OVERVIEW

Who we are

We are Domino's Pizza's exclusive master franchisee in the China mainland, the Hong Kong Special Administrative Region of China and the Macau Special Administrative Region of China. As of the Latest Practicable Date, we directly operated 562 stores across 13 cities in the China mainland.

Our global franchisor, Domino's Pizza, Inc., is the world's largest pizza company in terms of 2021 global retail sales, with more than 19,200 stores in over 90 markets around the world as of June 19, 2022. Over its 62-year history, Domino's has developed a differentiated business model focused on serving handcrafted, quality pizza at a competitive price, with easy ordering access and efficient delivery, enhanced by technology.

We have adapted and built upon the Domino's business model by localizing its key features for China and its consumers. Since 2018, when most of our current core executive management team joined our Company, we have been focused on expanding our store network. This has enabled us to become the fastest growing among China's top five pizza brands, as well as the third largest in terms of 2021 revenue, according to the Frost & Sullivan Report. Over the Track Record Period, the number of our stores increased by 170% to 508 stores as of June 30, 2022. Against the backdrop of this rapid growth, we incurred net losses during the Track Record Period. We may continue to incur net losses in the future, including during the next three to five years, and may not become profitable. We plan to continue our rapid growth while working towards long-term profitability, as we believe a broad, nationwide store network is key to our future success and competitiveness. In the long term, our goal is to become the number one pizza company in China, as other Domino's Pizza's franchisees have done throughout Asia, Europe and North America.

We have operated Domino's Pizza stores since December 2010, when we acquired Pizzavest China Ltd., which at that time was Domino's Pizza's master franchisee in Beijing, Tianjin, Shanghai, Jiangsu Province and Zhejiang Province. In June 2017, we renewed the Master Franchise Agreement with Domino's International, a subsidiary of Domino's Pizza, Inc., under which our franchise area was extended to the entire China mainland, the Hong Kong Special Administrative Region of China and the Macau Special Administrative Region of China, with an initial term of 10 years, which may be renewed at our option for two additional 10-year terms, subject to the fulfillment of certain conditions.

Our market opportunity

The China pizza market is large, fast-growing and in an early stage of development. In 2021, its market size was RMB36.4 billion, which is expected to double and reach RMB68.9 billion by 2026, representing a CAGR of 13.6%, according to the Frost & Sullivan Report. Moreover, the China pizza market remains underserved compared to other East Asian markets, which have similar food cultures to China. For example, in 2021, there were only 10.9 pizza stores per million people in China, compared to 28.1 and 28.3 in Japan and South Korea, respectively, according to the Frost & Sullivan Report.

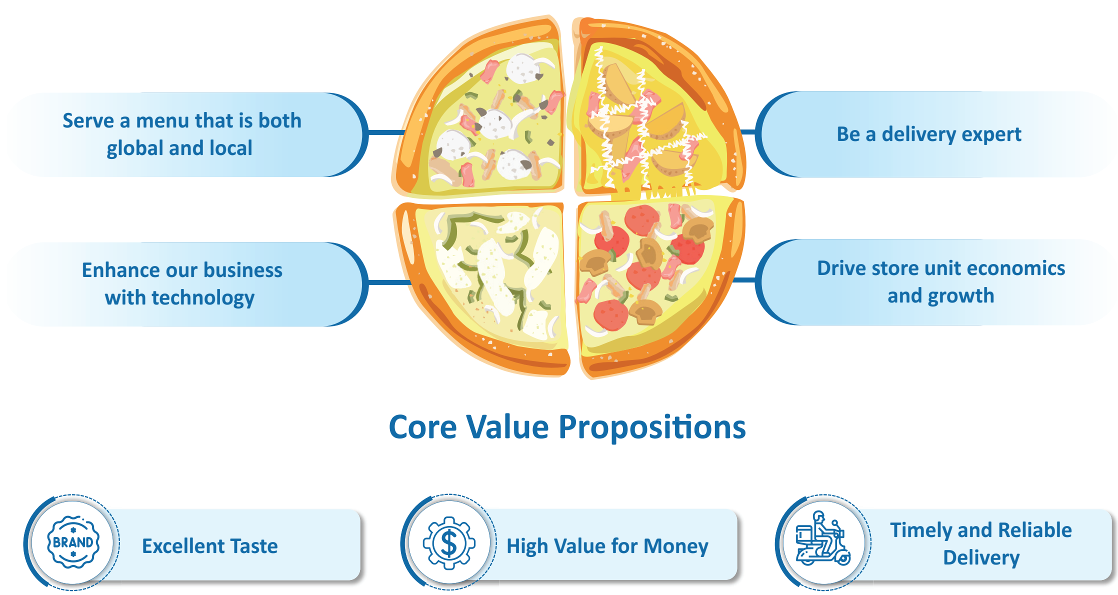
Within the China pizza market, the pizza delivery segment is expected to grow even faster than the overall China pizza market. In 2021, delivery sales amounted to RMB17.9 billion, accounting for 49.2% of the overall China pizza market. From 2021 to 2026, the pizza delivery segment is expected to grow at a CAGR of 19.9% and reach RMB44.3 billion, accounting for 64.3% of the overall China pizza market, according to the Frost & Sullivan Report.

The growth of the China pizza market, as well as the pizza delivery segment, will be driven by increasing disposable incomes and urbanization in China, the growing popularity of pizza among Chinese consumers, and the increased popularity of food delivery services, according to the Frost & Sullivan Report.

We believe that the China pizza market offers a significant market opportunity with significant whitespace for our continued and rapid growth. Additionally, by leveraging our business model, which has enabled us to double our market share from 2017 to 2021, we believe that we will continue to capture a growing share of the China pizza market in the future.

Our business model

We are focused on being a pizza expert. By combining the globally recognized Domino's playbook with our knowledge of China, we have developed a unique business model that is purpose-built for serving Chinese consumers delicious, value for money pizza through online channels, with an emphasis on delivery, enhanced by technology. We believe this model is one that sets us apart from our competitors in China, one that has its own Chinese flavors, and one that we believe will ultimately lead us to become China's leading pizza company. The graphic below illustrates the key features and the core values of our unique business model.



The key components of our business model are:

- *Serve a menu that is both global and local*. Our menu infuses the classic, globally-renowned taste of Domino's Pizza with local flavors. It includes classic western favorites, such as pepperoni pizza, as well as offerings designed for Chinese palates, such as our teriyaki beef and potato pizza (照燒風味牛肉土豆比薩). We strategically launch new and creative products to satisfy the evolving preferences of Chinese consumers. Our menu is supported by our supply chain management, logistics management and quality assurance systems, which ensure a high and consistent level of food safety and quality.

- *Be a delivery expert.* We are relentlessly focused on our customers with a differentiated delivery experience. To that end, we offer customers a 30-minute delivery promise, which we stand behind by gifting them coupons if we do not fulfill their delivery order within 30 minutes from the time they place their order. We also use a fleet of dedicated delivery riders, which we believe enables us to deliver higher-quality food in a more timely and reliable manner than our competitors. We are the only pizza company in China to have a 30-minute delivery promise serving customers across all sales channels, according to the Frost & Sullivan Report.

- *Enhance our business with technology.* Technology enhances our end-to-end operations, and we enjoy market-leading online order contribution, with approximately 95% of our delivery, carryout and dine-in orders in 2021 and the first half of 2022 placed online, higher than the industry average of less than 70%, according to the Frost & Sullivan Report. To attract customers, we use intelligent marketing strategies powered by data insights. We make order placement easy for customers through our intuitive online channels. Our proprietary customer data platform enables us to understand and serve our customers' specific needs, helping us attract more repeat customers. These customer-facing technologies are complemented by our delivery and supply chain management technologies, which help enhance our operations by helping to ensure the quality and safety of our ingredients, as well as the timeliness and reliability of our deliveries.

- *Drive store unit economics and growth.* In 2021 and the six months ended June 30, 2022, our store-level operating profit was RMB143.9 million and RMB83.3 million, respectively. Our store economic model has provided the foundation for our fast-growing store network and improving profitability in the Track Record Period, and we believe it will enable our continued expansion throughout China.

Our operating and financial results

We have leveraged our unique, focused business model to deliver a track record of rapid growth and improving profitability during the Track Record Period, as evidenced by the following metrics:

- *Revenues.* Our revenues increased by 32.0% from RMB836.6 million in 2019 to RMB1,104.1 million in 2020, and further increased by 45.9% to RMB1,611.3 million in 2021. Our revenues increased by 18.6% from RMB766.6 million for the six months ended June 30, 2021 to RMB908.8 million for the six months ended June 30, 2022.

- *Number of stores.* Over the course of the Track Record Period, the number of stores in our network, all of which were directly operated by us, grew from 188 stores as of January 1, 2019 to 508 stores as of June 30, 2022, representing an increase of 170%.

- *Same-store sales growth.* We recorded SSSG of 7.3%, 9.0%, 18.7% and 13.9% in 2019, 2020, 2021 and the six months ended June 30, 2022, respectively. We recorded positive SSSG during every quarter in the Track Record Period.

- *Store-level economics.* We recorded store-level operating profit margin of 4.1%, 3.4%, 8.9% and 9.2% in 2019, 2020, 2021 and the six months ended June 30, 2022, respectively.

- *Group-level profitability.* During the Track Record Period, amidst the rapid expansion of our store network, we recorded net losses of RMB181.6 million, RMB274.1 million, RMB471.1 million and RMB95.5 million in 2019, 2020, 2021 and the six months ended June 30, 2022, respectively. We recorded adjusted net losses (non-IFRS measure) of RMB168.2 million, RMB199.8 million, RMB143.3 million and RMB68.9 million in 2019, 2020, 2021 and the six months ended June 30, 2022, respectively, while our adjusted EBITDA (non-IFRS measure) improved from losses of RMB33.2 million and RMB17.6 million for 2019 and 2020, respectively, to earnings of RMB62.7 million and RMB55.6 million in 2021 and the six months ended June 30, 2022, respectively.

Over the past few years, in conjunction with our pursuit of long-term development and growth, we have devoted considerable resources to research potential new markets, open more stores and central kitchens, market and promote our brand, invest and train our store-level staff in preparation for the opening and operations of more new stores, broaden our service offerings and invest in technology, which has led to us recording net losses during the Track Record Period. There is no guarantee that we can effectively control our costs and expenses and achieve or maintain profitability in the future.

OUR COMPETITIVE STRENGTHS

The following strengths have enabled us to become who we are today and will support our continued success:

Our leading global brand

Domino's Pizza is one of the most widely-recognized global consumer brands and Domino's Pizza, Inc., our global franchisor, is the world's largest pizza company in terms of 2021 global retail sales. Globally, the Dominos' Pizza brand is synonymous with better-quality pizza, timely and reliable delivery and an easy-to-use online ordering experience accessible through multiple customer touchpoints. Domino's Pizza's international franchisees have leveraged the Domino's Pizza brand and business model to become market leaders and publicly-listed companies around the world, such as Domino's Pizza Enterprises Limited (ASX: DMP) in Australia, Japan, and other markets, Jubilant Foodworks Limited (NS: JUBLFOOD) in India, and Domino's Pizza Group plc (LSE: DOM) in the United Kingdom.

In China, we have been rapidly building the Domino's Pizza brand by combining the key strengths of the globally recognized Domino's model with features localized for China. This has enabled us to become the fastest growing among China's top five pizza brands, as well as the third largest in terms of 2021 revenue, according to the Frost & Sullivan Report. In Beijing and Shanghai, where we are well-established, we rank second in 2021 revenue, according to the Frost & Sullivan Report, and enjoy strong brand awareness. Beyond Beijing and Shanghai, commensurate with the rapid expansion of our Domino's store network, we enjoy rapidly-growing brand awareness.

We have been recognized as a top-performing Domino's franchisee. We won the Gold Franny four years in a row, having won it from 2018 to 2021. The Gold Franny is awarded by Domino's Pizza, Inc. to its U.S. and international franchisees for exceptional operating results, store development and growth. In 2019, we were also awarded the President's Award (Large Market), a one-off award given by Domino's Pizza, Inc. to the single top-performing Gold Franny winner, selected among Gold Franny winners with more than 200 directly operated stores. In 2021, we won the Cornerstone Award, awarded by Dominos' Pizza, Inc. to franchisees that demonstrate exceptional net new store growth. As a leading Domino's franchisee, we believe we are well-positioned to further grow the Domino's brand in China, just as many of our peer franchisees have done in other international markets around the world.

A pizza-focused menu that is continually being developed and localized

We are focused on being a pizza expert. Our menu infuses the globally-recognized taste of Domino's Pizza with local flavors. We have designed our menu to differentiate ourselves from our competitors in the following ways:

- *Taste and quality*. Our products are well received by consumers. We attribute this to our high-quality ingredients and specialized preparation processes. For example, our dough is made in our central kitchens and delivered fresh to our stores, where it is hand-tossed to order. This enables us to ensure a high, consistent level of quality and results in a better-tasting pizza, especially compared to our competitors that use frozen dough.

- *Variety*. We offer the widest range of pizza crusts and toppings in the market as of December 31, 2021, according to the Frost & Sullivan Report. Our pizzas are complemented by an expansive selection of pasta and rice, sides, desserts, drinks and soups, which enable customers to round out and upsize their meals.

- *Continual menu development and localization*. We strategically design, test and launch new products to serve the evolving tastes of Chinese consumers. Since 2018, we have launched over 120 new menu items, such as our salted egg chicken pizza (金沙咸蛋黃嫩雞比薩), which has since been highly received by customers.

- *Value for money*. Our menu contains multiple price levels, ranging from entry-level to indulgent, enabling consumers to find value for money throughout our menu. We also offer attractive combo meals and time-limited promotions as well as special offers for loyalty program members.

The above differentiating features are made possible by our vertically-integrated supply chain, which is designed to ensure that we serve high-quality, safe and fresh food to our customers while maintaining high operating efficiency. At the start of the chain, we source high-quality ingredients from closely-vetted suppliers in China and around the world. In the middle of the chain, our central kitchens prepare our dough and other ingredients to consistently create the excellent taste and quality that customers associate with our brand. At the end of the chain, we hold our stores to global health and safety standards and rely on dedicated riders to make sure our food reaches customers in a timely, safe and reliable manner.

Our unique expertise and leadership in delivery

Delivery has been in the DNA of the global Domino's Pizza brand since 1960. It has also consistently been our focus in China, and we intend to remain focused on delivery in the future. We enjoy one of the highest delivery sales contributions in the industry – over 73% and 71% of our revenue in each of 2021 and the first half of 2022 was generated by delivery orders, significantly higher than the industry average of approximately 49%, according to the Frost & Sullivan Report. This makes us well-positioned to grow alongside China's pizza delivery segment, which is expected to grow faster than the overall China pizza market and account for 64.3% of all pizza sales in China by 2026.

Like other Domino's franchisees around the world, our business model is designed to provide quality delivery services. The key aspects of our business model that enable a differentiated delivery experience are:

- *Delivery-focused store location and design*. We have optimized the locations and design of our stores for delivery . We strategically plan our store network so that our stores' delivery areas cover high-density residential and commercial zones. We also optimize the delivery radius of our stores with the ultimate goal of ensuring that customers receive their delivery orders within 30 minutes of order placement. Within our stores, our streamlined kitchen design and food preparation procedures are designed to maximize the efficiency with which we prepare orders while ensuring high quality and food safety. We also enable riders to seamlessly pick up delivery orders through specialized in-store order collection zones. Our focus on delivery optimization at the store level enables us to handle a high volume of delivery orders with speed and reliability.

- *Smart order dispatch and delivery*. We deploy a smart order dispatch system that efficiently matches orders with riders based on the status of orders at the store and the location of riders who are on their way back to the store, with the goal of ensuring that riders can pick up orders as soon as they are ready. The system also identifies optimal routes for delivery, including by aggregating multiple delivery orders in a single trip without comprising our delivery service quality. This system helps us manage our riders efficiently and meet our 30-minute delivery promise.

- *Our fleet of dedicated riders*. We rely on dedicated riders to fulfil our delivery orders, including both those placed on our own online channels and third-party channels. All of our riders are dedicated riders, meaning that during their shifts, they are stationed at our stores and only deliver orders from our stores. This allows us to retain control over the end-to-end delivery experience, enabling us to deliver quality food that is more likely to be hot and fresh, in a timely and reliable way. Moreover, as our orders do not mingle with orders from other restaurants, we are able to limit cross-contamination and ensure the safety of our food.

- *Our 30-minute delivery promise*. We care deeply about the experience of our customers and are committed to maintaining the best delivery service standards in the market. We provide our customers a differentiated delivery experience by promising to deliver their pizza within 30 minutes. We stand behind this promise by gifting customers coupons if we do not fulfil our promise. We are the only pizza company in China to offer a 30-minute delivery promise across all sales channels, according to the Frost & Sullivan Report. During the Track Record Period, we fulfilled our delivery promise for approximately 90% of our delivery orders, with an average order fulfillment time of approximately 23 minutes.

Our technology, which enables a differentiated end-to-end customer experience

Technology enhances every aspect of our business, enabling us to provide a differentiated end-to-end customer experience. Our focus on technology allowed us to enjoy one of the highest online order contributions in the industry, with approximately 95% of our delivery, carryout and dine-in orders in 2021 and the first half of 2022 generated through online channels, which is significantly higher than the industry average of less than 70%, according to the Frost & Sullivan Report.

We seek to attract new customers through data-powered, online marketing and promotion activities that are fun and engaging. Our official Weixin and Weibo accounts enable us to share new menu items and promotional events with a wide audience. We also deploy engaging and entertaining content, such as minigames that customers can play to unlock rewards. For example, in July 2021, in tandem with the Tokyo 2021 Olympics, we launched a minigame on our Weixin official account whereby customers could compete in sporting events as a Domino's rider and win free pizzas as rewards, which was played by over 1.3 million customers.

Customers can easily place orders with us. Our online presence enables us to have multiple customer touchpoints, making it convenient for customers to access our offerings while increasing our customer reach and potential sales volume. Through our online presence, customers can place delivery, carryout and dine-in orders through our own online channels, which comprise our proprietary app and website, Weixin mini program and official Weixin account. Besides our own online channels, customers can also place delivery orders with us through third-party channels, Ele.me and Meituan, which provide a convenient avenue for new customers to become familiar with our offerings.

Our own online channels offer customers intuitive, image-rich and informative user interfaces and exclusive access to our loyalty program, through which they can earn and use rewards. A key feature of our online ordering platform is our real-time, transparent order tracker. Not only do we provide customers with GPS tracking for orders that have left the store, but we also enable customers to track the status of their orders from preparation in the kitchen, to the time it is in the oven, to the time it is picked up by a rider and ultimately to the time it arrives at their doors. This differentiates us from our competitors, most of whom offer only

GPS tracking after the order has left the store but offer no visibility into in-kitchen status. Our pizza tracker provides accountability and transparency to our customers, enabling them to see that their orders are being freshly made and timely passed onto riders, which we believe enhances customer satisfaction.

In 2019, we generated approximately one-third of our revenue from our own online channels, which increased to approximately one-half in each of 2021 and the first half of 2022. We attribute this trend to the strength of our online channels, which we believe offer a more seamless, engaging and intuitive customer experience, as well as to the attractiveness of our loyalty program, which is exclusively accessed through our online channels.

Technology also powers our customer engagement retention efforts. Our data analytics and customer data platform ("**CDP**") provides us with robust insights about our customers' preferences, which we leverage to deliver promotions tailored for our customers. Our CDP helps generates data insights that help our loyalty program, through which we engage a vast base of customers, with 2.4 million, 4.0 million and 6.1 million total loyalty program members as of December 31, 2019, 2020 and 2021, respectively, representing a CAGR of 60.0% from 2019 to 2021, which further increased to 7.0 million loyalty program members as of June 30, 2022. The number of our active loyalty program members has increased commensurately, and we had 1.4 million, 2.1 million, 3.0 million and 3.2 million active loyalty program members as of December 31, 2019, 2020 and 2021 and June 30, 2022, respectively.

In addition to technologies that directly enable us to better engage our customers, we also use technology to optimize our operations, which allow us to deliver high quality pizza to our customers in a timely and reliable way. These technologies empower every part of our value chain, from procurement, food processing, delivery to in-store operations. For example, our enterprise resource management system integrates our stores and central kitchens, ensuring that our stores are stocked with fresh food ingredients. At the store level, we also deploy e-scheduling and e-learning systems that help us intelligently hire and train our workers, as well as ensure we have adequate staffing at our stores.

Our store economic model's success and replicability

Our store economic model is highly scalable and replicable. On the front end, our stores are focused on serving delivery customers through online channels. This results in highly-flexible store locations that make it easier to open new stores with compact store sizes, lowering rental and renovation costs. Our focus also results in the ability to serve customers beyond the four walls of each store, which increases the potential of our sales. On the back end, our stores are supported by our central kitchens and supply chain, which minimizes the equipment requirements of each store, lowering initial investment costs. Taken together, our stores enjoy competitive rental and initial investment costs and a strong foundation for achieving profitability and cash investment payback.

Our store economic model has a track record of success. We have recorded positive SSSG for every quarter during the Track Record Period, despite the impact of the COVID-19 pandemic, thanks to the strength of our delivery and carryout offerings. The operations of the same stores have helped improve our profitability at the group level, with our adjusted EBITDA (non-IFRS measure) becoming positive in 2021, reaching earnings of RMB62.7 million and RMB55.6 million, representing an adjusted EBITDA margin (non-IFRS measure) of 3.9% and 6.1%, in 2021 and the six months ended June 30, 2022, respectively. We believe that our store economic model enables us to deepen our penetration in existing cities and expand to new cities in a cost-effective manner.

We believe our store economic model is highly replicable. In Beijing and Shanghai, where we have a longer operating history, higher store density and stronger brand awareness, our adjusted EBITDA (non-IFRS measure) was higher than our group average. In our other markets, we are focused on opening new stores while improving profitability. Many of such markets, such as Hangzhou and Wuxi, are approaching Beijing and Shanghai in terms of profitability. We believe that there is significant whitespace for our store-level profitability to improve in the future as stores in our new markets continue to ramp up and the proportion of relatively mature stores increases.

Moreover, we expect that as our scale grows, we will be able to leverage greater economies of scale to drive operational efficiencies. Additionally, we will leverage our increasing scale to improve our bargaining power vis-à-vis landlords and suppliers, which will help us lower our operating costs and expenses as a percentage of our total revenues. As our sales continue to grow in tandem with the expansion of our store network, driving significant operating leverage, we believe there are long-term opportunities to enhance our store economics and drive our profitability.

Our close relationship with the global Domino's system

We enjoy a strong relationship with our global franchisor, Domino's Pizza, Inc. (NYSE: DPZ), as well as other international Domino's Pizza franchisees. As a member of the global Domino's Pizza family, we have access to cutting-edge operational, technological and product insights, which allows us to enjoy distinct competitive advantages. These advantages include:

- *Our brand*. Domino's Pizza is a leading global consumer brand and Domino's Pizza, Inc., our global franchisor, is the world's largest pizza company in terms of 2021 global retail sales, with more than 19,200 stores in over 90 markets around the world as of June 19, 2022. The worldwide ubiquity of the Domino's Pizza brand helps us grow our brand awareness in China.

- *Our business model*. We have adapted the globally-recognized Domino's Pizza business model for China, which has provided a foundation that enables us to serve Chinese consumers delicious, value for money pizza through timely and reliable delivery. We also continue to learn best practices from other international Domino's Pizza franchisees, such as those in India, Japan and Australia, in order to improve our competitiveness and accelerate our growth.

- *Our menu*. Our access to the Domino's Pizza global menu bank enables us to identify successful menu items that we can adapt for the Chinese market. For example, one of our bestselling pizzas, the potato bacon pizza (美國風情土豆培根比薩), was inspired by Domino's Pizza in South Korea.

- *Our technology*. In addition to our independent and proprietary investment into research and development, we leverage the technological knowhow of the global Domino's system to identify technologies that may be deployed in China. For example, we developed our order tracker by leveraging insights from the global Domino's Pizza system.

We have a strong and collaborative relationship with Domino's Pizza, Inc., our global franchisor. In 2020 and 2021, Domino's Pizza, Inc. made equity investments in us for an aggregate amount of US$89.1 million. We believe that our strong relationship with Domino's Pizza, Inc. will continue to be an important competitive strength as we grow.

Our seasoned and visionary management team with strong execution capabilities

We are led by a team of seasoned industry veterans with an average of over 12 years of experience in the restaurant, financial and technology sectors and strong execution capabilities. Our core management team combines deep, localized knowledge of the Chinese restaurant market with extensive experience working for international, market-leading restaurant brands in China. Under their leadership, we have applied global best practices to our business in China across the whole spectrum of our operations.

The majority of our current core executive management team, including our CEO, joined us between 2017 and 2018. This core executive management team is highly cohesive and stable, having remained together over the past four years. Under the leadership of our CEO, our core executive management team has led the rapid expansion of our store network – since the beginning of 2018, the number of our stores has tripled, and SSSG has been positive in every quarter. In addition to rapid growth, our core management team has also improved our profitability – although we recorded net losses in the Track Record Period, our Adjusted EBITDA (non-IFRS measure) consistently improved over the same period, turning positive in 2021 and remaining positive in the six months ended June 30, 2022.

OUR GROWTH STRATEGIES

Our vision is to become China's number one pizza brand. Our mission is to operate a nationwide Domino's Pizza store network, powered by technology and excellence in delivery, that offers Chinese consumers great taste, timely and reliable delivery and high value for money. To execute on our mission and realize our vision, we intend to pursue the following strategies:

Rapidly increase the number of our stores

We believe that there are a vast number of locations in China where we can successfully open new stores. There is significant whitespace in the China pizza market, which remains underpenetrated compared to countries with similar food cultures. For example, in 2021, there were only 10.9 pizza stores per million people in China, as compared to 28.1 and 28.3 in Japan and South Korea, respectively, according to the Frost & Sullivan Report.

To capture this significant market opportunity, we have adopted a plan to open approximately 120 and 180 new stores in 2022 and 2023, adding to the 468 stores we directly operated as of December 31, 2021. In the six months ended June 30, 2022, we opened 40 stores (net of closures), bringing the total number of our stores to 508 as of June 30, 2022. We will both deepen our penetration in our existing markets and expand our presence to new markets. We will first focus on opening stores in China's Tier 1, New Tier 1 and Tier 2 cities, which have significant whitespace for growth, according to the Frost and Sullivan Report. Growing our store density will enable us to further strengthen our brand awareness, increase the penetration of our delivery and carryout services, and drive our sales growth potential.

