a delay in us taking such actions. The Master Franchise Agreement may be terminated by Domino's International as a result of our breach of the agreement, including, without limitation, due to our bankruptcy, our failure to make royalty fee payments to Domino's International under the Master Franchise Agreement, our failure to keep the ingredients, supplies and materials used in the preparation, packaging and delivery, confidential and our failure to open the number of new stores as required under the Master Franchise Agreement. Furthermore, if Domino's International becomes entitled to terminate the Master Franchise Agreement, Domino's International may, at its option, choose to either reduce the licensed territory to any area within China as it may determine, or require the assignment to it of any Domino's Pizza stores controlled by us, in lieu of termination. Therefore, we may be unable to continue with our business operations as result of termination of the Master Franchise Agreement due to our default, or our inability to renew the Master Franchise Agreement upon expiry of its term. For more information, see "History, reorganization and corporate structure – Master Franchise Agreement", "Business – Master Franchise Arrangements", and "Connected transactions – Master Franchise Arrangements – Master Franchise Agreement".

We may in the future incur intangible asset impairment charges. Significant impairment of our intangible assets, which primarily include our master franchise agreement and goodwill, could materially and adversely impact our financial position and results of operations.

We carry a significant intangible asset balance on our balance sheet. Our intangible assets consist of goodwill, the Master Franchise Agreement, store franchise fees, acquired software and website, and proprietary website and mobile app. As of December 31, 2020, 2021 and 2022, the carrying amount of our intangible assets was RMB1,284.7 million, RMB1,254.0 million and RMB1,242.4 million, respectively. There has been no significant impairment of intangible assets during the Track Record Period. We may incur impairment charges on intangible assets in the future as we are actively expanding our store network and the performance of certain stores may not meet our expectation. We are required to review our intangible assets, including goodwill, for impairment on an annual basis or more frequently if events or changes in circumstances indicate evidence of impairment. The application of an intangible asset impairment test requires significant management judgment. Testing for the impairment of goodwill, which amounted to RMB360.5 million as of December 31, 2020, 2021 and 2022, requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires us to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable

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discount rate in order to calculate the present value of those cash flows. Based on the results of the impairment assessment, our Directors concluded that no impairment on goodwill had to be recognized as of the respective balance sheet dates. However, there are inherent uncertainties related to these factors and to our judgment in applying these factors to the assessment of goodwill recoverability. If our estimates and judgment are inaccurate, the fair value determined could be inaccurate and the impairment may not be recognized in a timely manner. If the fair value declines or events or changes in circumstances indicate a potential impairment, we may need to recognize impairment of our intangible assets, including goodwill, in the future, which could have a material adverse effect on our financial position and financial results.

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

During the Track Record Period, our net current liabilities decreased from RMB202.5 million as of December 31, 2020 to RMB65.0 million as of December 31, 2021 and increased from RMB65.0 million as of December 31, 2021 to RMB106.7 million as of December 31, 2022. As of January 31, 2023, we had net current liabilities of RMB118.2 million. Please refer to “Financial information – Discussion of certain key items of consolidated balance sheets” for further details.

Net current liabilities may expose us to certain liquidity risks and may constrain our operational flexibility, as well as adversely affect our ability to expand our business. Our future liquidity, the payment of trade and other payables (as and when they become due), will primarily depend on our ability to have adequate cash inflows from our operating activities and adequate external financing, which will be affected by our future operating performance and prevailing economic conditions, among 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 and on acceptable terms, or at all, may force us to abandon our development and expansion plans, and our businesses, financial positions and results of operations may be materially and adversely affected.

Our success relies on quality delivery service, and risks associated with our dedicated riders may adversely impact our reputation, business and financial performance.

We offer our customers a 30-minute delivery promise from the moment an order is placed. Therefore, we rely on our dedicated riders to fulfil our delivery orders, including both those placed on our own online channels and third-party channels, to make sure our food reaches consumers in a timely and reliable manner. Interruptions or failures in our delivery service, due to factors such as inclement weather, natural disasters or transportation disruptions, some of which are beyond our control, could impede us in fulfilling the 30-minute delivery promise. If our products are not delivered on time and in proper condition, our customers may refuse to accept our products and have less confidence in our delivery service, in which case our business and reputation may be adversely affected.

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In addition, using dedicated riders may subject us to additional risks. For example, we may be exposed to claims for personal injury, death or property damage resulting from traffic accidents caused by delivery riders in performing their services, even though we provide our riders with a Delivery Safety Work Manual before they take their first trips and offer them personal insurance. Such incidents may cause negative publicity in the local community and may negatively affect our brand image and reputation. In addition, as delivery riders interact directly with our customers, we may suffer substantial reputational harm from any misconduct, illegal actions or crimes committed by them. We cannot assure you that such incidents will not occur in the future. To the extent we are unable to provide satisfactory delivery service to our customers, we may suffer reputational damage, and our brand, business, financial condition and results of operations may be materially and adversely affected.

Our business, financial condition, and results of operations may be materially and adversely affected if we fail to acquire new customers or retain existing customers in a cost-effective manner.

Our ability to acquire new customers and retain existing customers in a cost-effective manner is critical to the continuing growth of our business and improving our profitability. We attract new customers through a combination of marketing content published through online and offline channels, and retain existing customers by encouraging those who are not registered on our app to join our loyalty program, as well as offering our existing customers coupons and other forms of promotions. We also collaborate with third-party ordering platforms to expand our sales channel and acquire new customers. We incurred advertising and promotion expenses of RMB86.3 million, RMB121.9 million and RMB116.8 million for the years ended December 31, 2020, 2021 and 2022, respectively, representing 7.8%, 7.6% and 5.8% of our total revenue in the same periods. We expect to continue to spend on advertising and promotion activities to attract new customers and retain existing ones. However, we may incur higher advertising and promotion expenses if social media platforms increase their charges on us for the maintenance and promotion of our accounts and content, respectively, or if there is an increase in the market price for utilizing offline marketing campaigns, such as billboards or subway advertising. Also, if the fees charged by third-party ordering platforms increase, our advertising and promotion expenses to revenue generated from these platforms will be higher. There is no guarantee that our customers will stick with us or that the net profits from new customers will outweigh the expense of acquiring them.

In addition, if our existing customers no longer find our food appealing or are unsatisfied with our services, or if our competitors deliver more appealing food products, rates, discounts, or customer service, our existing customers may lose interest in us, reduce their order frequency or even stop ordering from us. If we are unable to retain our existing customers or acquire new customers in a cost-effective manner, our revenues may decrease and our results of operations will be adversely affected.

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

Historically, we have invested significantly in a stack of digitalization and data tools to optimize our business operations and engage our customers. For example, our digitally integrated enterprise resource planning (ERP) system tracks the inventory of our food ingredients and other supplies in our supply chain to help us gauge inventory across the entire supply chain. For more information on the technologies that we use and develop, please see “Business – Our technology and data insights” and “Business – Supply chain management – Digitalization and automation”. As part of our business strategy, we intend to continue investing in the development of our technology infrastructure. 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 foregoing and other reasons, our prospects may be materially and adversely affected.

If our suppliers do not deliver quality food ingredients at competitive prices or in a timely manner, we may experience supply shortages and increased procurement costs.

The ability to source quality food ingredients at competitive prices in a timely manner is crucial to our business. Our ability to maintain consistent quality of food and maintain our menu offerings across our stores depends in part upon our ability to acquire quality food ingredients from reliable sources that meet our quality specifications in sufficient quantities. Purchases from our top five largest suppliers in each of 2020, 2021 and 2022 amounted to RMB151.3 million, RMB209.3 million and RMB271.0 million, respectively, and accounted for 28.5%, 29.6% and 28.3% of our total purchases in the respective periods. There can be no assurance that we will be able to maintain business relationships with our key suppliers.

The availability (in terms of type, variety and quality) and price of food ingredients may fluctuate and be volatile, and are subject to factors beyond our control, including seasonal fluctuations, climate conditions, natural disasters, general economic conditions, global demand, government policies and regulations including tariffs, and exchange rate fluctuations, each of which may affect our food costs or the stability of our supply. Our suppliers may also be affected by higher costs to produce the goods supplied to us, rising labor costs and other expenses that they pass through to their customers, which could result in higher costs for goods supplied to us. There is no guarantee that we will be able to maintain the purchase costs for food ingredients. In addition, there is no assurance that our current suppliers will always be able to meet our stringent quality control requirements in the future. If any of our suppliers do not perform adequately or otherwise fail to distribute quality food ingredients to us in a timely manner, we cannot assure you that we will be able to find suitable replacement suppliers on acceptable terms or within a reasonable time frame. Any failure to do so could increase our food costs and could cause shortages of food ingredients at our stores, which may cause us to remove certain items from the menus of one or more stores or cause us to replace certain food ingredients with others that may taste different. Any significant changes to our menus for a prolonged period of time could result in a significant reduction in revenue during the time affected by the shortage and could adversely affect our brand value.

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Any disruption of the operation of our central kitchens could adversely affect our business and operations.

We rely on our central kitchens to supply a majority of our semi-processed or processed food ingredients used in our stores. As of the Latest Practicable Date, we had three central kitchens that serve our stores across the 17 cities in which we operate. For more information on our central kitchens, please see “Business – Supply chain management – Our central kitchens”. Any disruption of operations at our central kitchens, such as electricity or water suspensions, or closure due to quarantine or disinfection measures, may affect our ability to distribute food ingredients to our stores in a timely manner, or at all, which may disrupt our stores’ ability to serve certain menu items or operate at all, whether temporarily or on a permanent basis. If we temporarily choose third-party suppliers to supply semi-processed or processed food ingredients due to such interruption, our operating costs may increase and we may not be able to maintain consistent food quality due to the short notice of such replacement measure. Alternatively, if we remove certain menu items from our store offerings, we may experience reduction in revenue and our brand value may suffer, resulting in adverse effect on our business and results of operations.

We may be subject to inventory obsolescence risk.

Our raw materials, semi-processed and processed food ingredients used in our stores procured from our suppliers have limited shelf life. As the age of these raw materials, semi-processed and processed food ingredients increases, our inventory obsolescence risk increases. Currently we operate central kitchens in order to effectively consolidate control over our inventory storage, inventory monitoring and logistics functions, but certain factors, such as the changing popularity of the relevant menu items and consumer demand at our stores, are beyond our control. As a result, we cannot guarantee that our inventories can be fully utilized within their shelf life. As our business expands, our inventory obsolescence risk may also increase commensurately with the increased purchase of inventories. Furthermore, any unpredicted and adverse changes to the optimal storage conditions at our stores or our central kitchens may expedite the deterioration of our inventories which in turn increase our inventory obsolescence risk.

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

In accordance with the PRC laws and regulations, we are required to hold various approvals, licenses and permits in order to operate our stores and our central kitchens. Each of our stores in the PRC is required to obtain an operation license issued by relevant Chinese government departments, and should carry out catering business within the business scope of the operation license. In addition, our stores are also subject to various regulations, which affect various aspects of our businesses in the cities where we operate, including but not limited to fire safety, food hygiene, environmental protection and control on indoor smoking. Each of our stores is required to obtain various licenses and permits in accordance with these

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regulations or carry out record filing procedures. Most of the licenses are subject to examinations or verifications by relevant authorities while some of the permits are valid only for a certain period of time and subject to renewal and accreditation. We may incur substantial cost in order to comply with government regulations, and any non-compliance may expose us to liability. We may be subject to fines, confiscation of income from relevant stores and termination of the operation of such existing or new stores lacking the required licenses and permits, or subject to suspension of sales of certain products in accordance with the relevant laws and regulations if we fail to deal with non-compliance events, to the extent that they occur, in a timely manner. We may also experience negative publicity arising from such non-compliance with government regulations that negatively impacts our brand and reputation. The occurrence of any one or more of the aforementioned events may have a material adverse impact on our businesses and results of operations. Please see “Regulations – Overview of PRC laws and regulations – Laws and regulations relating to the licenses and permits” and “Regulations – Regulations relating to fire prevention”.

PRC laws and regulations relating to food and catering industry change rapidly and may vary in terms of implementation in different regions. Following the issuance of the amended Fire Prevention Law and the subsequent Notice on the Full Implementation of the Notification and Commitment Management of Public Assembly Place Fire Safety Inspections before Commencement of Operations (關於貫徹實施新修改《中華人民共和國消防法》全面實行公眾聚集場所投入使用營業前消防安全檢查告知承諾管理的通知), Beijing Fire and Rescue Force requires all public assembly places in Beijing, regardless of property sizes, to obtain Fire Safety Inspection Approvals before beginning their operations since July 26, 2021. This regulatory change had caused us to incur extra time and costs in opening new stores. As of the Latest Practicable Date, a total of two stores, or approximately 0.3% of the total number of our stores as of the Latest Practicable Date, had not obtained the requisite Fire Safety Inspection Approvals. Although we had submitted the applications for Fire Safety Inspection Approvals for these stores, the processing had been prolonged due to the COVID-19 pandemic control measures. We cannot assure you that our applications will be approved in a timely manner or at all, and we may subject to fines or be required to cease the operations of these stores for the lack of such Fire Safety Inspection Approvals, although we had not received any such notices or warnings during the Track Record Period and up to the Latest Practicable Date.

In addition, government authorities may promulgate new laws, rules and regulations from time to time to strengthen the implementation of existing laws, rules and regulations, which may require us to obtain new and additional licenses, permits or approvals or otherwise increase our compliance costs. There may be great uncertainty in the interpretation and implementation of existing and future laws and regulations governing our business activities. If we fail to comply with the latest laws and regulations, we may experience material adverse impact on our business, financial condition and results of operations.

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Failure to comply with PRC regulations on labor dispatch may subject us to penalties.

During the Track Record Period, we engaged third-party employment agencies to hire dispatch workers. According to the Labor Contract Law of the PRC and the Interim Provisions on Labor Dispatch, the number of dispatched contract workers hired by an employer shall not exceed 10% of the total number of its employees (including both directly hired employees and dispatched contract workers). During the Track Record Period, we had one subsidiary using dispatched workers exceeding the 10% legal threshold, but we actively rectified the issue. By the end of the Track Record Period, we reduced the number of dispatched workers to below the 10% legal limit, and none of our subsidiaries had received any notice or been subject to any administrative penalties or other disciplinary actions. We cannot assure you that the relevant PRC authorities will not take actions against the relevant subsidiary for its past practice that may adversely affect our business, profitability and reputation.

Any significant liability claims or food contamination complaints from our customers could adversely affect our business and operations.

Our customers may submit or file complaints or claims against us regarding our food and services. Being in the catering industry, we face an inherent risk of food contamination, complaints and liability claims filed by our customers.

Our food quality depends partly on the quality of the food ingredients and raw materials provided by our suppliers and we may not be able to detect all defects in our supplies. Also, all of our raw materials, semi-processed and processed food ingredients used in our stores were initially handled by our central kitchens or our suppliers. Any food contamination occurring at our central kitchens or suppliers' facilities or during the transportation from our central kitchens or suppliers' facilities to our stores that we fail to detect or prevent could adversely affect the quality of the food delivered to our customers or served in our stores and consumer satisfaction. Due to the scale of our operations, we also face the risk that certain of our in-store employees may not adhere to our mandated procedures and requirements, which could expose us to additional risk of food contamination. Any failure to detect defective food supplies, or observe proper hygiene, cleanliness and other quality control requirements or standards in our operations could adversely affect the quality of the food we serve, which could lead to liability claims, complaints and related adverse publicity, reduced consumer traffic at our stores, the imposition of penalties against us by relevant authorities and compensation awards by courts.

We cannot assure you that we will not receive any material complaints, claims, orders or penalties in relation to food and health-related matters in the future. Any such incidents could materially harm our reputation, results of operations and financial condition. A multi-location restaurant business such as ours can also be adversely affected by negative publicity or news reports, whether accurate or not, regarding food quality issues, public health concerns, illness, safety, injury or government or industry findings concerning our stores or other service providers across the food industry supply chain. Any such negative publicity could materially harm our business and results of operations and result in damage to our brand.

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We may be unable to receive compensation from suppliers for contaminated raw materials used in the food sold in our stores and indemnity provisions in our supply contracts may be insufficient.

Our food quality is partly dependent on the quality of the raw materials and food ingredients provided by the suppliers. Our failure to discover the defects in the supply during our operation may lead to liability claims, complaints and negative publicity, a decrease in the customer traffic of our stores, the penalty by relevant authorities, and potential civil liabilities. If we face food safety claims due to contaminated or other defective raw materials, food ingredients and other goods from suppliers, we may try to seek compensation from the relevant suppliers. However, the compensation terms of our supply contracts may not be sufficient to cover loss of profits and indirect or joint losses. If the claim against the supplier is not established, or we are unable to recover the amount of the claim from the supplier, we may have to bear such losses and compensation by ourselves. Any of these events could adversely affect our reputation, results of operations and financial condition.

Our business operations and financial position may be materially and adversely affected by the macroeconomic conditions of the markets in which we operate.

Our businesses, financial positions, results of operations and development prospects are affected, to a significant extent, by the macroeconomic conditions in China and across the globe as well as by the economic conditions specific to our businesses. The activity level of the global economy, markets, consumers and businesses are influenced by many factors beyond our control. We generated all of our revenues from our store operations in China during the Track Record Period, the performance of which is closely related to the macroeconomic conditions of China. The growth of the Chinese economy has slowed down in recent years as compared to the previous years. According to National Bureau of Statistics of China, China's real GDP growth rate was 6.8% in 2017 and decreased to 6.6% in 2018 and 6.0% in 2019. As a result of the COVID-19 pandemic, in 2020, 2021 and 2022, China's real GDP growth rate was 2.3%, 8.4% and 3.0%, respectively. An economic downturn, whether actual or perceived, a further decrease in the economic growth rates or an uncertainty in the economic outlook in China or any other places where we operate may have a material adverse impact on consumer expenditure. In 2020, 2021 and 2022 the average sales value per order at our stores was RMB85.1, RMB90.5 and RMB93.2, respectively. Any deterioration of the Chinese economy, contraction of consumer expenditure on food, fear of a recession and decrease in consumer confidence may lead to reduction in the number of orders placed at our stores and through digital channels and the average sales value per order, which could materially and adversely affect our business, financial condition and results of operations. In addition, the monetary and fiscal policies imposed by the Chinese government in response to the COVID-19 pandemic may lead to growth in the money supply and accordingly inflation. If the amounts we charge our customers go up at a rate that is insufficient to compensate for the rise in our costs, our business may be materially and adversely affected.

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Our results of operations may fluctuate due to seasonality.

We have been subject to certain levels of seasonal fluctuations with respect to customer orders. For instance, we typically see more customer orders and generate higher sales during the summer and winter months, including January, July, August and December, driven by the school holidays and holiday seasons, as compared to the remaining months. Going forward, our financial condition and results of operations may fluctuate due to seasonality as we continue to expand our store network and our historical results of operations may not be comparable to or indicative of our future results of operations.

If we are unable to renew the leases of existing stores on commercially reasonable terms or are unable to open our stores in suitable store locations, our businesses, results of operations and ability to achieve growth strategies would be materially and adversely affected.

We compete with other store operators for suitable locations. In addition, some landlords and developers may offer priority or grant exclusive operating rights of desirable locations to our competitors. We cannot assure you that we will be able to enter into new lease agreements for suitable land lots or renew the existing lease agreements on commercially reasonable terms. We may need to negotiate the terms of renewal with lessors, who may insist on making material amendments to the terms and conditions of the lease agreement. If the rate of the renewed lease agreement is substantially higher than the current rate, or if other existing concessionary terms (if any) granted by the lessor are not extended, we must assess whether renewing the agreement in accordance with the amended terms is in our commercial interest. If we cannot renew the lease of the property for our stores for any reason, we will have to close or relocate the relevant stores, which could reduce the revenue contribution of that store during the period of closure and is subject to construction, decoration and other costs and risks or affect our existing customer base. In addition, the revenue and profit generated from the relocated stores could be lower than that before the relocation. Therefore, in case the lease agreement of the desirable store location is not obtained or the current lease agreement is not renewed at commercially reasonable conditions, our businesses, financial condition and results of operations might be materially and adversely affected.

Our rights to use some of our leased properties may be queried by property owners or other third parties, and we may be subject to fines as a result of unfiled leases which may adversely affect our business operations and financial position.

As of the Latest Practicable Date, with respect to 16 out of 611 of our leased properties in China, the lessors of such properties had still not provided us valid title certificates, or relevant proofs evidencing the legality of the construction of the leased properties, despite the proactive requests we previously made. The 16 leased properties have an aggregate GFA of 2,799.62 square meters, representing 2.76% of the total GFA of our leased properties in China. As advised by our PRC Legal Advisor, if the leased properties were deemed by competent government authorities as illegal constructions under relevant PRC laws and regulations, the relevant lease agreements would be invalid, and as a result, we may be required to vacate from

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the relevant properties and relocate our stores. In this event, our operation of stores in such properties may be impaired and we may not be adequately indemnified by the landlords for our related losses. Also, we will incur additional costs in relocating our stores to other suitable locations, thus affecting our business and financial condition. Furthermore, in the event that any lessor's right to lease was challenged by any party with third-party interests, or if some of our leased properties were challenged by competent government authorities because of the inconsistency between actual usage and prescribed usage in the title documents or due to the lack of construction completion that proves our ability to use, our occupation or lease of such properties is likely to be adversely affected.

Under PRC law, all lease agreements are required to be registered with the local land and real estate administration bureau. However, the enforcement of this legal requirement varies depending on the local regulations and practices. As advised by our PRC Legal Advisor, the relevant local housing authorities may require us to complete the registration process within the prescribed period, and we may be subject to penalties of RMB1,000 to RMB10,000 as a result of a delay in filing for each of such properties. As of the Latest Practicable Date, the lease agreements with respect to 556 out of 611 of our leased properties have not been registered with the relevant PRC government authorities. In the event that any fine is imposed on us for our failure to register our lease agreements, we may not be able to recover such losses from the lessors. See "Business – Properties and facilities".

Our operations are affected by risks related to the increase or fluctuation of rental cost, unexpected land acquisition, closure of buildings and demolition.

All of our stores are located in leased properties. Our rental expenses mainly include the depreciation charge of capitalized lease incurred by long-term leased properties for operating our stores and variable lease rental payment, short-term rental and other related expenses. In 2020, 2021 and 2022, our rental expenses amounted to RMB136.6 million, RMB180.0 million and RMB216.5 million, representing 12.4%, 11.2% and 10.7% of our total revenue for the corresponding period, respectively. As our depreciation of right-of-use assets and other rents and related fees are a considerable part of our total operating expenses, if the rental expenses for our stores increase significantly, our financial condition may be adversely affected.

Similar to the legal framework of eminent domain in other jurisdictions, such as the United States, the Chinese government may require a holder of land use rights to forfeit such rights for special eminent domain public purposes, in which event the government is required to compensate the holder of the forfeited land use rights. Under such circumstance, we will be forced to move to other locations, and this could in turn affect our businesses, financial condition and results of operations.

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

Our operations are vulnerable to interruption by fires, floods, typhoons, power failures and power shortages, hardware and software failures, computer viruses, terrorist attacks and other events beyond our control. Our business is also dependent on prompt delivery and transportation of our raw materials and food ingredients. Certain events, such as adverse weather conditions, natural disasters, severe traffic accidents and delays and labor strikes, could also lead to temporary suspension or disruption of our technology infrastructure, delayed or lost deliveries of food supplies to our central kitchens and our stores or delayed or lost deliveries of food to our customers, which may result in the loss of revenue or consumer claims. Perishable food ingredients, such as fresh, chilled or frozen food ingredients, may deteriorate due to delivery delays, malfunctioning of refrigeration facilities or poor handling during transportation by our suppliers or our logistics partners. This may result in failure to provide quality food and services to our customers, thereby adversely affecting our business and damaging our reputation. Fires, floods, earthquakes and terrorist attacks may lead to evacuations and other disruptions in our operations, which may also prevent us from providing quality food and service to consumers for an indefinite period of time, thereby affecting our business and damaging our reputation. Any such event could materially and adversely affect our business operations and results of operations.

Any significant disruption in our technology infrastructure, including as a result of disruptions to third-party platforms and services that we rely on, or our failure to maintain the satisfactory performance, security and integrity of our technology infrastructure would materially and adversely affect our business, reputation, financial condition and results of operations.

The proper functioning of our technology infrastructure is critical to our business as substantially all of our customers' orders are placed through digital channels. We rely on our technology to improve customer engagement and our operational efficiency, among others. The risks we face in relation to the disruption of our technology infrastructure include:

- We rely on certain third-party platforms and services, such as cloud services and payment services, to conduct our business and any interruptions or delays in such platforms and services may impair our normal operations. For example, in October 2020, our third-party cloud service provider experienced a critical system incident due to network failure. We were adversely impacted because our customers were unable to place online orders with us for three hours. Although we have taken measures to reduce our reliance on third-party platforms and services, we continue to rely on them in the ordinary course of our business, there is no assurance that we will not face similar disruptions in future.
- We may encounter problems when upgrading our technology infrastructure including our proprietary app and website, our mini program on social media platforms, computer systems and software. The development, upgrades and implementation of our technology infrastructure are complex processes. Issues not identified during pre-launch testing of new features or services on our app, website and mini program may only become evident when such features or services are made available to our entire customer base.