In Beijing and Shanghai, where we have relatively strong brand awareness and store density, we are focused on increasing our penetration, particularly with respect to delivery and carryout. To that end, we will not just grow the absolute number of stores, but also develop new store formats, such as stores that only offer carryout and delivery services. We envision that these new store formats will be smaller and have more flexible locations than stores that also cater to dine-in customers, resulting in reduced rental, renovation and operating costs. This will enable us to open more stores, resulting in increased store density that will increase our marketing dollars, grow our brand awareness and make delivery and carryout even more convenient for our customers, which will ultimately drive our sales volume and profitability.

In our new growth markets, to which we have recently expanded and where we are focused on scaling our brand and store network, we are focused on adding more stores to serve more customers. We will continue to vigorously search for and evaluate new store locations that are suitable for our delivery-focused business model. At the same time, we will leverage the brand awareness that we have built up in those cities to accelerate our growth.

We also believe that we can successfully enter a large number of New Tier 1 and Tier 2 cities in which we currently do not have a presence. The pizza market in China's New Tier 1 and Tier 2 cities is expected to grow at a CAGR of 13.6% and 14.9% from 2021 to 2026, respectively, outpacing the growth of China's Tier 1 cities in the same period, according to the Frost & Sullivan Report. We will carefully assess the market potential of New Tier 1 and Tier 2 cities to identify new cities for expansion, including cities near our existing markets that can benefit from brand halo effects. From an operational perspective, many of China's cities are already covered by our existing central kitchens, which cover Northern, Eastern and Southern China. We believe we can economically increase the capacity of our existing central kitchens or build more central kitchens to support our growth in the future.

Promote our brand and strengthen customer loyalty

We will continue to grow the global Domino's Pizza brand in China, with the goal of becoming the go-to brand for consumers seeking a better-quality pizza delivered at a competitive price. We believe that strengthening our brand will allow us to further consolidate our market share in the China pizza market.

We are pursuing the following strategies to promote our brand:

- *Organically grow our brand through rapid store expansion.* We expect that the strength of our brand will grow organically in tandem with the expansion of our store network. As we deepen our penetration in existing cities and expand to new cities, we will broaden our customer base. Coupled with the inherent strengths of our global brand, pizza, delivery service and competitive pricing, we believe this will organically strengthen our brand awareness.

- *Expand our online and offline presence.* As our store network grows and our sales volume increases, we will be able to increase our marketing and promotion spending in absolute terms. This will enable us to broaden our presence on both online and offline channels. Although we currently have a strong social media presence on Weixin and Weibo, we plan to expand to Douyin, Xiaohongshu and other social media networks where we will be able to engage our customers through fun and creative content formats such as short-form videos, to further diversify our existing engagement formats, such as our minigames. Offline, we are exploring partnership opportunities that generate customer engagement, such as working with banks to offer special promotions at Domino's Pizza stores.

- *Build a community of Domino's loyalty program members.* From 2019 to 2021, the number of our total loyalty members grew at a CAGR of 60.0%, increasing from 2.4 million in 2019 to 6.1 million in 2021, before further increasing to 7.0 million as of June 30, 2022. The number of our active loyalty program members has increased commensurately, and we had 1.4 million, 2.1 million, 3.0 million and 3.2 million active loyalty program members as of December 31, 2019, 2020 and 2021 and June 30, 2022, respectively. We hope to continue increasing the number of our loyalty members. Our loyalty program has helped increase order frequency and enhance customer loyalty. Through our referral rewards, our loyalty program also provides an avenue for word-of-mouth marketing. We will leverage technology to make it easier for customers to join our loyalty program and enhance the attractiveness of our loyalty program by enhancing our capability to offer promotions and rewards that are tailored to a consumer's individual preferences. We expect that these initiatives will (i) encourage more customers to join our loyalty program, thereby increasing our customer insights and word-of-mouth marketing potential, and (ii) increase the number of our repeat members, which will drive our sales volume.

Further enhance our technology

We have developed proprietary digitalization and data tools to enhance the experience of our customers and optimize our operations. We believe these tools give us a unique competitive edge, and we remain focused on increasing our technological leadership.

We will enhance our ability to use technology to optimize the customer experience. To that end, we will hone our ability to use data to understand and engage with our customers. At present, our custom-built CDP generates data-driven insights about consumer trends, as well as the preferences of our customers. We intend to refine our CDP to understand customer preferences with even more granularity and accuracy, allowing us to finetune our media reach, optimize our conversion funnel and offer customized promotions and discounts through our loyalty program. We believe a deeper understanding of our customers' preferences and market trends will drive our ability to effectively engage with customers, make our marketing more efficient, enlarge our customer base, increase the frequency of orders and repeat orders, and ultimately generate more sales. In addition to our CDP, we will further strengthen our online channels to provide customers with an even more seamless and easy-to-use online ordering experience.

We will also continue to invest in our data infrastructure capabilities. We currently deploy a diverse set of technological systems to manage our supply chain, logistics and delivery functions, including our enterprise resource management, smart delivery and dispatch, and in-store operations management systems. We intend to build a unified data warehousing platform to centralize the data generated by these different systems. This will allow us to leverage knowledge across different business functions, generating data insights that we can use to further optimize our sales and marketing strategies, as well as our operational efficiency.

Strengthen our pizza-focused, value for money menu

We pride ourselves on our global and local menu which combines the global Domino's Pizza taste with ingredients and flavors tailored for Chinese palates. We will continue to leverage our understanding of Chinese consumers with our menu development capabilities to continue launching localized items that are tailored for China.

In particular, we intend to strengthen our leadership in pizza. To that end, we plan to strategically launch more novel and localized pizzas and crusts in anticipation of Chinese consumers' ever-changing tastes. At the same time, we will continue to refine our menu to execute on our add-on and trade-up strategies by continuing to develop and launch side items that complement our pizza offerings, which will enable our customers to upsize their orders and complete their meals.

We intend to optimize our pricing and deliver even more value for money, which will help us attract more consumers. In particular, as our store network, brand awareness and sales increase, our economies of scale will increase commensurately. We also expect to have more bargaining power vis-à-vis suppliers and landlords. Coupled with our continued focus on realizing operational efficiencies through technology, we believe that there is room to realize cost efficiencies that we can pass on to consumers.

Enhance our delivery leadership

We have a relentless focus on reducing our average delivery time while increasing the number of deliveries we make under 30 minutes. This focus applies to every element of our delivery process, starting from store design, to in-kitchen food preparation, to rider pickup and delivery. We believe there is room to further optimize each of these stages of the delivery process and increase the speed and reliability of our deliveries. We will continue to invest in our fleet of dedicated riders, refine our smart delivery and dispatch systems, and explore new methods of delivery.

We also plan to leverage the technological knowhow of the global Domino's Pizza system and adapt global innovations for the China pizza market. For example, Domino's Pizza, Inc. and other Domino's Pizza franchisees have been exploring automated delivery by using drones, robots and driverless delivery cars to complete deliveries. We continue to stay abreast of these and other innovations and will seek to deploy them, to the extent viable, to the China pizza market.

OUR DOMINO'S PIZZA STORES

We operate an extensive and rapidly-growing network of Domino's Pizza stores that are optimized for serving our customers through online channels via delivery and carryout services. Our store economic model has enabled us to rapidly grow our store network while improving our profitability, and we believe we can replicate the model in new markets across China.

We operate our stores pursuant to a Master Franchise Agreement with Domino's Pizza International Franchising, a subsidiary of Domino's Pizza, Inc. Pursuant to this Master Franchise Agreement, we have the exclusive right to set up and operate Domino's Pizza stores, as well as to use and license the Domino's Pizza and associated trademarks in the operation of pizza stores in the China mainland, the Hong Kong Special Administrative Region of China and the Macau Special Administrative Region of China. For more information about our Master

Franchise Agreement, please see "– Master Franchise Arrangements", "– Intellectual property", "History, reorganization and corporate structure – Master Franchise Agreement" and "Connected transactions – Master Franchise Arrangements".

Our Domino's Pizza store network

Our scale and reach

We directly operated 508 Domino's Pizza stores in 12 cities in China as of June 30, 2022. As of June 30, 2022, approximately 56% of our stores were located in Beijing and Shanghai, where the Domino's Pizza brand has been operating for approximately 25 and 15 years, respectively and enjoy strong brand awareness. The remainder of our stores are located across China's Tier 1, New Tier 1 and Tier 2 cities. We collectively refer to our markets other than Beijing and Shanghai as our "new growth markets". We believe that our successful growth in Beijing and Shanghai, which are among the most competitive cities for companies in the catering industry, is a testament to our ability to succeed in our new growth markets. The following table shows the number of our stores by city as of the dates indicated:

	As of December 31,			As of June 30,	As of the Latest Practicable
	2019	2020	2021	2022	Date
Beijing	81	100	124	136	148
Shanghai	99	121	143	147	155
Shenzhen	24	44	64	67	68
Guangzhou	7	21	41	44	49
Tianjin	17	25	35	39	44
Hangzhou	17	22	26	29	30
Nanjing	14	18	18	23	30
Suzhou	8	9	9	10	14
Wuxi	1	3	7	7	8
Ningbo	–	–	1	2	4
Foshan	–	–	–	3	5
Dongguan	–	–	–	1	6
Zhuhai	–	–	–	–	1
Total	**268**	**363**	**468**	**508**	**562**

Growth of our store network

Historical store movement

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

	Year ended December 31, 2019	2020	2021	For the six months ended June 30, 2022	For the period from June 30, 2022 to the Latest Practicable Date
Number of stores at the beginning of the period	188	268	363	468	508
Number of new stores opened during the period	83	98	108	46	57
Number of stores closed[(1)] during the period	3	3	3	6	3
Number of stores at the end of the period	268	363	468	508	562

Note:

(1) Refers to the total number of permanent store closures, which we define as the number of stores that closed and were not subsequently reopened within six months of closing in either the same location or a nearby location serving the same 30-minute delivery radius. Of the 15 stores that we closed during the Track Record Period, three were closed for strategic and commercial reasons, while 12 were closed because we chose not to renew our leases. The 12 stores that were closed because we chose not to renew our leases were ultimately relocated to nearby locations serving the same 30-minute delivery radius (in each case more than six months after the initial closure).

Since our current core executive management team joined us in 2017, the number of stores in our store network has grown rapidly. The total number of our stores increased from 188 at the beginning of the Track Record Period to 468 as of December 31, 2021, representing a three-year CAGR of 35.5%, before further increasing to 508 as of June 30, 2022. We attribute this rapid growth to our commitment to rapidly growing our store network, supported by our efficient store economic model as we deepen our penetration in our existing markets and expand to new markets.

Our store expansion plan

We believe that there are a vast number of locations in China where we can successfully open new stores. We plan to continue to grow our presence in China by expanding our geographic coverage and deepening our market penetration. We have adopted a plan to open approximately 120 and 180 new stores in 2022 and 2023, adding to the 468 stores we had as of December 31, 2021. In the six months ended June 30, 2022, we opened 40 stores (net of closures), bringing the total number of our stores to 508 as of June 30, 2022. Given the vast number of potential store locations in China, we expect we will open between approximately 200 and 300 new stores in each of 2024, 2025 and 2026.

In terms of geographic location, we will both deepen our penetration in existing markets and expand our presence to new markets. We will focus on opening stores in China's Tier 1, New Tier 1 and Tier 2 cities, which have significant whitespace for growth, according to the Frost and Sullivan Report. Growing our store density will enable us to further strengthen our brand awareness, increase the penetration of our delivery and carryout services, and drive our sales growth potential. We expect that 46%, 39% and 14% of the 300 stores that we have opened and plan to open in 2022 and 2023 will be located in China's Tier 1, New Tier 1 and Tier 2 cities, respectively.

We expect that the continued expansion of our store network will be supported by strong market demand. The China pizza market is expected to grow rapidly, and the China pizza delivery market is expected to grow even more quickly. Moreover, there is significant untapped potential in China's Tier 1, New Tier 1 and Tier 2 cities, whose pizza markets are expected to grow at CAGRs of 9.5%, 13.6% and 14.9% from 2021 to 2026, respectively. Moreover, the penetration rate of our services experienced sustained growth from 2019 to 2021, increasing from 0.2 pizza stores per million people to 0.3 pizza stores per million people in China during the period. We therefore believe there is sufficient whitespace to support the increase in the number of our stores contemplated by our store expansion plan.

As part of each our store expansion strategy, we periodically assess the feasibility of potential store locations. We consider several factors when deciding whether to expand in a certain region, including the local GDP, population size (in both residential and commercial terms), average income levels, consumption expenditure, competitive landscape, delivery market potential, average rental costs and proximity to our central kitchens. In general, we prioritize store openings in the coastal regions of China. In each region we are currently operating, namely northern, eastern and southern China, we typically prioritize expansion in city clusters where we are already present, namely cities surrounding Shanghai in the east, surrounding Shenzhen and Guangzhou in the south, and surrounding Beijing in the north. Within each city, we prioritize expansion in urban areas over suburban areas. On the basis of these factors, our network planning team identifies the cities, as well as the neighborhoods within them, where new stores should be located.

Our management team will continue to review and adjust our expansion plan on a quarterly basis. In addition, we usually conduct a feasibility study before we open a new store. Such study is normally conducted approximately six months before the opening of each restaurant, taking into account the time required to conduct such feasibility study and prepare for the restaurant opening. The feasibility study typically takes into account the existing competitors close to the potential location, the population and demographics of the neighborhood, the floor plan of the potential location and preliminary financial projections of the restaurant. For details, see "– How we choose the locations of our Domino's Pizza Stores – Site selection process" below.

We have also adopted support functions and stringent policies to manage our store expansion, including for planning, raw material procurement and supply chain, staff recruitment and training, logistics infrastructure, quality control and legal compliance. For details, see "– How we choose the locations of our Domino's Pizza Stores – Store expansion management" below.

Our store expansion plan is intended to capitalize on this significant market opportunity by expanding our geographic coverage and deepening our market penetration. We believe we are well-positioned to capture this market demand and grow our market share. Historically, we more than doubled our market share from 2017 to 2021. Looking ahead, we believe that our competitive strengths in branding, taste, delivery, technology and management will enable us to continue to take market share and achieve our store growth goals. For more information about our market opportunity, see "Industry overview".

From an operational perspective, we expect that our new stores' supply needs will be met primarily by existing our central kitchens, which cover Northern China, Eastern China and Southern China. We may also build new central kitchens to accommodate our growing store network in the future. Each of our central kitchens has a service radius of approximately 350 kilometers. Within such service radius, we are generally able to accommodate new stores through the expansion of the production and warehousing capacities of existing central kitchens. Therefore, unless we open new stores outside of the service radiuses of our three existing central kitchens, we do not need to build new central kitchens. We currently do not envision expanding our store footprint beyond the service radiuses of our existing central kitchens before the end of 2023. We expect that our new stores will have largely the same size, layout and delivery-focused operational model as our existing stores. We plan to assess the growth of our store network by rigorously selecting store sites to maximize sales, control costs, minimize cannibalization and ensure that new stores align with our delivery-focused business model. We also plan to grow our supply chain commensurately with the growth of our store network. For more information about how we evaluate the sites where we open new stores, see "– How we choose the locations of our Domino's Pizza stores" below.

In terms of build time and costs, a typical Domino's Pizza store takes between four and six months to build, depending on the size and location of each store. Assuming that the estimated average investment cost per store will be approximately [**REDACTED**], this initial capital expenditure primarily includes the design, renovation and decoration for the new stores, procurement and installation of kitchen equipment and air conditioners and procurement of computer and related IT software. Our planned investment costs for opening new stores in 2022 and 2023 will be approximately RMB180 million and RMB270 million, respectively. We plan to fund our store network expansion in 2023 and 2024 with the [**REDACTED**] from the [**REDACTED**]. For stores that we plan to open after 2023, we plan to fund our store network expansion with a mix of cash on hand, cash flows generated from our operations, as well as other external financings that we may seek to pursue at that time, although we expect to fund a portion of our store expansion in 2024 with [**REDACTED**] by our [**REDACTED**]. With respect to the new Domino's Pizza stores that we expect to open in 2022, we have incurred and committed amounts of approximately RMB141 million since December 31, 2021 and up to the Latest Practicable Date, which amounts were funded by our existing internal resources. For more information, see "Future plans and use of [**REDACTED**]."

Our store expansion track record

We have successfully executed our store expansion strategy during the Track Record Period. The total number of our stores increased from 188 at the beginning of the Track Record Period to 468 as of December 31, 2021, representing a three-year CAGR of 35.5%, before further increasing to 508 as of June 30, 2022. As of the Latest Practicable Date, we have opened 94 of the 120 stores that we plan to open in 2022 and have signed the leases and commenced the furnishing and preparatory work for the remaining 26 stores. We believe that, in addition to aggregate store movement, the historic success of our store expansion is also reflected by the following metrics.

Our average daily sales growth. Our average daily sales growth has consistently grown in both Beijing and Shanghai, as well as our new growth markets. In Beijing and Shanghai, our average daily sales per store was RMB12,009, RMB12,122, RMB12,781 and RMB13,974 in 2019, 2020, 2021 and the six months ended June 30, 2022, respectively. In our new growth markets, our average daily sales per store was RMB5,892, RMB6,002, RMB7,617 and RMB8,705 in 2019, 2020, 2021 and the six months ended June 30, 2022, respectively. We achieved this growth in spite of the impact of COVID-19 across China. We believe this reflects our ability to not just increase the number of stores, but to increase sales at those stores. For details, see "– The operating performance of our Domino's Pizza stores" in this section.

Our success in new markets. We have experienced success opening new stores in new growth markets. For example, in September 2021, we entered one new city, namely Ningbo, Zhejiang province. Our first store in Ningbo had an initial breakeven period of one month, and a cash investment payback period of approximately three and a half months, which was substantially lower than our group average at the time. Similarly, in April 2022, we expanded into Dongguan, Guangdong province. Our first store in Dongguan had an initial breakeven period of one month, which was also substantially lower than our group average at the time. We believe the success of these stores testifies to our ability to identify opportunities in new markets for new stores as we implement our store expansion plan.

Our improving profitability. The successful execution of our expansion plan and penetration strategy is further demonstrated by our improving profitability during the Track Record Period. Although we recorded net losses in the Track Record Period, our Adjusted EBITDA (non-IFRS measure) consistently improved over the same period, with our Adjusted EBITDA (non-IFRS measure) turning positive in 2021 and remaining positive in the six months ended June 30, 2022.

On the basis of the foregoing, we consider that we have successfully implemented our store expansion strategy during the Track Record Period and that our store expansion is supported by sufficient demand. We believe that our historical track record of fast growth and improving profitability is testament to our ability to successfully implement of our store expansion plan in the future. However, in the short term, the opening of new stores will cause us to have cash outflows, and these new stores may not immediately improve our profitability due to the time it takes for their sales to ramp up and for them to achieve initial breakeven and cash investment payback.

The actual number, location and timing of new stores in any period will be affected by a number of factors, including factors outside of our control, and remain subject to uncertainties. We may review and adjust our expansion plans from time to time depending on prevailing market conditions and the current conditions of our store network. For more information, see "Risk factors – Risks relating to our business and industry – Although we have grown rapidly, we cannot assure you that we will continue to grow at the same pace, or at all".

How we choose the locations of our Domino's Pizza Stores

Site selection process

We believe that a store's location is vital to its success. We rigorously assess the viability of new stores, whether in new or existing cities. These evaluations are a company-wide effort that involves our senior management, network planning, finance, project development and legal and compliance teams, who work together to review prospective locations as set forth below:

- *Strategic evaluation*. Our network planning team evaluates whether the proposed location fits within our centralized expansion strategy. Under this strategy, we rank the attractiveness of cities and neighborhoods' by conducting a weighted analysis of a multitude of factors, including local GDP, population size (in both residential and commercial terms), average income levels, consumption expenditure, competitive landscape, delivery market potential, average rental costs and proximity to our central kitchens. On the basis of these factors, our network planning team identifies the cities, as well as the neighborhoods within them, where new stores should be located. In general, we prioritize store openings in the coastal regions of China. In each region we are currently operating, namely northern, eastern and southern China, we typically prioritize expansion in city clusters where we are already present, namely cities surrounding Shanghai in the east, surrounding Shenzhen and Guangzhou in the south, and surrounding Beijing in the north. Within each city, we prioritize expansion in urban areas over suburban areas. We follow this strategy for the following reasons: (i) we have built up our brand in each of these region's hub cities, namely Beijing, Shanghai, Shenzhen and Guangzhou, and new stores opened in these cities and in the cities surrounding these hub cities can enjoy the benefit of our established brand awareness; (ii) these cities and their surrounding areas have advanced economic development and higher disposal income per capita; (iii) new stores opened in these markets are within the delivery range of our three existing central kitchens, and such new stores can fully utilize the supply chain and logistics capacity provided by these three central kitchens without incurring significant new capital expenditure.

- *Performance modeling*. Our finance team focuses on quantitatively modelling the expected performance of proposed stores. They focus on projecting financial and sales performance. After a new store opens, our network planning team also compares actual sales with forecasts, which enables us to refine the models used and improve our ability to evaluate the expected performance of proposed stores in the future.

- *Onsite planning*. Our project development team inspects the physical property and ensures that the store will comply with our compliance standards and applicable laws and regulations. For example, we ensure that the store space will accommodate electric cabling, grease traps, smoke exhausts, and fire escape routes that, in each case, meet the applicable national standards. We also ensure that the store site is operationally feasible – for example, there must be sufficient parking spaces for our delivery bikes. Our project development team will also negotiate lease terms to ensure that rental costs will be viable for our store.

- *Legal and compliance*. Our legal and compliance teams review legal risks surrounding the proposed store, as well as communicate with local authorities to make sure that we comply with local qualification and licensing requirements.

When entering new regions which will require us to build new central kitchens, we will evaluate the entire region on a more comprehensive scope and take a longer development and investment assessment horizon.

Store expansion management

As we increase the density of our store network, we believe that our methodical approach to site selection can effectively prevent cannibalization amongst our existing and new stores, especially in Beijing and Shanghai where we have a more established presence. In view of our 30 minute delivery promise, we typically avoid opening new stores with a 30-minute service radius that overlaps with the 30-minute service radius of an existing store. Accordingly, we generally strive to open our stores in concentric rings within a given city, which we believe enables us to serve our customers efficiently, maximize our brand recognition, and minimize cannibalization.

To cope with rapid growth, we have adopted the support functions and stringent policies set forth below:

- *Planning*. Our development, planning and operations team covers research, planning, location selection, construction and preparation of new stores. The team vigorously carries out market research and analysis for new store opening, executes the overall planning of new stores, site selection, construction and preparation for opening for each year, and liaises with other teams in monitoring store performance and collecting data for additional store opening.

- *Raw material procurement and supply chain*. We have centralized supply chain management supported by the three central kitchens located in Shanghai, Sanhe and Dongguan, supporting the three main regions we are currently focused on further building up. Our supply chain team closely monitors the market price of major raw materials, such as wheat, flour, cheese and protein, and works closely with sales in each region in procurement management. In addition, our supply chain team is also an integral part of our menu development team to make sure new menu items are deliverable in the required form factor and packaging.

- *Staff recruitment and training*. We recruit talent through diversified channels, such as in-store posters, social media, internal referrals, campus recruitment, online recruiting platforms and recruiting agencies. We have also continued to drive talent development programs to promote talent from within. We have identified the lynchpin positions and run talent roundtables frequently to review talent needs, succession plans and talent development programs. We have also developed our training programs into e-learning to facilitate more flexible self-coaching.

- *Logistics infrastructure*. We operate three central kitchens together with the warehouse attached to each of the central kitchens in northern, eastern and southern China for our business in these three regions. In addition, we engage large-scale, reliable local and cross-region logistics partners for the delivery of our pizza dough and other raw materials and ingredients to our stores. We set a unified set of stringent requirements and standards with our logistic partners and their fleets, especially with respect to our cold chain delivery fleet. In addition, we plan to further expand the warehouse areas to our Shanghai, Sanhe and Dongguan central kitchens to upgrade their logistics management efficiency and create more floor area that will allow us to add more production lines in the future.

- *Quality control and legal compliance*. We put a high emphasis on food safety and hence have been vigorously enhancing our quality control. We keep the quality control function within the supply chain department to ensure the safety and high quality of raw material and semi-produced ingredients, such as pizza dough, pasta and rice. We have also standardized operational procedures for producing, serving and delivering our food to customers, and our operation and staff training teams routinely inspect our stores to ensure the consistency in the high standard. Our public relations, internal control and legal departments closely monitor the legal compliance status of each store and delegate day-to-day compliance work streams to our store managers who are regularly trained.

In terms of the expected breakeven and payback targets for our stores, we analyze how the applicable market has been performing historically, as well as the experience and know-how we have accumulated through our years of experience.

In Beijing and Shanghai, where we have a longer operating history and stronger brand awareness, we aim for a cash investment payback period of less than 36 months. For our new growth markets, it is a process of continual build-up. When we initially enter a new market, the first set of stores are opened with brand building in mind. To that end, we may open the first set of stores in prime areas and launch promotions as they open, resulting in higher rental costs and promotional costs, which in turn results in initial capital expenditures that may be higher than those incurred when opening a store in an existing market. However, as we continue to grow our store network in a new market and raise brand awareness there, the initial breakeven period and cash investment payback periods tend to shorten.

This growth trajectory has been consistently observed as we have built our store network in Beijing and Shanghai, where our stores have a stable cash investment payback period of less than 36 months on average. We have also observed a similar growth trajectory in some of the new growth markets. For example, our stores in Hangzhou, the first market we entered outside of Beijing and Shanghai, have now attained a stable average cash investment payback period of 36 months, which is similar to that of Beijing and Shanghai. As we continue to build out our store network in northern, eastern and southern China, we expect the process of building up in new markets will shorten as we leverage brand halo effects, as well as increasingly effective marketing campaigns that leverage our accumulated know-how. For example, we achieved accelerated payback period in some of our new markets during the initial stages of our expansion there. In September 2021, we opened our first store in Ningbo, Zhejiang province, and it achieved an initial breakeven period of one month and a cash investment payback period of three and a half months. Similarly, in April 2022, we opened our first store in Dongguan, Guangdong Province, and it achieved an initial breakeven period of one month, and is expected to achieve a cash investment payback period of less than six months.