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- Our systems are potentially vulnerable to damage or interruption as a result of earthquakes, floods, fires, extreme temperatures, power loss, telecommunications failures, technical error, computer viruses, hacking and similar events.

These and other events may lead to the temporary or prolonged inaccessibility of our proprietary app and website and our mini program on social media platforms, interruption of our supply chain and delivery, leakage or permanent loss of customer data, interruptions or decreases in connection speed, or other events which would affect our operations. If we experience frequent or persistent service disruptions, whether caused by failures of our own systems or those of third-party platforms, we may not be able to consistently produce high quality food, make timely deliveries and provide a simple and convenient online ordering experience to our customers. Hence, our customer satisfaction may be significantly undermined, our reputation or relationships with our customers may be damaged and as a result, our customers may shift away from us and purchase food and beverages from our competitors, which may have a material adverse effect on our business, financial condition and results of operations.

The determination of the fair value changes of financial liabilities at fair value through profit or loss could affect our Group's financial performance.

We have issued to investors convertible senior ordinary shares. For more information about the terms of convertible senior ordinary shares including their conversion rights and redemption features, see Note 25 to the Accountants' Report set out in Appendix I to this document. We designate convertible senior ordinary shares as financial liabilities at FVPL. They are initially recognized at fair value. Any directly attributable transaction costs are recognized as expense in profit or loss. For the years ended December 31, 2020, 2021 and 2022, our fair value change of financial liabilities at FVPL was a loss of RMB13.9 million, a loss of RMB201.3 million and a loss of RMB1.9 million, respectively. See the Consolidated Statements of Comprehensive Income set out on page I-5 of Appendix I to this document. We use significant unobservable inputs, such as revenue growth rate, pre-tax discount rate, terminal growth rate and volatility, marketability, risk-free interest rate, expected rate of return and discount rate, in valuing of our convertible senior ordinary shares. The fair value change of convertible senior ordinary shares may significantly affect our financial position. Accordingly, such determination requires us to make significant estimates, which may be subject to material changes, and therefore inherently involves a certain degree of uncertainty. Factors beyond our control can significantly influence and cause adverse changes to the estimates we use and thereby affect the fair value of such liabilities. These factors include, but are not limited to, general economic conditions, changes in market interest rates and stability of the capital markets. Any of these factors, as well as others, could cause our estimates to vary from actual results, which could materially and adversely affect our results of financial condition.

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Uncertainties related to the recoverability of our deferred tax assets could materially and adversely affect our results of operations.

We recorded deferred tax assets of nil, RMB28.6 million and RMB37.2 million as of December 31, 2020, 2021 and 2022, respectively. We periodically assess the probability of the realization of deferred tax assets, using significant judgments and estimates with respect to, among other things, historical operating results, expectations of future earnings and tax planning strategies. In particular, deferred tax assets can only be recognized to the extent that it is probable that future taxable profits will be available against which the unused tax credits can be utilized. However, in view of factors beyond our control, such as general economic conditions and the ongoing development of the COVID-19 pandemic, there is no assurance that our expectation of future earnings will be accurate. Should our expectation of our future earnings prove to be inaccurate, we may not be able to recover our deferred tax assets which thereby could have an adverse effect on our results of operations.

We may not be able to fulfil our obligation in respect of the contract liabilities, which may impact our cash position.

We may not be able to fulfil our obligation in respect of the contract liabilities which may impact our cash position. We recorded contract liabilities of RMB17.3 million, RMB23.2 million and RMB31.1 million as of December 31, 2020, 2021 and 2022, respectively. Our contract liabilities mainly arise from award credits issued in the customer loyalty scheme and coupons for compensation of late delivery, both of which can be used in future consumptions in the stores and cannot be recognized as revenue. During the Track Record Period, the amount of contract liabilities relating to award credits was RMB15.1 million, RMB21.3 million and RMB27.1 million in 2020, 2021 and 2022, respectively, while the amount of contract liabilities relating to late coupons was RMB0.7 million, RMB0.8 million and RMB2.2 million in the same periods, respectively. We may fail to fulfil our obligations under our contracts with customers for various reasons beyond our control, which may significantly damage our reputation and brand image, and divert potential customers.

Our liquidity and financial condition may be materially and adversely affected if we fail to collect our rental deposits in a timely manner, or at all.

We may encounter difficulties in collecting rental deposits from our lessors. During the Track Record Period, all of our restaurants premises were operated on leased properties and a large amount of rental deposits need to be paid. Since we lease all of the properties for our restaurant operations, we are exposed to risks relating to the commercial real estate rental market, including unpredictable and potentially high occupancy costs. We generally enter into long-term leases of approximately 1 to 10 years with an option to renew for our restaurants. Rent under a substantial majority of our leases is fixed amounts and subject to incremental increases every two to three years as stipulated in the lease agreement. We renegotiate the terms and conditions, such as rent, when renewing substantially all of our leases. As a result, we may face risk in terms of recollecting our deposits if closure or demolition takes place on any of the properties housing our stores. Although our management's estimation and the related assumptions have been made in accordance with the information currently available to us, such estimation or assumptions may need to be adjusted if new information becomes known. In the event that the actual recoverability is lower than expected, or that our past provision for

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impairment of prepayments and other receivables becomes insufficient in light of the new information, we may need to make more provision for impairment, which may in turn materially and adversely affect our business, financial condition and results of operations. As of December 31, 2020, 2021 and 2022, the carrying amount of our prepayments, deposits and other receivables was RMB116.9 million, RMB115.4 million and RMB109.6 million, respectively.

If we fail to adopt new technologies to meet the evolving customer needs or emerging industry trends, our business may be materially and adversely affected.

To remain competitive, we must continue to stay abreast of the constantly evolving industry trends and to enhance and improve our technology accordingly. Our success will depend, in part, on our ability to introduce and apply technologies useful in our business to improve our customer experience and operating efficiency. Although we expect to continue investing in technology development, there can be no assurance that we will be able to use new technologies effectively to meet customer requirements. If we are unable to adapt in a cost-effective and timely manner in response to changing market conditions or customer preferences, whether for technical, legal, financial or other reasons, our business may be materially and adversely affected.

Our business depends on the performance of, and our long-term relationships with, third-party channels and third-party payment service providers.

Our food delivery business partly depends on the performance of and our long-term relationships with third-party channels. We allow our products to be listed on and ordered through their online platforms. In 2020, 2021 and 2022, approximately 51.8%, 47.3% and 43.2%, respectively, of our revenues were generated from third-party channels, with Meituan and Ele.me accounting for the majority of such revenues. Accordingly, if we fail to extend or renew the agreements with these ordering channels 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 the third-party channels could negatively impact our operating results. In addition, as third-party channels offer consumers a wide selection of restaurants in addition to ours, we compete on third-party channels for consumer orders. Certain third-party channels also offer their own customer loyalty programs. We cannot assure you that the competitiveness of our product offerings and our customer loyalty program on third-party channels will not decrease in the future, and any such decrease may result in a reduction in our customer reach or brand awareness, and may adversely affect our business and operating results.

In 2021 and 2022, approximately 98.3% and 99.5%, respectively, of our gross revenues (before the deduction of value-added tax) were generated by orders placed on either (i) our own online channels that were settled through digital payment methods, including Alipay, Weixin Pay, UnionPay and other digital payment methods or (ii) third-party channels. See “Business – Settlement and cash management” for a detailed breakdown. Therefore, the ability to accept digital payments through our own online channels or third party channels is critical to our business. We accept payments through third-party payment service providers, such as WeChat

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Pay, Alipay and Union Pay. If we fail to extend or renew the agreements with these mobile payment processors on acceptable terms or if these payment service providers are unwilling or unable to provide us with payment service 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 the third-party payment service providers, any defects, failures and interruptions in their systems could result in similar adverse effects on our business.

Security breaches and attacks against our systems and network, and any potentially resulting breach or failure to otherwise protect confidential and proprietary information could damage our reputation and negatively impact our business, as well as materially and adversely affect our financial condition and results of operations.

We collect, process and store significant amount of data concerning our customers, business partners and employees, including personal and transaction data involving our customers. We also rely on our computer systems and network infrastructure across our operations to conduct and monitor the daily operations of our stores, such as food production and food delivery, and to collect accurate up-to-date financial and operating data for business analysis. Substantially all of our sales are completed digitally, which makes our business operations dependent on the continued maintenance and enhancement of our computer systems and network infrastructure. Our cybersecurity measures may not detect or prevent all attempts to compromise our systems, including distributed denial-of-service attacks, viruses, malicious software, break-ins, phishing attacks, social engineering, security breaches or other attacks and similar disruptions that may jeopardize the security of information stored in and transmitted by our systems or that we otherwise maintain. Breaches of our cybersecurity measures could result in unauthorized access to our systems, misappropriation of information or data, deletion or modification of customer information, or a denial-of-service or other interruption to our business operations. In cases of ransomware attacks, we may be asked to make a large lump-sum payment in order to resume the operation of our system, which may materially and adversely impact our brand and financial condition. As techniques used to obtain unauthorized access to or sabotage systems change frequently and may not be known until launched against us or our third-party service providers, we may be unable to anticipate, or implement adequate measures to protect against, these attacks.

Advances in technology, the expertise of hackers, new discoveries in the field of cryptography or other events or developments could result in a compromise or breach of the technology that we use to protect confidential information. We may not be able to prevent third parties, especially hackers or other individuals or entities engaging in similar activities, from illegally obtaining such confidential or private information we hold as a result of our customers' visits to our website and use of our mobile application and mini program. Such individuals or entities obtaining our customers' confidential or private information may further engage in various other illegal activities using such information. In addition, we have limited control or influence over the security policies or measures adopted by third-party logistics and payment service providers. Any negative publicity on our website's, mobile application's, or mini program's safety or privacy protection mechanisms and policies, and any claims asserted

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against us or fines imposed upon us as a result of actual or perceived failures, could have a material and adverse effect on our public image, reputation, financial condition and results of operations. We cannot assure you that breaches of information security measures will not occur in the future. Any compromise of our information security or the information security measures of third-party service providers could have a material and adverse effect on our reputation, business, prospects, financial condition and results of operations.

Significant capital and other resources may be required to protect against information security breaches or to alleviate problems caused by such breaches or to comply with our privacy policies or privacy-related legal obligations. The resources required may increase over time as the methods used by hackers and others engaged in online criminal activities are increasingly sophisticated and constantly evolving. Any failure or perceived failure by us to prevent information security breaches or to comply with privacy policies or privacy-related legal obligations, any compromise of security that results in the unauthorized release or transfer of personally identifiable information or other user data, or any failure to comply with the reporting obligations of cybersecurity incidents as required by various laws and regulations to the relevant competent authorities could cause our customers to lose trust in us and could expose us to legal claims or administrative penalties. Any perception by the public that online transactions or the privacy of user information are becoming increasingly unsafe or vulnerable to attacks may reduce the number of orders we receive, inhibit the growth of our business and adversely impact our reputation and results of operations.

Our business is subject to complex and evolving laws and regulations regarding cybersecurity, privacy, data protection and information security in China. Any privacy or data security breach or failure to comply with these laws and regulations could damage our reputation and brand and substantially harm our business and results of operations.

In recent years, government authorities across the world have been increasingly focusing on privacy and data protection. In particular, the Chinese government has enacted a series of laws and regulations on the protection of personally identifiable data in the past few years. The laws and regulations regarding privacy and data protection are generally complex and evolving, with uncertainty as to the interpretation and application thereof. As such, we cannot assure you that our privacy and data protection measures are, and will be, always considered sufficient under applicable laws and regulations. For example, in August 2022, we were the subject of a notice, issued by the relevant authorities requiring us to complete certain rectification measures with respect to our app on Baidu Mobile Assistant by September 5, 2022. The rectification measures required the technical removal of the recurring location request from the app if the request had already been rejected by the user. As of the date of this document, we have taken immediate rectification measures to ensure compliance with the relevant laws and regulations according to the notice, and we have not been subject to any administrative penalties in relation to data and personal information protection. Additionally, the effectiveness of our privacy and data protection measures is also subject to system failure, interruption, inadequacy, security breaches or cyberattacks. If we are unable to comply with the

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then-applicable laws and regulations, or to address any privacy and data protection concerns, such actual or alleged failure could damage our reputation, deter current and potential customers from ordering from us and could subject us to significant legal, financial, and operational consequences.