In summary, we expect that the average cash investment payback period will continue to be 36 – 48 months across all of our markets. In the long run, we aim to have an average cash investment payback period of approximately 36 months for our stores across all of our markets. In comparison, the average initial breakeven period and cash investment payback period in the China pizza market is typically over two months and three to five years, respectively, according to the Frost & Sullivan Report.

Features of our Domino's Pizza stores

Size and layout

Although all of our stores offer dine-in services, we optimize our stores for our delivery-focused business model. To that end, we generally aim to keep our store sizes compact, particularly in areas where we have high store density. This enables us to focus on serving delivery and carryout customers while managing our rental costs. The average size of our stores was 125 square meters, and the average number of seats in our stores was 28 as of June 30, 2022. The size and layout of our stores varies depending on the commercial profile of the areas in which they are located. The table below sets forth a breakdown of our stores by size as of the dates indicated:

	As of December 31,			As of June 30,		As of the Latest Practicable Date
	2019	**2020**	**2021**	**2021**	**2022**	
Number of stores						
By size						
>150 m^2	49	63	64	64	74	82
≤150 m^2	219	300	404	351	434	480
Total	**268**	**363**	**468**	**415**	**508**	**562**

We optimize the layout of our stores for delivery. Our stores generally have dedicated areas for riders and customers to pick up delivery and carryout orders, which streamlines the pickup process. In addition, in certain stores in Shanghai, we have also installed pickup boxes outside of the store, which our riders can use to pick up pizzas for delivery without stepping foot into the store. Taken together, this minimizes congestion in our stores and makes it more convenient for our riders and customers to collect their orders.

Store design, decoration and equipment

Our stores feature a unified visual language that is both inviting and memorable for customers, as well as high-efficiency, environmentally-friendly equipment that allows our frontline workers to safely prepare high-quality, delicious fare for our customers.

Customer-facing exteriors and interiors

Store exteriors typically prominently display our branding, such as the Domino's Pizza logo, as well as the classic Domino's colors, blue and red. Store interiors are designed to convey a young, warm and approachable ambiance. We believe our décor is an important tool for establishing brand recognition and provides a welcoming space for our customers.

The image below shows a typical shopfront for one of our Domino's Pizza stores:

The image below shows the storefront of one of our Domino's Pizza stores with a pickup station located outside of the store, which customers and riders can use to pick up carryout and delivery orders, respectively:

The image below shows the typical interior area of one of our Domino's Pizza stores:

Our kitchens and appliances

Our kitchens generally take up about half of the area of our stores. Our kitchens are custom-built for the expected service capacity of a particular store, particularly in view of our 30-minute delivery promise. In designing our kitchen spaces, we seek to maximize four factors: (i) food safety, (ii) fire safety, (iii) employee satisfaction, and (iv) productivity. We make sure that our kitchens have sufficient room for the cold-storage equipment needed for food safety, fire escape routes, and space for our employees to work comfortably and productively in.

We equip our kitchens with high-efficiency, environmentally-friendly appliances. The core appliances in our kitchens are (i) ovens, which we use to cook pizzas and the majority of our other foods, and (ii) refrigerators and freezers for storage. For more information about the appliances we use and their efficiency, please see "– Environmental, social and governance".

The image below shows a kitchen in a typical Domino's Pizza store:

Renovation of our Domino's Pizza stores

To ensure that our stores meet our design requirements, we regularly assess whether we need to conduct renovation of our Domino's Pizza stores. Typically, we make this assessment when we renew the lease of a given store. Whether we conduct a renovation depends on several factors, including the age of the existing store and the duration of the renewed lease. We are more likely to renovate stores whose leases are renewed for longer periods. In the course of a store renovation, we incur capital expenditures and will temporarily close the store being renovated. However, in the aggregate, store renovations do not have material impact on our operating or financial performance.

Our store teams

Our stores are staffed in a dynamic, flexible manner to maximize the efficiency of our operations. Each of our stores is typically staffed a pool of by 20 to 30 team members, who work in shifts. The specific number of team members working during a specific shift varies, as we staff our stores on a rolling, weekly basis in response to anticipated demand. When we expect heightened demand during a particular time, we may staff more team members. During a typical shift, the in-store team is composed of approximately two full-time management staff, one full-time staff, and ten part-time staff. Our management staff oversees the overall operation of our stores. Our non-management staff are generalists who work as both assistants and riders. In their capacity as assistants, they primarily work within the stores, such as in the kitchen or at the cashier. In their capacity as riders, they are responsible for making deliveries to customers. Our team structure is highly flexible and we allow each team member to take on different duties within the store depending on customer demand. For example, if a store needs more riders, the assistants in the store can also serve as riders as needed during peak hours. We provide training to make sure our store teams can act both as in-store assistants and as riders. We believe the flexibility and skills of our store teams are an important part of our success.

For more information about our rider management, please see "– Our expertise in delivery – Our dedicated rider fleet". For more information about our employees in general, please see "– Employees".

The operating performance of our Domino's Pizza stores

Key performance indicators

We use a number of financial measures and operating metrics to evaluate the performance of our Domino's Pizza stores. The key performance indicators that we use are set forth in the table below for the periods or as of the dates indicated:

	For the year ended or as of December 31,			For the six months ended or as of June 30,	
	2019	2020	2021	2021	2022
Number of stores					
Beijing and Shanghai	180	221	267	249	283
New growth markets	88	142	201	166	225
Total	**268**	**363**	**468**	**415**	**508**
Revenue (RMB in millions)					
By market					
Beijing and Shanghai	702	869	1,147	554	580
New growth markets[3]	134	235	464	213	329
Total[1]	**837**	**1,104**	**1,611**	**767**	**909**

	For the year ended or as of December 31,			For the six months ended or as of June 30,	
	2019	**2020**	**2021**	**2021**	**2022**
Average daily sales per store(2) (RMB)					
By market					
Beijing and Shanghai	12,009	12,122	12,781	12,968	13,974
New growth markets(3)	5,892	6,002	7,617	7,616	8,705
All markets	**10,292**	**9,962**	**10,692**	**10,854**	**11,462**
By dining option					
Delivery	7,209	7,420	7,831	7,918	8,196
Non-delivery	3,083	2,542	2,861	2,937	3,266
All options	**10,292**	**9,962**	**10,692**	**10,854**	**11,462**
Average orders per store per day(4) (#)					
By market					
Beijing and Shanghai	147	140	138	142	139
New growth markets(3)	79	75	89	91	100
All markets	**128**	**117**	**118**	**122**	**120**
Average sales value per order(5) (RMB)					
By market					
Beijing and Shanghai	81.6	86.6	92.6	91.3	100.3
New growth markets(3)	74.5	80.0	85.6	83.6	87.2
All markets	**80.4**	**85.1**	**90.5**	**89.0**	**95.1**
By dining option					
Delivery	89.2	93.4	99.2	97.5	99.8
Non-delivery	65.3	67.6	72.9	72.1	85.1
All options	**80.4**	**85.1**	**90.5**	**89.0**	**95.1**
Store-level operating profit(6) (RMB'000)					
By market					
Beijing and Shanghai	94,202	124,016	212,170	103,674	102,086
New growth markets	(19,642)	(35,471)	(11,954)	(3,739)	17,611
All markets	**34,221**	**38,073**	**143,926**	**71,844**	**83,325**
Store-level operating profit margin(7) (%)					
By market					
Beijing and Shanghai	13.4	14.3	18.5	18.7	17.6
New growth markets(3)	(14.6)	(15.1)	(2.6)	(1.8)	5.4
All markets	**4.1**	**3.4**	**8.9**	**9.4**	**9.2**

Notes:

(1) Amounts may not foot due to rounding.

(2) Calculated by dividing the revenues generated from the relevant store for a particular period by the aggregate number of days of operation of such store during the same period.

(3) "New growth markets" refers to Shenzhen, Guangzhou, Hangzhou, Tianjin, Nanjing, Suzhou, Wuxi, Ningbo, Foshan and Dongguan.

(4) Calculated by dividing the aggregate number of orders placed by customers with the store for a particular period by the aggregate number of days of operation of such store during the same period.

(5) Calculated by dividing the revenues generated from the relevant store for a particular period by the aggregate number of orders placed by customers with such store during the same period.

(6) Represents revenue less operational costs incurred at the store level, comprising salary-based expense, raw materials and consumables cost, depreciation of right-of-use assets, depreciation of plant and equipment, amortization of intangible assets, variable lease rental payment and short-term rental expenses, utilities expenses, advertising and promotion expenses, store operating and maintenance expenses and other expenses. Store-level operating profit for a given market excludes unallocated costs, which primarily represent the operation costs incurred from our central kitchens, our call center and staff training expenses in anticipation of new store openings, all of which are not allocable to any particular market, and are therefore excluded from store-level operating profit by market. In 2019, 2020 and 2021, these unallocated costs amounted to RMB40.3 million, RMB50.5 million and RMB56.3 million, representing 4.8%, 4.6%, and 3.5% of revenue, respectively. In the six months ended June 30, 2021 and 2022, these unallocated costs amounted to RMB28.1 million and RMB36.4 million, representing 3.7% and 4.0% of revenue, respectively.

(7) Calculated by dividing store-level operating profit by revenue for the same period. Store-level operating profit margin for a given market is calculated by dividing store-level operating profit (excluding unallocated costs) by total revenue, in each case for that market and that year, and multiplying the result by 100%. For details about unallocated costs, please refer to footnote (6) above.

Average daily sales per store

In Beijing and Shanghai, average daily sales per store increased by 0.9% from RMB12,009 in 2019 to RMB12,122 in 2020, before further increasing by 5.4% to RMB12,781 in 2021, representing an overall increase of 6.4% from 2019 to 2021. For the six months ended June 30, 2021 and 2022, average daily sales per store in Beijing and Shanghai was RMB12,968 and RMB13,974, respectively, representing a year-over-year increase of 7.8%.

In our new growth markets, average daily sales were lower than in Beijing and Shanghai but grew faster, increasing by 1.9% from RMB5,892 in 2019 to RMB6,002 in 2020, before further increasing by 26.9% to RMB7,617 in 2021, representing an overall increase of 29.3% from 2019 to 2021. For the six months ended June 30, 2021 and 2022, average daily sales per store in our new growth markets was RMB7,616 and RMB8,705, respectively, representing a year-over-year increase of 14.3%.

We have been strategically expanding faster in our new growth markets. More than half of the new stores that we opened in each year of the Track Record Period were opened in our new growth markets. As a result, stores in new growth markets represent an increasingly large proportion of our overall store network, accounting for 32.8%, 39.1%, 42.9% and 44.3% of our total stores as of December 31, 2019, 2020 and 2021 and June 30, 2022, respectively. At the same time, the average daily sales per store in new growth markets has yet to reach the level seen in Beijing and Shanghai. The growing proportion of stores in new growth markets, coupled with the lower average daily sales per store of such stores, were the primary reasons for the total decrease in average daily sales per store from RMB10,292 in 2019 to RMB9,962 in 2020. However, in 2021 and the first half of 2022, as stores in our new growth markets continued to ramp up, our total average daily sales per store increased to RMB10,692 and RMB11,462, respectively.

In Beijing and Shanghai, average daily sales per store have been consistently increasing over the Track Record Period, primarily driven by an increase in average sales value per order, partially offset by a slight decrease in average orders per store per day. The increase in average sales value per order was primarily driven by our continued efforts in menu development and localization, active marketing and trade-up strategies in combo offerings, which have enabled us to increase sales value while maintaining customer demand. The decrease in average orders per store per day was primarily driven by our expansion to new locations with lower populations as we continue to deepen our penetration in Beijing and Shanghai. Relative to our older stores, stores in these new locations have a lower initial order volume and are more adversely affected by the COVID-19 pandemic, which together led to a decrease in average orders per store per day in 2020, 2021 and the first half of 2022 as compared to the prior periods.

In our new growth markets, average daily sales per store have been consistently increasing over the Track Record Period, driven by both increasing average sales value per order and average orders per store per day. As with Beijing and Shanghai, average sales value per order in our new growth markets primarily increased due to our menu development and localization, active marketing and trade-up strategies in combo offerings. At the same time, our new growth markets also benefitted from other growth drivers. For example, the increasing brand awareness in new growth markets encouraged our customers there to purchase more for each order. In addition, although new growth markets typically record more non-delivery orders, the percentage of delivery orders has also been increasing, which also contributed to an increasing sale value per order as delivery orders usually have a higher sale value per order than dine-in orders. The overall increase in average orders per store per day in new growth markets was primarily driven by the rapid ramp-up of stores as brand awareness strengthens and customer demand increases, coupled with a growing proportion of delivery orders. These positive effects were offset by the adverse impact of the COVID-19 pandemic in 2020, which resulted in a slight decrease in average orders per store per day in 2020 relative to 2019. However, in 2021 and the first half 2022, as market conditions normalized, our brand awareness continued to strengthen, and delivery orders further increased, average orders per store per day rebounded, driving an overall increase in average orders per store per day in our new growth markets over the Track Record Period.

We record higher average daily sales per store in Beijing and Shanghai than in our new growth markets, primarily due to our longer operating history, higher store density and stronger brand awareness in Beijing and Shanghai. The average daily sales per store in Beijing and Shanghai continued to grow steadily but at a milder pace compared to that of our new growth markets, primary as a result of our expansion into areas with lower populations than the areas serviced by our existing stores and the consistently high average daily sales per store in Beijing and Shanghai during the Track Record Period. At the same time, our average daily sales per store has increased substantially faster in our new growth markets, with a year-on-year increase of 1.9% from 2019 to 2020, a year-on-year increase of 26.9% from 2020 to 2021 and a year-on-year increase of 14.3% from the first half of 2021 to the first half of 2022, primarily attributable to the fact that we expanded into new markets where there was widely untapped consumer demand and our stores ramped up sales quickly as we continued to build out our footprint and penetrate in these new growth markets.

In terms of dining options, our average daily sales per store is higher for delivery orders than non-delivery orders. This is primarily because we record more delivery orders and delivery orders have a higher average sales value per order. Average daily sales for delivery orders increased by 2.9% from RMB7,209 to RMB7,420, before further increasing by 5.5% to RMB7,831 in 2021. For the six months ended June 30, 2021 and 2022, average daily sales per store for delivery orders was RMB7,918 and RMB8,196, respectively, representing a period-over-period increase of 3.5%. The underlying reasons for this consistent increase are similar to those discussed above, and include the continued ramp-up of our stores, our strengthening brand awareness, and the strength of our delivery services.

Average daily sales for non-delivery orders decreased by 17.6% from RMB3,083 to RMB2,542, primarily due to the COVID-19 pandemic and the related control measures, which limited the customers to place non-delivery orders with us. In 2021, average daily sales for non-delivery orders increased 12.6% year-on-year to reach RMB2,937 as the effects of the COVID-19 pandemic subsided. For the six months ended June 30, 2021 and 2022, average daily sales per store for non-delivery orders was RMB7,918 and RMB8,196, respectively, representing a period-over-period increase of 3.5%, despite the impact of the COVID-19 pandemic in certain cities during the first half of 2022. This increase was primarily attributable to (i) group buying activities in Shanghai, whereby customers placed large group orders for carryout, driving average sales value per order and offsetting the reduced number of orders, as well as (ii) the strong performance of stores in the markets we entered in the first half of 2022, such as Ningbo, Foshan and Dongguan, which were relatively unaffected by the COVID-19 pandemic and benefitted from strong brand halo effects, coupled with relatively higher portion of non-delivery order in these newly opened stores, resulting in heightened customer demand that drove average orders per store.

For similar reasons, our average daily sales per store is typically higher for stores that have been open for longer. The following table sets forth average daily sales per store by year of opening during the Track Record Period:

	For the year ended December 31,			For the six months ended June 30,	
	2019	**2020**	**2021**	**2021**	**2022**
Average daily sales per store[(1)] (RMB)					
By year of opening					
Stores opened before 2019:					
Beijing and Shanghai	12,385	13,363	15,239	15,265	16,883
New growth markets	5,980	7,022	9,361	9,208	10,847
All markets	**10,857**	**11,844**	**13,844**	**13,807**	**15,277**

	For the year ended December 31,			For the six months ended June 30,	
	2019	2020	2021	2021	2022
Stores opened in 2019:					
Beijing and Shanghai	9,120	9,162	10,864	10,811	13,057
New growth markets	5,677	5,191	7,706	7,502	9,490
All markets	**7,415**	**7,058**	**9,203**	**9,070**	**11,062**
Stores opened in 2020:					
Beijing and Shanghai	*	9,029	8,965	8,909	10,804
New growth markets	*	5,532	6,423	6,423	7,669
All markets	*	**7,234**	**7,565**	**7,541**	**8,937**
Stores opened in 2021:					
Beijing and Shanghai	*	*	9,042	9,586	10,071
New growth markets	*	*	7,100	7,595	7,160
All markets	*	*	**8,040**	**8,666**	**8,292**
Stores opened in 2022:					
Beijing and Shanghai	*	*	*	*	10,025
New growth markets	*	*	*	*	10,804
All markets	*	*	*	*	**10,486**
All stores:					
Beijing and Shanghai	12,009	12,122	12,781	12,968	13,974
New growth markets	5,892	6,002	7,617	7,616	8,705
All markets	**10,292**	**9,962**	**10,692**	**10,854**	**11,462**

Notes:

* Not applicable.

(1) Calculated by dividing the revenues generated from the relevant store for a particular period by the aggregate number of days of operation of such store during the same period.

Stores of older vintages generally recorded higher average daily sales per store during the Track Record period, primarily because these stores have had sufficient time to ramp up and develop strong brand awareness with nearby consumers, resulting in a larger base of customers that drive sales volume at our stores. Notwithstanding the foregoing, the stores that we opened in the first half of 2022 recorded higher average daily sales per store than stores opened from 2019 to 2021, primarily because the new stores that we opened in the first half of 2022 benefited from the successful execution of our site selection strategy, which enabled us to open stores in locations that enjoy from significant brand halo effects. For example, our new stores in Ningbo and Dongguan enjoy brand halo effects from being situated near Shanghai and Shenzhen, respectively. In addition, the general improvement in our brand recognition led to higher initial sales for stores opened in the first half of 2022.

Average orders per store per day

Average daily orders per store per day decreased by 8.6% from 128 in 2019 to 117 in 2020, before increasing by 1.0% to 118 in 2021. For the six months ended June 30, 2021 and 2022, average orders per store per day were 122 and 120, respectively, representing a year-over-year decrease of 1.2%, and an overall decrease over the Track Record Period. In Beijing and Shanghai, average daily orders per store per day decreased by 4.8% from 147 in 2019 to 140 in 2020, before further decreasing by 1.4% to 138 in 2021.

For the six months ended June 30, 2021 and 2022, average orders per store per day in Beijing and Shanghai were 142 and 139, respectively, representing a year-over-year decrease of 1.9%. In our new growth markets, average daily orders per store per day decreased by 5.1% from 79 in 2019 to 75 in 2020, before increasing by 18.7% to 89 in 2021. For the six months ended June 30, 2021 and 2022, average orders per store per day in our new growth markets were 91 and 100, respectively, representing a year-over-year increase of 9.5%.

As we continue to deepen our penetration in Beijing and Shanghai, our new stores there have been expanding into locations that have lower populations compared to our existing locations. As a result, the initial order volume in these new stores is not as strong as that in older stores. These new stores were also more adversely affected by the COVID-19 pandemic than our older stores. These factors together led to a decrease in average orders per store per day in Beijing and Shanghai in 2020, 2021 and the six months ended June 30, 2022 as compared to the prior periods.

The overall increase in average orders per store per day in our new growth markets over the Track Record Period was mainly driven by the rapid ramp-up of stores in those markets as our brand awareness further strengthens and customer demand increases. This was partially offset by the adverse impact of the COVID-19 pandemic in 2020, which had a more significant effect on stores in our new growth markets, where the proportion of dine-in customers is relatively higher, making our new growth markets more susceptible to the impact of lockdowns and other COVID-19 restrictions. This resulted in a slight decrease in average orders per store per day in 2020 relative to 2019 in our new growth markets. However, in 2021 and the six months ended June 30, 2022, market conditions in most of the cities where we operate normalized, our brand awareness continued to strengthen, and delivery orders further increased, leading to a rebound in average orders per store per day, resulting in an overall increase in average orders per store per day in our new growth markets over the Track Record Period. This increase in turn drove the total increase in average orders per store per day over the Track Record Period.

We record higher average orders per store per day in Beijing and Shanghai than in our new growth markets, primarily due to the stronger brand awareness we enjoy in those cities, as described in more detail under "– Average daily sales per store" above.

Average sales value per order

Average sales value per order increased by 5.8% from RMB80.4 in 2019 to RMB85.1 in 2020, before further increasing by 6.3% to RMB90.5 in 2021, representing an overall increase over the Track Record Period. For the six months ended June 30, 2021 and 2022, our total average sales value per order was RMB89.0 and RMB95.1, respectively, representing a year-over-year increase of 6.9%.

In Beijing and Shanghai, average sales value per order increased by 6.1% from RMB81.6 in 2019 to RMB86.6 in 2020, before further increasing by 6.9% to RMB92.6 in 2021. For the six months ended June 30, 2021 and 2022, average sales value per order in Beijing and Shanghai was RMB91.3 and RMB100.3, respectively, representing a year-over-year increase of 9.9%. In our new growth markets, average daily orders per store per day increased by 7.4% from RMB74.5 in 2019 to RMB80.0 in 2020, before further increasing by 6.9% to RMB85.6 in 2021. For the six months ended June 30, 2021 and 2022, average sales value per order in our new growth markets was RMB83.6 and RMB87.2, respectively, representing a year-over-year increase of 4.3%.

The increase in average sales value per order was primarily attributable to our add-on and trade up strategies, which are offered for both delivery and non-delivery orders. These strategies encourage customers to add sides and other items to their orders, and trade up their pizzas for more indulgent styles. The increase was also attributable to an increase in delivery sales in our new growth markets, as delivery sales typically have higher average sales value per order than non-delivery sales. In particular, average sales value per order for delivery orders was RMB89.2, RMB93.4, RMB99.2 and RMB99.8 in 2019, 2020, 2021 and the six months ended June 30, 2022, while average sales value per order for non-delivery orders was RMB65.3, RMB67.6, RMB72.9 and RMB85.1 in the same periods.

In terms of order composition, during the Track Record Period, a typical order consisted of a pizza, a drink and a side item. We also offer combo orders, which allow customers to combine a rice or pasta with sides and drinks. These combo orders have become more popular over the course of the Track Record Period, which has also contributed to growth in average sales value per order during the Track Record Period. See "– Our menu – Our value for money pricing policy" for more information about our pricing policy.

Store-level operating profit margin

Store-level operating profit margin is calculated by dividing store-level operating profit by revenue in the same period. During the Track Record Period, our store-level operating profit margin was 4.1%, 3.4%, 8.9% and 9.2% in 2019, 2020, 2021 and the six months ended June 30, 2022, respectively.

We also calculate store-level operating profit margin by excluding certain unallocated costs, which primarily represent the operation costs incurred from our central kitchens, our call center and staff training expenses in anticipation of new store openings, all of which are not allocable to any particular market, and are therefore excluded from store-level operating profit by market. Excluding such unallocated costs, during the Track Record Period, our store-level operating margin in Beijing and Shanghai was 13.4%, 14.3%, 18.5% and 17.6% in 2019, 2020, 2021 and 2021 and the six months ended June 30, 2022, respectively. Our store-level operating margin in our new growth markets was (14.6%), (15.1%), (2.6%) and 5.4% in the same periods, respectively.

We attribute the improvements in our store-level operating profit margin primarily to the increase in sales at both our new and old stores, as well as growing economies of scale driven by the expansion of our store network, which has reduced operating costs across our markets as we realize economies of scale and our increased size enables us to have more negotiating power vis-à-vis our landlords and suppliers. As a result, store-level sales have increased more rapidly than store-level costs, resulting in improvements in storelevel operating profit margin. The gains in profitability caused by the increase in sales and the decrease in operating costs has partially been offset by a rising proportion of new stores, particularly in new growth markets, in our store network, which tend to experience a ramp up period after they are opened during which they record lower sales and are less profitable.

In terms of markets, Beijing and Shanghai have historically been where we were most profitable, while our new growth markets have seen rapidly increasing profitability as we ramp up our operations there. Our group-level increase in profitability was thus primarily driven by the rapid improvement in the profitability of our new growth markets. This rapid improvement was primarily the result of the increase in average daily sales per store in our new growth markets as stores in those markets ramped up, driven by increasing brand awareness, customer demand and a growing proportion of delivery orders.

We believe that there is ample room for our store-level operating profit margin to increase in the future. As the proportion of stores that have ramped up increases and our brand awareness grows, we expect that our revenue per store will increase in the future. At the same time, we plan to control our store-level costs and expenses, such as by leveraging our technology to further control our store-level staff compensation expenses, as well as by continuing to use our increasing negotiating power to secure favorable procurement and rental lease terms. As a result, we expect to realize economies of scale that will enable us to further improve our store-level operating profit margin. For more information, please see "Financial Information – Business sustainability – Measures to improve our profitability – Drive revenue growth by increasing revenue per store" and " – Control store-level costs and expenses."

Same-store performance

The following table sets forth the details of our same-store sales of our Domino's Pizza stores during the Track Record Period. These are important metrics that our management tracks in evaluating our same-store performance. For purposes of calculating same-store sales growth, or SSSG, between two periods, we define same stores as those Domino's Pizza stores that were open for at least 18 months as of the end of the latter year (or period). Only sales generated by a store after it qualifies as same stores are used in the calculation of SSSG, and such sales are compared against the sales generated by that store in the comparable days of the prior period.

	For the years ended December 31,		For the years ended December 31,		For the six months ended June 30,	
	2019	2020	2020	2021	2021	2022
Number of same stores (#)						
By market						
Beijing and Shanghai	157		195		221	
New growth markets[1]	60		106		139	
Total	**217**		**301**		**360**	
Same-store sales[2] (RMB in millions)						
By market						
Beijing and Shanghai	623.9	671.8	801.0	914.7	426.2	472.0
New growth markets[1]	89.1	105.1	188.6	259.7	167.1	204.0
Total	**713.0**	**776.9**	**989.6**	**1,174.5**	**593.3**	**676.0**
SSSG (%)						
By market						
Beijing and Shanghai	7.7		14.2		10.7	
New growth markets[1]	18.0		37.7		22.1	
Total	**9.0**		**18.7**		**13.9**	

Notes:

(1) "New growth markets" refers to Shenzhen, Guangzhou, Hangzhou, Tianjin, Nanjing, Suzhou, Wuxi, Ningbo, Foshan and Dongguan.

(2) Represents the revenue of all stores in our store network that qualify as same stores during the period indicated.

Same-store sales and SSSG

Total same-store sales increased from RMB713.0 million in 2019 to RMB776.9 million in 2020, representing year-on-year same stores sales growth, or SSSG, of 9.0%. Total same-store sales increased from RMB989.6 million in 2020 to RMB1,174.5 million in 2021, representing SSSG of 18.7%. Total same-store sales increased from RMB593.3 million for the six months ended June 30, 2021 to RMB676.0 million for the six months ended June 30, 2022, representing SSSG of 13.9%. Across all our markets, our same-store sales grew as we deepened our brand awareness and the popularity of delivery increased among Chinese consumers, which increased our average daily sales and order volume.

In the first half of 2022, amidst the resurgence of COVID-19, local governments across China imposed a variety of COVID-19 control measures, including citywide lockdowns in certain cities where we operate, leading to a temporary reduction in sales levels compared to the same periods in 2021. Our SSSG slightly decreased in the first half of 2022 compared to the same period in 2021, but nonetheless remained strong in the first half of 2022, with SSSG of 10.7% in Beijing and Shanghai and SSSG of 22.1% in our new growth markets during the period. The high level of SSSG recorded in the first half of 2021 as compared to the first half of 2020 was also attributable to the normalization of market conditions and store operations after the outbreak of COVID-19 in the first half of 2020. More generally, we expect our SSSG to normalize in the future as our operating history across all of our markets becomes longer and the proportion of ramped-up stores with mature sales levels increases.

In Beijing and Shanghai, same-store sales increased by 7.7% from RMB623.9 million in 2019 to RMB671.8 million in 2020. Same-store sales in Beijing and Shanghai increased by 14.2% from RMB801.0 million in 2020 to RMB914.7 million in 2021. Same-store sales in Beijing and Shanghai increased from RMB426.2 million for the six months ended June 30, 2021 to RMB472.0 million for the six months ended June 30, 2022, representing SSSG of 10.7%. Our SSSG in Beijing and Shanghai demonstrates that our same stores sales have the potential to grow even in our relatively mature markets.

In our new growth markets, same-store sales increased by 18.0% from RMB89.1 million in 2019 to RMB105.1 million in 2020. Same-store sales in our new growth markets increased by 37.7% from RMB188.6 million in 2020 to RMB259.7 million in 2021. Same-store sales in our new growth markets increased from RMB167.1 million for the six months ended June 30, 2021 to RMB204.0 million for the six months ended June 30, 2022, representing SSSG of 22.1%. Our SSSG in our new growth markets demonstrates the ability of stores in our new growth markets to generate sales and become profitable after an initial ramp up period.

Initial breakeven period and Cash investment payback period of our stores

Our store economic model provides a foundation for our stores to achieve initial breakeven and cash investment payback on a competitive timeframe. Initial breakeven period refers to the first month for the revenue of a newly opened restaurants to at least equal to its operating expenses on a cash basis. We take the into account the fees charged by third-party online channels when calculating initial breakeven periods. Cash investment payback period refers to the amount of time it takes for the cumulative store operating profit on a cash basis to cover the costs to open a store. Cash investment payback periods are longer than initial breakeven periods, because once a store achieves initial breakeven and begins generating profits, the store must continue to ramp up and generate profits for such time until its cumulative profits exceed its costs of opening.

The majority of stores opened during the Track Record Period had an initial breakeven period of between one and three months, while the typical cash investment payback period for our stores is approximately three to four years. In comparison, the average initial breakeven period and cash investment payback period in the China pizza market is typically over two months and three to five years, respectively, according to the Frost & Sullivan Report.

During the Track Record Period, we opened 320 new stores (net of store closures), of which 281 stores (or approximately 87.8%) had achieved initial breakeven as of June 30, 2022. The remaining 39 stores (the "Non-Breakeven Stores") had not yet achieved initial breakeven as of June 30, 2022. Of the Non-Breakeven Stores, two, nine, 17 and 11 stores commenced operations during 2019, 2020, 2021 and the six months ended June 30, 2022, respectively. The revenue contribution of the Non-Breakeven Stores, as a percentage of total revenue in the corresponding period, was 0.1%, 0.6%, 1.9% and 3.1% in 2019, 2020, 2021 and the six months ended June 30, 2022, respectively. We expect that 21 and 18 of the Non-Breakeven Stores will achieve initial breakeven in 2022 and 2023, respectively.

These Non-Breakeven Stores did not achieve initial breakeven primarily because of three non-mutually exclusive reasons: (i) at the end of the Track Period, certain of the Non-Breakeven Stores had not yet been open for long enough to achieve initial breakeven, having been opened after September 2021, (ii) the COVID-19 pandemic and the related lockdowns and restrictions adversely affected the ability of certain stores to serve customers, and (iii) certain stores did not achieve sales in line with our expectations.

Approximately 9% of the stores that we opened in the Track Record Period achieved cash investment payback during the Track Record Period. This was primarily because our typical cash investment payback period is approximately three to four years, but most of the stores that we opened in the Track Record Period have been operating for less than two years. As a result, these stores have not yet had sufficient time to achieve cash investment payback.

We observe an accelerated initial breakeven period in Beijing and Shanghai, where our stores recorded a typical initial breakeven period of one to two months. We have also observed improving initial breakeven periods in our new growth markets. Our cash investment payback period has also consistently improved across all markets during the Track Record Period. The typical cash investment payback period of stores in Beijing and Shanghai that opened in 2021 is expected to be 32 months, while the typical cash investment payback period of stores in our new growth markets that opened in the same period is expected to be 45 months.

Looking ahead, we expect that as our scale grows, we will be able to leverage greater economies of scale to drive operational efficiencies. Additionally, we will leverage our increasing scale to improve our bargaining power vis-à-vis landlords and suppliers, which will help us lower our operating costs and expenses as a percentage of our total revenues. We also expect that the new stores we open will benefit from increased brand awareness and operating efficiencies as our store network expands, which will help to increase the ability of our stores to break even and become profitable in the future.

OUR MENU

We are focused on being a pizza expert. We offer over thirty types of pizzas, ranging from global classic styles to local favorites. In addition to classic western fare, such as pepperoni pizza, we have also developed an extensive offering of highly-localized products to serve Chinese palates. To provide customers with a variety of choices and opportunities to trade up their meal, we also offer the most pizza crust options in the market, as well as a complementary range of non-pizza foods. Lastly, our menu contains multiple value tiers, enabling customers to find value for money throughout our menu.

Underpinning our menu is our originality, research and commitment to menu development and localization. We strategically develop and offer new menu items in order to maintain the freshness of our brand and attract more customers. As of December 31, 2021, we led the market in terms of the number of pizza SKUs offered, according to the Frost & Sullivan Report, and we have kept our menu fresh by having launched over 120 items since 2018.

Our menu items

Our menu offers a diverse range of items that cater to a wide spectrum of customer preferences. Our comprehensive menu may broadly be divided into the following categories: (i) pizzas (featuring a wide range of crusts and toppings), (ii) pasta and rice, (iii) sides, (iv) desserts, (v) drinks and (vi) soups. At present, we offer a unified menu across China, though we are exploring further localizing our menu to the particular tastes of China's various regions.

Our pizza

Pizza forms the heart of our menu. As of December 31, 2021, we offer customers the widest range of pizza crusts and toppings in the market, according to the Frost & Sullivan Report. Several things set our pizza apart from our competitors, including:

- *Fresh, hand-tossed dough*. Our pizzas use high quality, non-frozen dough, which is hand-tossed and made-to-order at the time a customer places an order, which ensures that our pizza tastes fresh.

- *The widest choice of crusts in the market*. The crusts we offer include classic hand tossed, thin crust, pan crust double decker (with both thick and thin options), as well as a variety of stuffed crusts that have cheese, sausage, sweet potato, meat floss, salted egg yolk or mushroom fillings.

- *Continual menu development and localization.* We have designed a lineup of classic American-style, Asian-themed, Chinese local, and Western-influenced pizzas, such as our teriyaki beef potato pizza (照燒風味牛肉土豆比薩), salted egg chicken pizza (金沙咸蛋黃嫩雞比薩) and durian pizza (果肉榴蓮比薩). These pizzas utilize flavors and ingredients that appeal to the local tastes of our consumers.

- *Wide range of price points.* Our pizzas are broadly categorized as value, classic or indulgent pizzas, which are set at different price points with commensurate variations in toppings, enabling customers to find value for money throughout our pizza menu.

The images below show some of our popular pizza styles:

美国风情土豆培根比萨
Potato Bacon Pizza

夏威夷风情比萨
Hawaiian Style Pizza

豪华尊享比萨
Deluxe Pizza

照烧风味牛肉土豆比萨
Teriyaki Flavored Beef Potato Pizza

果肉榴莲比萨
Durian Pizza

金沙咸蛋黄嫩鸡比萨
Salted Egg and Chicken Pizza

澳洲和牛芝香菌菇比萨
Australian Wagyu Beef Mushroom Pizza

小龙虾酥香嫩鸡比萨
Crayfish and Chicken Pizza

浓香脆鸡菠萝比萨
Crispy Chicken Pizza

Beyond pizza: our pasta and rice, sides, desserts, drinks and soups

In addition to pizza, our menu features a comprehensive selection of pasta and rice, sides, desserts, drinks and soups. In particular, as of the Latest Practicable Date, we offer:

- *Pasta and Rice*. Customers can choose from multiple pasta and rice options, ranging from western classics such as spaghetti bolognaise, to localized offerings, such as our curry beef rice. We are also well-known for our cheesy bread, baked from the same dough as our pizza.

- *Sides*. Customers can choose from over twenty different sides to complete their meals. We offer a wide range of tasty sides, such as chicken wings in different flavors, roasted beef and lamb skewers, fish bites and potato wedges.

- *Desserts*. We offer a number of desserts, ranging from classic Domino's lava cake to localized offerings such as pineapple pie.

- *Drinks*. We offer a variety of novel, localized drinks, including our grapefruit and jasmine tea and hami melon matcha milk green tea. We also offer bottled drinks, such as water and soft drinks.

- *Soups*. We offer classic western soups, such as clam chowder, beef borscht, and creamy mushroom soup.

Our non-pizza items are designed to complement our pizza offerings and enable our customers to round out their meals. As with our pizzas, our non-pizza items are typically oven-baked, which helps us streamline our store operations.

The images below show some of our popular non-pizza items:

烤翅
Chicken Wings

美乐嫩汁鸡块
Boneless Chicken

滋犇犇烤牛肉串
Roasted Beef Skewer

酥香嫩鱼块
Fish Bites

黄金薯角
Potato Wedges

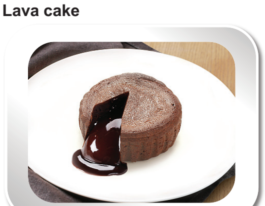
奶油蘑菇汤
Creamy Mushroom Soup

意大利风情肉酱面
Spaghetti Bolognaise

咖喱牛腩焗饭
Curry Beef Rice

香甜菠萝芝士派
Pineapple Pie

巧克力熔浆蛋糕
Lava cake



哈密瓜抹茶奶绿饮
Hami Melon Matcha Milk Green Tea

红西柚果粒茉莉茶饮
Grapefruit & Jasmine Tea

Our commitment to keeping our menu fresh

We are committed to keeping our menu fresh, which is made possible by our market insights, research and commitment to originality. We regularly develop and offer new menu items in order to maintain the freshness of our brand and attract more customers.

Our track record of successful new products

Since 2018, we have launched over 120 new menu items. We generally roll out a new pizza every six to twelve weeks, and non-pizza items over a slightly longer timeframe. We have selected this rollout schedule because we believe it is just long enough to give us sufficient time for us to market and for customers to try our new items, and just short enough so that we maintain our image as a pizza brand that invests in continual menu development. Many of the new products that we have introduced during the Track Record Period have quickly become customer favorites, including our durian pizza (果肉榴蓮比薩), crayfish and chicken pizza (小龍蝦酥香嫩雞比薩) and teriyaki beef and potato pizza (照燒風味土豆牛肉比薩).

Our menu development process

We develop new menu items or modify our existing menu items based on the changing tastes and preferences of consumers, as well as shifting food and nutrition trends. Menu development is a company-wide effort led by our product development team, which works with our marketing team, supply chain team and operational team to synthesize the intelligence generated by each team. Taken together, we are able to devise new, cost-effective and operationally feasible menu items in response to shifting customer tastes. The principal steps of our menu development process generally comprise:

- *Local market research*. We keenly observe the market to gauge customer trends, including recent internet trends, as well as the performance of other products in the market. We also leverage our data insights about our orders to see what products have typically performed well in the past.

- *Leveraging Domino's global insights*. In addition to gauging local market sentiments, we also look to the international Domino's family to seek inspiration for new products. For example, we frequently look to items that are popular in Japan and South Korea to identify concepts that we can translate for the local market in China. We believe our global perspective is an important element of our success, and has resulted in hit items such as our Japanese eel pizza or Korean fried chicken pizza.

- *Product testing*. We test our products for taste, food safety and quality. First, we conduct taste tests, where our testers evaluate the product on taste, mouthfeel, appearance and overall presentation. We use a voting system to select the most promising products. Second, in addition to taste tests, we test our food for safety, such as by testing for allergens.

- *Viability analysis.* We analyze whether a new product is viable from both a commercial and operational perspectives. We ensure that the new product can be sold at a price that generates high value for money for customers while meeting our own profitability goals. To that end, we conduct a comprehensive cost analysis based on the ingredients and preparation process used.

- *Standardization and execution.* Finally, we create standardized procedures for procuring and cooking the ingredients needed for the new product. Our operational team ensures that the new product can be efficiently prepared frontline staff, after which our product will be formally launched.

- *Marketing and promotion*. Typically, we will conduct promotion and marketing activities in tandem with the launch of our new products. Such activities including in-store, online and outdoor advertising, with a focus on online engagement.

- *Post-launch evaluation*. Critical to our product development process is our evaluation of new products after they have launched. We evaluate how consumers react to the new product by, among others, leveraging our data insights to gauge how frequently and under what circumstances the product is sold. Highly successful products become part of our permanent menu. In this way, we continue to refine our ability to identify, create and deliver new products.

Our value for money pricing policy

Value for money is one of our core value propositions. Our prices are lower than that of most comparable international brands and higher than comparable local brands. We believe this price position signifies our accessible, high-quality brand and is highly attractive to our target customers.

Our menu provides customers with a range of options across different price points. For example, although the pricing of our basic pizzas is relatively affordable, customers can upscale their pizza by changing the crust or toppings if they would like a more premium pizza. In addition, customers can also choose from a wide range of complementary sides, including pasta and rice, sides, desserts, drinks and soups, to complete their meal. The breadth of our menu enables us to serve a wide range of customers of different income levels. During the Track Record Period, our average sales value per order increased by 5.8% from RMB80.4 in 2019 to RMB85.1 in 2020, before further increasing by 6.3% to RMB90.5 in 2021. Our average sales value per increased by 6.9% from RMB89.0 for the first half of 2021 to RMB95.1 for the first half of 2022.

Customers may also choose from one of our many combo options, which offer value for money while enabling customers to enjoy a variety of food. We currently offer (i) 1-person combos for solo diners, comprising a rice or pasta, side and a drink, (ii) combos for two, featuring a pizza, side and two drinks, (iii) combos for four, featuring two pizzas, an assortment of sides and four drinks; and (iv) side combos that feature a side and a drink.

We leverage our economies of scale, robust supply chain, procurement capabilities and efficient business model to offer our customers high value for money. Pricing is set and updated periodically based on (i) the spending habits and power of our target customers, (ii) prices of similar products charged by our competitors, (iii) expected market trends and (iv) the cost of food and other supplies. We generally charge customers the same prices across all of the different geographic markets that we serve, although for certain menu items we apply differentiated pricing based on geographic variations in local consumer spending power. We also typically charge customers the same price whether they order through our own online channels or through third-party channels. For more information about how we control costs and manage pricing, see "– Supply chain management – Procurement and supplier management – Price management."

From time to time, we also offer promotional pricing on our products. We offer this pricing during certain weekdays or other major events. For more information about our bespoke, data-driven marketing and promotion strategies, see "– Marketing and promotion".

OUR EXPERTISE IN DELIVERY

Delivery is part of the DNA of the Domino's brand, which is world-renowned for its excellence in delivery. Consistent with the global identity of our brand, we have deployed Domino's delivery excellence in China. In each of 2021 and the first half of 2022, over 71% of our sales were generated from delivery orders, which was substantially higher than the industry average of approximately 49%, according to the Frost & Sullivan Report. This has provided us with ample experience to further refine and bolster our leadership in delivery.

During the Track Record Period, delivery orders accounted for the majority of our revenue, generating 70.0%, 74.5%, 73.2% and 71.5% of our orders in 2019, 2020, 2021 and the six months ended June 30, 2022, respectively. In 2020, delivery and carryout sales saw relatively rapid growth compared to dine-in sales due primarily to the impact of the COVID-19 pandemic, which increased consumer demand for delivery and carryout services as dine-in options were limited by pandemic-related restrictions. In 2021, as the impact of the COVID-19 pandemic eased, dine-in demand returned to prior levels. We believe there is room for the relative contribution of delivery and carryout orders to grow over the next few years.

Our 30-minute delivery promise

We care deeply about the experience of our customers and are committed to maintaining the best delivery service standards in the market. We stand behind our commitment and expertise in delivery by offering our customers a 30-minute delivery promise from the time the order is placed. If the delivery takes more than 30 minutes, we give that customer a coupon for a free pizza. For details about how we account for these coupons, please see "Financial information – Critical accounting policies and estimates – Significant accounting policies – Revenue recognition".

We believe that our delivery promise helps us build trust with our customers and enhances our brand. We are the only pizza company in China to offer this promise across all sales channels, according to Frost and Sullivan. During the Track Record Period, we delivered approximately 90% of our orders within 30 minutes, with an average order fulfillment time of approximately 23 minutes. Due to the high percentage of orders fulfilled on time, we did not incur any material costs from gifting our customers coupons in connection with our 30-minute delivery promise.

Our dedicated rider fleet

We rely on dedicated riders to fulfil our delivery orders, including both those placed on our own online channels and third-party channels. All of our riders are dedicated riders, meaning that during their shifts with us, they are stationed at our stores and only deliver orders from our stores. This enables us to retain control over the end-to-end delivery experience, enabling us to deliver quality food that is more likely to be hot and fresh, in a timely and reliable way. Moreover, as our orders do not mingle with orders from other restaurants, we are able to limit cross-contamination and ensure the safety of our food. This differentiates us from competitors that use non-dedicated riders serving multiple brands.

Additionally, by using a dedicated rider fleet, we are able to access data about our deliveries, which data would not be available to our competitors relying on online ordering platforms to make deliveries. This data helps us improve our delivery operations, such as by enabling us to finetune our delivery routes or optimize distribution of stores in our store network, and underlies our ability to deliver on our thirty-minute delivery promise.

For both orders placed on our own online channels and online ordering platforms, we normally charge customers a delivery fee, although this delivery fee is waived for orders above a certain value on our own online channels.

Our riders are an integral part of our staff. We highly value the contribution of our delivery riders to our business and aim to ensure their safety. Each rider is required to undergo a personal identification verification and screening process before becoming our rider and abide by our service standards. We conduct standardized trainings for our riders, and distribute to our delivery riders a Delivery Safety Work Manual before they make their first trips. Under extreme weather conditions, we suspend all delivery requests to minimize the likelihood of our riders getting injured. We also leverage our strong technology capabilities to prevent delivery riders from unnecessary travel or speeding, which are among the main causes of work-related injuries. For example, our smart delivery system enables optimal task assigning and reduced mileage, and our community GPS guides delivery riders to follow the right route. In addition, we generally provide our delivery riders safe and high-quality e-bikes that are certified with China Compulsory Certification. These e-bikes are maintained or repaired by our contracted e-bike vendors regularly, and the batteries are checked regularly and replaced in efficient charge stations when needed.

For more information about our riders, including how we engage, manage and remunerate them, see "– Employees."

Smart order dispatch and delivery

We deploy a smart order dispatch system that automatically matches orders with riders, as well as identifies optimal routes for delivery. This data-driven system is an important element of ensuring that we meet our 30-minute delivery promise. The key functions of this system are:

- *Intelligent rider staffing*. Our smart order dispatch and delivery system intelligently staffs riders based on forecasted store demand. Leveraging both our data insights as well each store management team's local expertise, we forecast store demand based on both historical trends, as well as local community conditions. On the basis of these forecasts, our smart demand and dispatch system is able to ensure that a suitable number of riders is staffed at the store.

- *Efficient rider-order matching*. Our smart dispatch and delivery system efficiently matches riders with orders, ensuring that orders leave the store and reach customers in a timely and safe manner. To do so, the system takes into account the relative position of riders and customers, as well as the status of orders at the store. This enables efficient matching—for example, if two orders with similar destinations will be ready at approximately the same time, the system will match both of those orders to one rider.

- *Route optimization*. Our smart delivery system empowers riders by optimizing their routes and presenting clear navigational guidance. We have built a dedicated mobile app for riders, which they can use to visually see the routes they need to take before leaving our stores, making it easier for them to navigate between our stores and customers. Additionally, the system automatically identifies opportunities for riders to deliver more than one order per ride without compromising the quality of delivery service, increasing the efficiency of our overall delivery process. Because this entire process is digitalized and tracked, our customers are also able to track the location of their order after it leaves the store.

- *Data-driven optimization*. In addition to operational benefits, digitalizing our order dispatch and delivery processes enables us to collect data about the performance of our delivery process, which we analyze to continue to refine and optimize our delivery capabilities.

Our smart dispatch and delivery system generates substantial benefits for customers, riders and our store operations. Our customers are able to enjoy timely and reliable delivery service with full transparency about the status of their orders. Our riders are able to work more efficiently and safely. Our stores are able to effectively handle a high volume of delivery orders. Taken together, our smart dispatch and delivery system helps us meet our 30-minute delivery promise and deliver a differentiated delivery experience to our customers.

OUR TECHNOLOGY AND DATA INSIGHTS

Technology and data empower our operations. On the front end, customers reach us through our omnichannel online presence. On the back end, our proprietary customer data platform and smart delivery systems help us serve our customers in a personalized, timely and reliable manner.

Our omnichannel presence

Approximately 95% of our delivery, dine-in and carryout orders in 2021 and the first half of 2022, respectively, came from online channels, which was substantially higher than the industry average, according to the Frost & Sullivan Report. Customers can tap into our omnichannel online presence to easily place delivery, carryout or dine-in orders through our own online channels, which comprise our proprietary app and website, Weixin mini program, official Weixin account. Customers can also place delivery orders on third-party channels, such as Meituan or Ele.me. We believe that our online channels and third-party channels complement one other, enabling us to serve a wide range of customers.

During the Track Record Period, online orders generated a significant majority of our revenue. Within all our online channels, our own online channels generate a growing proportion of our orders, as we generated approximately one-third, two-fifths, half and half of our revenue from our own online channels in 2019, 2020, 2021 and the six months ended June 30, 2022, respectively. We attribute this trend to the strength of our online channels, which we believe offer a more seamless, engaging and intuitive customer experience, as well as to the attractiveness of our loyalty program, which is exclusively accessed through our online channels. For a tabular breakdown of revenues by channel, please see "Financial information – Major components of our results of operations – Revenue". In terms of cost items, the key difference between our own online channels, third-party online channels and offline channels is that we are charged a fee equal to an agreed percentage of the price of each order placed on a third-party online channel.

Our online channels

Our online channels refer to our proprietary app and website, as well as our Weixin mini program and Weixin official account. Customers use our online channels to browse our menu, place and track orders, and access our loyalty program. Customers that come to our physical stores also use our online channels to place orders.

We have designed the user interface and experience of our online channels to be invigorating, inviting and user-friendly. We believe that our online channels deliver a superior user interface and experience that makes it convenient for customers to find the food they want and place new and repeat orders with us. When users open our app, they are presented with images of ongoing promotions, as well as easy access to our full menu. From the menu of our app, customers can easily view images of our food and promotions. Clicking a menu item allows them to customize their selections. For example, if they select a pizza, they can choose the size, crust, and toppings of the pizza.

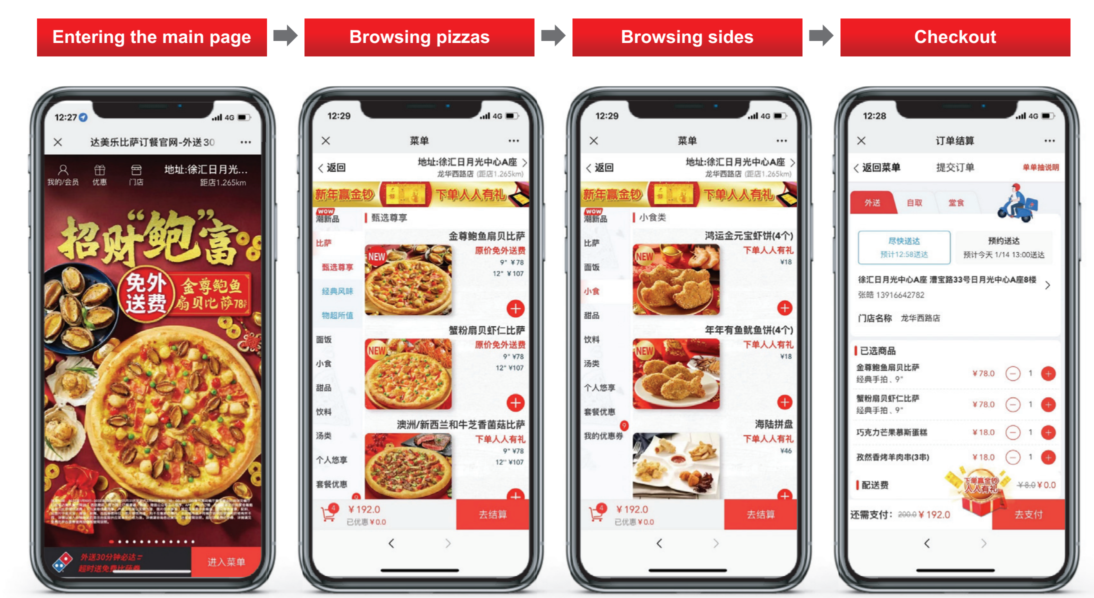
Our online channels also provide exclusive access to our loyalty program, through which members can earn rewards for placing orders with us. Only orders that are placed on our online channels are eligible for earning points through our loyalty program. For more information about our loyalty program, see "– Marketing and promotion – Our loyalty program".