We may be subject to laws and regulations regarding privacy and data protection in China, including, among others, the Cybersecurity Law, the Civil Code, the Law on the Protection of Consumer Rights and Interests, and the Personal Information Protection Law, accentuating the importance of personal information processors' obligations and responsibilities for personal information protection. Such laws and regulations include restrictions on the collection, use and storage of personal information and requirements to take steps to prevent personal data from being divulged, stolen, illegally transferred or tampered with. For example, the CAC issued the Measures for the Security Assessment of Outbound Data Transfer (《數據出境安全評估辦法》) (the "**Measures**") on July 7, 2022, which took effect on September 1, 2022. The Measures shall apply to the security assessment of data processors' provision of important data and personal information collected and generated in their operations within the territory of the PRC to overseas recipients. The Measures require relevant data processors to submit a data security assessment to the CAC for review prior to the outbound data transfer activities in order to prevent illegal data transfer activities. Under the Personal Information Protection Law, if a company wishes to collect or use personal information, the collection of personal information must be limited to the minimum scope necessary for achieving the processing purpose and shall not be excessive. It is also required under the Personal Information Protection Law that the processing of personal information must be carried out with clear and reasonable purposes and be directly related to such purposes, in a manner that has the minimum impact on the rights and interests of individuals. Further, it must disclose to its users the purpose, method and scope of any such collection or use, and must have appropriate legal basis under applicable laws and regulations, such as the consent from its users whose information is being collected or used. Since we offer our products and services to end customers through online channels, our operations may fall under the purview of laws and regulations governing the collection and processing of personal information, pursuant to which we may be deemed to be Internet service providers. Internet service providers are also required to establish and publish their rules relating to personal information collection or use, keep any collected information strictly confidential and take technological and other measures to maintain the security of such information.

In addition, on June 10, 2021, the Standing Committee of the National People's Congress issued the Data Security Law (《數據安全法》) to regulate data processing activities and security supervision in the PRC, which took effect on September 1, 2021. The Data Security Law provides a national data security review system, under which data processing activities that affect or may affect national security shall be reviewed. Any organizational or individual data processing activities that violate the Data Security Law shall bear the corresponding civil, administrative or criminal liabilities depending on specific circumstances. On December 28, 2021, the Cyberspace Administration of China (the "**CAC**") adopted the updated Cybersecurity Review Measures (《網絡安全審查辦法》), which came into effect on February 15, 2022. Pursuant to the updated Cybersecurity Review Measures, if a critical information infrastructure

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operator (the “**CIIO**”) purchases internet products and services, or an internet platform operator carries out data processing activities, which implicate or might implicate national security, such operators should be subject to cybersecurity review by the Cybersecurity Review Office of the CAC. Due to the lack of further interpretations, the exact scopes of “**CIIO**” and “internet platform operator” under the updated Cybersecurity Review Measures remain unclear. On March 4, 2022, our PRC Legal Advisor and the Sole Sponsor’s PRC Legal Advisor together made a telephone consultation with the China Cybersecurity Review Technology and Certification Center (中國網絡安全審查技術與認證中心) (the “**CCRTCC**”), the department responsible for accepting applications for cybersecurity review and conducting formality review under the guidance of Cybersecurity Review Office of the CAC, and based on the results of this consultation, we are not required to initiate a submission for cybersecurity review in connection with the Listing under the updated Cybersecurity Review Measures. On November 14, 2021, the CAC publicly solicited opinions on the Regulations on the Administration of Cyber Data Security (Draft for Comments) (《網絡數據安全管理條例(徵求意見稿)》) (the “**Draft Data Security Regulations**”), which requires data processors to comply with certain requirements during their daily operation and further stipulates that data processors shall apply for cybersecurity reviews in certain situations including any data processor intending to be listed in Hong Kong that affects or may affect national security. However, the Draft Data Security Regulations does not specify what constitutes “affects or may affect national security”, and the PRC government authorities may have broad discretions in the interpretation of “affects or may affect national security”. For detailed information, please refer to “Regulations – Overview of PRC laws and regulations – Regulations relating to information security and data protection”. As of the Latest Practicable Date, the Draft Data Security Regulations has not been formally adopted. We cannot guarantee whether we will be subject to the cybersecurity review or if new rules or regulations promulgated in the future will impose additional compliance requirements on us.

We may be subject to laws and regulations relating to the security and privacy of data, including the collection, use and storage of personal information, of jurisdictions other than the PRC. Any failure, or perceived failure, by us, or by our partners, to maintain the security of our user data or to comply with applicable PRC or foreign privacy, data security and personal information protection laws, regulations, policies, contractual provisions, industry standards and other requirements may result in civil or regulatory liability, including governmental or data protection authority enforcement actions and investigations, fines, penalties, enforcement orders requiring us to cease operating in a certain way, litigation or adverse publicity, and may require us to expend significant resources in responding to and defending allegations and claims. Moreover, claims or allegations that we have failed to adequately protect our customers’ data, or otherwise violated applicable privacy and data security laws, regulations, policies, contractual provisions, industry standards or other requirements, may result in damage to our reputation and a loss of confidence in us by our customers or business partners, potentially causing us to lose customers and business partners and thereby losing revenue, which could have a material adverse effect on our business, financial condition and results of operations and could cause our stock price to drop significantly.

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We rely on the proper operation and maintenance of the internet infrastructure and telecommunications networks in China. Any malfunction, capacity constraint or operation interruption may have an adverse impact on our business.

Currently, substantially all of our customers' orders are placed through digital channels. Therefore, our business depends on the performance and reliability of the internet infrastructure in China. Access to internet in China is maintained through state-owned telecommunications carriers under administrative control, and we obtain access to end-user networks operated by such telecommunications carriers and internet service providers, as well as cloud service providers, to give consumers access to our digital platform. The failure of telecommunications network operators to provide us with the requisite bandwidth could also interfere with the speed and availability of our digital platform. Service interruptions caused by internet service providers or cloud service providers prevent consumers from accessing our digital platform and place orders, and frequent interruptions could frustrate consumers and discourage them from attempting to order food from us, which could cause us to lose current and potential customers and harm our financial condition and results of operations.

We have limited insurance coverage, which could expose us to significant costs and business disruption.

There are losses we may incur that cannot be insured against or that we believe are not commercially reasonable to insure, such as loss of reputation. In addition, we cannot assure you that our insurance coverage is sufficient to prevent us from any loss or that we will be able to successfully claim our losses under our current insurance policy on a timely basis, or at all. If we incur any loss that is not covered by our insurance policies, or the compensated amount is significantly less than our actual loss, our business, financial condition and results of operations could be materially and adversely affected.

We or Domino's International may not be able to adequately protect our intellectual property, which could harm the value of our brand and adversely affect our businesses and operations.

We depend in large part on the Domino's Pizza brand and believe that it is very important to our business. Domino's International, which has licensed to us the right to use the Domino's trademarks and logo pursuant to the Master Franchise Agreement and related Trademark License Agreement, relies on a combination of trademarks, service marks and similar intellectual property rights to protect its brand and branded products. The success of our business depends, in part, on our continued ability to use the existing Domino's trademarks and service marks in order to increase brand awareness. Although Domino's International has registered or in the process of registering each of its trademarks and logos that distinguish its products for trade mark protection in the PRC and other relevant jurisdictions, the actions taken by us or Domino's International may be inadequate to prevent imitation of the Domino's Pizza brand and concepts by others. If the efforts to protect this intellectual property prove to be inadequate, the value of the Domino's Pizza brand could be harmed, which could adversely affect our business, results of operations and financial condition. Furthermore, if in the sole

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discretion of Domino's International, if it becomes advisable at any time for our Company to discontinue or modify use of any of the marks or use one or more additional or substitute marks, our Company will have to agree to do so and the sole obligation of Domino's International in such event shall be to reimburse our Company for our tangible costs of complying with the aforesaid obligation. If Domino's International withdraws its mark, we will not be able to make use of the Domino's mark or logo in connection with our business and consequently, we may be unable to capitalize on the brand recognition associated with the same. Accordingly, we may be required to invest significant resources in developing a new brand.

We believe that the Domino's Pizza brand is essential to our success and our competitive position. Although we have registered trademarks and have trademark applications pending in the PRC, these steps may not be adequate to protect our intellectual property. There is no assurance that any of our pending trademark applications will be granted. We cannot assure you that the registrations will be successfully completed. If we fail to secure the registration of any trademarks under application, or if we are held by any court or tribunal to be infringing on any trademark of others, our business may be adversely affected. Please see "Statutory and general information" in Appendix IV for more information.

In the past, we have found that certain third parties used or imitated our trademarks or trade names without our authorization to operate stores. Such unauthorized use of our trademarks, trade names and trade secrets by third parties may damage our reputation and brand. If the operation activities of third parties who used or imitated our trademarks or trade names without our authorization result in adverse impacts on our customers, we may be associated with negative publicity as a result. Preventing trademark and trade name infringement and trade secret misappropriation in China is difficult, costly and time-consuming. In the future, we may, from time to time, institute litigation to protect and enforce our trademarks and other intellectual property rights, and to protect our trade secrets. Such litigations could result in substantial costs and shift of resources, which could negatively affect our sales, financial condition and prospects. Furthermore, the application of laws governing intellectual property rights in China is uncertain and evolving, which could involve substantial risks to us. Even if any such litigation is ruled in our favor, we may not be able to successfully enforce the judgment and remedies awarded by the court and such remedies may not be adequate to compensate us for our actual or anticipated losses, whether tangible or intangible.

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

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Our failure to protect proprietary information about our recipes and other trade secrets could adversely affect our competitive position.

We keep the recipe of our products confidential. However, third parties may infringe upon our intellectual property rights or misappropriate our proprietary knowledge, which could have a material adverse effect on our businesses, financial condition or results of operations. There can be no assurance that our employees and suppliers will not breach their confidentiality agreements or leak the recipe or other trade secrets to our competitors. Our confidentiality and non-compete agreements with key personnel and other precautionary procedures to protect our proprietary recipes and other trade secrets may not be sufficient. In addition, Domino's International may deem such leakage of confidential information to be a breach of the Master Franchise Agreement and seek to terminate the Master Franchise Agreement. For more details on the risks related to the Master Franchise Agreement, see “– We rely significantly on our Master Franchise Agreement with Domino's International for our business operations”.

We may be exposed to intellectual property infringement claims by third parties, which may disrupt our business, cause us to incur substantial legal costs, or damage our reputation.

We enter into license agreements with software service providers in the ordinary course of business, through which we have obtained the rights to use certain servers and services to support the operation and management of our stores. There is no guarantee that any third parties will not in the future assert that we have infringed, misappropriated or otherwise violate their intellectual property rights. Any intellectual property claim against us, regardless of merit, could damage our reputation and have a material and adverse impact on our business, financial condition and results of operations.

In addition, we may be unaware of intellectual property registrations or applications relating to our business that may give rise to potential objection against the registration of trademarks associated with our brand or even infringement claims against us. As a result, we may fail to successfully register our trademarks or face claims of infringement of third parties' intellectual property rights. We cannot assure you that we will not be subject to trademark litigation or disputes in the future.

Third parties making infringement claims against us may be able to obtain an injunction to prevent us from operating our stores, which may materially and adversely affect our business and financial performance. Litigation could be expensive and time-consuming and could divert management attention from our business. A successful infringement claim against us could require us to pay substantial damages. We may be forced to redevelop a new brand for our stores.

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Our success depends on our key personnel and our business may be materially and adversely affected if we are unable to retain them or if they are not able to successfully manage our growing operations.

Our future success depends on the ability of our key management personnel to work together and successfully implement our growth strategy while maintaining the strength of our brand. Our future success also depends upon the continuing services and performance of our key management personnel, including our Directors and members of our senior management. We aim to continue to attract, retain and motivate a sufficient number of qualified management and operating personnel to maintain consistency in the quality of our food and service and to implement our business strategy. We may need to offer attractive compensation and other benefits package, including share-based compensation, to attract and retain them. If our key management personnel fail to work together successfully, or if one or more of our key management personnel is unable to effectively implement our business strategy, our business may not grow at our expected pace or at all. Competition for experienced management and operating personnel in the catering industry is intense, and the pool of qualified candidates is limited. We may not be able to retain our key management and operating personnel or attract suitable management and operating personnel in the future. If any key personnel are unable or unwilling to continue in their present positions, we may not be able to replace them easily or at all, and 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, we may lose business secrets and knowhow as a result. Any failure to attract, retain and motivate these key personnel may harm our reputation and result in a loss of business.

We engage some riders through third-party delivery service providers to support part of our operations and therefore may not have sufficient control over the outsourced personnel.

We engage some delivery riders to support our delivery service through third-party delivery service providers (“**Delivery Service Providers**”) on an as-needed basis. These outsourced riders primarily help us maintain a sufficient and flexible level of riders during period of high demand. During the Track Record Period, we entered into agreements with the Delivery Service Providers, but we did not have any direct labor contract relationship with the outsourced personnel, and therefore may not have sufficient control over the outsourced personnel. See “Business – Employees” for details. If any of the outsourced riders fails to follow the instructions, policies and business guidelines formulated by Delivery Service Providers in accordance with our requirements, our market reputation, brand image and results of operations may be materially and adversely affected. Therefore, we may assume legal liability and economic losses, and our reputation, brand image, financial position and results of operations may be materially and adversely affected.

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Our businesses may be adversely affected by difficulties in the recruitment and retention of employees.

We believe that hiring, motivating and retaining qualified employees are critical to our success. Our success depends in part upon our ability to attract, retain and motivate a sufficient number of qualified employees, including store managers, kitchen staff and delivery riders. The competition for labor force in the catering industry in the markets in which we operate is intense. Being a large-scale restaurant group, we have a large number of staff. There is no assurance that we will be able to recruit, train and retain sufficient staff and effectively manage them in order to sustain our operations and development. If we are unable to hire and retain enough qualified employees, the operation of our existing stores and our expansion plan may be disrupted, which could have a material adverse impact on our business and results of operations.

Our success depends on the ability to remain competitive in the China pizza market.

The China pizza market is highly competitive in the aspects of food quality and consistency, value for money, customer service, store locations, supply of quality food ingredients, the availability and quality of delivery carryout and dine-in services, brand recognition, and other factors. We primarily target the mid- to high-end market with a broad guest base in major cities in China, and we compete against other chain and single-store western cuisine restaurants. Many of our competitors have stores or restaurants located in close proximity to our stores and compete directly with us. Furthermore, new competitors may appear from time to time, which may further intensify the competition. In particular, these competitors may start to provide products and services with similar styles. Our ability to remain competitive in the pizza industry depends on various factors, including successful implementation of the expansion strategies of our store network and the ability to maintain and enhance the quality of our food products and services, develop and launch new products that match local palates, improve the efficiency of supply chain, improve our technology infrastructure and enhance value for money. In addition, many online platforms compete with us over delivery riders by offering them higher wages. Our failure to compete successfully may prevent us from increasing or maintaining revenue, affect our ability to improve our profitability, and result in losses of market shares. In this regard, our businesses, financial positions, results of operations and cash flow may be affected materially and adversely.

If the wage levels in the catering industry in the markets in which we operate increase, our financial performance may be materially and adversely affected.

Staff costs are one of the major costs of our business. For the years ended December 31, 2020, 2021 and 2022, our store-level salary-based expense amounted to RMB316.0 million, RMB462.6 million and RMB577.3 million, representing 28.6%, 28.7% and 28.6% of our total revenue, respectively.

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Wage levels in the catering industry in the markets in which we operate have been increasing in recent years. The Chinese economy has achieved significant growth in the past 20 years, and this has led to an increase in the average labor costs. It is expected that the overall economy and average wage in China will continue to grow.

The Labor Law of the PRC and The Labor Contract Law of the PRC stipulate overtime, pensions, layoffs, labor contracts, workers' rights and benefits and also stipulate specific standards and procedures for terminating labor contracts. In addition, the Labor Contract Law required that, in most cases, including the expiration of a fixed-term contract, the payment of statutory severance should be made when the labor contract is terminated. To comply with the PRC labor-related laws and regulations, we need to continue to invest in operating expenses, especially our personnel expenses. Please refer to "Regulations – Overview of PRC laws and regulations – Regulations related to labor" for further details.

The shortage of labor force, such as delivery riders, or any substantial increase in the labor costs will weaken our competitive advantages and have a material adverse effect on our businesses, financial positions and results of operations. If there is any increase in the statutory minimum wage in China or if any additional legislation is enacted in China resulting in an increase in employee's benefits and welfare to be borne by employers, our staff costs may increase as a result. There is no assurance that we will be able to pass the increased staff costs onto our customers by increasing our menu prices. If any of the above risks materialize, our financial performance may be materially and adversely affected.

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

We cannot assure you that there will not be any instances of fraud, theft and other misconduct involving employees, customers and other third parties that may have a material adverse impact on our business and results of operations in the future. 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, harm our reputation and may have a material adverse effect on our business and results of operations.

Share-based compensation may cause shareholding dilution to our existing Shareholders and have a material and adverse effect on our financial performance.

We adopted share incentive schemes for the benefit of our employees as remuneration for their services provided to us and to incentivize and reward the eligible persons who have contributed to the success of our Company. For details, see "Statutory and general information – Share Incentive Plans and bonus plans" in Appendix IV. We also pay share-based compensation to Directors as directors' service fee. For details of our share-based compensation, see "Financial information – Major components of our results of operations – Staff compensation expense". After the end of the Track Record Period, we awarded certain share-based awards to our directors and employees, as detailed in Note 35 of Appendix I to this

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document. To further incentivize our employees to contribute to us, we may pay additional share-based compensation in the future. Issuance of Shares with respect to such share-based payment may dilute the shareholding percentage of our existing Shareholders. Expenses incurred with respect to such share-based payment may also significantly increase our operating expenses and therefore have a material and adverse effect on our financial performance.

On November 15, 2022, the Board approved the adoption of (i) a one-off IPO cash bonus plan (the “**Cash Bonus Plan**”) for 12 existing senior management and other key employees of the Group, and (ii) a one-off share appreciation linked bonus plan for our CEO (the “**Share Appreciation Bonus Plan**”) (together, the “**Bonus Plans**”). The Bonus Plans, both of which are cash-based, will be implemented only if the Global Offering is completed. The total amount of the Cash Bonus Plan is estimated to be between approximately US\$2.3 million and US\$5.6 million. The final Cash Bonus Plan amount will be determined when the final Offer Price has been determined. The Share Appreciation Bonus Plan payment is calculated based on 0.5% of the Company’s post-money IPO equity valuation at Listing and adjusted upward or downward by 0.8% of the increase or decrease of the Company’s market capitalization based on the average closing share price in the five trading days immediately prior to the first anniversary of the Listing Date, subject to a floor of zero. We are unable to predict the actual amount of the bonus payouts. In the event of a significant appreciation of our stock price following the IPO, we will be obligated to devote significant amount of cash towards the payment of the bonus.

We may need additional funds to provide funding for our operation which may not be available under conditions acceptable to us, or at all. If we can raise equity capital, the value of your investment may be adversely affected. In addition, the fair value change of convertible Senior Ordinary Shares would affect our financial performance and result in valuation uncertainty.

We may need additional cash resources to support our continuing growth or other development in the future, including investments or acquisitions that we may decide to make. If our funding need is greater than our financial resources, we will need to seek additional funding or postpone our planned expenditure. We cannot guarantee that we can obtain additional funding on terms acceptable to us or successfully obtain any funding. In addition, our ability to raise additional funding in the future is subject to a number of uncertain factors, including but not limited to:

- our future financial position, results of operations and cash flow;
- the overall market conditions of equity and debt financing activities; and
- the economic, political and other conditions in China and other regions.

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In 2020 and 2021, we issued 8,651,546 and 9,449,473 fully paid convertible Senior Ordinary Shares, respectively. For further information regarding our convertible Senior Ordinary Shares, see “History, reorganization and corporate structure – Pre-IPO Investments”. The convertible Senior Ordinary Shares were recorded as financial liability at fair value through profit and loss on our consolidated financial statements. Upon the Listing, all convertible Senior Ordinary Shares will be converted into ordinary shares. The fair value of the convertible Senior Ordinary Shares was principally developed through the application of discounted cash flow model and equity allocation, considering the key assumptions of revenue growth rate, pre-tax discount rate, terminal growth rate and volatility. The fair value change of the convertible Senior Ordinary Shares may significantly affect our financial position and results of operations. Accordingly, determination of the fair value requires us to make significant estimates, which may be subject to material changes, and therefore inherently involves a certain degree of uncertainty.

In addition, if we raise additional funding through equity or equity related financing, your equity interest in our Company may be diluted. If we seek additional funds through debt instruments, there is no guarantee that they will be available on terms favorable to us due to several factors, including the terms of our existing indebtedness and trends in the global capital and credit markets. If adequate funds are not available on acceptable terms, we may be forced to reduce our operations or delay, limit or abandon expansion opportunities. Moreover, even if we are able to continue our operations, the failure to obtain additional financing could adversely affect our ability to compete. If the debt instruments are available to us on acceptable terms, the terms of such instruments may increase our interest expenses or restrict our financial and operating flexibility. We may be subject to multiple covenants under the relevant debt instruments, which in turn may, among other things, restrict our ability to pay dividends or obtain additional financing. The fulfillment of debt obligations may also impose a burden on our operations. If we fail to fulfill our debt obligations or comply with any of such covenants, we may breach such debt obligations and our liquidity and financial condition may be adversely affected.

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

With the rising awareness of environmental, social and governance (“ESG”) issues, including with respect to food and packaging waste, greenhouse gas emissions and environmental protection, there may be the adoption of more stringent laws and regulations that affect our business operations. Accordingly, we may need to devote more effort and resources to ensure our compliance with such laws or regulations. We have adopted a series of measures aiming to ensure our compliance with the ESG-related laws and regulations applicable to us, as described in “Business – Environmental, Social and Governance”. We cannot assure you that these risk management measures can effectively mitigate the relevant risks and help us 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 and financial performance may be materially and adversely affected.

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We may not be able to continue to obtain government grants or value-added tax additional deductions.

For the years ended December 31, 2020, 2021 and 2022, we recorded government grants income of RMB14.4 million, RMB2.8 million and RMB8.4 million. For the year ended December 31, 2022, we also recorded value-added tax additional deductions of RMB30.4 million. Government grants mainly represented exemptions on value-added tax granted by the government authorities in the PRC which were applicable to certain subsidiaries of the Group, and the additional COVID-19 subsidies granted by the government authorities in the PRC in 2020, 2021 and 2022. Value-added tax additional deductions in 2022 primarily represent additional deductions granted by the PRC government authorities in certain service sectors. The availability of these additional deductions in the future depends on whether the policy providing for such deductions will be extended in future periods. Although the policy has been periodically renewed in the past, there is no assurance that the policy will be renewed in the future or that, if it is renewed, we would be eligible for deductions thereunder. For further details, see Note 8 to Appendix I of this document. We cannot guarantee that we will be able to continue to obtain government grants or benefit from value-added tax additional deductions, which may adversely affect our financial performance in the future.

RISKS RELATED TO DOING BUSINESS IN CHINA

The current tensions in international trade and rising political tensions, particularly between the United States and China, may adversely impact our business, financial condition and results of operations.

International market conditions and the international regulatory environment have historically been affected by competition among countries and geopolitical frictions. Changes to trade policies, treaties and tariffs, or the perception that these changes could occur, could adversely affect the global financial and economic conditions. There have been political matters that resulted in increased tensions between the U.S. and China. In addition, China has implemented, and may further implement, measures in response to new trade policies, treaties and tariffs initiated by the U.S. government. Such measures may further escalate the tensions between the countries or even lead to a trade war. Any further escalation in trade tensions between China and the U.S. or a trade war, or the perception that such escalation or trade war could occur, may have negative impact on the economies of not only the two countries concerned, but the global economy as a whole. As we import raw materials and food ingredients from the U.S., such as pizza sauce, to produce our menu items, our supply chain and food production process may be adversely affected by such economic and political tensions. Additionally, because our franchisor is a U.S. business, any further escalation of the political, business, economic and trade relations between China and the U.S. may trigger negative consumer sentiment towards western brands in China and cause our customers to switch away from our brand and purchase food and beverages from our domestic competitors. As a result, our business, results of operations and prospects may be adversely affected.

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Uncertainties in the interpretation and enforcement of PRC laws and regulations could limit the legal protections available to you and us.

The PRC legal system is based on written statutes, and court decisions have limited precedential value. The PRC legal system is evolving rapidly, and the interpretations of many laws, regulations and rules may contain inconsistencies and enforcement of these laws, regulations and rules involves uncertainties.

From time to time, we may have to resort to administrative and court proceedings to enforce our legal rights. However, since PRC judicial and administrative authorities have significant discretion in interpreting and implementing statutory and contractual terms, it may be more difficult to predict the outcome of a judicial or administrative proceeding than in more developed legal systems. Furthermore, the PRC legal system is based, in part, on government policies and internal rules, some of which are not published in a timely manner, or at all, but which may have retroactive effect. As a result, we may not always be aware of any potential violation of these policies and rules. Such unpredictability towards our contractual, property (including intellectual property) and procedural rights could adversely affect our business and impede our ability to continue our operations.