We also leverage the data insights generated on our online channels to better understand and serve our customers. We use our proprietary Customer Data Platform, or CDP, to analyze transactions on our online channels. This enables us to gain a better understanding of our consumers and their preferences, enabling us to finetune our menu and marketing strategies, increase our marketing efficiency as well as offer customized promotions to our customers. For more information about how we leverage our CDP, see "– Our technology and data insights – Our proprietary customer data platform."

Through our own online channels, we engage a sizable user base that has been growing rapidly. The number of active users was 1.3 million, 2.3 million and 3.5 million in 2019, 2020 and 2021, respectively, representing a CAGR of 60.3% from 2019 to 2021. The number of active users was 2.5 million in the first half of 2022. The number of monthly active users on our online channels was 0.3 million, 0.5 million and 0.8 million in 2019, 2020 and 2021, respectively, representing a CAGR of 60.6% from 2019 to 2021, before further increasing to 0.9 million in the first half of 2022.

As advised by our PRC Legal Advisor, we are not required by the applicable PRC laws and regulations to obtain any licenses that are subject to foreign investment restrictions in relation to the operation of our online channels. In particular, we are not required to obtain the Internet Content Provider License for the operation of (i) Weixin mini program because it is only used to offer our products and services to customers, and we do not operate the platform on which the mini program is operated, or (ii) our proprietary app and website, since we do not generate revenue from providing Internet information services via the app or the website, but rather leveraging both platforms as a sales and distribution channel to offer our products and services to end customers.

Below are screenshots showing key interactions customers have on our Domino's mobile app, from initial entry, menu browsing, item selection to checkout:



The screenshots below show how our customers can customize their pizzas through our mobile app:

Choosing from multiple crust options

Choosing from multiple additional topping options

The screenshots below show how our customers can track their orders, including with respect to in-kitchen status:

In-kitchen order tracking

GPS order tracking

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. To mitigate the potential adverse impact of such incident that may occur in the future, we implemented a proprietary private cloud solution to handle part of customer traffic together with the third-party cloud service provider, which allows us to switch all customer traffic to our private cloud if the third-party cloud service provider experiences a network failure again.

Third-party channels

Third-party channels are an important way for us to not only introduce our offerings to new customers and build our brand awareness, but also to diversify our sales reach and generate revenue. For example, customers can get to know us through Meituan and Ele.me, through which they can place delivery orders with us. On these third-party channels, we strive to provide customers with the same core Domino's Pizza experience in terms of taste, value for money and timely and reliable delivery service. To that end, our menu and our menu pricing on third-party channels are the same as on our own online channels. Similarly, we also fulfill delivery orders placed on third-party channels with our dedicated rider fleet, and we charge the delivery fees for orders placed through third-party channels to the customer. For our cooperation with these third party channels, we are charged a fee equal to an agreed percentage of the price of each order fulfilled by a third-party online ordering platform.

Digital payment support

Consistent with our omnichannel online presence, we accept a wide range of digital payment methods on our online channels, including Alipay and Weixin pay. Customers who purchase from us through third party platforms pay to that platform, which then remits the payment to us. As the vast majority of our orders are settled through non-cash methods, risks related to cash management have been and will continue to be maintained at minimal level. With respect to non-cash payments, for purchases through third-party channels, amounts received are automatically transferred to our corporate accounts by the relevant third party, typically within a few business days. For more information, see "– Settlement and cash management."

Our proprietary customer data platform

We have built our proprietary CDP from the ground up to better understand and serve our customers. We leverage our CDP to track data on our own online channels, namely our proprietary online app and website, Weixin mini program and Weixin official account. We use our CDP to collect relevant data from transactions on our own online channels to gain insights about our customers and products. We collect data after obtaining consent from our customers, and we take precautions to safeguard our data. See "– User privacy and data safety" for more information.

Broadly speaking, our CDP generates micro insights that help us better serve our customers, as well as macro insights about consumer and operational trends in general:

- *Micro insights.* Our CDP helps us understand what sort of products our customers like to order. This in turn enables us to provide recommendations and promotions tailored to their taste profile, location, and preferred dining times.

- *Macro insights*. In addition to gauging the preferences of specific customers, the data insights generated by our CDP keep us abreast of general customer trends, such as the popularity of our products or promotional activities. These data insights play an important role in the development of our menu items, our pricing policy and our operational strategies.

For more information about how we apply our data insights to acquire and retain customers, see "– Marketing and promotion".

User privacy and data safety

As a consumer-facing company, we take a proactive stance on the protection of user privacy and data security. We adopted a data and network security framework in 2019, which we continue to implement and abide by. We comply with applicable laws and regulations on information security and privacy protection in the China mainland. For more details, please refer to "Regulations – Overview of PRC laws and regulations – Regulations relating to information security and data protection".

We provide our customers with data privacy notices and ensure that they provide data authorization before they can use our apps. These enable customers to understand the types of data that we will collect from them, which includes their name, mobile number, delivery address and historical order information with us. For members of our loyalty program, we may also collect information about their birthday or gender, if they elect to share such information with us. Generally, the data we collect is anonymized, other than certain personal information such as telephone numbers that customers provide with their consent through our own channels or through third-party channels.

Internally, we have formulated and adopted a Data Security Management Policy, a Data Classification and Management Policy and an Information Security Incident Response Plan. We require all of our employees and business partners to strictly adhere to our internal policies governing data privacy and security. Additionally, we provide trainings to both our technical and non-technical staff to emphasize the importance of complying with relevant laws and our internal policies.

We have established a data security committee that assumes the overall responsibility of data privacy and security and oversees our data management framework. We have also built a data security team focusing on the management and maintenance of our data protection mechanism. To maintain a sound privacy protection system, we leverage our technological capabilities and have been building our platform on a reliable technology architecture. We focus on monitoring and responding to security issues that arise in our daily operations. To that end, we have security measures at every level of our organization. For example, at the individual level, we install antivirus software and data leakage prevention software on all of our employees' computers, while at the enterprise level, our e-commerce platform is built and tested to withstand hacker attacks. We have attained Classified Protection of Information Security Level 3, which testifies to our data security capability. We store all data, other than limited employee information, such as names and work email addresses, within the PRC. We comprehensively classify the data in our systems by the level of confidentiality.

As of the Latest Practicable date, we have yet to experience any major data security issues. For more information about the data security risks that we face, please see "Risk factors – Risks related to our business and industry – 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".

SUPPLY CHAIN MANAGEMENT

We have built a robust supply chain that ensures the freshness and quality of our ingredients. Our supply chain features four distinct stages: (i) procurement, by which we acquire goods from suppliers, (ii) processing at our central kitchens, (iii) preparation at our restaurants, and (iv) delivery to our customers. We have implemented a stringent quality assurance system to oversee every stage of our supply chain. We closely monitor and vet our upstream suppliers, logistics service providers, central kitchens and frontline stores. Our supply chain is powered by digitalization and automation technologies that enable us to forecast supply and demand and optimize pricing.

Procurement and supplier management

Procurement is the first step of our supply chain. We have a centralized procurement policy to ensure that we (i) meet our procurement needs, (ii) carefully select and vet new suppliers, (iii) regularly inspect and evaluate existing suppliers, and (iv) negotiate competitive purchase terms with suppliers.

Our procurement needs

In connection with our operations, we purchase both food ingredients, as well as non-food supplies, from our suppliers. The ingredients we purchase primarily include the dairy products, chicken, pork, sauces, condiments and flour that we use to prepare our pizzas and other food items. The non-food supplies we purchase include, among others, food packaging, store equipment and pest control supplies, which we use in the course of operating our stores.

We have strict rules about the quality of the supplies we procure, especially with respect to food ingredients. Our in-house quality requirements reflect local food safety laws and regulations, together with standards set by our own headquarters. In addition to safety standards, we have also set standards for ingredients to ensure that we maintain the distinctive taste of the Domino's brand. To that end, we follow specifications set by Domino's

International, who give us discretion to select our own suppliers so long as they meet food safety and quality requirements. At present, the vast majority of our product needs are met domestically, but we also import certain ingredients. For example, we currently import cheese, potato products and pizza sauces from foreign suppliers to maintain our distinctive Domino's taste in a cost-effective way.

We take a data-enabled approach to calculating our demand for purchases. We maintain rolling forecasts of our purchasing demand. These forecasts are calculated by analyzing historical sales data and future demand projections. We then use regression analysis to determine how much of a particular food or non-food good we need to purchase in a given time period in order to replenish the stock reserves. Importantly, for the purpose of calculating our procurement needs, we also consider the need to maintain and replenish our reserve stocks. Typically, we keep stock of two weeks' worth of both fresh and processed ingredients. Taken together, our data-enabled forecasts enable us to steer clear of supply shortages and maintain healthy stock levels.

How we choose and vet suppliers

We have a standardized system to choose and vet suppliers. We prefer suppliers who work with other well-established international food and beverage companies, because we find that such suppliers are typically of higher-quality and cost-effective. We also generally look for cost-effective suppliers, such as those who are located close to our central kitchens. Once we identify a potential supplier, we evaluate them using a stringent selection procedure. If they pass this procedure, we add them to our list of qualified suppliers. We ultimately engage one to three suppliers from our list of qualified suppliers through a competitive bidding process, which usually takes place once per year.

To become one of our qualified suppliers, a new supplier must pass a set of stringent procedures. These procedures consist of the following steps:

- *Qualification review*. We maintain a roster of qualified suppliers. If a potential supplier is listed on our roster, we proceed to evaluate them pursuant to our selection procedures. If, however, a supplier is not on the roster, our quality assurance team will conduct a comprehensive audit of the supplier by reviewing its licenses, permits, organizational structure, production line, control flowcharts and product standards, among other key considerations. New suppliers who pass this audit are added to the roster of qualified suppliers; those who fail are eliminated from our selection process if they are not able to rectify their faults.

- *Sample testing*. Qualified suppliers proceed to produce sample products for us to test. As discussed under "– Our Procurement Needs," we have strict standards for each product that we procure. Suppliers who produce samples that meet our standards proceed to the next step of our selection process.

- *Trial production.* We then ask potential suppliers to begin trial production and deliver the product to us at scale to ensure that their overall quality is consistent with the sample we tested.

Once a supplier passes the above procedures, they will be added to our list of qualified suppliers. To formally enter into a contract, we will conduct a competitive bidding process among our qualified suppliers, where we evaluate them on cost, product quality and other factors. We will then enter into a contract with the winner of this competitive bidding process. For more information about our contract terms with suppliers, see "– Key terms of our supply agreements" below.

How we manage existing suppliers

In addition to vetting new suppliers, we also regularly evaluate existing ones. We first assess the risk of a particular supplier – we divide them into high, medium and low risk categories. We then conduct announced, unannounced and on-site audits of our suppliers on an annual basis (to the extent permitted during the COVID-19 pandemic), with the frequency of such audits commensurate with our previous risk assessment of the supplier. Internally, our warehouses and restaurants also closely inspect goods delivered by suppliers – we return goods that do not conform to our requirements or food safety laws or other regulations to the supplier and generally do not pay for such goods.

We assess the risk profile of our suppliers every two years. Our risk assessment covers four aspects: (i) the supplier's qualifications, certifications and other customers, including whether they supply to other large, international catering companies who may also hold them to stringent standards, (ii) product type—for example, high pH and high moisture ingredients are considered high risk, (iii) the quantity of the ingredient as used by us–higher quantities imply higher risk, and (iv) the importance of the ingredient to our brand—for example, as dairy products are crucial to our brand, we categorize dairy product suppliers as higher risk. On this basis, we categorize our suppliers as high, medium and low risk.

Our audits, as well as our annual and semi-annual reviews, are an important tool for evaluating suppliers. High-risk suppliers are audited by us two to three times a year, while low-risk suppliers are typically audited once every two to three years. During the audit, we conduct an extensive audit based on internationally-recognized food safety frameworks, such as HACCP and the BRCGS Global Food Safety Standard. Factors we look at include: (i) the organizational structure of the suppliers, including whether there is a dedicated food safety team, (ii) the supplier's food safety plan, (iii) whether the food supplier has a food quality and safety management system, together with internal control procedures, (iv) on-site facilities (in the case of on-site inspections), such as the production line, hardware facilities, and physical food protection measures, (v) the supplier's product control system, from labelling to allergen management, packaging, and testing, (vi) whether the supplier's staff operate in accordance with laws, regulations and standard, and (vii) the supplier's personal management programs, such as their training procedures and the implementation and effectiveness thereof.

To the extent we identify problems with a supplier through our audits, monthly reports, or through product issues reported at our warehouses, we liaise with the supplier to see if they are able to rectify the issue. We will terminate our relationship with suppliers who cannot meet our standards. If a backup supplier is available, we will seek to promptly replace the noncompliant supplier with a backup supplier. If no backup suppliers are available, we strengthen management of the noncompliant supplier and closely inspect products delivered by such supplier while we look for a new supplier. During the Track Record period, we have not terminated any relationships with our suppliers due to audit failures.

We have implemented an anti-bribery and corruption policy requiring our employees to avoid and declare any actual or potential conflict of interest and forbidding them from receiving any kickback from our suppliers. We communicate our anti-bribery and corruption policy to our suppliers. To the best knowledge of our Directors, we had not encountered any incident of our employees receiving kickback from our suppliers during the Track Record Period.

Price management

We seek to negotiate favorable terms with our suppliers that reflect the latest market conditions and our own needs. To this end, our key strategies include: (i) using data analysis to monitor price fluctuations, (ii) taking a flexible approach to negotiate the length of our contracts, (iii) leveraging our scale and (iv) adopting a multi-supplier approach to remain nimble.

Data-powered price monitoring. We monitor price levels at a given time. In particular, for any given ingredient, we analyze, among others, (i) our own projected needs, (ii) computed market and supply balance based on market information, (iii) consumer price index trends, (iv) industry reports about market trends, and (v) shifts in the international and economic and political environment. This comprehensive analysis generates a projected price that we use as a benchmark when negotiating with suppliers.

Flexible approach to contract length. In addition to the informational advantages gleaned from our pricing forecast system, we also take a flexible approach to the length of our contract terms. We typically enter into one-year contracts with our suppliers, but this duration varies depending on market conditions, as well as the needs of our stores.

Leveraging our scale. We believe we are able to obtain favorable prices from suppliers as we generally conduct centralized procurement in large volumes, with centralized delivery to our central kitchens.

Multi-supplier strategy. We generally aim to have multiple suppliers for a given ingredient or good. This encourages competition between the suppliers, which results in more favorable purchase terms for us, as well as more robust supply stability.

During the Track Record Period, prices of certain goods, such as beef and pork, have increased, and are expected to continue to grow at a moderate rate in the future. See "Industry – Cost of raw materials and labor." The table below sets forth the sensitivity analysis of the impact to our results of operations during the Track Record Period from the fluctuation of the raw materials and consumables used. The range of fluctuations is based on historical fluctuations of key raw materials of our operations. See "Industry overview – Cost of raw materials and labor" and "Financial information – Major components of our results of operations – Raw materials and consumables cost" for more information.

	Impact on our loss before tax for the year ended December 31,			Impact on our loss before tax for the six months ended June 30,	
	2019	**2020**	**2021**	**2021**	**2022**
	(RMB millions)			*(RMB millions)*	
Assuming our raw materials and consumables cost increased/decreased by:					
+/– 1%	+/– 2.3	+/– 3.1	+/– 4.3	+/– 2.0	+/– 2.5
+/– 2%	+/– 4.6	+/– 6.2	+/– 8.5	+/– 4.1	+/– 4.9
+/– 5%	+/–11.4	+/–15.5	+/–21.3	+/–10.2	+/–12.4
+/– 10%	+/–22.8	+/–31.1	+/–42.6	+/–20.4	+/–24.7

As a result of the foregoing price management measures, we have been able to secure contracts on favorable terms with suppliers and control our costs, despite the increase in the prices of food materials in the PRC. Our raw materials and consumables cost, of which a significant portion is the cost of meat products, dairy products and sauces, represented 27.3%, 28.1%, 26.4%, 26.6% and 27.2% of our revenue in 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022, respectively, representing a relatively flat trend. See "Financial information – Major components of our results of operations – Raw materials and consumables cost" for more information". At the same time, we are also focused on our menu development and our trade-up strategies to deliver value for money to our customers. In view of the foregoing, we believe that the increases in the prices of food materials have not materially impacted our financial performance during the Track Record Period.

Key terms of our supply agreements

Our supply agreements typically include the following salient terms:

- *Product specifications.* Our agreement will set forth the specific requirements that we have with respect to a particular SKU, including with respect to product quality and safety.

- *Price.* We take a flexible, negotiated approach to pricing. Accordingly, in certain of our agreements, we may stipulate the purchase price in the agreement to lock in a favorable price. For other agreements where the price of the product in question is more volatile, we may use a price adjustment mechanism in the supply agreement.

- *Date of delivery.* For some products, we accept a range of delivery dates, while for others, we specify particular dates.

- *Delivery address.* Generally, products are delivered to our central kitchens. See "– Our central kitchens" below for more information.

- *Inspection and acceptance*. We generally inspect products upon delivery, and we are entitled to refuse to accept shipment and provide payment if the products do not match the product specifications.

- *Payment terms.* Payment is generally due within a set term after our satisfactory inspection and acceptance.

Our suppliers

We had 123, 128, 148 and 131 qualified suppliers as of December 31, 2019, 2020 and 2021 and June 30, 2022, respectively. The duration of our business relationship with our suppliers was generally three years as of June 30, 2022. Purchases from our top five largest suppliers in each of 2019, 2020, 2021 and the six months ended June 30, 2021 amounted to RMB81.6 million, RMB151.3 million, RMB209.3 million and RMB136.4 million and accounted for 27.3%, 28.5%, 29.6% and 34.1% of our total purchases for the respective periods. To the best of our knowledge, none of our Directors or their respective close associates or any Shareholder (whom to the knowledge of our Directors owns more than 5% of the issued Shares) had any interest in any of the Company's five largest suppliers during each year or period of Track Record Period. The tables below set forth information about our top five suppliers for the periods indicated.

For the six months ended June 30, 2022

Rank	**Supplier**	**Products/Services Purchased**	**Year business relationship commenced**	**Purchase amount** *(RMB'000)*	**Percentage of total purchases**
1	Supplier A	Dairy products and sauce	2011	49,275	12.3%
2	Supplier B	Condiments	2017	30,779	7.7%
3	Supplier C	Meat products	2020	21,056	5.3%
4	Supplier D	Sauces	2020	18,229	4.6%
5	Supplier G	Packaging products	2014	17,102	4.3%
Total				**136,441**	**34.1%**

For the year ended December 31, 2021

Rank	Supplier	Products/Services Purchased	Year business relationship commenced	Purchase amount *(RMB'000)*	Percentage of total purchases
1	Supplier A	Dairy products and sauce	2011	85,692	12.1%
2	Supplier B	Condiments	2017	46,988	6.7%
3	Supplier C	Meat products	2020	27,625	3.9%
4	Supplier D	Sauces	2020	24,838	3.5%
5	Supplier E	Poultry	2017	24,205	3.4%
Total				**209,348**	**29.6%**

For the year ended December 31, 2020

Rank	Supplier	Products/Services Purchased	Year business relationship commenced	Purchase amount *(RMB'000)*	Percentage of total purchases
1	Supplier A	Dairy products and sauce	2011	59,821	11.3%
2	Supplier B	Condiments	2017	34,590	6.5%
3	Supplier E	Poultry	2017	22,175	4.2%
4	Supplier F	Processed meat products	2011	18,410	3.5%
5	Supplier G	Packaging products	2014	16,327	3.1%
Total				**151,323**	**28.5%**

For the year ended December 31, 2019

Rank	**Supplier**	**Products/Services Purchased**	**Year business relationship commenced**	**Purchase amount** *(RMB'000)*	**Percentage of total purchases**
1	Supplier A	Dairy products and sauce	2011	29,566	9.9%
2	Supplier B	Condiments	2017	18,548	6.2%
3	Supplier H	Food ingredients	2012	11,529	3.9%
4	Supplier I	Delivery services	2016	11,347	3.8%
5	Supplier J	Food ingredients	2016	10,590	3.5%
Total				**81,580**	**27.3%**

Our track record of procurement stability

During the Track Record Period, we did not experience any material shortage, delay or interruption with respect to the supply of food ingredients or non-food supplies from our suppliers, any material breach or early termination of our contractual arrangements with suppliers which materially affected our business operations, or any material fluctuations in the price of food ingredients or non-food supplies.

Our central kitchens

After procurement, the next key stage in our supply chain is our central kitchens, which we use to centralize the procurement, processing, distribution and quality control of our food ingredients and other supplies. The vast majority of the ingredients and other supplies that we procure are delivered by suppliers (or by third-party logistics firms) to our central kitchens. We currently have three central kitchens serving Northern, Eastern and Southern China. These central kitchens meet our current store needs, with their utilization rates ranging from 43% to 95% in 2021 and 55% to 82% in the first half of 2022. For details, see "– Production capacity and utilization of our central kitchens" below.

The functions of our central kitchens

As an intermediary staging ground between our suppliers and our store operations, kitchens are the backbone of our supply chain, empowering us to achieve the "seven rights", namely to deliver the right product, in the right quality, the right quantity and the right condition, to the right place at the right time at the right price. To that end, central kitchens primarily perform three key functions:

- *Pizza dough preparation*. Our pizza dough is prepared in our central kitchens. Through our enterprise resource management software, our central kitchens work closely with our stores to produce the amount of dough needed for our store operations. By preparing our pizza dough in our central kitchens, we ensure the consistent high quality of our pizza dough across all of our stores. This differentiates us from many of our peers, who make their pizza dough in each store, causing variations in quality between different stores.

- *Food processing*. Besides pizza dough, our central kitchens in Shanghai and Sanhe, which respectively serve Eastern China and Northern China, also process raw ingredients into pasta and rice. We are exploring the addition of this functionality in our other central kitchens.

- *Distribution*. Central kitchens serve as distribution centers for our stores – the majority of ingredients and supplies used by our stores are first routed through our central kitchens, with the exceptions being heavy machinery (such as our ovens) or, in the case of our Shenzhen stores, certain perishable vegetables supplied by a local supplier. The goods that central kitchens distribute include unprocessed food ingredients, processed food ingredients (as described above), and non-food supplies, such as food packaging materials, office supplies and uniforms.

- *Storage*. Central kitchens also function as storage centers for our stores. In addition, we typically stock in reserve two weeks' worth of processed foods and fresh food in case of any disruptions to our procurement processes – these reserve stocks are also stored in our central kitchens.

We pride ourselves on the high degree of cleanliness in our central kitchens. Our employees are required to undergo a comprehensive disinfection procedure before starting work in each central kitchen, including by wearing protective uniforms, disinfecting their uniforms and shoes and washing their hands.

How our central kitchens add value

Central kitchens promote standardization of our food processing procedures and enable us to maintain consistency in the taste and quality of our food. They enable us to serve the same, high-quality dough across all of our stores. Additionally, our central kitchens help ensure supply stability at our stores by stocking goods in reserve and centralizing the procurement process.

Our central kitchens also help our stores operate more efficiently. From a food preparation perspective, as certain complex and time-consuming food processing procedures have been performed by our central kitchens, our stores require less labor, and can prepare food more quickly with the semi-processed ingredients provided by our central kitchens. From an economic perspective, as we only need to install large and sophisticated cooking equipment in our central kitchens, our central kitchens help us reduce the initial capital expenditure for opening a new restaurant, as well as ongoing rental expenses, thereby enhancing the scalability of our business. Our central kitchens also enables us to negotiate for better discounts for our food ingredients due to bulk shipping.

How our central kitchens serve our stores

Each of our central kitchens serve Domino's Pizza stores within a 350 kilometer radius. As of the Latest Practicable Date, we had three central kitchens:

- Our Sanhe, Hebei central kitchen covers our operations in Northern China, and served our stores in Beijing and Tianjin during the Track Record Period;

- Our Shanghai central kitchen covers our operations in Eastern China, and served our stores in Shanghai, Hangzhou, Suzhou, Nanjing, Wuxi and Ningbo during the Track Record Period; and

- Our Dongguan, Guangdong central kitchen covers our operations in Southern China, and served our stores in Guangzhou, Shenzhen, Foshan and Dongguan during the Track Record Period.

We do not impose a limit on the number of stores that a particular central kitchen can serve. Instead, we typically invest in expanding the capacity, equipment and staffing of a central kitchen to meet increased store demand. Nevertheless, when evaluating a potential site for a new store, proximity to a central kitchen is an important consideration. We also periodically review whether it would be economical to build new central kitchens to replace those in existing markets or to support operations in new markets. We believe that our current central kitchens can adequately service our existing stores' and new stores' needs.

In general, central kitchens act as distribution centers for our stores and help us keep our stores stocked. Other than heavy equipment (such as ovens) and certain perishable vegetables, all of the products used by a store in its operations are distributed by the central kitchen. Typically, stores place orders for ingredients and other supplies with our central kitchens every few days.

We ensure that our central kitchens are highly responsive to our stores' shifting levels of demand by deploying a digitalized enterprise resource planning system that integrates our stores and central kitchens. This ERP system centralizes stores' orders for food ingredients and other supplies, allowing our central kitchens to easily prepare orders for delivery to our stores. Our ERP system ensures that central kitchens' procurement and distribution efforts are matched to the actual needs of our stores. This maximizes efficiency while ensuring that our stores have what they need to serve our customers. For more information about our ERP system and, more generally, the digitalization and automation of our supply chain, see "– Digitalization and automation" below.

Production capacity and utilization of our central kitchens

We currently have three central kitchens serving Northern, Eastern and Southern China. These central kitchens meet our current store needs, and we believe we can expand their capacity or build new central kitchens to meet our future store needs. The following table sets forth information of the production capacity, production volume and utilization rate of our own central kitchens by geographic location during the Track Record Period.