Adverse changes in economic and political policies of the PRC government could have a material and adverse effect on overall economic growth in China, which could materially and adversely affect our business.

All of our revenues are sourced from China. Accordingly, our results of operations, financial condition and prospects are influenced by economic, political and legal developments in China. Economic reforms begun in the late 1970s have resulted in significant economic growth. However, any economic reform policies or measures in China may from time to time be modified or revised. The Chinese economy differs from the economies of most developed countries in many respects, including with respect to the amount of government involvement, level of development, growth rate, control of foreign exchange and allocation of resources. While the Chinese economy has experienced significant growth in the past years, growth has been uneven across different regions and among different economic sectors.

The PRC government exercises significant control over China's economic growth through strategically allocating resources, controlling the payment of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies. Although the Chinese economy has grown significantly in the past decade, that growth may not continue, as evidenced by the slowing of the growth of the Chinese economy in the recent years. Any adverse changes in economic conditions in China, in the policies of the PRC government or in the laws and regulations in China could have a material adverse effect on the overall economic growth of China. Such developments could adversely affect our business and operating results, lead to reduction in demand for our services and adversely affect our competitive position.

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If we are classified as a PRC resident enterprise for PRC income tax purposes, such classification could result in unfavorable tax consequences to us and our non-PRC shareholders.

Under the PRC Enterprise Income Tax Law (《中華人民共和國企業所得稅法》), promulgated on March 16, 2007, and came into effect on January 1, 2008, and was most recently amended on December 29, 2018, which became effective on the same date, and its implementation rules, an enterprise established outside of the PRC with a “de facto management body” within the PRC is considered a PRC resident enterprise. The implementation rules define the term “de facto management body” as the body that exercises full and substantial control over and overall management of the business, productions, personnel, accounts, property, etc. of an enterprise.

In 2009, the State Tax Administration (the “STA”) issued the Notice Regarding the Determination of Chinese-Controlled Offshore Incorporated Enterprises as the PRC Tax Resident Enterprises on the Basis of De Facto Management Bodies (《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》) which was most recently amended in December 2017, or the Circular 82, which provides certain specific criteria for determining whether the “de facto management body” of a PRC-controlled enterprise that is incorporated offshore is located in China. The STA issued Chinese-Controlled Offshore Incorporated Resident Enterprises Income Tax Regulation (《境外註冊中資控股居民企業所得稅管理辦法(試行)》), or the Bulletin 45, which took effect on September 1, 2011, and was most recently amended on June 15, 2018, to provide more guidance on the implementation of Circular 82 and clarify the reporting and filing obligations of Chinese-controlled offshore incorporated resident enterprises. Bulletin 45 also provides procedures and administrative details for the determination of resident status and administration of post-determination matters. Although Circular 82 only applies to offshore enterprises controlled by PRC enterprises or PRC enterprise groups, not those controlled by PRC individuals or foreigners like us, the criteria set forth in the circular may reflect the STA’s general position on how the “de facto management body” test should be applied in determining the tax resident status of all offshore enterprises. According to Circular 82, an offshore incorporated enterprise controlled by a PRC enterprise or a PRC enterprise group will be regarded as a PRC tax resident enterprise by virtue of having its “de facto management body” in China and will be subject to PRC enterprise income tax on its global income only if all of the following conditions are met: (a) senior management and core management departments in charge of its daily operations function have their presence mainly in the PRC; (b) decisions relating to the enterprise’s financial matters (such as loan, financing, financial risk management, etc.) and human resource matters (such as appointment, dismissal and remuneration, etc.) are made or are subject to determination or approval by organizations or personnel in the PRC; (c) the enterprise’s primary assets, accounting books and records, company seals, and board and shareholder resolutions, are located or maintained in the PRC; and (d) at least 50% of voting board members or senior executives habitually reside in the PRC.

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The tax resident status of an enterprise is subject to determination by the PRC tax authorities and uncertainties remain with respect to the interpretation of the term “de facto management body”. If the PRC tax authorities determine that we are a PRC resident enterprise for enterprise income tax purposes, we will be subject to the enterprise income tax on our global income at the rate of 25% and we will be required to comply with PRC enterprise income tax reporting obligations. In addition, we may be required to withhold a 10% withholding tax from dividends we pay to our shareholders that are non-resident enterprises. In addition, non-resident enterprise shareholders may be subject to PRC tax at a rate of 10% on gains realized on the sale or other disposition of the shares, if such income is treated as sourced from within the PRC. Furthermore, if PRC tax authorities determine that we are a PRC resident enterprise for enterprise income tax purposes, dividends paid to our non-PRC individual shareholders and any gain realized on the transfer of the shares by such holders may be subject to PRC tax at a rate of 20% (which, in the case of dividends, may be withheld at source by us), if such gains are deemed to be from PRC sources. These rates may be reduced by an applicable tax treaties between their country of tax residence and the PRC in the event that we are treated as a PRC resident enterprise, but it is unclear whether our non-PRC shareholders would be able to claim the benefits of any tax treaties between their country of tax residence and the PRC in the event that we are treated as a PRC resident enterprise. Any such tax may reduce the returns on your investment in our Shares.

It may be difficult for overseas regulators to conduct investigations or collect evidence within China.

Shareholder claims or regulatory investigations that are common in jurisdictions outside China are difficult to pursue as a matter of law or practicality in China. For example, in China, there are significant legal and other obstacles to providing information needed for regulatory investigations or litigation initiated outside China. Although the authorities in China may establish a regulatory cooperation mechanism with the securities regulatory authorities of another country or region to implement cross-border supervision and administration, such cooperation with the securities regulatory authorities in jurisdictions outside China may not be efficient in the absence of mutual and practical cooperation mechanism. Furthermore, according to Article 177 of the PRC Securities Law (《中華人民共和國證券法》), which became effective in March 2020, no overseas securities regulator is allowed to directly conduct investigations or evidence collection activities within the PRC territory, and without the consent by the securities regulatory authority of the State Council and the other relevant competent governmental agencies of the State Council, no entity or individual may provide documents or materials related to securities business to any foreign party. While detailed interpretation of or implementation rules under the article have yet to be promulgated, the inability for an overseas securities regulator to directly conduct investigations or evidence collection activities within China and the potential obstacles for information provision may further increase difficulties faced by you in protecting your interests. Please see “– Risks relating to the Global Offering – You may face difficulties in protecting your interests, and your ability to protect your rights through Hong Kong courts may be limited, because we are incorporated under BVI law.”. for risks associated with investing in us as a BVI company.

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China’s M&A Rules and certain other PRC regulations establish complex procedures for some acquisitions of PRC companies by foreign investors, which could make it more difficult for us to pursue growth through acquisitions in China.

On August 8, 2006, six PRC regulatory authorities, including the MOFCOM and other government authorities jointly issued the Rules on Mergers and Acquisitions of Domestic Enterprise by Foreign Investors (《關於外國投資者併購境內企業的規定》) which was effective as of September 8, 2006, and amended on June 22, 2009 (the “M&A Rules”). The M&A Rules, and other recently adopted regulations and rules concerning mergers and acquisitions established additional procedures and requirements that could make merger and acquisition activities by foreign investors more time consuming and complex. For example, the M&A Rules require that MOFCOM be notified in advance of any change-of-control transaction in which a foreign investor takes control of a PRC domestic enterprise, if any important industry is concerned, such transaction involves factors that impact or may impact national economic security, or such transaction will lead to a change in control of a domestic enterprise which holds a famous trademark or PRC time-honored brand. Moreover, the Anti-monopoly Law of the PRC (《中華人民共和國反壟斷法》) promulgated by the SCNPC effective in August 2008 and the Provisions of the State Council on the Thresholds for Declaring Concentration of Business Operators (《國務院關於經營者集中申報標準的規定》), which was effective on August 3, 2008, and amended on September 18, 2018, require that transactions which are deemed concentrations and involve parties with specified turnover thresholds (meaning during the previous fiscal year, (a) the total global turnover of all operators participating in the transaction exceeds RMB10 billion and at least two of these operators each had a turnover of more than RMB400 million within China, or (b) the total turnover within China of all the operators participating in the concentration exceeded RMB2 billion, and at least two of these operators each had a turnover of more than RMB400 million within China) must be cleared by anti-monopoly enforcement authority before they can be completed. On December 14, 2020, the SAMR announced three cases of administrative penalties for the failures of acquirers to make proper concentration declarations to authorities about their past acquisitions.

In addition, in 2011, the General Office of the State Council promulgated a Notice on Establishing the Security Review System for Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (《國務院辦公廳關於建立外國投資者併購境內企業安全審查制度的通知》), also known as Circular 6, which officially established a security review system for mergers and acquisitions of domestic enterprises by foreign investors. Further, MOFCOM promulgated the Regulations on Implementation of Security Review System for the Merger and Acquisition of Domestic Enterprises by Foreign Investors (《商務部實施外國投資者併購境內企業安全審查制度的規定》), effective in September 2011, to implement Circular 6. Under Circular 6, a security review is required for mergers and acquisitions by foreign investors having “national defense and security” concerns and mergers and acquisitions by which foreign investors may acquire the “de facto control” of domestic enterprises with “national security” concerns. Under the foregoing MOFCOM regulations, MOFCOM will focus on the substance and actual impact of the transaction when deciding whether a specific merger or acquisition is subject to security review. If MOFCOM decides that a specific merger or acquisition is subject to a security review, it will submit it to the Inter-Ministerial Panel, an authority established

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under Circular 6 led by the NDRC, and MOFCOM under the leadership of the State Council, to carry out security review. The regulations prohibit foreign investors from bypassing the security review by structuring transactions through trusts, indirect investments, leases, loans, control through contractual arrangements, offshore transactions, etc. There is no explicit provision or official interpretation stating that the merging or acquisition of a company engaged in the food and beverage business requires security review, and there is no requirement that acquisitions completed prior to the promulgation of the Security Review Circular are subject to MOFCOM review.

On December 19, 2020, the NDRC and MOFCOM jointly promulgated the Measures on the Security Review of Foreign Investment (《外商投資安全審查辦法》), effective on January 18, 2021, setting forth provisions concerning the security review mechanism on foreign investment, including the types of investments subject to review, review scopes and procedures, among others. The Office of the Working Mechanism of the Security Review of Foreign Investment (外商投資安全審查工作機制辦公室) (the “**Office of the Working Mechanism**”) will be established under NDRC, who will lead the task together with MOFCOM. Foreign investor or relevant parties in China must declare the security review to the Office of the Working Mechanism prior to the investments in fields related to national defense and security, such as military industry and military industrial facilities, and the investments in military facilities and areas surrounding military facilities, and important agricultural products, important energy and resources, important equipment manufacturing, important infrastructure, important transportation services, important cultural products and services, important information technology and internet products and services, important financial services, key technologies and other important fields relating to national security, and obtain control in the target enterprise. See “Regulations – Overview of PRC laws and regulations – Laws and regulations relating to corporation and foreign investment”.

In the future, we may grow our business by acquiring complementary businesses. Complying with the requirements of the above-mentioned regulations and other relevant rules to complete such transactions could be time consuming, and any required approval processes, including obtaining approval from MOFCOM or its local counterparts may delay or inhibit our ability to complete such transactions. It is unclear whether our business would be deemed to be in an industry that raises national defense and security or national security concerns. However, MOFCOM or other government agencies may publish explanations in the future determining that our business is in an industry subject to the security review, in which case our future acquisitions in China, including those by way of entering into contractual control arrangements with target entities, may be closely scrutinized or prohibited.

We may be subject to additional regulatory requirements as new laws and regulations in connection with overseas listing are issued by PRC government authorities.

On July 6, 2021, the General Office of the Central Committee of the Communist Party of China and the General Office of the State Council issued the Opinions on Strictly Combating Illegal Securities Activities in Accordance with the Law (《關於依法從嚴打擊證券違法活動的意見》) (the “**July 6 Opinion**”), which called for the enhanced administration and supervision of overseas-listed China-based companies, proposed to revise the relevant regulation governing the overseas issuance and listing of shares by such companies and clarified the responsibilities of competent domestic industry regulators and government authorities.