Location	Year ended December 31,						Six months ended June 30,			
	2019		2020		2021		2021		2022	
	Production Capacity	Utilization Rate	Production Capacity	Utilization Rate	Production Capacity	Utilization Rate	Production Capacity	Utilization Rate	Production Capacity	Utilization Rate
	(million kg, except for percentages)									
Eastern China	2.2	68%	2.2	90%	3.3	71%	1.7	68%	1.8	68%
Northern China	2.2	57%	2.2	74%	2.2	95%	1.2	93%	1.7	82%
Southern China	1.8	10%	1.8	19%	1.8	43%	0.9	43%	0.9	55%
Total	**6.2**	**48%**	**6.2**	**64%**	**7.3**	**71%**	**3.8**	**70%**	**4.4**	**71%**

Note:

(1) Utilization rate is calculated by dividing the actual production volume by the maximum production volume that can be produced per eight-hour shift after taking into account machine cleaning and maintenance time.

We believe the production capacity of our central kitchens adequately meet our needs. The utilization rate of our central kitchens has generally increased during the Track Record Period, driven by the expansion of our store network. In particular, the utilization rate of our central kitchen in Shanghai, which serves Eastern China, increased from 68% in 2019 to 90% in 2020, before decreasing to 71% in 2021 as we increased its production capacity by adding to the size and equipment of the Shanghai central kitchen, before decreasing to 68% in the first half of 2022 amidst the impact of the COVID-19 pandemic and the related control measures in April. Our Shanghai central kitchen resumed production in May 2022. The utilization rate of our central kitchen in Sanhe, Hebei Province, which serves Northern China, increased from 57% in 2019 to 74% in 2020, before further increasing to 95% in 2021. This fell to 82% in the first half of 2022 as we increased the capacity of the Sanhe central kitchen . The utilization rate of our central kitchen in Dongguan, Guangdong Province, which serves Southern China, increased from 10% in 2019 to 19% in 2020, before further increasing to 43% in 2021. Utilization at this central kitchen increased to 55% in the first half of 2022 as we ramped up production in tandem with the growth of our store network. In addition, because of the impact of the COVID-19 pandemic and the related control measures on our Shanghai central kitchen in April, it became necessary for us to enlist our central kitchens in Sanhe, Hebei Province and Dongguan, Guangdong province to service stores originally covered by the Shanghai central kitchen, which also contributed to the higher utilization of our Dongguan central kitchen. As we continue to expand our store network and require more production, we expect to be able to further increase the production capacity by increasing the number of shifts worked at our central kitchens, as well as by increasing the size of and number of machines in them.

Logistics and transport

We use a robust logistics infrastructure to move goods from suppliers to our central kitchens and our stores. Generally, suppliers are responsible for the delivery of goods to our central kitchens. However, for deliveries from central kitchens to our stores, as well as a minority of goods that we are required to pick up from suppliers, we cooperate with third-party logistics providers to move goods safely, efficiently and timely through our supply chain. Currently, each of our three central kitchens is typically served by two or three logistics providers. Our current cooperation model with our third-party logistics providers is that we decide and plot delivery routes, while they provide us with vehicles and drivers.

Through our arrangements with our suppliers and third-party logistics providers, we impose strict guidelines on the safety of food ingredients during transit. In particular, we require vehicles to be equipped with refrigerators so that they can keep frozen ingredients and refrigerated items within certain temperature ranges. Each refrigerated vehicle records the temperature data of its refrigerators during transit, and we inspect and make sure that all goods transported by that vehicle meet our temperature requirements.

Digitalization and automation

We are committed to digitalizing and automating our supply chain to improve our operational efficiency. We have digitally integrated the management of our procurement and logistics processes through our ERP system, which tracks the inventory of all food ingredients and other supplies in our supply chain, regardless of whether they are in transit, in our central kitchen, or in our store. In this way, our ERP system allows us to accurately gauge inventory across the entire supply chain.

For procurement, we take a data-enabled approach to calculating our demand for purchases. We maintain rolling forecasts of our purchasing demand. These forecasts are calculated by analyzing historical sales data and future demand projections. We then use regression analysis to determine how much of a particular food or non-food good we need to purchase in a given time period in order to replenish the stock reserves.

Our warehouse management system enables us to plan, organize, staff and control the movement of materials through our central kitchens and other storage locations. We have also adopted technologies, such as voice-directed picking, to improve our picking and inventory accuracy, as well as the productivity and efficiency of our warehouses.

FOOD SAFETY AND QUALITY CONTROL

We have implemented a stringent quality assurance system to maintain quality at every step of our supply chain, from procurement, to our central kitchens and stores, and delivery to end customers. We have established a Wealth, Health, Safety and Environment working group, comprising our CEO and other management members, that meets on a monthly basis to oversee our food safety practices and programs. We have also adopted food safety standards, as well as training and evaluation procedures, for our staff. From time to time, we have hired third-party companies to conduct food safety assessments of our operations. We have also instituted a responsibility mechanism to all our employees accountable for food safety. At the same time, DPI will conduct food safety audits on an annual basis in the form of on-site audits (to the extent permitted during the COVID-19 pandemic) of our suppliers. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material food safety issues in China.

Procurement and supplier quality control

Before we engage a supplier, they must pass our stringent selection procedures, which include background and qualification checks, sample testing and trial production. In addition, we regularly evaluate our suppliers by conducting risk profile assessments and periodic announced and unannounced audits that typically involve on-site visits (to the extent permitted during the COVID-19 pandemic). If a supplier fails to meet our requirements and is unable to rectify their faults, we terminate our engagement with them. In addition, we inspect food ingredients that we receive from our suppliers to ensure their quality. If the ingredients fail to meet our requirements, we return them to the suppliers. Our stringent evaluation of our suppliers, as well as the ingredients we receive from them, help ensure that the ingredients we procure meet our quality control standards. For more information about how we manage our suppliers, see "– Supply chain management – Procurement and supplier management".

Logistics quality control

For most food ingredients, we rely on our suppliers to manage the logistics of delivering those ingredients from their warehouses or production sites to our central kitchens or stores. For those deliveries, we hold our suppliers accountable for ensuring that the ingredients are transported under suitable conditions, and if there are any issues with the ingredients upon arrival, we return them to the supplier. We are responsible for the delivery of a limited number ingredients from suppliers to our central kitchens, as well as for the delivery of food ingredients from our central kitchens to our stores. To fulfil those functions, we rely on third-party logistics providers. We engage such providers on terms that require them to observe our safety standards. We believe that these standards help ensure that our ingredients are transported through our supply chain in a safe manner. For more information about how we manage our logistics and transport functions, see "– Supply chain management – Logistics and transport".

Central kitchen and restaurant quality control

We have implemented internal guidelines about maintaining food safety and hygiene in the operation of our central kitchens and stores, which our staff are required to follow. These guidelines cover, among others, personal hygiene, the inspection and safe storage of food ingredients, food temperature control, cleaning and sanitizing, use of kitchen equipment and detergent, handling ice cubes and pest control. Our staff are required to wear uniforms and maintain strict personal hygiene and tidiness. We routinely inspect and maintain the cleanliness of our restaurants, utensils and kitchen equipment. For more information about our central kitchens, see "– Supply chain management – Our central kitchens".

Food delivery quality control

We deliver food to our customers using a team of dedicated riders, which enables us to retain control over the efficiency and quality of our deliveries. We use data to match orders to riders and plot optimal delivery routes, which helps our riders deliver food in an efficient, timely and reliable manner, ensuring that food is delivered to our customers in a fresh condition. For more information about our delivery prowess and our dedicated riders, see "– Our expertise in delivery".

MARKETING AND PROMOTION

We seek to understand and engage new and returning customers through tailored marketing and promotion activities that are powered by analytics. We attract new customers through a combination of marketing content published through online and offline channels. We foster the loyalty of returning customers by encouraging them to join our loyalty program, as well as offering them coupons and other promotions that are bespoke to their preferences. Our philosophy is that our marketing and promotion efforts should be centered around engaging customers in fun and creative ways. Underpinning our efforts are our rich data insights about customers' preferences, which we have gleaned by analyzing how customers engage with us.

How we attract new customers

We are focused on engaging potential customers and communicating our brand personality, namely that we are approachable, reliable and smart. We deploy carefully selected marketing and promotional activities to attract new customers to try our offerings.

Marketing activities

We market and advertise our offerings and promotional activities through a diverse mix of online and offline media. We tailor our advertising efforts to specific use cases. For example, we use different strategies when advertising in a city to which we have recently expanded, as compared to cities where we have an established presence.

Marketing through online channels

Most of our marketing is done through online channels, which we use to dynamically engage customers. We currently have official Weixin and Weibo accounts, which we use to share information about new menu items, promotional videos, promotional events and other marketing events. Besides our own social media accounts, many of our loyal customers have also promoted our offerings on other social media channels, such as Xiaohongshu, generating word-of-mouth advertising for us.

We believe providing our customers with engaging and fun content will help draw customers to our offerings. Accordingly, we regularly provide customers the opportunity to play minigames through our Weixin official account or in partnership with third-party providers. These minigames feature the ability to unlock rewards, such as coupons, which customers can spend at our stores. For example, in July 2021, in tandem with the Tokyo Olympics, we launched a minigame on our Weixin official account whereby customers could compete in sprinting, cycling and long jump events as a Domino's rider—customers who achieved certain point totals could unlock vouchers for free pizzas. Our game-based content provides a differentiated interaction experience for customers, which boosts our branding and encourages them to visit our stores.

In addition to our own social media accounts, we also purchase advertisements on a diverse range of online and offline channels. Online, we purchase advertising on media platforms (such as Weixin), news apps (such as Jinri Toutiao) and music platforms (such as NetEase Cloud Music). We expect that as our scale grows, increasing our ability to spend on marketing, we will purchase advertising on an even more diversified slate of online channels.

Marketing through offline channels

Although we are focused on marketing through our online channels, we also conduct strategic marketing through offline channels. In new cities to which we have recently expanded, we tend to purchase advertising space and media close to new stores. However, as our presence in the city grows, we adopt a broad approach to build an offline presence around the city. For example, when we first expanded to Shenzhen and had limited stores, we took the strategic approach and purchased offline advertising space around our new stores. However, in the past year, after we grew the number of stores in Shenzhen to over fifty stores, we began investing in advertisements in subway stations to build our brand across the city.

Promotional events and rewards

An important part of our marketing and promotion strategy are our promotional events, which give customers a chance to win rewards. In terms of timing, we launch promotional events in tandem with national holidays and sport events, such as National Day or the Olympics. Additionally, we also have recurring events, such as our weekly "Jie Er Lian San (接二連三)", or "Tuesday and Wednesday Discount" promotional event. Customers can also take part in promotional lucky draws through our proprietary app or website, or through our Weixin official account.

Our promotional events are designed to give customers a chance to derive even greater value for money from our menu. We have a wide range of reward structures. For example, customers can win free pizzas (whether standalone, or through as a buy one get one free reward), upgrades (such as from a 9-inch pizza to an 12-inch pizza, or crust upgrades). For certain promotional events, we also partner with third parties to offer differentiated rewards.

Our loyalty program

We primarily foster customer loyalty through our loyalty program, which customers access exclusively through our proprietary app and website, Weixin mini program and official Weixin account. Through this program, customers are able to earn award credits for placing orders, which points may be exchanged for rewards, such as order discounts or discounted food items. In addition to redeeming their points, our customers also receive promotions that are bespoke to their preferences. We encourage customers to join and participate in our loyalty program so they can take advantage of their redeemable award credits the customized rewards we offer, and we believe our loyalty program fosters loyalty to our brand. For details about how we account for these award credits, see "Financial information – Critical accounting policies and estimates – Significant accounting policies – Revenue recognition".

Through our loyalty program, we engage a vast base of customers. Our loyalty program had 2.4 million, 4.0 million and 6.1 million total members as of December 31, 2019, 2020 and 2021, respectively, representing a CAGR of 60.0% from 2019 to 2021, before further increasing to 7.0 million as of June 30, 2022. The number of our active loyalty program members has increased commensurately, and we had 1.4 million, 2.1 million, 3.0 million and 3.2 million active loyalty program members as of December 31, 2019, 2020 and 2021 and June 30, 2022, respectively.

How we encourage customers to join our loyalty program

We have automated our customer engagement to encourage customers to join our loyalty program. On our own online channels, after a non-member customer places an order, we automatically determine whether they are a member — if not, we will extend them an in-app pop-up to invite them to become a member. Similarly, after a customer's order has been fulfilled, we send non-members Weixin or SMS messages to them to invite them to join our loyalty program. Lastly, each of our stores has an exclusive QR code, which customers can scan to follow us on Weixin and join our loyalty program.

The perks of being a loyalty program member

Loyalty program members earn award credits by placing orders on our own channels. Customers can also earn award credits by referring new customers to join our loyalty program. These points may then be exchanged for a wide range of easy-to-use rewards.

We offer a tiered loyalty membership program, with three different tiers. Members are placed into each tier depending on how many points they have earned over the past year (calculated on a rolling basis). We believe that implementing a tier system incentivizes customers to become loyal to our brand. Our tier system is designed to encourage customers to become repeat customers, and reward existing repeat customers.

In terms of rewards, our rewards are categorized into (i) the welcome reward, (ii) progression rewards, and (iii) redemption rewards:

- *Welcome reward*. By joining our loyalty program, customers immediately earn points and coupons for discounted or free menu items worth up to a certain dollar figure.

- *Progression rewards*. After earning their welcome reward, customers automatically earn rewards for progressing further through our tiered membership structure. For example, customers earn a one-time reward for earning enough points to become Tier 2 members.

- *Redemption rewards*. Customers can also redeem their rewards for (i) credits, which may be used as payment for orders placed on our proprietary app or website, or our Weixin mini program, (ii) discounted menu prices, or (iii) gift cards that they can share with their friends.

Data-driven, bespoke marketing and promotion

Our CDP provides us with robust insights about our customers' preferences, which we leverage to deliver bespoke promotions and activities. Our bespoke promotions are designed to enable each customer to easily access the offerings from us that such customer desires. We believe this is an important way to improve customer retention. For more information about the technical aspects of our CDP, please see "– Our technology and data insights – Our proprietary customer data platform".

Our CDP helps us evaluate our marketing and promotional activities, including the minigames, social media posts, online and offline advertising described above. By leveraging our CDP and seeing how customers respond to these marketing and promotional activities, we are able to determine the conditions under which such activities are successful. In this way, our CDP helps us generate marketing and promotional activities that are responsive to actual customer reception, improving our marketing and promotional efficiency.

The other use case for our CDP capabilities is providing customers with bespoke promotions. As customers place orders on our platform, we gradually build up a customer profile based on their order history. This enables us to identify each customer's preferences across a wide range of variables. We can then offer bespoke promotions and coupons responsive to those preferences.

OUR CUSTOMERS

Our customers

As an operator of a pizza store network, we have a large and fragmented customer base. We sell our products directly to consumers through an extensive network of directly operated pizza stores across China. The revenue we derived from our five largest customers in each of 2019, 2020, 2021 and the six months ended June 30, 2022 accounted for less than 1.0% of our total revenue in the respective periods. All of our five largest customers are independent third parties.

Customer service

We strive to achieve 100% customer satisfaction. We deeply value our customers' feedback, which we take into account to improve our performance. We have a sophisticated in-house customer service center that works closely with our stores. Whenever an issue arises, our customer service center is able to liaise with our stores directly to solve the issue in a timely and efficient way. We undertake to meet the ISO 9000 standards.

In addition, we encourage customers to provide feedback to us through various channels, including our customer service hotline, reviews on third-party channels, and comments or private messages to our social media accounts. We make it a priority to promptly respond to every single enquiry or complaint that we receive from our customers. Our marketing department primarily responds to customer complaints that we receive through online channels, while our customer service center responds to complaints that we receive through our customer service hotline and/or third party channels. In terms of addressing complaints, our call center collates and integrates customer complaints from all channels and shares them with operational management at the relevant stores and departments – these complaints are tracked to ensure and marked with follow-up actions to make sure that complaints are addressed. During the Track Record Period, over 90% of the customer enquiry calls that we received were promptly resolved over the same calls.

On a more holistic level, key members of our management team–including our chief operating officer, chief marketing officer and our general managers–reviews the analyses and summaries of customer feedback every month to formulate strategies for improving our customer satisfaction. If there is a food safety complaint, our quality assurance and supply chain teams are also engaged to investigate and ensure that any issues are rectified.

During the Track Record Period and up to the Latest Practicable Date, we had not received any material customer complaint with respect to any of our restaurants or products.

COMPETITION

According to the Frost & Sullivan Report, the China pizza market is highly concentrated, with the top five players accounting for 51.6% of the market share in terms of revenue in 2021, despite there being over 100 brands in the China pizza market at the end of 2021. Within the China pizza market, the pizza delivery market is also highly concentrated, with the top five players accounting for 47.5% of all food delivery sales within the China pizza market.

Players in the China pizza market compete on 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.

Our market share in the overall China pizza market increased from 2.0% in 2018 to 4.4% in 2021, making us the third-largest player in the overall China pizza market in terms of revenue, while our market share in the pizza delivery segment increased from 3.4% in 2018 to 6.7% in 2021, making us the third-largest player in the pizza delivery segment in terms of revenue. We are the fastest-growing pizza company among China's top-five pizza companies in terms of 2021 revenue, according to the Frost and Sullivan Report. Our ability to gain market share in a highly competitive industry leads us to believe that we are more competitive than the other top-five players in the China pizza market.

We enjoy leading brand recognition in Beijing and Shanghai. In our new growth markets, where we are focused on scaling our presence, we enjoy rapid growth in brand awareness as we leverage the competitive strengths that we have demonstrated in Beijing and Shanghai. We believe that these strengths will enable us to maintain our high competitiveness in the industry in which we operate.

However, we cannot assure you that we will out-compete other players in the China pizza market or the China pizza delivery segment. As the leading players in the overall China pizza market and the pizza delivery segment continue to increase their market share, we face increasingly intense competition with other leading players, including with respect to menu and product development, product quality, customer experience, value for money and customer acquisition and retention. For more information about our competitive strengths, our industry and the risks we face, see "Industry overview" and "Risk factors – Risks related to our business and industry – Our success depends on the ability to remain competitive in the China pizza market".

SEASONALITY

Our operations have not exhibited strong trend of seasonality, although we have been subject to certain levels of seasonal fluctuations with respect to customer orders. For instance, we typically see more consumer traffic 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.

EMPLOYEES

As of June 30, 2022 we had a total of 3,199 full-time employees. Substantially all of our employees are based in China, primarily in Beijing, Shanghai, Guangzhou, Shenzhen and other cities in which we have operations. The following table sets forth the numbers of our full-time employees categorized by function as of June 30, 2022.

Function	Number of Employees	% of total
Store development and operation	2,914	91.1%
Sales, marketing and product development	32	1.0%
Supply chain, central kitchens and quality control	145	4.5%
General administration and others	108	3.4%
Total	**3,199**	**100.0%**

We engage our full-time employees both directly and through dispatched labor arrangements. As of June 30, 2022, we had 434 full-time employees engaged through dispatched labor arrangements, all of whom were involved in store development and operation. Under our direct employment arrangements, we enter into standard labor contracts with employees, and we pay such employees' social insurance premiums and housing provident funds as required by the laws and regulations of the PRC. Under our labor dispatch arrangements, we enter into labor dispatch agreements with third-party employment agents whereby the employment agents dispatch suitable staff to fulfill our job requirements on mutually agreed terms, including the number of staff to be dispatched, period of the dispatch and wages and benefits of the dispatched staff. Pursuant to the labor dispatch agreements, we pay the agency to cover the wages, social insurance premium and housing provident funds required to be contributed to our dispatched staff by the laws and regulations in the PRC. The employment agent is responsible for arranging payment of wages, insurance and other welfare payments as required by the PRC laws and regulations upon receipt of the combined fee. Our dispatched staff work across a wide range of functions in our Company and have the same salary structure, social insurance and housing fund payments as those of full-time employees working in the same positions in the company. We have entered into these labor dispatch arrangements primarily because we believe they provide us with the flexibility to recruit, retain, remunerate and provide benefits for our employees across the various cities in China in which we operate. We have not had any instances of underpayment or non-payment of social insurance or housing fund contributions with respect to our full-time staff, whether directly employed by us or through labor dispatch agreements. For more information, see "Risk factors – Risks related to our business and industry – Failure to comply with PRC regulations on labor dispatch may subject us to penalties". In addition to labor contracts, we also enter into non-compete and confidentiality agreements with our senior management and key personnel.

Besides our full-time employees, we also had a total 9,705 part-time employees as of June 30, 2022. These part-time employees primarily work as riders and in-store assistants. We employ these part-time employees directly pursuant to part-time employment agreements, whereby we remunerate them by the number of hours worked. The table below sets forth the number of our employees, both full-time and part-time, by staffing arrangement as of the dates indicated.

	As of January 1,	As of December 31,			As of June 30,	
	2019	2019	2020	2021	2021	2022
Store and Central Kitchen Level						
Full-time store staff	920	1,245	1,849	2,529	2,098	2,714
Part-time store staff	4,330	5,540	6,895	9,271	8,382	9,705
Full-time central kitchen staff	78	116	121	118	119	134
Subtotal	**5,328**	**6,901**	**8,865**	**11,918**	**10,599**	**12,553**
Corporate Level						
Full-time staff	206	255	303	344	320	351
Total	**5,534**	**7,156**	**9,168**	**12,262**	**10,919**	**12,904**

During the Track Record Period we also engaged riders on an as-needed basis by entering into outsourcing contracts with third-party delivery service providers. These outsourced riders primarily help us maintain a sufficient and flexible level of riders during periods of high demand. These outsourced riders are also part of our fleet – they wear our uniforms and do not serve other stores during their shifts with us. Our outsourced riders receive their social insurance and housing provident funds contributions from the delivery service provider that employs them and we pay that provider according to the number of orders that the outsourced riders fulfil. According to our PRC Legal Advisor, we have no obligation under PRC laws and regulations to pay social insurance and housing provident funds for the outsourced riders, as the third-party delivery service providers, with whom the outsourced riders have a contractual labor relationship, are responsible for their social insurance and housing provident funds.

We believe that we maintain a good working relationship with our employees. To bring our employees closer together, we organize various employee activities ranging from family days, festival celebrations and annual gala, to outing, painting match and Voice of Domino's (to the extent permitted during the COVID-19 pandemic). We also encourage our employees to speak up and share their insights, ideas, suggestions and opinions in meetings or via bulletin boards and other communication channels to deepen their involvement in building our corporate culture.

We have not experienced any major labor disputes or any difficulty in recruiting staff for our operations during the Track Record Period and up to the Latest Practicable Date. Only one of our subsidiaries, Dash Beijing, has a labor union.

Recruitment, retention and remuneration

We recruit our employees from the open market, as well as through internal referrals. We screen our candidates for their experience and qualifications, as well as for their ability to be team players and customer-oriented. Our regional human resources teams are responsible for recruiting each store's management teams (store managers and associate store managers, assistant managers and management trainees), who in turn are responsible for recruiting the staff of that particular store. Our recruitment process generally includes interviews and an evaluation of a candidate's qualifications and experience.

When employees are hired, we give them an Employee Handbook, which informs them of our policies and their rights in all material respects, from recruitment, salary, benefits, performance assessment to training and development. We maintain compliance with labor laws and regulations in the PRC. For more details, please see "Regulations – Overview of PRC laws and regulations – Regulations related to labor".

We seek to offer attractive remuneration to employees, who earn both a basic salary and discretionary bonuses. In 2021, we offered our full-time and part-time employees a salary that was typical for our industry, according to Frost & Sullivan. For store management teams, their discretionary bonus is tied to the performance of the store. For riders, we provide incentive bonuses that are payable for, among others, the numbers of orders delivered and working during peak hours or in poor weather. Our riders are covered by group commercial insurance, which insures our riders for personal injuries and additional medical care to help protect against the risk of personal injuries.

Training and evaluation

Our training department oversees the training of our employees. We provide all of our restaurant employees, including store management teams, store assistants with consistent, systematic training to ensure that through the training employees have the operational, management and business skills needed to meet our safety standards and deliver outstanding customer service.

New in-store employees are required to complete onboarding training after they join us. They learn food safety, service, and cooking skills for their workstation. Each workstation has a recommended training and practice time, and all workstations have a training duration of about 8 weeks. At the same time, trainers use a 5-step training process to ensure that each employee receives the same training for each position, working side-by-side with the trainer and following the workstation guidelines. For our riders, in addition to regular training about food safety, they also receive training with respect to navigating urban traffic in order to maximize delivery safety and delivery service.

In each market and city, we also select a group of experienced restaurant managers with excellent performance and high work standards and responsibility to become trainers. After they go through a qualification process, these trainers help us to train new management staff and store assistants. Working side by side with our new staff, trainers help them become familiar with our standards and operational procedures.

Rider care and management

Our riders are an integral part of our staff. We highly value the contribution of our delivery riders to our business and aim to ensure their safety. Each rider is required to undergo a personal identification verification and screening process before becoming our rider and abide by our service standards. We conduct standardized trainings with our riders, and distribute to our delivery riders a Delivery Safety Work Manual before they take the first trips. We also provide our riders with training to help them navigate urban traffic and make deliveries safely. Under extreme weather conditions, we suspend all delivery requests to minimize the likelihood of our riders getting injured.

We count the number of riders in a given period by counting all of the full-time employees or part-time employees that made a delivery at any time during that period. On that basis, we had approximately 3,500, 4,300, 6,100 and 6,500 riders in December 2019, 2020, 2021 and June 2022, respectively. All of these riders are dedicated riders, meaning that, during their shifts with us, they only make deliveries from our stores. In 2019, 2020, 2021 and the six months ended June 30, 2022, there were a total of 2.0 million, 2.7 million, 4.1 million and 1.9 million delivery orders completed by outsourced riders. The remaining delivery orders were completed by our full-time and part-time employees. In 2019, 2020, 2021 and the six months ended June 30, 2022, the staff compensation expenses we incurred for using outsourced riders were RMB23.6 million, RMB31.4 million, RMB46.3 million and RMB20.3 million, respectively.

All of our full-time and part-time employees who act as riders also perform other roles in our stores as part of our flexible team structure, whereby we also assign different duties within the store to each team member based on his or her relevant experience and depending on customer demand. For example, if a store needs more riders, the assistants in the store can also serve as riders as needed during peak hours. We provide training to all of our riders, regardless of our employment relationship with them, to make sure that they can work safe and efficiently.