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To echo and reflect the July 6 Opinion, on February 17, 2023, the CSRC promulgated the 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》) (the “**Trial Measures**”) and their implementation guidelines. The Trial Measures, which shall become effective on March 31, 2023, mainly provide the scope of activities subject to the filing requirement, the entities subject to filing obligations, and the filing procedures. The scope of activities subject to the filing and reporting requirement includes making an application for initial public offering in an overseas market and making securities offering after having been listed in an overseas market. The entities subject to filing obligations by “indirect overseas offering and listing” refer to issuers satisfying the conditions that (i) whose domestic operating entities generated more than 50% of the total assets, net assets, revenues or profits as shown in the issuer’s audited consolidated financial statements in the most recent accounting year, and (ii) whose senior management in charge of business operation and management are mostly PRC citizens or have domicile in the PRC, and whose main places of business are located in the PRC or main business activities are conducted in the PRC. Given that (i) our domestic operating entities generated 100% of our total revenue as shown in our audited consolidated financial statements for the year ended December 31, 2022; (ii) our senior management are mostly PRC citizens; and (iii) our business activities are mainly conducted in the PRC, we fall within the scope of “domestic companies”, and the Global Offering falls within the scope of indirect overseas offering and listing. Therefore, we are subject to the filing obligations as contemplated in the Trial Measures.

According to the CSRC at the press conference for the promulgation of the Trial Measures, by March 31, 2023, the time that the Trial Measures become effective, PRC domestic companies that have obtained the approval of overseas regulatory authorities or overseas stock exchanges for their indirect overseas listing (e.g., passing the hearing with Hong Kong Stock Exchange or having a registration statement declared effective by the U.S. Securities and Exchange Commission) will be given a 6-month transition period. Domestic companies granted with the 6-month transition period are not required to file with CSRC before their respective overseas listings, provided that they complete the offering and listing by September 30, 2023. We cannot guarantee that the 6-month transition period applies to us or we will complete the Listing before September 30, 2023; and if not, we will be required to complete the filing procedures contemplated under the Trial Measures prior to the Listing. Any failure to complete or delay in completing such filing procedures for this offering or future financing activities would subject us to sanctions by the CSRC or other PRC regulatory authorities. These regulatory authorities may impose fines and penalties on our operations in the PRC, limit our ability to pay dividends outside of the PRC, limit our operating privileges in the PRC, delay or restrict the repatriation of the proceeds from this offering or future capital raising activities into the PRC, or take other actions that could materially and adversely affect our business, financial condition, results of operations, and prospects, as well as the trading price of our Shares.

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In addition, if the CSRC or other regulatory authorities in the future promulgate new rules or explanations imposing further requirements that we obtain their approvals or complete the required filing or other regulatory procedures for this offering or future capital raising activities, there can be no assurance that we will be able to obtain a waiver of such approval requirements, if and when procedures are established to obtain such a waiver. Any uncertainties or negative publicity regarding such approval, filing or other requirements could materially and adversely affect our business, prospects, financial condition, reputation, and the trading price of our Shares.

The CSRC or other PRC regulatory authorities also may take actions requiring us, or making it advisable for us, to halt this offering or future capital raising activities before settlement and delivery of the Shares offered hereby. Consequently, if you engage in market trading or other activities in anticipation of and prior to settlement and delivery, you do so at the risk that settlement and delivery may not occur.

The heightened scrutiny over indirect transfer of onshore interests outside China from the Chinese tax authorities may have an adverse impact on our businesses, acquisitions or restructuring strategies.

Pursuant to the Announcement of STA on Several Issues Concerning Enterprise Income Tax on Income from the Indirect Transfer of Assets by Non-resident Enterprises (《國家稅務總局關於非居民企業間接轉讓財產企業所得稅若干問題的公告》) (“**Circular 7**”) promulgated by the STA on February 3, 2015 and the Announcement of STA on Issues Concerning Withholding at Source of Income Tax of Non-resident Enterprises (《國家稅務總局關於非居民企業所得稅源泉扣繳有關問題的公告》) (“**Circular 37**”) issued on October 17, 2017 and effective on December 1, 2017, non-resident enterprises in PRC which indirectly transferred assets (such as equity interests, etc.) in PRC resident enterprises through implementation of arrangements of no reasonable commercial purpose shall recategorize the transaction of indirect transfer in accordance with the EIT Law and recognize the transaction as direct transfer of assets (such as equity interests, etc.) in PRC resident enterprises. For the proceeds from the indirect transfer of equity interests subject to the Enterprises Income Tax in accordance with the Circular 7, the entities or individuals directly obliged to the relevant payment to the transferor of equity interests in accordance with relevant laws or contractual agreements are withholding obligor; the mutual parties and coordinators of the indirect transfer of PRC taxable assets, as well as the PRC resident enterprises whose equity interests are indirectly transferred shall provide relevant declaration in accordance with the requirements from competent tax authority. The Circular 7 and Circular 37 may be considered by the tax authorities to be applicable to our future offshore restructuring transactions or sale of the shares of our offshore subsidiaries. Furthermore, we, our non-resident enterprises and PRC subsidiaries may be required to input time, efforts and relevant resources to comply with the Circular 7 and Circular 37 or to establish that we and our non-resident enterprises should not be taxed under the Circular 7 for future restructuring or disposal of shares of our offshore subsidiaries, which may have an adverse effect on our financial condition and results of operation.

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PRC regulations relating to offshore investment activities by PRC residents may limit our PRC subsidiaries' ability to increase their registered capital or distribute profits to us or otherwise expose us to liability and penalties under PRC law.

The SAFE promulgated the Notice of the State Administration of Foreign Exchange on Issues Relating to Foreign Exchange Control for Overseas Investment and Financing and Round-tripping by Chinese Residents through Special Purpose Vehicles (《國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) (“SAFE Circular 37”) in July 2014 that requires PRC residents or entities to register with SAFE or its local branch in connection with their establishment or control of an offshore entity established for the purpose of overseas investment or financing. In addition, such PRC residents or entities must update their SAFE registrations when the offshore special purpose vehicle undergoes material events relating to any change of basic information (including change of such PRC citizens or residents, name and operation term), increases or decreases in investment amount, transfers or exchanges of shares, or mergers or divisions. According to the Notice on Further Simplifying and Improving Policies for the Foreign Exchange Administration of 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》) released in February 2015 by SAFE, as amended in December 2019, or SAFE Circular 13, local banks will examine and handle foreign exchange registration for overseas direct investment, including the initial foreign exchange registration and amendment registration, under SAFE Circular 37 from June 2015.

If our shareholders who are PRC residents or entities do not complete their registration with the local SAFE branches or local banks, our PRC subsidiaries may be prohibited from distributing their profits and proceeds from any reduction in capital, share transfer or liquidation to us, and we may be restricted in our ability to contribute additional capital to our PRC subsidiaries. Moreover, failure to comply with the SAFE registration described above could result in liability under PRC laws for evasion of applicable foreign exchange restrictions.

We may not at all times be fully aware or informed of the identities of all of our shareholders or beneficial owners that are required to make or update such registrations, and we cannot compel our beneficial owners to comply with SAFE registration requirements. As a result, we cannot assure you that all of our shareholders or beneficial owners who are PRC residents or entities have complied with, and will in the future make or obtain any applicable registrations or approvals required by, SAFE regulations. Failure by such shareholders or beneficial owners to comply with SAFE regulations or failure by us to amend the foreign exchange registrations of our PRC subsidiaries, could subject us to fines or legal sanctions, restrict our overseas or cross-border investment activities, limit our subsidiaries' ability to make distributions or pay dividends or affect our ownership structure, which could adversely affect our business and prospects.

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Failure to comply with the requirements for employee stock incentive plans may subject the PRC plan participants or us to fines and other legal or administrative penalties.

In February 2012, the SAFE promulgated the Notices on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plans of Overseas Publicly Listed Company (關於境內個人參與境外上市公司股權激勵計劃管理有關問題的通知) (the “SAFE Circular 7”), which replaced the earlier rules promulgated by the SAFE in March 2007 and January 2008. Under the SAFE Circular 7 and other relevant requirements and regulations, PRC residents who participate in stock incentive plans in an overseas publicly listed company are required to register with the SAFE or other branches and complete certain other procedures. The PRC resident participants of stock incentive plans are required to retain a qualified PRC agent, which could be the Chinese subsidiary of such overseas listing public company or other qualified institutions selected by the PRC subsidiary, to register with the SAFE and complete other procedures on behalf of such participants for stock incentive plans. The participants must also retain an overseas entrusted institution to complete matters in connection with their exercise of stock options, the purchase and sale of corresponding stocks or interests and fund transfers. In addition, the PRC agent is required to amend the SAFE registration with respect to the stock incentive plan if there is any material change to the stock incentive plan, the PRC agent or the overseas entrusted institution or other material changes. Also, SAFE Circular 37 stipulates the PRC residents who participate in a share incentive plan of an overseas non-publicly listed special purpose company may register with SAFE or its local branches before they exercise the share options. We and our PRC employees who have been granted share options and restricted shares will be subject to these regulations upon the completion of the Global Offering. Failure of our PRC share option holders or restricted shareholders to complete their SAFE registrations may subject these PRC residents to fines of up to RMB300,000 for entities and up to RMB50,000 for individuals, and legal sanctions and may also limit our ability to contribute additional capital into our PRC subsidiary, limit our PRC subsidiary’s ability to distribute dividends to us, or otherwise materially adversely affect our businesses.

The STA has also issued relevant rules and regulations concerning employee share incentives. Under these rules and regulations, our employees working in China will be subject to PRC individual income tax upon exercise of the share options or grant of the restricted shares. Our China subsidiaries have obligations to file documents with respect to the granted share options or restricted shares with relevant tax authorities and to withhold individual income taxes for their employees upon exercise of the share options or grant of the restricted shares. If our employees fail to pay or we fail to withhold their individual income taxes according to relevant rules and regulations, we may face sanctions imposed by the competent governmental authorities.

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Fluctuation in exchange rates could have a material and adverse effect on our results of operations and the value of your investment.

The conversion of RMB into foreign currencies, including Hong Kong dollars and U.S. dollars, is based on rates set by the PBOC. It is difficult to predict how market forces or government policies may impact the exchange rate between the RMB and the Hong Kong dollars, the U.S. dollar or other currencies in the future. The value of RMB against the Hong Kong dollars, U.S. dollar and other currencies is affected by changes in China's political and economic conditions and by China's foreign exchange policies, among other things. We cannot assure you that RMB will not appreciate or depreciate significantly in value against Hong Kong dollars and the U.S. dollar in the future. Any significant appreciation or depreciation of RMB may materially and adversely affect our revenues, earnings and financial position, and the value of, and any dividends payable on, our Shares. For example, to the extent that we need to convert Hong Kong dollars and U.S. dollars we receive into RMB to pay our operating expenses, appreciation of RMB against the Hong Kong dollars and the U.S. dollar would have an adverse effect on the RMB amount we would receive from the conversion. Conversely, a significant depreciation of RMB against the Hong Kong dollars and the U.S. dollar may significantly reduce the Hong Kong dollars or the U.S. dollar equivalent of our earnings, which in turn could adversely affect the price of our Shares.

Very limited hedging options are available in China to reduce our exposure to exchange rate fluctuations. As of the date of this document, we have not entered into any hedging transactions in an effort to reduce our exposure to foreign currency exchange risk. While we may decide to enter into hedging transactions in the future, the availability and effectiveness of these hedges may be limited and we may not be able to adequately hedge our exposure or at all. In addition, our currency exchange losses may be magnified by PRC exchange control regulations that restrict our ability to convert RMB into foreign currency. As a result, fluctuations in exchange rates may have a material adverse effect on your investment.

During the Track Record Period, substantially all of our revenues and expenditures were denominated in Renminbi, while the net proceeds from the Global Offering will be in Hong Kong dollars. Fluctuations in the exchange rate between the Renminbi and the Hong Kong dollar will affect the relative purchasing power in Renminbi terms of the net proceeds from the Global Offering. Fluctuations in the exchange rate may also cause us to incur foreign exchange losses and affect the relative value of any dividend issued by our subsidiaries. In addition, appreciation or depreciation in the value of the Renminbi relative to the Hong Kong dollar or U.S. dollar would affect our financial results in Hong Kong dollar or U.S. dollar terms without giving effect to any underlying change in our business or results of operations. During the Track Record Period, we recorded currency translation losses of RMB12.4 million, losses of RMB2.0 million and losses of RMB47.5 million in 2020, 2021 and 2022, respectively, as other comprehensive income/(loss) in our consolidated statements of comprehensive income, which is primarily a result of translation of financial statements of our overseas parent company and subsidiaries into the presentation currency of our domestic subsidiaries, which is RMB.

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Governmental control of currency conversion may limit our ability to utilize our revenues effectively and affect the value of your investment.

The PRC government imposes controls on the convertibility of the Renminbi into foreign currencies and, in certain cases, the remittance of currency out of China. We receive substantially all of our revenues in Renminbi. Under our current corporate structure, our BVI holding company primarily relies on dividend payments from our PRC subsidiaries to fund any cash and financing requirements we may have. Under 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 approval of SAFE by complying with certain procedural requirements. Specifically, under the existing exchange restrictions, without prior approval of SAFE, cash generated from the operations of our PRC subsidiaries in China may be used to pay dividends to our Company. However, approval from or registration with appropriate 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. As a result, we need to obtain SAFE approval or registration to use cash generated from the operations of our PRC subsidiaries to pay off their respective debt in a currency other than Renminbi owed to entities outside China, or to make other capital expenditure payments outside China in a currency other than Renminbi.

In light of the flood of capital outflows of China in 2016 due to the weakening RMB, the PRC government has imposed more restrictive foreign exchange policies and stepped up scrutiny of major outbound capital movement including overseas direct investment. More restrictions and substantial vetting process are put in place by SAFE to regulate cross-border transactions falling under the capital account. If any of our shareholders regulated by such policies fails to satisfy the applicable overseas direct investment filing or approval requirement timely or at all, it may be subject to penalties from the relevant PRC authorities. The PRC government may at its discretion further restrict access in the future to foreign currencies for current account transactions. 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.

Inflation or deflation in China could negatively affect our financial conditions and growth.

Economic growth in China has, during certain periods, been accompanied by periods of high inflation, and the PRC government has implemented various policies from time to time to control inflation. For example, the PRC government introduced measures in certain sectors to avoid overheating of the Chinese economy, including increasing interest rates and capital reserve thresholds at Chinese commercial banks. The effects of the stimulus measures implemented by the PRC government since the global economic crisis that commenced in 2008 and the continued growth in the overall economy since then have resulted in sustained inflationary pressures. If these inflationary pressures continue and are not mitigated by PRC government measures, our cost of raw materials and consumables will likely increase, and our

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financial position could be materially affected, as there is no assurance that we would be able to pass any cost increases onto our customers. Measures adopted by the PRC government to control inflation may also slow economic activity in China, reduce demands for our products and services and decrease our revenue growth, all of which would materially and adversely affect our business, financial conditions and results of operations. On the other hand, our business could also be affected by deflationary pressures. A decline in general price levels could negatively impact sales growth, operating margins and earnings if our competitors react by lowering their pricing. As a result, our business, financial conditions and results of operations could be materially and adversely affected.

RISKS RELATING TO THE GLOBAL OFFERING

There has been no prior public market for our Shares prior to the Global Offering, and you may not be able to resell our Shares at or above the price you pay, or at all.

Prior to the completion of the Global Offering, there has been no public market for our Shares. There can be no guarantee that an active trading market for our Shares will develop or be sustained after completion of the Global Offering. The Offer Price is the result of negotiations between our company and the Sole Overall Coordinator (for itself and on behalf of the Underwriters), which may not be indicative of the price at which our Shares will be traded following the completion of the Global Offering. The market price of our Shares may drop below the Offer Price at any time after completion of the Global Offering.

The trading price of our Shares may be volatile, which could result in substantial losses to you.

The trading price of our Shares may be volatile and could fluctuate widely in response to factors beyond our control, including general market conditions of the securities markets in Hong Kong SAR, China, the China mainland, the United States and elsewhere in the world. In particular, the performances of and fluctuations in the market prices of other companies with business operations located mainly in the China mainland that have listed their securities in Hong Kong SAR, China may affect the volatilities in the price and trading volumes of our Shares. A number of China mainland-based companies have listed their securities, and some are in the process of preparing for listing their securities, in Hong Kong SAR, China. Some of these companies have experienced significant volatility, including significant price declines after their initial public offerings. The trading performances of the securities of these companies at the time of or after their offerings may affect the overall investor sentiment towards China mainland-based companies listed in Hong Kong SAR, China and consequently may impact the trading performance of our Shares. These broad market and industry factors may significantly affect the market price and volatility of our Shares, regardless of our actual operating performance.

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The actual or perceived sale or availability for sale of substantial amounts of our Shares, especially by our directors, executive officers and substantial shareholders, could adversely affect the market price of our Shares.

Future sales of a substantial number of our Shares, especially by our directors, executive officers and substantial shareholders, or the perception or anticipation of such sales, could negatively impact the market price of our Shares in Hong Kong and our ability to raise equity capital in the future at a time and price that we deem appropriate.

The Shares held by our substantial shareholders are subject to certain lock-up periods beginning on the date on which trading in our Shares commences on the Stock Exchange. While we currently are not aware of any intention of such persons to dispose of significant amounts of their Shares after the expiry of the lock-up periods, we cannot assure you that they will not dispose of any Shares they may own now or in the future. Market sale of Shares by such shareholders and the availability of these Shares for future sale may have negative impact on the market price of our Shares.

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

This document contains certain statements and information that are forward-looking and uses forward-looking terminology such as “anticipate”, “believe”, “could”, “going forward”, “intend”, “plan”, “project”, “seek”, “expect”, “may”, “ought to”, “should”, “would” or “will” and similar expressions. You are cautioned that reliance on any forward-looking statement involves risks and uncertainties and that any or all of those assumptions may prove to be inaccurate and as a result, the forward-looking statements based on those assumptions may 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 will incur immediate and substantial dilution and may experience further dilution in the future.

As the Offer Price of our Shares is higher than the net tangible book value per share of our Shares immediately prior to the Global Offering, purchasers of our Shares in the Global Offering will experience an immediate dilution. If we issue additional Shares in the future, purchasers of our Shares in the Global Offering may experience further dilution in their shareholding percentage.

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If securities or industry analysts cease to publish research or reports about our business, or if they adversely change their recommendations regarding our Shares, the market price for our Shares and trading volume could decline.

The trading market for our Shares will depend in part on the research and reports that securities or industry analysts publish about us or our business. If research analysts do not establish and maintain adequate research coverage or if one or more of the analysts who covers us downgrades our Shares or publishes inaccurate or unfavorable research about our business, the market price for our Shares would likely decline. If one or more of these analysts cease coverage of our company or fail to publish reports on us regularly, we could lose visibility in the financial markets, which, in turn, could cause the market price or trading volume for our Shares to decline.

We cannot assure you that we will declare and distribute any amount of dividends in the future and you may have to rely on price appreciation of our Shares for return on your investment.

During the Track Record Period, we did not distribute or declare any dividends. We have not yet adopted a dividend policy with respect to future dividends. Therefore, you should not rely on an investment in our Shares as a source for any future dividend income.

Our Board has discretion as to whether to distribute dividends, subject to certain restrictions under BVI law, namely that our company may only pay dividends if our company is able to pay its debts at they fall due in the ordinary course of business and the value of our Company's assets exceeds our Company's liabilities. In addition, our shareholders may by resolution of members declare a dividend, but no dividend may exceed the amount recommended by our Board. Even if our Board decides to declare and pay dividends, the timing, amount and form of future dividends, if any, will depend on, among other things, our future results of operations and cash flow, our capital requirements and surplus, the amount of distributions, if any, received by us from our subsidiary, our financial condition, contractual restrictions and other factors deemed relevant by our Board. Accordingly, the return on your investment in our Shares will likely depend entirely upon any future price appreciation of our Shares. There is no guarantee that our Shares will appreciate in value or even maintain the price at which you purchased the Shares. You may not realize a return on your investment in our Shares and you may even lose your entire investment in our Shares.

We have no experience operating as a public company, and we may incur increased costs as a result of becoming a public company.

We have no experience conducting our operations as a public company. As a result of the Listing on the Hong Kong Stock Exchange, we may face enhanced administrative and compliance requirements, which may make us incur substantial related costs and expenses that we did not incur as a private company. We expect rules and regulations applicable to public companies to increase our accounting, legal and financial compliance costs and to make certain corporate activities more time-consuming and costly. Our management may be required to

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devote substantial time and attention to our public company reporting obligations and other compliance matters. We will evaluate and monitor developments with respect to these rules and regulations, but we cannot predict or estimate the amount of additional costs we may incur or the timing of such costs. Our reporting and other compliance obligations as a public company may place a significant strain on our management, operational and financial resources and systems for the foreseeable future.

In addition, since we are becoming a public company, our management team will need to develop the expertise necessary to comply with the numerous regulatory and other requirements applicable to public companies, including requirements relating to corporate governance, listing standards and securities and investor relationships issues. As a public company, our management will have to evaluate our internal controls system with new thresholds of materiality, and to implement necessary changes to our internal controls system. We cannot guarantee that we will be able to do so in a timely and effective manner.

Certain statistics contained in this document are derived from third-party reports and publicly available official sources and they may not be reliable.

The information and statistics set out in the “Industry overview” section, as well as certain information and statistics set out in other sections of this document, were extracted from the Frost & Sullivan Report prepared by Frost & Sullivan and commissioned by us, and from various official government publications and other publicly available publications. We engaged Frost & Sullivan to prepare the Frost & Sullivan Report, an independent industry report, in connection with the Global Offering. The information from official government sources has not been independently verified by us, the Sole Sponsor, the Sole Overall Coordinator, the Sole Global Coordinator, the Sole Bookrunner, the Joint Lead Managers, the Underwriters, any of their respective directors and advisers, or any other persons or parties involved in the Global Offering, and no representation is given as to its accuracy.

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You may face difficulties in protecting your interests, and your ability to protect your rights through Hong Kong courts may be limited, because we are incorporated under BVI law.

We are a business company incorporated under the laws of the BVI with limited liability. Our corporate affairs are governed by our memorandum and articles of association, the BVI Business Companies Act, which we refer to as the Companies Act, and the common law of the BVI. The rights of shareholders to take action against our directors, actions by our minority shareholders and the fiduciary duties of our directors to us under BVI law are to a large extent governed by the common law of the BVI. The common law of the BVI is derived in part from comparatively limited judicial precedent in the BVI as well as from the common law of England, the decisions of whose courts are of persuasive authority, but are not binding, on a court in the BVI. The rights of our shareholders and the fiduciary duties of our directors under BVI law are not as clearly established as they would be under statutes or judicial precedent in some jurisdictions. In particular, the BVI have a less developed body of securities laws than Hong Kong; Hong Kong has more fully developed and judicially interpreted bodies of corporate law than the BVI. In addition, BVI companies may not have standing to initiate a shareholder derivative action in Hong Kong courts.

Shareholders of BVI Companies like us have no general rights under BVI law to inspect corporate records (other than copies of the memorandum and articles of association the register of members, the register of directors and minutes of meetings and resolutions of members and of those classes of members of which the member inspecting the records is a member). Our directors have discretion under our post-offering articles of association that will become effective immediately prior to completion of the Global Offering to determine whether or not, and under what conditions, our corporate records may be inspected by our shareholders, but are not obliged to make them available to our shareholders. This may make it more difficult for you to obtain the information needed to establish any facts necessary for a shareholder motion or to solicit proxies from other shareholders in connection with a proxy contest.

As a result of all of the above, our public shareholders may have more difficulty in protecting their interests in the face of actions taken by management, members of our Board or controlling shareholders than they would as public shareholders of a company incorporated in Hong Kong. For a discussion of the provisions of the Companies Act, please see “Summary of the constitution of our Company and BVI company law” in Appendix III.

You should read the entire document carefully and should not rely on any information contained in press articles or other media regarding us and the Global Offering.

We strongly caution you not to rely on any information contained in press articles or other media regarding us and the Global Offering. Prior to the publication of this document, there has been press and media coverage regarding us and the Global Offering. Such press and media coverage may include references to certain information that does not appear in this document, including certain operating and financial information and projections, valuations and other information. We have not authorized the disclosure of any such information in the press or

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media and do not accept any responsibility for any such press or media coverage or the accuracy or completeness of any such information or publication. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. To the extent that any such information is inconsistent or conflicts with the information contained in this document, we disclaim responsibility for it and you should not rely on such information.

There will be a time gap of several business days between pricing and trading of our Shares offered in the Global Offering. Holders of our Shares are subject to the risk that trading prices of our Shares could fall during the period before trading of our Shares begins.

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

Possible setting of the Offer Price after making a Downward Offer Price Adjustment.

We have the flexibility to make a Downward Offer Price Adjustment to set the final Offer Price at up to 10% below the bottom end of the indicative Offer Price range per Offer Share. It is therefore possible that the final Offer Price will be set at HK\$41.4 per Offer Share upon the making of a full Downward Offer Price Adjustment. In such a situation, the Global Offering will proceed and the Withdrawal Mechanism will not apply.

If the final Offer Price is set at HK\$41.4, the estimated net proceeds we will receive from the Global Offering will be reduced to HK\$403 million, and such reduced proceeds will be used as described in the section headed “Future Plans and Use of Proceeds” of this prospectus.