We have also adopted policies to comply with the Guiding Opinions on Safeguarding the Rights and Interests of Workers in New Employment Patterns (關於維護新就業形態勞動者勞動保障權益的指導意見 or the "**Guiding Opinions on New Employment Patterns**") and the Guiding Opinions on the Implementation of the Responsibility of Online Catering Platforms to Effectively Safeguard the Rights and Interests of Take-out Food Delivery Workers (關於落實網絡餐飲平台責任切實維護外賣送餐員權益的指導意見 or the "**Guiding Opinions for Online Catering Platforms**" and, together with the Guiding Opinions on New Employment Patterns, the "**Guiding Opinions**"), which impose certain regulatory requirements on online catering platforms and third parties who collaborate with online catering platforms. These guiding opinions are not applicable to us because, as advised by our PRC Legal Advisor, we would not be regarded as an online catering platform or a third party that collaborates with online catering platforms. For the basis of our PRC Legal Advisor's view, please see "Regulations – Overview of PRC laws and regulations – Regulations related to labor".

Notwithstanding the fact that the Guiding Opinions do not apply to us, we nonetheless strive to ensure that our relationship with our riders, whether directly engaged by us or through third-party delivery service providers, comply in all material respects with these guiding opinions, in addition to our obligations for social insurance and housing provident funds in respect of our riders. For example, we implement an equal-opportunity employment policy in our full-time employee manual, and we enforce the working hour limit and established reward mechanisms for riders in the event of bad weather and holidays in our system. We also enforce various measures to ensure that our third-party delivery service providers meet their obligations. In particular, our agreements with the third-party delivery service providers set out their obligations to pay social insurance and housing provident funds for the riders who have contractual labor relations with them in a timely manner according to the standards provided by relevant laws and regulations. We also have the right to check whether our delivery service providers are in compliance with certain standards including whether they have timely paid social insurance and housing provident funds; their failure to pay for social insurance and housing provident funds for riders who have contractual labor relations with them may lead to disqualification of, or termination of, our collaboration with them. The third-party delivery service providers are also subject to the regulations of local authorities with respect to their obligations for relevant riders' social insurance, housing provident funds and others provided in the Guiding Opinions. Accordingly, our labor-related internal control policies for riders are in material compliance with the Guiding Opinions. In view of the foregoing reasons and based on the advice from our PRC Legal Advisor, we believe that the issuance of the Guiding Opinions will not have material impacts on our business operations. We will continue to monitor regulatory developments which are relevant to rider protection and take all necessary actions to comply with any further implementation rules that may be issued.

PROPERTIES AND FACILITIES

Our principal executive offices are located in Shanghai. As at the Latest Practicable Date, we did not own any properties and all of the properties for our restaurants, central kitchens, warehouses and offices were leased or licensed to us. We believe this leasing strategy reduces our capital investment requirements and allows more flexibility for our store network. The following table sets forth the number of properties leased or licensed to us at the Latest Practicable Date and their current or expected uses:

Function	**Number of Properties**
Restaurants	562
Central kitchens and warehouses	3
Offices	4
Total	569

We lease various offices, stores and central kitchens. Rental contracts for our offices are made for a term of three to six years, with extension options. Rental contracts for our stores are typically made for a term of five to eight years, which is in line with industry norms, according to Frost & Sullivan. These rental contracts typically come with extension options, which we have historically used to extend our rental contracts for another four years, on average during the Track Record Period. Rental contracts for our central kitchens are made for a term of five to ten years with extension options. We have not terminated the rental contracts before their term ends during the Track Record Period, but in the event that we are required to early terminate the lease agreements, we will negotiate with the lessor and give advance notice as provided in the lease agreements to minimize the potential impact on our financial performance. The table below sets forth the number, gross floor area and outstanding lease liabilities of the leases and licenses for our properties that expire in or before 2027, and which are used or expected to be used as stores, as at the Latest Practicable Date by their maturity profile:

	Will expire during the year ended December 31,					
	2022	**2023**	**2024**	**2025**	**2026**	**2027**
Number of leases or licenses	13	49	60	83	85	69
GFA (sq. ft)	1,898	6,706	8,320	11,718	13,516	9,809
Outstanding lease liabilities (RMB'000)	430	17,874	44,991	93,874	125,793	108,083

As of the Latest Practicable Date, we leased 569 properties in China with an aggregate gross floor area of approximately 95,539.11 square meters. Lessors of 16 leased properties (with an aggregate GFA of approximately 2,800 square meters, representing approximately 2.93% of our total leased GFA) did not provide valid title certificates or other relevant documents evidencing the legality of the construction of the leased properties. Our PRC Legal Advisors have advised us that we would not be subject to any fines or penalties with respect to these properties, but the lease contracts that we entered into with such lessors may be invalid under the relevant laws and regulations of the PRC, and our use of these properties may be affected if the lease contracts are so deemed invalid. Additionally, as of the Latest Practicable Date, the lease agreements with respect to 516 out of 569 of our leased properties have not been registered with the relevant PRC government authorities. See "Risk factors – Risks related to our business and industry – 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 June 30, 2022, none of the properties leased by us had a carrying amount of 15% or more of our consolidated total assets. According to Chapter 5 of the Hong Kong Listing Rules and section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice, this document is exempt from the requirements of section 342(1)(b) of the Companies (Winding up and Miscellaneous Provisions) Ordinance to include all interests in land or buildings in a valuation report as described under paragraph 34(2) of the Third Schedule to the Companies (Winding up and Miscellaneous Provisions) Ordinance.

MASTER FRANCHISE ARRANGEMENTS

We operate our stores pursuant to the Master Franchise Agreement, by and between Pizzavest China Ltd., an indirect wholly-owned subsidiary of our Company (the "**Master Franchisee**"), and Domino's International, dated June 1, 2017, as amended. Set forth below is a summary of the salient terms of the Master Franchise Agreement.

Exclusivity. We have the exclusive right to set up and operate Domino's Pizza stores, as well as to use and license the Domino's Pizza and associated trademarks in the operation of pizza stores in the China mainland, the Hong Kong Special Administrative Region of China and the Macau Special Administrative Region of China (the "**Territory**").

Term. The initial term of the Master Franchise Agreement will expire on June 1, 2027.

Renewal. We may renew the Master Franchise Agreement at our option for two more 10 year terms by serving written notice of our intent to renew to Domino's International, provided that (i) we are not in default of the Master Franchise Agreement or any other Agreement between us and Domino's International or its related corporations, (ii) we have satisfied all monetary obligations owed to Domino's International and its related corporations as at the date of exercise of the option and that we have not, in the sole discretion of Domino's International, repeatedly failed to meet such obligations through the term of the Master Franchise Agreement, and (iii) we have mutually agreed in good faith to a further growth clause during the term of the renewed master franchise agreement. Our Directors do not foresee any material impediment to renewing the Master Franchise Agreement, including the satisfaction of the conditions set forth in the foregoing clauses (i), (ii) and (iii), on the basis that (1) during the Track Record Period, we met our growth requirement under the Master Franchise Agreement and we expect to do the same for the remainder of the term of the Master Franchise Agreement, as described in more detail under the heading "Growth requirement" below, (2) historically, we have not been the subject of any material noncompliance with the Master Franchise Agreement, and (3) we are a leading Domino's Pizza franchisee, as evidenced by the awards awarded to us by Domino's Pizza Inc. described in "– Awards and Recognition" below. Taking into account the view of the Directors above and the due diligence work conducted by the Sole Sponsor including but not limited to (i) reviewing the growth requirement under the Master Franchise Agreement; (ii) business and management due diligence conducted on the Master Franchise Arrangement; (iii) independent interviews conducted with the franchisor; (iv) reviewing the number of stores opened and total number of stores open and operating in each of the years ended December 31, 2019, 2020 and 2021; and (v) discussing with the management of the Company in respect of the Company's future development and store expansion plans, nothing has come to the Sole Sponsor's attention that would cause the Sole Sponsor to question the reasonableness of the above-mentioned Directors' view.

Fees. We are required to pay to Domino's International (a) a master franchise fee, (b) store franchise fees, and (c) royalty fees, in accordance with the terms of the Master Franchise Agreement. For details, please see "Connected Transactions – Master Franchise Arrangements – Pricing terms".

Products; Supplies. We are required to seek Domino's International's approval with respect to the ingredients, supplies and materials used in the preparation, packaging and delivery of pizza. Domino's International also has the right to inspect ingredients, materials or supplies to determine whether they meet its quality standards and specifications, and typically conducts inspections twice per year.

Growth requirement. The Master Franchise Agreement provides that our Company shall at all times during the term use its best endeavors to develop and promote the Domino's system and marks, within the Territory. Furthermore, our Company has an obligation to open and maintain in operation in the Territory (whether itself or through sub-franchisees) at least the number of stores referred to in the Master Franchise Agreement. In each of 2019, 2020 and 2021, we opened and maintained a sufficient number of stores to meet our obligations under the Master Franchise Agreement, and we are on pace to do the same in 2022 and 2023. We do not foresee any material impediment to meeting these growth targets for the remainder of the term of the Master Franchise Agreement, which requires that we maintain 1,000 stores by the end of 2026. To meet this target, we have adopted a store expansion plan to take advantage of the significant whitespace in the China pizza market, and expect to open 120 new stores in 2022, 180 new stores in 2023, and between approximately 200 and 300 new stores in each of 2024, 2025 and 2026. We believe our store expansion plan is supported by sufficient market demand, and we have also adopted a set of feasibility criteria and store expansion management measures to successfully execute our plan. As of the Latest Practicable Date, we had 562 stores, and therefore believe that we will meet the growth requirement under the Master Franchise Agreement upon the successful execution of our store expansion plan. For more information, please see "Business – Our Domino's Pizza stores – Growth of our store network – Our store expansion plan." Domino's International has the right to terminate the Master Franchise Agreement or such development rights if our Company fails to meet the obligations in a timely manner, and Domino's International shall have the right to undertake such development itself or through another party.

Termination. The Master Franchise Agreement may be terminated by Domino's International upon the occurrence of various insolvency related events in respect of the Company. In addition, Domino's International may also terminate the Master Franchise Agreement if the Company, among others, (i) fails to timely provide certain information or make payments to Domino's International on three or more occasions within any one year; (ii) is convicted of any offense or crime or engages in any conduct which Domino's International believes may substantially impair the goodwill associated with Domino's marks; (iii) intentionally under reports sales for any period or if an audit by Domino's International discloses an understatement of sales and the Company fails to timely pay the applicable fees to Domino's International together with interest due within 5 days of the final audit report; (iv) is in breach of its obligations in relation to Domino's International's intellectual property or assigns the agreement without Domino's International's consent; and (v) does not achieve its agreed growth targets during the term. If Domino's International becomes entitled to terminate the Master Franchise Agreement, Domino's International may, at its option, choose to reduce the size of the Territory in lieu of termination.

For more information, see "Risk factors – we rely significantly on our Master Franchise Agreement with Domino's International for our business operations," "– Intellectual property," "History, reorganization and corporate structure – Master Franchise Agreement" and "Connected transactions – Master Franchise Arrangements."

INTELLECTUAL PROPERTY

The intellectual property we depend on includes trademarks, trademark applications, patents, and patent applications related to our brands and services, software copyrights, trade secrets and other intellectual property rights and licenses. We seek to protect our intellectual property assets and brands through a combination of trademark, patent, copyright and trade secret protection laws in the PRC and other jurisdictions, as well as through confidentiality agreements and other measures.

As the master franchisee of Domino's International in China, we have contractual rights to use certain Domino's owned trademarks, service marks and other intellectual property relating to the Domino's brand and concept. Our use of certain material trademarks and service marks is governed by the Master Franchise Agreement. Pursuant to the Master Franchise Agreement, we are the exclusive licensee of the Domino's Pizza brand and their related marks and other intellectual property rights for restaurant services in the China mainland, the Hong Kong Special Administrative Region of China and the Macau Special Administrative Region of China. In addition, we have entered into a Domino's Pulse Master Franchisee Software

License Agreement with Domino's Pizza Distribution LLC, pursuant to which we are entitled to use, license and sublicense certain of Domino's Pizza's proprietary software for use in our stores. For more information, see "Risk factors – Risks related to our business and industry – We rely significantly on our Master Franchise Agreement with Domino's International for our business operations," "– Master Franchise Arrangements," "History, reorganization and corporate structure – Master Franchise Agreement" and "Connected transactions – Master Franchise Arrangements."

We held 1 registered trademark, 18 computer software copyrights and 1 patent in the PRC as of the Latest Practicable Date. As of the same date, we had 9 registered domain names, including our main website domain name, *https://www.dominos.com.cn*.

For more information about the risks we face relating to our intellectual property, see "Risk factors – Risks related to our business and industry – 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".

HEALTH AND WORK SAFETY

We are subject to health and safety laws and regulations in the PRC. During the Track Record Period, we complied with the environmental and occupational health and safety laws and regulations in all material respects in the PRC. For more information about the health and safety laws and regulations that apply to us, see "Regulations".

We strive to provide a safe working environment and implement work safety guidelines for all of our employees. Our designated Environment, Health and Safety ("**EHS**") working group holds regular meetings to formulate, review, revise and rectify safety policies, among others. Besides designing and implementing safety policies, we conduct external occupational disease assessment, establish robust reporting structure for work-related incidents and undertake annual EHS audits on each central kitchen and store. We also provide all our employees personal protection equipment, offer them annual physical checks and purchase accident insurance programs and/or commercial health insurance programs for them.

With respect to fire safety, in particular, we pass the relevant fire safety inspections and obtain fire safety permissions from the fire service department pursuant to the legal requirements of the Fire Prevention Law of the People's Republic of China (《中華人民共和國消防法》) before and during the operations of our stores. We have established an internal Fire Safety Management Policy, an Emergency Response Plan, a Crisis Management Manual, a Work Safety and Hygiene Manual and other policies pursuant to applicable regulations and rules. We make sure that firefighting equipment is installed in accessible location on site and properly maintained. We appoint responsible personnel to carry out regular fire safety checks to make sure that all fire alarm systems and emergency lighting are working properly, and that escape routes and fire exit signs are in good condition. In addition, all of our employees are required to attend mandatory trainings which provide detailed guidance on fire safety signs, usage of firefighting equipment, evacuation plans, first-aid knowledge and fire safety policies, among others. Fire drills are held at least twice a year in our central kitchens and annually in our stores and offices. Store managers and managers on duty may receive reduced quarterly bonuses if the stores that they oversee have incurred severe losses due to fire-related incidents.

We highly value the contribution of our delivery riders to our business and aim to ensure their safety. We distribute to our delivery riders a Delivery Safety Work Manual before they take their first delivery trips. Under extreme weather conditions, we temporarily suspend all delivery requests to minimize the likelihood of our riders getting injured. We also leverage our strong technology capabilities to prevent delivery riders from unnecessary travel or speeding, which are among the main causes of work-related injuries. For example, our smart delivery system enables optimal task assigning and reduced mileage, and our community GPS guides delivery riders to follow the right route. In addition, we generally provide our delivery riders safe and high-quality e-bikes that are certified with China Compulsory Certification. These e-bikes are maintained or repaired by our contracted e-bike vendors regularly, and the batteries are checked regularly and replaced in efficient charge stations when needed.

Our care for our employees' health extends beyond the work environment. From time to time, we organize events such as training programs in collaboration with American Heart Association, mental health counselling services during the COVID-19 pandemic and wellness lectures to enhance both the physical and mental health of our employees.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

Our governance

To effectively manage environmental, social, governance and climate-related (collectively, "**ESG**") issues, we have established a top-down ESG governance framework, comprising our Board, the Senior Leadership Team (the "**SLT team**"), and the Wealth, Health, Safety & Environment ("**WHSE**") working group.

Our Board takes the overall responsibility for our ESG strategy and reporting. The SLT team, consisting of our chief executive officer, chief operating officer, chief performance officer and our department heads, assumes the responsibility to (i) identify and evaluate ESG risks and opportunities to which we are exposed, (ii) set ESG goals and targets, and formulate and assess ESG strategic plans and mitigating measures, (iii) monitor and manage matters relating to ESG issues, and (iv) confirm with our Board with respect to the effectiveness of our ESG system. The WHSE working group, comprises specially-assigned personnel of key departments, such as the supply chain management department, operations department, human resources department, marketing department, legal department, and others. The WHSE working group is dedicated to the implementation of our WHSE plans. The WHSE working group convenes meetings and communicates regularly to report and present the implementation progress and key results.

Impact of ESG risks

We have identified the following ESG risks which we consider material and may have an impact on our business, strategy or financial performance:

(i) *Food safety and quality.* Our food safety guidelines and policies, standards and procedures, inspections and checks, and training on proper food safety practices, among others, may not be adequate, which may increase the chance of contamination and food-borne illnesses. As a result, we may be subject to risks of receiving administrative or criminal penalties and our reputation may be adversely impacted.

(ii) *Supply chain management.* Responsible sourcing and sound supply chain management are essential for us to ensure reliable food quality and sustainability along our supply chain. If we are unable to select quality third-party suppliers or monitor, audit and manage different parties in the supply chain may expose us to risks of suppliers' non-compliance with applicable laws and regulations and unethical practices, which could diminish our competitiveness and harm our reputation.

(iii) *Climate change adaption.* Floods, typhoons, storms, and other extreme weather conditions and natural disasters may cause price volatility of raw materials, fluctuation in supply and physical damage to our restaurants, central kitchens and offices, pose safety risks to our staff and lead to delayed food delivery to our customers, among other consequences. Besides, against the backdrop of the PRC's carbon peak and neutrality goals, we may incur additional costs to purchase new energy, replace undegradable packaging, promote sustainable sourcing and engage in low-carbon product development.

(iv) *Environmental compliance.* We are subject to relevant environmental laws and regulations, such as the Energy Conservation Law. For details, please refer to "Regulations – Overview of PRC laws and regulations – Regulations on environmental protection". Regulators may impose more stringent environmental requirements and standards on us. For example, we may have to switch to cleaner energy and more energy efficient operating equipment, and further reduce emissions of wastewater and solid pollutants, which may increase our operating costs.

Identification, assessment, management and mitigation of ESG risks

Our SLT team is responsible for identifying and evaluating ESG risks, and formulating and assessing strategic plans and mitigating measures. The WHSE working group is responsible for the implementation of risk control and adaptation, and it reports to our SLT team on a monthly basis. We have adopted the following measures to identify, assess, manage and mitigate ESG risks.

Food safety and quality

We comply with relevant laws and regulations regarding food safety in all material respects in the PRC and are prudent in every aspect from procurement and storage of raw materials, to production, preparation, distribution and consumption of finished food. For details of the food safety laws and regulations that apply to us, please see "Regulations – Overview of PRC laws and regulations – Laws and regulations relating to the licenses and permits – Food safety". Set forth below are the various measures that we undertake to manage and mitigate risks relating to food safety and quality:

(i) adopting a thorough plan for Hazard Analysis And Critical Control Points ("**HACCP**"), which addresses food safety through the identification, evaluation and control of biological, chemical and physical hazards throughout all phases of food preparation and associated corrective, preventive and verification activities;

(ii) having third-party evaluators conduct external Food Safety Evaluation ("**FSE**") audits annually in our stores;

(iii) deploying (x) our quality assurance team to carry out internal checks based on even more stringent auditing standards than those on the FSE checklist, (y) our operation evaluation team to conduct comprehensive assessment of every store bi-annually, and (z) our quality assurance team, which is led by our quality control division, to perform regular quality audits and annual verification procedure to confirm that the HACCP system is working effectively;

(iv) sampling and testing raw materials and finished food, monitoring production conditions, and filtering and recalling nonconforming ingredients and finished food;

(v) monitoring employees' compliance with Good Manufacture Practice;

(vi) implementing detailed food quality and hygiene standards in our Food Safety Manual and Food Safety Management Policy, including inspection of raw materials, storage temperature control, equipment sanitization and cleansing, staff health certificate management and personal hygiene, thawing and cooking procedure and food temperature control, among others;

(vii) making food safety performance as one of the key performance metrics in the bonus program for store managers and imposing penalties on store managers or regional managers for failure to observe our food safety policies;

(viii) requiring our staff to participate in mandatory trainings and tests relating to food safety, with the focus on relevant regulations and standards, HACCP policies, prevention of food-borne illnesses, sanitation and other topics; and

(ix) using tamper proof covers, food safety seals, as well as heat-insulation bags and boxes in food delivery to prevent the risk of contamination and ensure food quality.

Supply chain management

We have established a supplier approval process, through which suppliers must provide relevant qualifications or certifications, such as their business licenses or food production and operation licenses, and demonstrate legal compliance with environmental and social policies prior to approval. We classify our suppliers based on their product category, supplier category, materiality to our brand and procurement volume. Suppliers considered "high risk" are subject to our announced or unannounced audit two to three times a year while those considered "medium risk" are audited once a year. "High risk" suppliers are also required to attend an annual business review meeting with our senior management, where safety and quality, industry insights, product development, strategy and plan and other important issues are discussed. If the suppliers are not compliant with the applicable laws and regulations regarding food safety and quality or commit misconducts, we may terminate our contracts with them.

We place great emphasis on supply chain sustainability and have been promoting a responsible, low-carbon and bio-diversity paradigm along our value chain. For example, all of our purchased palm oil has been certified by Roundtable on Sustainable Palm Oil, and part of our purchased seafood has been certified with Best Aquaculture Practices. Additionally, we only source our dairy products from world-known natural pastures.

Climate change adaptation

We are committed to conserving energy and reducing our carbon footprint. We primarily consume electricity, natural gas and steam in our operational activities and a negligible amount of diesel that is used for fueling emergency generators in central kitchens. These are the main sources of our greenhouse gas emissions. To reduce our greenhouse gas emissions and conserve energy, we have adopted the following measures:

(i) implementing an internal Energy Management Policy to stipulate how we measure, monitor and optimize energy consumption;

(ii) continuously looking for effective ways to reduce energy use and thus our carbon footprint, including but not limited to the adoption of LED lighting, high-efficiency equipment, compressor heat recovery system, heat insulation facilities (extruded sheet, glass and partitions) and flexible setting to switch equipment on-and-off;

(iii) adopting stringent energy cost control indicators that are subject to monthly review and on-going maintenance;

(iv) using electric vehicles to conduct deliveries; and

(v) requiring our employees to attend mandatory energy saving trainings.

In 2021, a third-party greenhouse gas inventory was conducted in our stores, which demonstrated that we are preparing to embrace the low-carbon era. As of December 31, 2021, all of the vehicles that we used for delivery were electric vehicles, which have much lower greenhouse gas emissions than vehicles with internal combustion engines. Our freight mileage has also been reduced in part due to our technology capability that enables riders to take optimal delivery routes, reducing mileage and optimizing delivery and energy efficiency, and thus reducing greenhouse gas emissions. We will continually optimize our food delivery process to reduce greenhouse gas emissions.

Besides, we have established a crisis management team and formulated an internal Crisis Management Manual to minimize our risk exposure in the event of rainstorms, floods, earthquakes or other extreme weather conditions or natural disasters.

Environmental compliance and waste management

During our daily operations, we discharge wastewater mainly from central kitchens, stores and offices and emit a limited amount of cooking fumes from kitchens in our stores. We also generate waste paste and dough samples in our central kitchens. We produce packaging waste and food waste due to our packaging usage and unused food in our stores.

To assess potential risks and opportunities in this regard, we mainly consider existing and emerging regulatory requirements, and heightened focus from investors, NGOs, customers, and other stakeholders. In terms of risks, we could be exposed to the imposition of plastic tax or fines, price premium of sustainable alternatives, negative changes in reputation and other negative impacts, with governments putting pressure to curb the use of certain plastics, and the public concerned about the growing impact of packaging and food waste. On the other hand, efforts to adopt sustainable packaging and reduce packaging and food waste could bring reputational benefits, better competitive position and reduced operational costs in the medium or long term.

We comply with national regulations to reduce plastic pollution and promote circular economy, and respond to initiatives worldwide to tackle food waste in our daily operation. We continuously work on alternative packaging solutions and spread food waste prevention message to minimize waste. We also maintain compliance with laws and regulations governing environmental protection and have obtained the sewage discharge permit for our central kitchen in Shanghai and completed the pollutant discharge registration for our central kitchens in Dongguan and Sanhe. For details, please refer to "Regulations – Overview of PRC laws and regulations – Regulations on environmental protection". Furthermore, we have been proactive in addressing environmental issues. The following sets forth the various measures we take to ensure compliance with environmental laws and regulations and minimize the impact of our operations on the environment and natural resources:

(i) discharging sewage into urban sewage systems with the aim to cause little pollution to the environment;

(ii) hiring third-party evaluators to conduct water quality testing on an annual basis;

(iii) adopting stringent water cost control indicators that are subject to monthly review and on-going maintenance;

(iv) providing mandatory water saving trainings to our employees with the focus on continuous improvement of water efficiency;

(v) installing fume extractors, smoke vents and smoke purifiers as stipulated by regulations and conducting regular cleaning and renewal in accordance with the requirements of local authorities in the PRC;

(vi) entering into disposal agreements with local authorities in the PRC to handle our non-hazardous waste;

(vii) entering into disposal agreements with third parties with relevant qualifications regarding the limited amount of hazardous waste generated from our central kitchen in Shanghai, which includes used filter screens, waste activated carbon and laboratory waste;

(viii) allowing for no more than 0.1% of loss rate of waste material in central kitchens;

(ix) scheduling employee mandatory trainings and tests on waste reduction; and

(x) popularizing the use of eco-friendly packaging and replacing single-use plastic items with biodegradable paper straws and wooden knives and forks.

We have also adopted a series of programs regarding food packaging and food waste, and have achieved positive results.

In our central kitchens, we have phased out single-use packing and packaging and adopted reusable containers for our key processed food ingredients, including pizza dough, pasta and rice. Our pizza dough is prepared in our central kitchens. Through our enterprise resource management software, our central kitchens work closely with our stores to produce the amount of dough needed for our store operations, so as to minimize the excess pizza dough generated.

At the store level, our main products are freshly handcrafted to order, which helps keep food waste to a minimum. Store inventory is carefully managed depending on local customer demand. As over 73% and 71% of our revenue in each of 2021 and the first half of 2022 was generated by delivery orders, the food waste from the leftovers in the store is relatively limited. In 2021, we increased the use of sustainable packaging by converting non-degradable plastic packaging to biodegradable plastics bags, paper straws and wooden knives and forks. Purchases of these degradable packaging materials amounted to 544 tons in 2021. As a result, the portion of non-degradable plastic packaging in the total packaging materials was reduced from 16% in 2020 to 5% in 2021. We also offer products that taste better with different portion sizes to reduce leftovers and educate our customers to help reduce food waste.

We also work alongside our industry partners and customers to reduce, reuse or recycle waste. In 2021, we began collaborating with our suppliers to cut down paper usage and have achieved promising results. The weight of 9″ and 12″ pizza packaging boxes was reduced by 5.3% from 92g and 133g per box to 87g and 126g per box, respectively, and the 2021 consumption intensity for pizza packaging boxes thereby deceased by 15% year-on-year from 1.31 tons per million RMB of revenues to 1.12 tons per million RMB of revenues since the introduction of the lighter pizza packaging boxes in 2021. The weight of napkins was also reduced by 16.6% from 1.693g per napkin to 1.411g per napkin, and the consumption intensity for napkins in the first half of 2022 thereby deceased by 17% compared to that in 2021, from 0.10 tons per million RMB of revenues to 0.08 tons per million RMB of revenues since the introduction of the lighter napkins in 2022. In addition, we connect with partners via seminars, workshops and other methods to stay on top of the latest industry trends and look for technologies that address eco-friendly materials. We will also continuously explore different approaches in food waste management including compost by cooperation with external agencies.

We intend to make commitments, set targets, and step-up efforts to increase the rate of light-weighted, fibre-based or eco-friendly content in our packaging, manage end-of-life packaging treatment, and mitigate food wastage on our pathway to a more sustainable future.

Corporate social responsibilities

Apart from identifying and mitigating ESG risks related to our business, we are proactive in undertaking social responsibilities mainly by providing equal employment opportunities and promoting diversity, investing in our employees' professional development, implementing a stringent anti-corruption mechanism, engaging in responsible marketing and bonding with local communities.

Equal opportunities and diversity

We are on a continuous journey to the improvement of wellbeing of everyone working with and for us. We foster inclusion and equality among employees from all backgrounds, regardless of employment type (full-time or part-time), religion, age, gender, sexual minorities, disability, sexual orientation, citizenship status and parental status, among others. We believe that diversity, including but not limited to gender diversity, is important to us in thriving in the business environment. Hence, we consider diversity in determining the composition of our senior management and our Board. For example, among the thirteen members of our SLT team, eight members are female. Our Board is also diverse, with two female directors, as well as directors hailing from different regions or countries, including the China mainland, the Hong Kong Special Administrative Region of China, the United States and the United Kingdom.

Professional development

We invest in people and help them prosper. To ensure our employees have an exciting and rewarding career path and become well-rounded professionals, we support them in the following ways:

(i) providing our employees with guidance before their appraisal interviews;

(ii) offering our employees of different career levels customized training and coaching via our online e-learning system on topics ranging from our internal policies and standards, brand story and industry insights to communication and leadership skills; and

(iii) organizing in-class training programs as needed, such as the senior management leadership program in collaboration certain universities in China.

Anti-corruption

We comply with the laws and regulations in the PRC regarding anti-corruption. In addition, we have adopted and strictly implemented our internal anti-corruption policies as stipulated in our Employee Handbook, which is signed by all our employees. Pursuant to our anti-corruption policies, any employee who takes a bribe from any business partner for the purpose of getting business will be subject to penalties or termination of labor contracts. We also expect the same ethical practice by our business partners and their respective suppliers, evidenced by the fact that we require our business partners to sign our Supplier Code of Conduct. In addition, we have imposed a whistleblowing procedure that allows employees to report actual or suspected wrongdoing. The identities of the whistle blowers are kept strictly confidential.

Responsible marketing

We present the public with accurate advertising and sales information about our business and products. We review the legality and truthfulness of our promotional campaigns before their official launch. We remain compliant with laws and regulations governing advertising activities in the PRC. For more information on the laws and regulations that apply to us, please see "Regulations – Overview of PRC laws and regulations – Regulations relating to food advertisement".

Community involvement

We strive to forge benign relationships with local communities to maintain sustainable business operations. For example, we offered pizzas for free to frontline workers who were fighting the COVID-19 pandemic, such as hospitals, medical staff and the police, during the height of the pandemic from January to May 2020. We have also established a Domino's Community Service Team for Southeast China. In 2021, this Team undertook a community clean-up initiative, to which they dedicated approximately 550 hours to help clean garbage that was improperly disposed.

SETTLEMENT AND CASH MANAGEMENT

Customers can pay with digital payment methods such as Weixin Pay and Alipay, as well as other payment methods such as credit cards and cash. The table sets forth a breakdown of our revenues by payment method as a percentage of our gross revenue for the periods indicated.

	Year ended December 31,			Six months ended June 30,	
	2019	**2020**	**2021**	**2021**	**2022**
Percentage of revenue(1)					
By settlement method					
Digital payment methods(2)	87.0%	95.4%	98.3%	97.2%	99.4%
Credit card	10.0%	3.7%	1.3%	2.4%	0.2%
Cash	3.0%	0.9%	0.4%	0.4%	0.4%
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Notes:

(1) Calculated based on gross revenue before the deduction of value-added tax.

(2) Refers to revenue generated from orders placed on either (i) our own online channels that were settled through Alipay, Weixin Pay, UnionPay and other digital payment methods, or (ii) third party online channels.

As the vast majority of our orders are settled through non-cash methods, risks related to cash management have been and will continue to be maintained at minimal level. Nevertheless, with respect to orders that are settled through cash, we implement a number of internal control policies to prevent cash misappropriation and embezzlement. Currently cash at the store level includes store revenues received in cash and petty cash (mainly used for change and small miscellaneous expenses). The company has established a Store Cash Management Policy to regulate the management of cash revenue and petty cash at the store level. For store revenues received in cash, our policies prescribe that, (i) on a daily basis, after a given store closes, a store clerk will perform cash counts under the supervision of another store clerk, who will record the count result on a designated form, and cash will be stored in a safe; (ii) on a weekly basis, at each store, our store manager will deposit cash into the bank account designated by the Company; (iii) on a monthly basis, the Group-level accounts receivable reconciliation accountant will check the applicable bank statement against our internal store-level revenue reports. Our Finance Manager and Deputy Finance Director will review internal reports to sign off on our monthly closing checklist, and the applicable district managers and regional managers will also perform independent counts during store inspections, which inspections are documented to retain evidence of review. Similarly, for store petty cash, pursuant to our cash management policy, we also conduct daily supervised cash counts and storage, as well as monthly inspections by district managers and regional managers.

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

INSURANCE

As of the Latest Practicable Date, we maintained various insurance policies relating to our business operations. For our stores in China, we mainly purchase property insurance, public liability insurance, food safety and employer's liability insurance. We consider that the coverage from the insurance policies maintained by us is adequate for our present operations and is in line with industry norms. For more information, please see "Risk factors – Risks related to our business and industry – We have limited insurance coverage, which could expose us to significant costs and business disruption".

RISK MANAGEMENT AND INTERNAL CONTROL

We have implemented a comprehensive set of risk management policies and procedures to identify, assess and manage risks that we are exposed to in our day-to-day operations. For details of the major risks identified by our management, see "Risk factors". To monitor the ongoing implementation of our risk management policies and corporate governance measures after the [**REDACTED**], we have adopted and will adopt, among other things, the following risk management measures:

- we have established an audit and risk committee to review and supervise our financial reporting process and internal control system. Our audit and risk committee consists of five members, comprising (i) three independent non-executive Directors, namely Ms. Lihong Wang, Mr. David Brian Barr and Mr. Samuel Chun Kong Shih, and (ii) two non-executive Directors, namely Mr. Zohar Ziv and Mr. Matthew James Ridgwell. Ms. Lihong Wang serves as chairperson of the committee. See "Directors and senior management – Management and corporate governance – Board committees – Audit and risk committee" for the qualifications and experience of these committee members as well as a detailed description of the responsibility of our audit and risk committee;

- we will adopt various policies to ensure compliance with the Listing Rules, including but not limited to aspects related to conflict of interest management, connected transactions and information disclosure;

- we have adopted and will continue to adopt anti-corruption and anti-bribery policies among employees and other third parties; and

- we will continue to organize training sessions for our Directors and senior management with respect to the relevant requirements of the Listing Rules and duties of directors of companies listed in Hong Kong.

In addition, we have appointed Somerley Capital Limited as our Compliance Advisor, who will provide advice and guidance to us in respect of compliance with the applicable laws and the Listing Rules, including various requirements relating to Directors' duties and corporate governance matters.

Our Directors are of the view that we have adequate and effective internal control procedures.

AWARDS AND RECOGNITION

During the Track Record Period, we have received recognition for the quality and popularity of our products and services.

We have been recognized as a top-performing Domino's franchisee. We won the Gold Franny four years in a row, having won it from 2018 to 2021. The Gold Franny is awarded by Domino's Pizza, Inc. to its U.S. and international franchisees for exceptional operating results, store development and growth. In 2019, we also were also awarded the President's Award (Large Market), which was a one-off award given by Domino's Pizza, Inc. to the single top-performing Gold Franny winner, as selected among Gold Franny winners with more than 200 directly operated stores. In 2021, we were awarded the Cornerstone Award, which is awarded by Dominos' Pizza, Inc. to franchisees that demonstrate exceptional net new store growth. As a leading Domino's franchisee, we believe we are well-positioned to further grow the Domino's brand in China, just as many of our peer franchisees have done in other international markets around the world.

The table below sets forth some of the significant international and domestic awards and recognition that we or our senior management have received during the Track Record Period:

Award/Recognition	Award Year	Awarding Institution/Authority
Awards/recognition awarded by Domino's Pizza, Inc.		
Cornerstone Award	2021	Domino's Pizza, Inc.
Gold Franny	2021	Domino's Pizza, Inc.
Gold Franny	2020	Domino's Pizza, Inc.
2019 President's Award – Large Market	2019	Domino's Pizza, Inc.
Gold Franny	2019	Domino's Pizza, Inc.
Other awards/recognition		
2022 Industry Influential Brand Award	2022	China Finance Summit (CFS財經峰會)
2021 Huaying Digital Index Top 30 (2021華鷹數字化指數Top 30)	2021	China Digital Innovation Expo (中國數字化創新博覽會)
Best Retail Digital Transformation and Innovation Award (年度最佳零售數字化轉型與創新獎)	2021	WRE World Retail Elite (WRE消費品營銷科技峰會)
2021 Outstanding Brand Image Award (2021傑出品牌形象獎)	2021	China Finance Summit (CFS財經峰會)
2021 Industry Quality Paragon Award (2021行業品質典範獎)	2021	International Quality Festival 2021 – Global Consumer Leadership Summit (2021國際品質節–全球消費領導力峰會)
Best Digital Marketing and Execution Innovation Award (最佳數字化營銷與執行創新獎)	2020	WRE World Retail Elite (WRE消費品營銷科技峰會)

LICENSES AND REGULATORY APPROVALS

In accordance with the laws and regulations in the jurisdictions in which we operate, we are required to obtain various licenses and regulatory approvals to operate our business. Please refer to the section entitled "Regulation" in this document for details about the regulations that apply to us.

During the Track Record Period and up to the Latest Practicable Date, we had obtained all necessary licenses that are material to our business operations from the relevant government authorities. All of our licenses are valid for a fixed period and subject to renewal upon expiry. Our Directors do not expect any impediment in the renewal of our licenses.

The table below sets forth a summary of the licenses and regulatory approvals that we have obtained for our business operations as of the Latest Practicable Date:

Type of License or Regulatory Approval	Number of Licenses
Business License	581
Food Operation License	565
Publication Operation License	1
Single-Purpose Commercial Prepaid Cards Registration	1
Self-built Online Food Trading Website Filing for Food Producer and Trader	1
Pollution Discharge License/Registration	3
Public Assembly Place Fire Inspection Approval	167

LEGAL PROCEEDINGS AND COMPLIANCE

Legal proceedings

From time to time, we may become a party to various legal or administrative proceedings arising in the ordinary course of our business, including actions with respect to breach of contract and labor and employment claims. For example, during the Track Record Period, we were defendant to certain contract disputes lawsuits, all of which were closed as of the Latest Practicable Date after we settled them for an immaterial sum. These lawsuits did not, individually or in the aggregate, have a material adverse effect on our business, financial condition, cash flow or results of operations. We are currently not a party to, and we are not aware of any threat of, any legal or administrative proceedings that, in the opinion of our management, are likely to have any material and adverse effect on our business, financial condition, cash-flow or results of operations.

Compliance

During the Track Record Period and up to the Latest Practicable Date, we had not been and were not involved in any material noncompliance incidents that have led to fines, enforcement actions or other penalties that could, individually or in the aggregate, have a material adverse effect on our business, financial condition and results of operations.

For more information about the laws and regulations that we are subject to, please see "Regulations".

Non-compliance incidents

We had certain non-compliance incidents during the Track Record Period, as described in more detail below. We endeavor to open new stores after it has obtaining all necessary licenses, permits and approvals required under the relevant PRC rules and regulations in the future.

Fire safety non-compliance

Background and reasons for non-compliance

During the Track Record Period and up to the Latest Practicable Date, we had a total of five stores that commenced operations before completing the required pre-opening fire safety inspections (the "**Fire Safety Inspections**") due to the Regulatory Change as described below. These Fire Safety Inspections are required by *The 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監察告知承諾管理的通知》) (the "**Notice**"), which was released by the Beijing Fire and Rescue Force on July 20, 2021 and which became effective on July 26, 2021, superseding the prior regulations (such change in regulations, the "**Regulatory Change**"). Pursuant to the Notice, all public assembly places in Beijing, such as restaurants, are required to complete Fire Safety Inspections before commencing operations, regardless of their property size. By contrast, under the prior regulations, public assembly places with a property size of less than 300 square meters were only required to complete Fire Safety Inspections in certain cities.

Although our employees had made applications for the Fire Safety Inspections for these five stores before such stores commenced operations, we did not obtain such approvals in a timely manner primarily because (i) there was a significant increase in the number of applications for Fire Safety Inspections after the Regulatory Change, which caused an increase in the processing time for such applications; and (ii) the ability of the relevant fire safety authorities to conduct onsite inspections has been hindered by the COVID-19 pandemic (and control measures related thereto), as well as seasonal holidays, causing further processing delays.

Even though the above-mentioned five stores did not formally complete the Fire Safety Inspections before commencing operations, each of these five stores had been inspected on site by fire safety enforcement staff from a competent authority who is in charge of accepting Fire Safety Inspection applications and conducting fire safety onsite checks for the relevant stores before such stores commenced operations. Fire safety inspections were also conducted on a routine basis on the premises of the five stores. After these on-site inspections and our verbal communications with the relevant fire safety enforcement staff on-site, and as of the Latest Practicable Date, we have not received any requests, rectification orders or administrative penalties from any of the relevant fire safety authorities with respect to the operations of any of the above-mentioned five stores. Based on our communications with the fire safety enforcement staff during on-site inspections, we are compliant with the applicable fire safety laws and regulations in all material respects, and we have verbal permission to continue our operations as long as the relevant stores remain in compliance with the fire safety standards. We have therefore continued the operations of those five stores.

Except for the above-mentioned five stores, all of our stores in the PRC have obtained all necessary licenses, permits and approvals required under the relevant PRC rules before their respective commencement of operations during the Track Record Period.

Latest status and potential legal consequences

The status, as of the Latest Practicable Date, of the Fire Safety Inspections for the five stores that were unable to complete such Fire Safety Inspections during the Track Record Period are as described below.

Two stores successfully completed their Fire Safety Inspections in April 2022 and in October 2022, respectively. As advised by our PRC Legal Advisor, the risk of these two stores being subject to any administrative order or penalty for not completing the Fire Safety Inspections before commencing operations is remote, given that (i) these two stores have obtained the Fire Safety Inspection certificates without material impediments, and (ii) we have not received any rectification orders or administrative penalties in the course of applying for the requisite Fire Safety Inspections or at any time prior to the commencement of each of these two stores' operations.

As of the Latest Practicable Date, we have submitted applications to conduct Fire Safety Inspections for each of the remaining three stores. However, each of these applications have been deferred by circumstances beyond our control. In particular:

(i) The application for one store has been deferred because this store is located in a building that is currently undergoing building-wide, fire safety-related renovations. Until these renovations are completed, our application for this store's Fire Safety Inspection cannot be processed. We expect to complete the Fire Safety Inspection for this store by the end of 2022.

(ii) The applications for two stores have been deferred because the landlords for these stores have yet to provide us with certain supplemental information that have been requested by the competent authorities. We have been, and are, actively communicating with the relevant landlords to obtain the necessary information.

We plan to re-submit our applications for each of the three stores as soon as practicable, which will be when the building-wide renovation is completed or when the relevant landlords provide us with the necessary information, as applicable. For the two stores whose applications have been deferred due to a lack of information from the landlords, we expect to obtain approval of the applications in the first half of 2023.

If we are unable to obtain the Fire Safety Inspection certificates for the above-mentioned three stores before [**REDACTED**], we will suspend their operations as a rectification measure. As advised by our PRC Legal Advisor, pursuant to the PRC Fire Prevention Law, each of these stores may be ordered to cease operations and close by the competent government authorities, and we may be subjected to fines ranging from RMB30,000 to RMB300,000 for each incident. Should this occur, we may seek indemnities from the landlords of these stores pursuant to our lease agreements with them, which provide, among other things, that (i) such landlords must assist us with obtaining the relevant fire safety licenses and ensuring that the store properties comply with applicable fire safety regulations, and (ii) if we are unable to normally operate our stores for reasons attributable to these landlords, they must indemnify us for our losses on the terms specified in the relevant lease agreement. Our PRC Legal Advisor further advised that, as long as each of them complies with the applicable fire safety standards in the course of their operations and would be able to complete any rectifications requested by the competent authorities, the risk of us being required to close such stores before we receive any rectification order by competent authorities is low. During the Track Record Period, the aggregate revenue generated by these three stores from the date of their opening was RMB4.3 million, which represents approximately 0.17% of the total revenues generated over the three and half years of the Track Record Period.

Rectification and compliance measures

We have always placed great emphasis on fire safety protection for each of our stores, and have adopted a series of internal control measures to mitigate the risk of potential fire hazards before commencing operations at any given store. We have always complied with the local laws and regulations on fire safety protection for all of stores in all material respects. We believe that the above-mentioned issues with the five stores are not an indication of any systematic issue with respect to fire safety protection in our Group. As of the Latest Practicable Date, among the five stores that did not complete the Fire Safety Inspections prior to commencing operations, two stores have successfully completed the Fire Safety Inspections during the course of their operations. For the remaining three stores, we will re-submit our applications for Fire Safety Inspection as soon as practicable. If we are unable to obtain the Fire Safety Inspection approvals for the three stores before [**REDACTED**], we plan to suspend their operations to fully comply with the laws and regulations in respect of fire safety protection.

In addition, we believe we have implemented a robust set of internal policies and taken relevant measures to ensure compliance before we open new stores, including those five stores that did not complete the required Fire Safety Inspections in time. Our key internal policies are described below:

- *Site selection*. Other than the selection criteria as set out in "– How we choose the locations of our Domino's Pizza Stores" and commercial reasons, we also require that the sites selected are in compliance with all fire safety requirements, and will consider whether the structure of the building of the site has satisfied the applicable regulatory requirements including, among others, on fire safety and whether the building of the site has been equipped with the relevant fire safety facilities. The independent construction company with professional qualifications in fire safety facilities construction engaged by our Group will review the floor plans and structure plans to see if there is any fire safety issue.

- *Lease agreements*. Lease agreements for our stores include contractual terms providing that the owners of the relevant properties shall assist us in providing the required fire safety documents for us to complete the relevant applications in compliance with the applicable laws and regulations in relation to fire safety.

- *Stores located in shopping malls.* For the Group's stores located in shopping malls, we have requested the applicable lessor to provide written proof of fire compliance of the shopping malls for us to review before we commence operations in the mall. Such proof includes, among others, fire safety planning and design opinions, fire safety construction acceptances, fire safety inspection approvals and fire safety check opinions. In addition, we review the lease contracts of the Group's stores, which usually contain representations and warranties made by the lessor with respect to fire safety compliance, as well as the corresponding damages clauses. For example, if the store is unable to apply for the required fire safety licenses (which always include the Fire Safety Inspection) to commence our operations due to the fault of the lessor, the lessor shall compensate us for our losses, generally in the amount of several months' rent. As of the Latest Practicable Date, no major fire safety non-compliance issues were found with these shopping malls where the Group's stores are located.

- *Design and decoration*. We engage multiple design companies with expertise and experience in designing stores to sketch and provide us with design ideas that comply with fire safety requirements and food and drug requirements; we also engage multiple construction and decoration companies with licenses and other professional qualifications to decorate our restaurants. We start to apply for relevant approvals and other materials at the beginning of the decoration of our stores, and the competent authorities will come to our stores by the end of the decoration for inspections. If the authorities find our stores meeting the requirements for opening, the Fire Safety Inspection Approval will be issued. Our engineering department also conducts inspections upon the completion of the decoration.

- *Fire safety policies*. We have established our in-store fire safety management policies, which unify the fire safety practice at every store throughout our network. Our heightened in-store fire safety management policies provide detailed guidance on the use and maintenance of fire safety facilities. According to the heightened in-store fire safety management policies, every store shall make plans for fire safety work and conduct fire safety inspection on a regular basis. As of the Latest Practicable Date, all of our stores have cooperated with the applicable fire departments for fire-safety spot checks and irregular onsite inspections and passed such examination.

- *Employee trainings*. We provide regular trainings on fire safety to our in-store staff and other employees, which cover key aspects of our daily operations. We also organize fire drills on a regular basis to increase our employees' fire safety awareness.

We have enhanced our internal control measures and procedures with respect to fire safety to manage associated risks and prevent re-occurrence of such non-compliance incidents. Set forth below are key efforts we have made:

- *Management of licences, permits and approvals*. Our licenses, permits and approvals management policies explicitly require every new store to be opened only after all necessary licences, permits and approvals required under the relevant PRC rules and regulations are obtained. Accordingly, we will only open new restaurants after they have obtained all necessary licences, permits and approvals required under the relevant PRC rules and regulations going forward.

- *Designated personnel*. According to our licenses, permits and approvals management policies, we designate dedicated personnel to manage the licenses, permits and approvals required for our business operation, who are responsible for monitoring their status and renewing those close to expiration in a timely manner.

In preparation for the [**REDACTED**], the Group has engaged an independent third party consultant (the "**Internal Control Consultant**") to perform a review over selected areas of our internal controls over financial reporting in November 2021 (the "**Internal Control Review**"). The scope of the Internal Control Review performed by the Internal Control Consultant was agreed between us, the Sole Sponsor and the Internal Control Consultant. The selected areas of our internal controls over financial reporting that were reviewed by the Internal Control Consultant include restaurant opening procedures, but do not cover the overall management of fire safety compliance.

Based on the recommendations received, the Group has implemented enhanced controls to prevent the recurrence of such non-compliance. The Group has formulated a "Restaurant Opening/Closing Checklist and Management Procedure," which requires various functional departments (e.g., Construction, Equipment, Human Resources, Finance and Operations) to prepare for restaurant opening in accordance with detailed checkpoints. Several checkpoints are related to obtaining required licenses (such as the Fire Safety Inspection Approval, where applicable, Business License, Food Operation Permits, among others) in a timely manner. Each functional department signs off the checklist after completing the assigned check points and the Regional Manager must review and sign off on the completed checklist before the restaurant may officially open for business.

In addition, the Construction Department is responsible for collecting updated regulations regarding Fire Safety Compliance in various cities and performs Restaurant Opening Check for Fire Safety Inspection based on the latest requirements.

The Internal Control Consultant performed a follow-up review in April 2022 and did not have any further recommendations. The Internal Controls Review and the follow-up review were conducted based on information provided by the Group and no assurance or opinion on internal controls was expressed by the Internal Control Consultant.

After taking into account the above enhanced internal control measures and the results of the follow-up review by the internal control consultant, our Directors are of the view, and the Sole Sponsor, after conducting relevant due diligence, concurs with our Directors, that our Group's enhanced internal control measures in relation to the fire safety, are adequate and effective.

Labor dispatch non-compliance

According to the PRC Labor Contract Law and the Interim Provisions on Labor Dispatch, an employer must control the use of dispatched workers, and the number of dispatched workers must not exceed 10% of the total number of its workers, where the total number of workers refers to the sum of the number of employees who have entered into labor contracts with the employer and the number of dispatched workers used by the employer.

During the Track Record Period, the number of our dispatched workers exceeding the legal threshold was 41, 112, 259 and 287 in 2019, 2020, 2021 and the six months ended June 30, 2022, respectively. Nevertheless, there is no substantial difference in the salary standards, social insurance and housing funds coverage between the dispatched workers and the employees with whom the relevant subsidiary entered into standard labor contracts. As of the Latest Practicable Date, the relevant subsidiary has reduced the number of dispatched workers to below the 10% legal limit. As such, the labor dispatch non-compliance was fully rectified as of the Latest Practicable Date.

Our PRC Legal Advisor is of the opinion that the risk of the relevant subsidiary being penalized for its labor dispatch non-compliance during the Track Record Period is remote, given that the issue has been rectified in a timely manner, and we have obtained compliance letters from the competent authorities proving that none of our subsidiaries had been subject to any administrative order or penalties in relation to labor and social security during the Track Record Period.

We have adopted internal control policies that require our regional human resources department to calculate, on a regular basis, (i) the ratio of dispatched staff to the total number of staff, and (ii) the maximum number of dispatched staff we are permitted to engage. We require our human resources department to submit this ratio to the head of our human resources department for review and approval to ensure our compliance with the relevant regulatory requirements in the PRC with respect to dispatched labor.

Advertising and promotional materials non-compliance

Between 2016 and 2019, certain of our advertising and promotional materials were fined or otherwise penalized for allegedly breaching PRC advertising laws. These non-compliance issues mainly arose in connection with using puffing language or not including sufficient details when explaining promotional rules in our advertising and promotional materials. These penalties totaled approximately RMB1.2 million in fines, substantially all of which were imposed before the Track Record Period, and a warning from a government agency in Beijing. The penalties did not have a material adverse on our business, financial condition or results of operations. We engaged legal counsel to review our advertising language and internal policies and have since updated our advertising and promotional policies to prevent similar violations in the future.